



Annual Comprehensive Financial Report



Fiscal Year Ended September 30, 2023

PORT OF PALM BEACH DISTRICT

Annual Comprehensive Financial Report

FISCAL YEAR ENDED SEPTEMBER 30, 2023



Prepared by

PORT OF PALM BEACH FINANCE DEPARTMENT

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

PORT OF PALM BEACH DISTRICT
Annual Comprehensive Financial Report
September 30, 2023

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PORT OF PALM BEACH DISTRICT

Principal Officials As of September 30, 2023

PORT BOARD MEMBERS

Jean L. Enright	Chair
Wayne M. Richards	Vice Chair
Deandre J. Poole	Secretary/ Treasurer
Blair J. Ciklin	Commissioner
Varisa Lall Dass	Commissioner

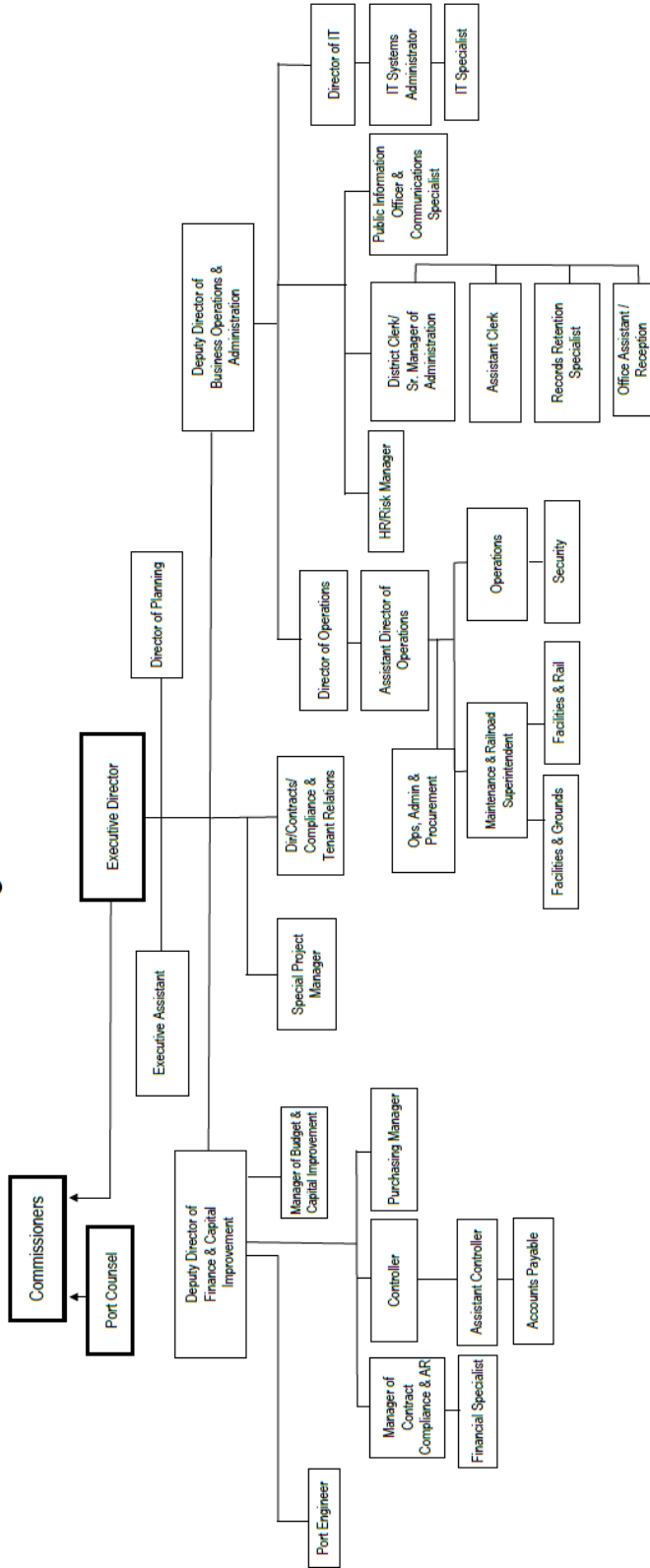
PORT STAFF

Michael Meekins	Executive Director
Beatrice Greffin, MA, CPE™, CMC	Deputy Director of Business Operations and Administration
Michael Williams (1)	Deputy Director of Finance and Capital Improvements
Open Position	Port Engineer
Carl Baker, CPE™	Director of Planning and Development
Tacaria Anderson Jones	Director of Contract Compliance & Tenant Relations
Rick Placeres	Director of Operations
Richard Laird, MSCE, CNE, CCNA	Director of Information Technology
Daniel Kirchman, CPA, CGMA®, CPE™	Controller
Jackelin Machado, MBA, MMC	District Clerk - Senior Manager of Administration
Raquel Rivera	Manager of Human Resources Administration and Risk Management
Yaremi Farinas	Public Information Officer & Communications Specialist

(1) Resigned, effective on November 3, 2023.



Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Port of Palm Beach District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Palm Beach District, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port of Palm Beach District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT – Continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port of Palm Beach District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Palm Beach District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, the schedule of changes in the total OPEB liability on page 60, and the pension schedules on pages 61 through 62, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT – Continued

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Palm Beach District's basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by Chapter 10.550, Rules of the Auditor General on pages 89 through 91 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state projects are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024 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 effectiveness of the Port of Palm Beach District's 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.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located on a light blue rectangular background.

West Palm Beach, Florida
June 20, 2024

PORT OF PALM BEACH DISTRICT

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

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, 2023. 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 167 acres and is primarily a landlord port serving Palm Beach County, South Florida region, the United States, and the Caribbean. The Port is a self-supporting organization and generates revenues from port users to fund all operating expenses, debt service requirements and a portion of its capital projects. Capital projects are also funded by external financing including the issuance of municipal revenue bonds, 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 \$145,367,876 (*net position*). Of this amount, \$23,346,986 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$5,412,239. This increase consists of \$3,635,473 of income before contributions, and \$1,776,766 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 129% of total expenses and the return on unrestricted net position was 16%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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

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

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 fund. *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 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 18 - 22 of this report.

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

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 for the financial statements are on pages 23 - 59 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Port's progress in funding its obligation to provide pension and OPEB benefits to its employees, *other supplementary information*, and *statistical data*. This information is on pages 60 - 82 of this report.

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, 2023, by \$145,367,876.

The following table reflects the condensed statement of net position as of September 30:

Port of Palm Beach District's Net Position

	FY 2023	FY 2022	Change Amount	%
Current and other assets	94,500,533	65,624,769	28,875,764	44.0%
Capital and right to use leased assets, net	124,795,515	124,386,357	409,158	0.33%
Total assets	219,296,048	190,011,126	29,284,922	15.4%
Total deferred outflows of resources	1,624,234	1,599,007	25,227	1.6%
Current liabilities	6,425,646	6,794,036	(368,390)	-5.4%
Noncurrent liabilities	14,501,949	16,711,437	(2,209,488)	-13.2%
Total liabilities	20,927,595	23,505,473	(2,577,878)	-11.0%
Total deferred inflows of resources	54,624,811	28,149,023	26,475,788	94.1%
Net position:				
Invested in capital assets, net of related debt	119,911,380	117,053,432	2,857,948	2.4%
Restricted	2,109,510	2,901,141	(791,631)	-27.3%
Unrestricted	23,346,986	20,001,064	3,345,922	16.7%
Total net position	145,367,876	139,955,637	5,412,239	3.9%

Current and other assets increased by approximately \$28.88 million. This was primarily due to an increase of \$26.52 million in GASB Statement No. 87, *Leases*, lease receivable from additional leases and options to extend the leases, approximately \$1.00 million each for increases in cash, from operating activities and grants receivable from the MARAD PIDP and FDOT rail grants, and approximately \$0.36 million increase in trade receivables, which each fiscal year based on the

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

timing of billing and payments. Capital and right to use leased assets, net and deferred outflows of resources had no significant changes.

Current liabilities decreased by approximately \$0.37 million primarily from decreases of \$0.60 million in accounts payable that offset increases in compensated absences due to the timing of payments, vacation/sick time-off and pay-outs, and increases of \$0.09 million in unearned revenue from additional prepayments, and increases of \$0.14 million primarily in capital appreciation revenue bond interest from additional current amounts required for the series 2002 revenue bond requirements. Noncurrent liabilities decreased by approximately \$2.21 million as normal debt (revenue bonds & capital appreciation) payments offset the increase in the FRS and HIS pension plan's net pension liability.

Pension related items of deferred outflows increased approximately \$0.07 million, and deferred inflows decreased by approximately \$0.05 million, and net pension liability increased approximately 1.15 million to \$5.85 million as of September 30, 2023, for the Port's proportionate share, 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 annual GASB calculations to meet the parameters set by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented in FY 2015. Additional information on the Port's pension related items is 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, 2023 and 2022, (\$119.91 million or 82.5% and \$117.1 million or 83.6%, 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.

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

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, 2023, and 2022, (\$2.11 million or 1.5% and \$2.90 million or 2.1%), represents the reserve for maximum debt service, sinking, renewal and replacement, and business development funds that are restricted in accordance with existing bond covenants. The remaining balance of the Port's net position is unrestricted and may be used to meet the Port's ongoing obligations to creditors. At the end of FY 2023, the Port's unrestricted net position was \$23.35 million or (16.1% of net position), an increase of approximately \$3.35 million or 16.7% from FY 2022.

The Port's total net position increased by approximately \$5.41 million or 3.9% in FY 2023. Of this amount, approximately \$3.63 million represents income before capital contributions and approximately \$1.78 million represents capital contributions from state and private sources. There is no assurance that these capital contributions from other sources will continue in the future.

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

The following table reflects the condensed revenue and expense data:

Port of Palm Beach District's Changes in Net Position

	2023	2022	Change	
			Amount	%
Operating revenues:				
Fees and charges for services	\$ 20,606,999	\$ 18,408,322	2,198,677	11.9%
Non-operating revenues:				
Investment earnings	1,163,953	110,752	1,053,201	951%
Other	7,356	1,346	6,010	446.5%
Grant revenue	-	813,742	(813,742)	-100.0%
Total non-operating revenues	1,171,309	925,840	245,469	26.5%
Total revenues	21,778,308	19,334,162	2,444,146	12.6%
Operating expenses:				
General expenses	3,401,927	3,251,480	150,447	4.6%
Engineering and maintenance	3,001,204	2,455,397	545,807	22.2%
Security	2,065,339	1,680,535	384,804	22.9%
Administration	2,679,771	2,285,262	394,509	17.3%
Business development	815,115	655,106	160,009	24.4%
Operations	927,665	621,459	306,206	49.3%
Depreciation and amortization	4,370,731	4,564,508	(193,777)	-4.2%
Total operating expenses	17,261,752	15,513,747	1,748,005	11.3%
Non-operating expenses:				
Grant and other expenses	85,582	64,372	21,210	32.9%
Loss on disposition of assets	-	12,316	(12,316)	-100.0%
Interest	795,501	943,723	(148,222)	-15.7%
Total non-operating expenses	881,083	1,020,411	(139,328)	-13.7%
Total expenses	18,142,835	16,534,158	1,608,677	9.7%
Income before contributions	3,635,473	2,800,004	835,469	29.8%
Capital contributions	1,776,766	1,768,260	8,506	0.5%
Change in net position	5,412,239	4,568,264	843,975	18.5%
Net position – beginning	139,955,637	135,387,373	4,568,264	3.4%
Net position - ending	\$ 145,367,876	\$ 139,955,637	5,412,239	3.9%

Key elements of the increase in net position for the fiscal year ended September 30, 2023, are as follows:

- The Port's overall financial results were due a full fiscal year without any COVID-19 or coronavirus pandemic effects since FY 2019. The Port's net operating revenues averaged

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

over \$18.66 million in FY's 2018 and 2019 and dropped to \$16.01 million in both FY's 2020 and 2021, the primary COVID years before recovering in FY 2022. This was a drop of approximately 13.8%. The Port's net operating revenues still achieved a compound annual growth rate of approximately 3% over the last ten years.

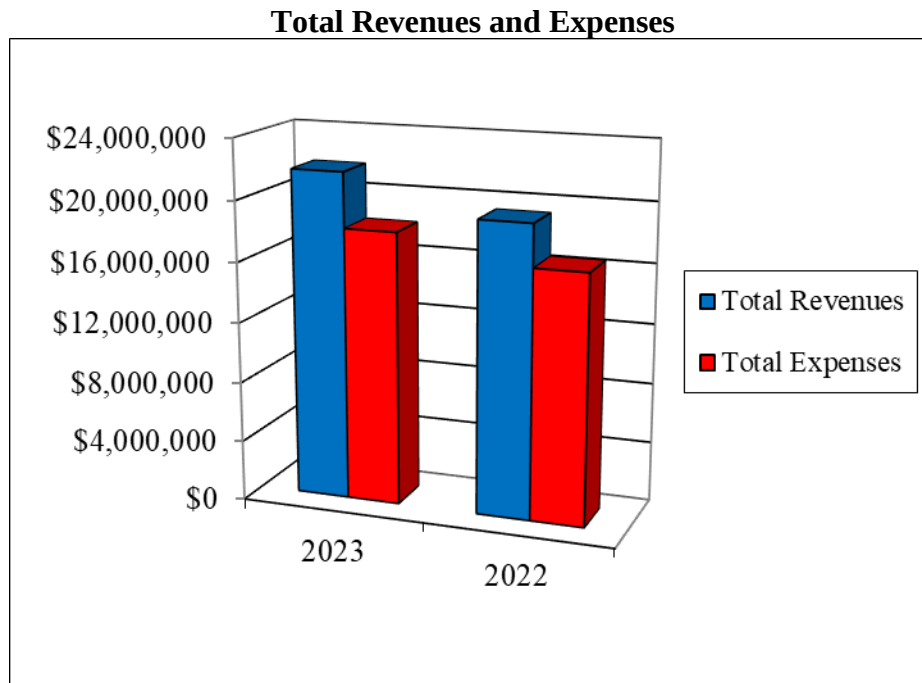
- Overall operating revenues (fees and charges for services) increased by approximately \$2.20 million or 11.9%. This was primarily due to significant increases in passenger and parking revenues, which increased by approximately \$2.15 million or 95.7%, and cruise passenger counts of over 412 thousand, because of a full year of cruise operations without any COVID-19 or coronavirus pandemic effects or restrictions. Prior to the coronavirus pandemic, cruise passenger counts were averaging 427 thousand from FY 2014- FY 2019. Additional operating revenues for cargo related items decreased \$0.05 million or 0.5%, primarily due to the loss of Teeters Agency & Stevedoring and Monarch Shipping Company Limited, (Teeters) and leases/rents increased \$0.19 million or 3.2%, primarily from annual contract escalation clauses tied to the CPI. The remaining operating revenues, which consist of licenses, permits, identification badging, and other miscellaneous items decreased by approximately \$0.09 or 21.1%, primarily due to significant interest late charges to Teeters in FY 22. 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 98%.
- Investment Earnings increased significantly by approximately \$1.05 million, or 951.0% as the target range for the federal funds interest rate and the Port's money market mutual fund and bank managed earnings rate increased significantly which accounted for a significant increase in earnings, in addition to the Port adding additional monies to the money market mutual fund from increased earnings. The federal funds rate target rose to 5.25% - 5.50% by September 30, 2023, and has maintained this rate through the date of this report.
- The Port did not receive or recognize any non-operating grant revenues in FY 2023. A grant awarded from the State of Florida through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act of 2021 to offset the negative economic impacts of COVID-19, of approximately \$4.05 million was received in FY 2021. The final allocation was recognized in FY 2022 for approximately \$0.81 million.
- Operating Expenses (including depreciation and amortization) increased approximately \$1.75 million or 11.3%, primarily from significant increases in salaries, payroll taxes, and benefits, (see paragraph below). Operating expenses (excluding salaries, payroll taxes and benefits) decreased approximately \$0.37 million or 3.8%. The most significant decreases were the reductions in Teeters bad debt allowances, legal fees, costs associated with the seizure and arrest of their vessel, removal of customer cargoes, and maintenance of lease properties. They were a top five revenue producer, who were evicted for unpaid accounts receivable which led to their lease and operating agreement being canceled and the filing of legal actions. The Port incurred Teeters expenses of approximately \$0.45 million in FY 23 versus \$1.43 million in FY 2022. The decreases in the Teeters costs offset increases primarily in the cruise line related costs for contracted security, janitorial and utility usage

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

from a full year of cruise operations, in addition to increases in repairs and maintenance, and information systems maintenance agreements and consulting. The remaining changes in the expense categories were insignificant.

Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization, at approximately 61% and increased by approximately \$1.94 million or 18%. This was primarily due to the annual budget COLA raises; market rate increases, and additional positions added that were needed. There was a 9-10% increase in premiums for the group health insurance costs. Retirement costs increased significantly by approximately \$1.03 million primarily from the increase in net pension liability caused by the annual adjustments in actuarial assumptions, experience, earnings, and proportions by the FRS per the requirements of GASB Statement No. 68, in addition to the annual employer contribution rate increases; see Note 8, in the accompanying notes to the financial statements.

- Capital contributions from MARAD PIDP and FDOT Seaport grants for capitalized projects remained mostly flat with only a slight increase in FY 2023 by approximately \$0.01 million. There were several large projects underway in FY 2023, primarily the MARAD PIDP - FDOT intermodal rail yard, cargo transfer facility and other significant infrastructure improvements. In FY 2022, contributions included the remaining Coronavirus State and Local Recovery Funds, Annex Property, and the purchase of the rail supplies for the MARAD PIDP and FDOT Intermodal improvements.



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

CAPITAL ASSETS

Capital assets: The Port's capital assets as of September 30, 2023 and 2022 amounted to approximately \$124.75 and \$123.36 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, facility and infrastructure improvements and equipment, furniture and fixtures, and construction work in progress.

Additions for the fiscal year ended September 30, 2023, were offset by depreciation expense of \$4.36 million.

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

The Port is redeveloping the intermodal rail yard and cargo transfer facility and other significant infrastructure improvements. The project is being funded by the Federal Maritime Administration Port Infrastructure Development Program (MARAD) grant for \$26.45 million and FDOT Seaport matching grants of \$18.02 million, both with a 50/50 required match. Design/built criteria, planning, bidding, permitting, and engineering services began in FY 2021, and rail supplies of \$2.30 million were purchased in FY 2022. Engineering and construction management services and the western portion of the rail rehabilitation were awarded in FY 2023, and the western portion of the rail rehabilitation was completed in FY 2024. Construction of the eastern portion of the rail rehabilitation and cargo transfer facility and other significant infrastructure improvements will begin in FY 2024. The construction projects will be in phases and completed in FY 2026.

The Port purchased six parcels (1.17 acres) for \$1.19 million in FY 2022, and 1 parcel (0.17 acre) for \$196 thousand in FY 2024, next to additional land owned by the Port, across from its northern boundary. This is the start of an expansion project to purchase additional lots as they become available. The Port needs additional land for cargo laydown area and warehousing for its current and future tenants. FDOT has provided a 50/50 matching grant of \$7.35 million, and the Florida Department of Commerce has provided a 67/33 matching grant of \$750 thousand.

The Port started the \$945 thousand phase 2 rehabilitation to the MOC HVAC system and is scheduled to be completed in FY 2024 and the \$1.76 million MOC elevator moderation, and is scheduled to be completed by FY 2025, both are funded by the renewal and replacement fund.

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

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

Port of Palm Beach District's Capital Assets

(net of accumulated depreciation)

	2023	2022	Change	
			Amount	%
Land	\$ 29,414,231	\$ 29,304,281	109,950	0.4%
Buildings and improvements	24,944,713	25,426,341	(481,628)	-1.9%
Slips and improvements	42,707,285	44,067,261	(1,359,976)	-3.1%
Other improvements	12,160,259	10,720,356	1,439,903	13.4%
Wharf and loading ramps	8,513,787	8,783,690	(269,903)	-3.1%
Machinery and equipment	611,452	651,713	(40,261)	-6.2%
Computer equipment	189,175	239,910	(50,735)	-21.1%
Autos and trucks	115,396	49,321	66,075	134.0%
Furniture and fixtures	40,963	35,255	5,708	16.2%
Construction in progress	6,056,429	5,086,432	969,997	19.1%
Total capital assets, net	<u>\$ 124,753,690</u>	<u>\$ 124,364,560</u>	<u>389,130</u>	<u>0.3%</u>

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$4.79 million as of September 30, 2023. Of this amount, approximately \$2.33 million is current and will mature by September 1, 2023. The decrease in the total revenue bonds, noted below, was due to regular scheduled principal payments and no new issuances this fiscal year. The Port's outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. The Port's outstanding revenue bonds have a rating of "Baa2" with a stable outlook by Moody's Investors Service. Additional information on the Port's long-term debt is in Note 4, in the accompanying notes to the financial statements.

The Port of Palm Beach District is required by the terms of the Series 2002, and 2013 Revenue Refunding Bonds to generate sufficient Net Revenues to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2023 and 2022, the Port met this requirement.

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

Port of Palm Beach District's Outstanding Debt
Revenue Bonds

	<u>2023</u>	<u>2022</u>	<u>Change</u>	
			<u>Amount</u>	<u>%</u>
Revenue bonds payable	\$4,791,319	\$7,116,593	(2,325,274)	-32.7%
Less deferred amounts:				
For issuance discounts	(15,684)	(21,061)	5,377	-25.5%
Total	<u>\$4,775,635</u>	<u>\$7,095,532</u>	<u>(2,319,897)</u>	<u>-32.7%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2024 Budget is based upon the following assumptions:

- Net operating revenues are budgeted to increase by approximately 6.6%, to \$21.96 million for FY 2024 as a result of the increases in tariff rates, cargo volumes, parking (2 day to 3 day minimum) and contractual rent increases. Cruise passenger counts were budgeted at the same level as in FY 2023.
- Operating expenses are budgeted to remain mostly flat with a slight decrease of approximately 0.5%, to \$17.18 million (includes \$4.58 million for depreciation and amortization) primarily due to decreases in depreciation, repairs and maintenance, water consumption, legal fees, and janitorial services that offset increases in salaries, payroll taxes and benefits (includes raises and new positions), and property and liability insurance.
- Non-operating revenues (expenses) are budgeted at approximately (\$30.5) thousand, as revenue bond interest, grant expenses, and loss on disposal of assets exceeded investment interest earnings.
- The Port's cash reserves, diverse revenue stream and its long-standing practice of including minimum tonnage and inflation increases, and financial guarantees in many of its agreements with tenants and customers, combined with continued income before capital contributions over \$4.75 million, the Port will continue to meet all financial obligations including maintaining its debt service coverage ratio.

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

Requests for Information

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

Port of Palm Beach District
Daniel Kirchman, Controller
1 East 11th Street, Suite 600
Riviera Beach, FL 33404

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2023

	<u>2023</u>
ASSETS	
Current assets	
Cash, cash equivalents and equity in pooled cash	\$ 30,928,883
Account receivable, net	1,708,983
Grant receivable	1,271,165
Leases receivable	4,774,221
Prepaid items	210,925
Dividend and interest receivable	88,094
Restricted assets	
Cash and cash equivalents	5,964,529
Account receivable	4,023
Total Current assets	<u>44,950,823</u>
Noncurrent assets	
Leases receivable	49,549,710
Right-to-Use lease assets, net amortization	41,825
Total other noncurrent assets	<u>49,591,535</u>
Capital assets:	
Non-depreciable	35,470,660
Depreciable, net of accumulated depreciation	89,283,030
Total capital assets	124,753,690
Total noncurrent assets	<u>174,345,225</u>
Total assets	<u>219,296,048</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,578,659
Deferred loss on bond refunding	45,575
Total deferred outflows of resources	<u>1,624,234</u>

(Continued)

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2023
(Continued)

	<u>2023</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,292,757
Contract payable	58,056
Unearned revenues	171,812
Compensated absences payable	364,678
Payable from restricted assets:	
Customer deposits	775,000
Accounts payable and accrued expenses	132,656
Accrued interest payable	50,145
Current portion of capital appreciation revenue bond interest payable	1,247,496
Current portion of long-term debt	2,322,781
Current portion of leases payable	10,265
Total current liabilities	<u>6,425,646</u>
Noncurrent liabilities	
Compensated absences payable	364,678
Lease payable in more than one year	31,560
Other post –employments benefits	209,846
Net pension liability	5,852,070
Capital appreciation revenue bond interest payable	5,590,941
Revenue bond payable (less unamortized bond discount and current portion)	2,452,854
Total noncurrent liabilities	<u>14,501,949</u>
Total liabilities	<u>20,927,595</u>
DEFERRED INFLOWS OF RESOURCES	
Lease related items	54,418,920
Pension related items	205,891
Total deferred inflows of resources	<u>54,624,811</u>
NET POSITION	
Net investment in capital assets	119,911,380
Restricted for renewal and replacement	1,563,442
Restricted for business development	546,068
Unrestricted	23,346,986
Total net position	<u><u>\$ 145,367,876</u></u>

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023

	<u>2023</u>
Operating revenues	
Port facilities	\$ 25,156,656
Less: Direct marketing support	<u>(4,549,657)</u>
Net operating revenues	<u>20,606,999</u>
 Operating expenses	
General expenses	3,401,927
Engineering and maintenance	3,001,204
Security	2,065,339
Administration	2,679,771
Business development	815,115
Operations	<u>927,665</u>
Operating expenses before depreciation and amortization	<u>12,891,021</u>
 Operating income before depreciation and amortization	7,715,978
 Depreciation and amortization expense	<u>4,370,731</u>
 Operating income	3,345,247
 Non-operating revenues (expenses)	
Investment earnings	1,163,953
Grant expense	(85,582)
Insurance recoveries	7,256
Gain (loss) on disposition of assets	100
Interest expense	<u>(795,501)</u>
Total non-operating revenue (expenses)	<u>290,226</u>
 Income before contributions	3,635,473
 Capital contributions	<u>1,776,766</u>
 Changes in net position	5,412,239
 Net position - beginning	<u>139,955,637</u>
 Net position - ending	<u><u>\$ 145,367,876</u></u>

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash flows from operating activities	2023
Receipts from customers and users	\$ 21,476,746
Payments to employees	(7,907,140)
Payments to suppliers of goods and services	(5,069,709)
Net cash provided by operating activities	8,499,897
Cash flows from non-capital financing activities	
Payments for grant	(50,582)
Net cash used in non-capital financing activities	(50,582)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,157,967)
Principal paid on debt	(2,325,275)
Interest paid on debt	(1,847,811)
Insurance recoveries	7,256
Capital grants received	722,264
Net cash used in capital and related financing activities	(8,601,533)
Cash flows from investing activities	
Interest earnings	1,101,704
Net cash provided by investing activities	1,101,704
Net increase in cash and cash equivalents	949,486
Cash and cash equivalents – beginning	35,943,926
Cash and cash equivalents – ending	\$ 36,893,412

(Continued)

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Year Ended September 30, 2023
(Continued)

	<u>2023</u>
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 30,928,883
Restricted assets	<u>5,964,529</u>
Total cash and cash equivalents	<u>\$ 36,893,412</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,345,247
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	4,370,731
Change in net pension liability and related deferred amounts	1,128,153
(Increase) decrease in accounts receivable	(362,719)
Decrease (increase) in prepaid	69,840
(Decrease) increase in accounts payable and accrued expenses	(424,824)
Increase (decrease) in unearned revenue	86,655
Increase (decrease) in unearned revenue (leases)	6,253
Increase (decrease) in compensated absences	<u>280,561</u>
 Total adjustments	 <u>5,154,650</u>
Net cash provided by operating activities	<u>\$ 8,499,897</u>

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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 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, 2023

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

Basis of Presentation

Proprietary Fund Type

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

Measurement Focus

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

Basis of Accounting

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

In the statement of cash flows for proprietary funds, cash is defined as currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term (i.e., original maturity is three months or less), highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rate.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

Deposits and Investments (Continued)

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

Restricted Assets

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

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

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

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

Accounts Receivable

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2023 are shown net of allowances for doubtful accounts. The Port maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

Prepaid Items

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

Property and Equipment

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

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

Leases

The Port is a lessee for noncancellable leases of equipment. The Port recognizes a lease liability and an intangible right-to-use lease asset in the financial statements.

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

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

Leases - (Continued)

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

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

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

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

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

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

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

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

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represent the usage of net position applicable to future periods and will not be recognized as an expense until the future period to which it applies. The Port has two items that qualify for reporting in this category: deferred amounts on bond refunding and pension related items.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

Deferred Inflows of Resources - (Continued)

The deferred loss on current and advance refunding of bonds is being amortized, using the straight-line method, and reported as a component of interest expense through the year 2024. The amortization period of deferred losses on refunding of debt is the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. Deferred Inflows of Resources represent the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. The Port has pension related items and certain leases in accordance with GASB Statement No.87 that qualify for reporting as Deferred Inflows of Resources.

Unearned Revenue

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

Compensated Absences

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

Unamortized Bond Discount

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

Net Position

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – (Continued)

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

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

Revenues

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

Estimates

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

Budgetary Accounting

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting – (Continued)

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

The budget and any amendments which require a change in total appropriations of any department are approved by the Port's Board. The Executive Director is authorized to transfer budgeted amounts within the departments.

General Obligation Bonds and Taxes

The Port shall have the power and is authorized to issue general obligation bonds to finance the cost or part of the cost of the construction, acquisition, reconstruction, extension, repair or improvement of any works, projects, properties, improvements, or other purposes, except for the payment of current expenses, which the Port has statutory authority to construct, acquire or undertake.

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

Determination of Operating versus Non-Operating Revenues and Expenses

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

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and adopted Accounting Pronouncements

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

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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which will become effective for the fiscal year ending June 30, 2026. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Subsequent Events

Managements has evaluated subsequent events through June 20, 2024, the date the financial statements were available, and does not believe there are any additional events or transactions to be disclosed in these financial statements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2023, the Port's bank balance for deposits in Qualified Public Depositories was \$13,684,893 and the related book balance totaled \$13,568,511.

In addition to insurance provided by the Federal Depositary 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, 2023, the Port's deposits are considered insured for custodial credit risk purposes.

Investments

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – (Continued)

The Port is authorized to invest Revenue, Renewal and Replacement and Port Development account deposits with institutions participating in the State's security program under Chapter 280 of the Florida Statutes, and obligations of, or guaranteed by, the United States Government. The Port is authorized to invest the bond proceeds and the sinking fund account deposits in the following: (1) U.S. obligations; (2) obligations fully and unconditionally secured by the full faith and credit of the United States of America; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit of U.S. governmental agencies; (4) mortgaged-backed securities and senior debt obligations; (5) certificates of deposit secured by collateral in (1) or (2) above; (6) certificates of deposit, savings accounts, deposit account or money market deposits fully insured by FDIC; (7) commercial paper rated in the single highest classification; (8) money market funds registered under the Federal Investment Company Act; (9) pre-refunded municipal bonds rated in the single highest classification; (10) investment agreements; (11) bonds or notes issued by any state or municipality rated in the two highest long term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or banker's acceptances; (14) repurchase agreements; (15) other forms of investments approved in writing by the Credit Facility Issuer.

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

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

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

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

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2023, the Port held the following investments in money market funds, which are reported as cash and cash equivalents in the statement of net position:

Investment Measured at Amortized Cost	Moody's Standard & Poor's Credit Rating	Fair Value Level	Weighted average Maturity
Wells Fargo - Allspring Institutional Government Money Market Fund	Aaa-mf AAAm	\$ 22,875,850	Less than 60 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	447,501	Less than 60 days
		<u>\$ 23,323,351</u>	

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

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

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

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2023, 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, 2023, is as follows:

By category	
Deposits	\$ 13,568,511
Petty cash	1,550
Investments	<u>23,323,351</u>
Total deposits and investments	<u><u>\$ 36,893,412</u></u>
Presented in the statement of net position	
Cash and cash equivalents	\$ 30,928,883
Restricted cash and cash equivalents	<u>5,964,529</u>
Total in the statement of net position	<u><u>\$ 36,893,412</u></u>

NOTE 3 – RIGHT-TO USE LEASE ASSETS ACTIVITY

The classes and amounts of right to use leased assets at September 30, 2023 are as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Right to use assets:				
Leased office equipment	\$ 24,373	\$ 26,950	\$ -	\$ 51,323
Total right to use assets	24,373	26,950	-	51,323
Less: accumulated amortization for :				
Leased office equipment	(2,576)	(6,922)	-	(9,498)
Right to use assets, net	<u><u>\$ 21,797</u></u>	<u><u>\$ 20,028</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,825</u></u>

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 29,304,281	\$ 109,950	\$ -	\$ 29,414,231
Construction in progress	5,086,432	4,748,602	(3,778,605)	6,056,429
Total capital assets, not being depreciated	34,390,713	4,858,552	(3,778,605)	35,470,660
Capital assets, being depreciated				
Building and improvements	54,783,967	1,005,677	-	55,789,644
Slips and improvements	62,748,067	98,000	-	62,846,067
Other improvements	40,612,418	2,306,988	-	42,919,406
Wharf and loading ramps	13,878,765	-	-	13,878,765
Machinery and equipment	2,867,954	86,070	-	2,954,024
Computer equipment	829,122	64,760	-	893,882
Autos and trucks	507,065	90,993	(114,281)	483,777
Furniture and fixtures	256,724	16,168	-	272,892
Total capital assets, being depreciated	176,484,082	3,668,656	(114,281)	180,038,457
Less: accumulated depreciation	(86,510,235)	(4,359,473)	114,281	(90,755,427)
Total capital assets, being depreciated, net	89,973,847	(690,817)	-	89,283,030
Total capital assets, net	\$ 124,364,560	\$ 4,167,735	\$ (3,778,605)	\$ 124,753,690

NOTE 5 – LONG-TERM LIABILITIES

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. As of September 30, 2023, the following Revenue Bonds were outstanding:

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

These bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation of the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. Principal and interest paid for the year ended September 30, 2023, totaled \$4,173,085 and pledged gross revenues were \$21,770,953. As of September 30, 2023, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$12,872,010.

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 5 – LONG-TERM LIABILITIES - (Continued)

Revenue Bonds – (Continued)

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, 2023, the Port had no supplemental revenues. As of September 30, 2023, the Port was in compliance with the bond covenants.

Revenue Refunding and Improvement Bonds, Series 2002

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 5 – LONG-TERM LIABILITIES - (Continued)

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

Debt service requirements to maturity are as follows at September 30, 2023:

Year ending September 30	Principal	Interest	Total Debt Service
2024	\$ 805,831	\$ 1,799,169	\$ 2,605,000
2025	1,269,156	3,080,844	4,350,000
2026	1,199,382	3,150,618	4,350,000
Total	\$ 3,274,369	\$ 8,030,631	\$ 11,305,000

Revenue Refunding Bonds, Series 2013

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

Debt service requirements to maturity are as follows at September 30, 2023:

Year ending September 30	Principal	Interest	Total Debt Service
2024	\$1,516,951	\$50,059	\$1,567,010
Total	\$1,516,951	\$50,059	\$1,567,010

Bond Insurers

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 5 – LONG-TERM LIABILITIES - (Continued)

Events of Default

In the event of a default in the payment of the principal of or interest on the Revenue Bonds, the bondholders shall be entitled to the appointment of a receiver of the port facilities by any court of competent jurisdiction.

The receiver is authorized and empowered to take over, operate and manage and control such port facilities and to collect the revenues derived from the use of such port facilities to the same extent and in all the same manner as the District is authorized to do. The receiver shall operate and manage and control such port facilities only under the supervision and direction of the appropriate circuit court of the State of Florida, and such operation, management and control shall be in the name of the district and such port facilities shall be deemed to be in the district's control and management through such court and its duly appointed receiver for the joint protection of the district and the bondholders.

Interest Expense

Total interest costs incurred during the year ended September 30, 2023, was \$795,501. Total interest paid during the year was \$1,847,811.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowing & Placement:					
Series 2013 Revenue Bonds	\$ 2,986,482	\$ -	\$ (1,469,531)	\$ 1,516,951	\$1,516,951
Total Direct Borrowings & placement	2,986,482	-	(1,469,531)	1,516,951	
Other Bonds:					
Series 2002 Revenue Bonds	4,130,111	-	(855,742)	3,274,369	805,831
Issuance discount	(21,061)	-	5,377	(15,684)	-
Total Other Bonds	4,109,050	-	(850,365)	3,258,685	805,831
Total Bonds Payables	7,095,532	-	(2,319,896)	4,775,636	2,322,782
Compensates absences	448,795	587,147	(306,586)	729,356	364,678
Net pension liability	4,702,447	1,149,623	-	5,852,070	-
Net OPEB Liability	158,975	50,871	-	209,846	-
Capital appreciation interest payable	7,928,717	-	(1,090,280)	6,838,437	1,247,496
Leases payable	21,797	20,028	-	41,825	10,265
Total long-term liabilities	\$ 20,356,263	\$ 1,807,669	\$ (3,716,762)	\$ 18,447,170	\$3,945,221

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 6 – COMMITMENTS

Contractual Commitments

As of September 30, 2023, the Port had remaining contractual commitments for the following projects:

<u>Project</u>	<u>Contract Balance</u>
Dredging of Slip 1	\$ 285,675
Port Infrastructure Development Project	239,458
Elevator Modernization	98,072
On Port Rail Facility Expansion Project	70,934
MOC Security Upgrades for CBP	68,060
Master Plan	45,879
Total	<u>\$ 808,078</u>

Collective Bargaining Agreement

The Port's workforce is made up of approximately 56 staff and 5 Commissioners. The majority of the Port's non-management maintenance, railroad and security employees are union employees, which represents approximately 40% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2022, for a three-year period ending September 30, 2025. The agreement is automatically renewed for an additional year unless either party gives notice of termination. The agreement defines both employee and management rights, including holidays, leaves of absence, work assignments, schedule, performance evaluation, wages, overtime, pension, and health insurance benefits. The union is prohibited by law from going on strike and has also agreed not to strike, but to settle any questions or disputes through collective bargaining, grievance and arbitration procedures, or the Public Employees Relations Commissions or other appropriate governmental agency and the courts in the event of alleged unfair labor practices or other improper conduct.

Security Services Agreement

On January 17, 2022, 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, 2023, the Port incurred costs of \$619,867 pursuant to the agreements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 6 – COMMITMENTS (Continued)

Grant Programs

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

Commitments Under leases

The Port as Lessee

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

Future payment requirements related to the Port's lease liability at September 30, 2023 are as follows:

Year Ending September 30	Principal Payments	Interest	Total
2024	\$ 10,265	\$ 1,663	\$ 11,928
2025	10,265	1,663	11,928
2026	10,264	1,663	11,927
2027	7,689	1,313	9,002
2028	3,342	645	3,987
Total	\$ 41,825	\$ 6,947	\$ 48,772

The Port as Lessor

The Port is a lessor for various leases including vacant land, buildings, terminals, offices and commercial space for periods up to approximately 30 years. Generally, the leases are long-term leases that provide for minimum annual rentals and/or wharfage guarantees (see also Note 10). Most leases contain a provision for periodic rental increases based on the Consumer Price Index. During the year ended September 30, 2023, the Port recognized \$5,944,436 of lease revenue. At September 30, 2023, the Port recorded a lease receivable of \$54,323,931 and a deferred inflow of resources of \$54,418,920 related to the leases.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 6 – COMMITMENTS (Continued)

Commitments Under Leases

Payments included in the measurement of leases receivable, as of September 30, 2023, are as follows:

Year Ending September 30, 2023	Principal Payments	Interest	Total
2024	\$ 4,774,221	\$ 232,505	\$ 5,006,725
2025	4,575,428	456,498	5,031,926
2026	4,346,225	666,409	5,012,634
2027	4,104,274	859,836	4,964,110
2028	3,414,247	916,385	4,330,632
Thereafter	33,204,525	47,086,044	80,290,569
Total	\$ 54,418,920	\$ 50,217,677	\$ 104,636,597

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 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, 2023

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 by calling 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, 2023

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, 2023

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Benefits Provided (Continued)

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

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.6%
Retirement up to age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement up to age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970, through September 30, 1974	2%
Service on or after October 1, 1974	3%
Elected Officials Class	3%
Senior Management Service Class	2%

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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, 2023, were as follows:

<u>Class</u>	Percent of Gross Salary October 1, 2022 to June 30, 2023		Percent of Gross Salary July 1, 2023 to September 30, 2023	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91	3.00	13.57
FRS, Senior Management	3.00	31.57	3.00	34.52
FRS, Elected Officers	3.00	57.00	3.00	58.68
DROP	3.00	18.60	3.00	21.13

The employer contribution rates include a 2.00% 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, 2023, the Port made contributions of \$569,000 to the Pension Plan and the Port's employees made contributions of \$108,221 for total contributions of \$677,221.

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

At September 30, 2023, the Port reported a liability of \$4,149,605 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Port's proportionate share of the net pension liability was based on the Port's 2022-2023 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the Port's proportionate share was 0.010413898 percent, which was an increase of 0.000760418 percentage points from its proportionate share measured as of June 30, 2022.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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, 2023, the Port recognized pension expense of \$450,695 related to the Plan. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 389,612	\$ -
Change of assumptions	270,505	-
Net difference between projected and actual on FRS earnings pension plan investments	173,299	-
Changes in proportion and differences between Port FRS contributions and proportionate share of FRS contributions	406,130	6,499
Port FRS contributions subsequent to the measurement date	141,419	-
Total	\$ 1,380,965	\$ 6,499

The deferred outflows of resources related to the Pension Plan, totaling \$141,419 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ending September 30	Amount
2024	\$ 115,940
2025	115,139
2026	117,278
2027	96,611
2028	58,377
Thereafter	12,225
Total	\$ 515,570

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined using the following actuarial assumptions:

Valuation date	July 1, 2023
Measurement date	June 30, 2023
Actuarial cost method	Individual Entry Age
Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions that determined the total pension liability as of June 30, 2023, 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 of 6.70% was unchanged in 2023. It consists of two building block components: 1) a real return of 4.48%, consistent with the capital market outlook model developed during 2023 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 2023 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice.

For reference, the table below contains a summary of return assumptions for various asset classes based on the long-term target asset allocation. The six specific asset classes displayed are per system request and are summarized results of a more detailed market outlook model with additional asset classes. Each asset class assumption is based on a consistent set of underlying real return assumptions from Milliman's model combined with the FRS Actuarial Assumption Conference's 2.4% inflation assumption. The Milliman assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized below for the year ending September, 30 2023.

Asset Class	(1) Target Allocation	Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.6%	2.9%
Fixed income	19.8%	4.5%	4.4%
Global equity	54.0%	8.7%	7.1%
Real estate (property)	10.3%	7.6%	6.6%
Private equity	11.1%	11.9%	8.8%
Strategic investments	3.8%	6.3%	6.1%
Total	100%		
Assumed inflation-mean			2.4%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.7%, unchanged from the prior measurement date. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the Port's proportionate share of the net pension liability calculated using the discount rate of 6.7%, 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 (5.7%) or one percentage point higher (7.7%) than the current rate:

	1% Decrease (5.7%)	Current Discount Rate (6.7%)	1% Increase (7.7%)
Port's proportionate share of net pension liability	\$7,088,377	\$4,149,605	\$1,690,978

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2023, the Port reported a payable in the amount of \$107,339 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

The Health Insurance Subsidy (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, 2023, 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, 2023, the HIS contribution rate was 2.0%. 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 \$77,553 for the fiscal year ended September 30, 2023.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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, 2023, the Port reported a liability of \$1,702,465 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Port's proportionate share of the net pension liability was based on the Port's 2022-2023 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. As of June 30, 2023, the Port's proportionate share was 0.010719910 percent, which was an increase of 0.000234433 percentage points from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Port recognized pension expense of \$581,012. In addition, the Port reported deferred outflows of resources and deferred in flows of resources and deferred in flows of resources related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,923	\$ 3,996
Change of assumptions	44,757	147,523
Net difference between projected and actual earnings on pension plan investments	879	-
Changes in proportion and differences between Pensions plan contributions and proportionate share of contributions	103,294	47,873
Port Health Insurance Subsidy contributions subsequent to the measurement date	23,841	-
Total	\$ 197,694	\$ 199,392

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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 \$23,841 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS are as follows:

Year Ending September 30	Amount
2024	\$ 19,402
2025	12,661
2026	11,959
2027	11,968
2028	9,903
Thereafter	8,929
Total	<u>\$ 74,822</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined using the following actuarial assumptions:

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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, 2023, was 3.65%, which increased from the discount rate of 3.54% as of June 30, 2022. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the Port's proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Port's proportionate share of net pension liability	\$ 1,942,247	\$ 1,702,465	\$ 1,503,702

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, 2023, the Port reported a payable in the amount of \$10,251 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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 Annual Comprehensive Financial Report.

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

Funding Policy

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

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Port's employees for the fiscal year ended September 30, 2023, are as follows:

<u>Class</u>	Percent of Gross Salary October 1, 2022 to June 30, 2023		Percent of Gross Salary July 1, 2023 to September 30, 2023	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91	3.00	13.57
FRS, Senior Management	3.00	31.57	3.00	34.52
FRS, Elected Officers	3.00	57.00	3.00	58.68
DROP	3.00	18.60	3.00	21.13

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, information on the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

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

The Port's Investment Plan pension expense totaled \$108,233 for the fiscal year ended September 30, 2023, and as of the fiscal year end, the Port reported a payable in the amount of \$14,023 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, 2023.

	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$23,556,676	\$1,775,555	\$25,332,231
Proportionate share of plan fiduciary net position	19,407,067	73,090	19,480,157
Proportionate share of net pension liability	4,149,605	1,702,465	5,852,070
Proportionate share of deferred outflows of resources	1,380,965	197,694	1,578,659
Proportionate share of deferred inflows of resources	6,499	199,392	205,891
Pension expense	450,695	581,012	1,031,707

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Contributions

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

Plan Membership

The following table provides a summary of the participants in the plan as of September 30, 2023:

Active plan members	57
Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	<u>-</u>
Total members	<u>65</u>

The inactive plan members receiving benefits include one receiving health insurance, seven receiving vision insurance, and eleven 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, 2023, the municipal bond rate was 4.87% 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 3.80%.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

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

As of September 30, 2023, the Port reported a total OPEB liability of \$209,846. For the fiscal year ended September 30, 2023, the Port recognized OPEB expense of \$59,047. As of September 30, 2023, the Port did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Valuation date	September 30, 2023
Measurement date	September 30, 2023
Actuarial cost method	Entry Age Normal
Discount rate	4.87%
Average retirement age	62
Mortality Tables	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Healthcare cost trend rates	Medical: 4.7% initially trending to 4.2% in 10 years Pharmacy: 5.2% initially trending to 4.2% in 10 years Dental: 3.5% initially trending to 3.0% Vision: 3.0%
Percentage participation	5.0%
Age adjustment factor	1.353415

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2023, were as follows:

Description	Total OPEB Liability
Balance September 30, 2022	\$158,975
Change due to:	
Service cost	12,998
Interest on the total OPEB liability	6,382
Economic/ demographic gains or losses	60,976
Change of assumptions and other inputs	(21,308)
Benefit payments	-
Employer contributions	(8,177)
Total changes	50,871
Balance September 30, 2023	<u>\$209,846</u>

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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

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

The following table presents the total OPEB liability of the Port calculated using the single discount rate of 4.87% as well as what the Port's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (%)	Current Discount Rate (%)	1% Increase (%)
Total OPEB liability	\$229,655	\$209,846	\$192,665

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

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

	1% Decrease	Current Healthcare Trend Rate Assumption	1% Increase
Total OPEB liability	\$190,738	\$209,846	\$231,729

NOTE 10 – MAJOR CUSTOMERS

The Port had revenue from two major customers providing more than 10% each of the Port facilities revenue during the fiscal year ended September 30, 2023. The Port facilities total revenue from these customers were as follows:

Description	Total Revenue
Tropical Shipping USA, LLC / Birdsall, Inc.	\$7,457,160
Paradise Cruise Line (Multi-Day Cruise)	2,989,659
Total	<u>\$10,446,819</u>

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2023

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2019	2020	2021	2022	2023
Total OPEB Liability						
Service cost	\$ 16,117	\$ 15,897	\$ 20,762	\$ 20,762	\$ 20,762	\$ 12,998
Interest	8,350	9,421	10,876	3,782	3,964	6,382
Effect of plan Changes:						
Effect of Economic/demographic gains or losses	20,026	11,398	(179,988)	(12,721)	7,542	60,976
Effect of assumptions changes or inputs	-	(2,529)	17,073	(151)	(25,770)	(21,308)
Benefit payments	(22,779)	(4,395)	(4,436)	(4,435)	(4,294)	-
Employer contributions	-	-	-	-	-	(8,177)
Net change in Total OPEB Liability	21,714	29,792	(135,713)	7,237	2,204	50,871
Total OPEB Liability - Beginning of Year	233,741	255,455	285,247	149,534	156,771	158,975
Total OPEB Liability - End of Year	\$ 255,455	\$ 285,247	\$ 149,534	\$ 156,771	\$ 158,975	\$ 209,846
Covered payroll	\$ 3,298,312	\$ 3,404,291	\$ 3,707,772	\$ 3,363,157	\$ 3,733,947	\$ 4,462,771
Total OPEB Liability as percentage of covered –employee payroll	7.75%	8.38%	4.03%	4.66%	4.26%	4.70%

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

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

Fiscal year ending	Discount rate	Percentage participation	Age adjustment factor
9/30/2018	3.50%	5.00%	1.57673
9/30/2019	3.58%	8.0%	1.502659
9/30/2020	2.25%	5.0%	1.461404
9/30/2021	2.26%	5.0%	1.386067
9/30/2022	3.80%	10.0%	1.366098
9/30/2023	4.87%	5.0%	1.353415

PORT OF PALM BEACH DISTRICT
Schedule of Employer Contributions
Florida Retirement System Pension Plan and
Health Insurance Subsidy
Last 10 Fiscal Years*

<u>Florida Retirement System Pension Plan</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 569,000	\$ 469,585	\$ 386,476	\$ 266,917	\$ 235,897	\$ 222,139	\$ 206,378	\$ 191,710	\$ 184,968	\$ 175,044
FRS contributions in relation to the contractually required contribution	(569,000)	(469,585)	(386,476)	(266,917)	(235,897)	(222,139)	(206,378)	(191,710)	(184,968)	(175,044)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port's covered payroll	\$ 4,427,781	\$ 3,988,100	\$ 3,609,933	\$ 3,003,462	\$ 2,861,309	\$ 2,867,752	\$ 2,790,575	\$ 2,673,155	\$ 2,428,447	\$ 2,441,446
FRS contributions as a percentage of covered payroll	12.85%	11.77%	10.70%	8.89%	8.24%	7.75%	7.40%	7.17%	7.62%	7.17%
<u>Florida Retirement System Pension Plan</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$77,553	\$ 59,994	\$ 53,317	\$ 59,065	\$ 55,536	\$ 53,253	\$ 51,922	\$ 49,491	\$ 37,844	\$ 34,758
HIS contributions in relation to the contractually required contribution	(77,553)	(59,994)	(53,317)	(59,065)	(55,536)	(53,253)	(51,922)	(49,491)	(37,844)	(34,758)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port's covered payroll	\$4,427,781	\$3,614,118	\$3,211,838	\$3,558,161	\$3,345,543	\$3,208,018	\$ 3,127,843	\$2,981,376	\$2,764,755	\$2,836,296
HIS contributions as a percentage of covered payroll	1.75%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.37%	1.23%

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

<u>Florida Retirement System Pension Plan</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Port's proportion of the FRS net pension liability	0.010413898%	0.009653480%	0.008946922%	0.008410084%	0.008068421%	0.008182944%	0.008313207%	0.008005711%	0.008252370%	0.007888210%
Port's proportionate share of the FRS net pension liability	\$4,149,605	\$3,591,867	\$675,838	\$3,645,054	\$2,778,652	\$2,464,745	\$2,459,835	\$2,021,448	\$1,065,905	\$481,297
Port's covered payroll	\$4,427,781	\$3,988,100	\$3,609,933	\$2,985,554	\$2,875,427	\$2,893,846	\$2,842,134	\$2,599,590	\$2,425,471	\$2,376,687
Port's proportionate share of the FRS net pension liability as a percentage of its covered payroll	93.72%	90.06%	187.21%	122.09%	96.63%	85.17%	86.55%	77.76%	43.95%	20.25%
FRS plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.80%	84.88%	92.00%	96.09
<u>Retiree Health Insurance Subsidy Plan</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Port's proportion of the HIS net pension liability	0.010719910%	0.010485477%	0.010001357%	0.010792979%	0.009928070%	0.009912036%	0.009980882%	0.009441180%	0.009120310%	0.009320020%
Port's proportionate share of the HIS net pension liability	\$1,702,465	\$1,110,580	\$1,226,814	\$1,317,805	\$1,110,852	\$1,049,101	\$1,067,202	\$1,100,330	\$930,128	\$871,445
Port's covered payroll	\$4,427,781	\$3,614,118	\$3,211,838	\$3,538,801	\$3,320,372	\$3,237,451	\$3,181,401	\$2,914,569	\$2,766,916	\$2,777,231
Port's proportionate share of the HIS net pension liability as a percentage of its covered payroll	38.45%	30.73%	38.19%	37.24%	33.46%	32.41%	33.55%	37.75%	33.62%	31.38%
HIS plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

CHANGES IN ASSUMPTION

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

FLORIDA RETIREMENT SYSTEM PENSION PLAN		RETIREE HEALTH INSURANCE SUBSIDY PROGRAM	
YEAR	DISCOUNT RATE	YEAR	DISCOUNT RATE
2014	7.65%	2014	4.29%
2015	7.65%	2015	3.80%
2016	7.60%	2016	2.85%
2017	7.10%	2017	3.58%
2018	7.00%	2018	3.87%
2019	6.90%	2019	3.50%
2020	6.80%	2020	2.21%
2021	6.80%	2021	2.16%
2022	6.70%	2022	3.54%
2023	6.70%	2023	3.65%

OTHER SUPPLEMENTARY INFORMATION

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
\$9,576,835 Revenue Refunding Bonds – Series 2002
September 30, 2023

Year ending September 30	Interest	Retirement of Bonds	Total
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>\$ 8,030,631</u>	<u>\$ 3,274,369</u>	<u>\$ 11,305,000</u>

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
\$14,301,991 Revenue Refunding Bonds – Series 2013
September 30, 2023

Year ending September 30	Interest	Retirement of Bonds	Total
2024	\$ 50,059	\$ 1,516,951	\$ 1,567,010

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
Combined Revenue Bonds
September 30, 2023

Year ending September 30	Interest	Retirement of Bonds	Total
2024	\$ 1,849,229	\$ 2,322,781	\$ 4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 8,080,691</u>	<u>\$ 4,791,319</u>	<u>\$ 12,872,010</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Year Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Wharfage	\$ 3,891,868	\$ 3,717,925
Leases/Rent	5,944,436	5,817,780
Dockage	2,830,082	3,273,116
Parking	1,586,653	529,118
Passenger charges	7,347,972	3,126,564
Storage	154,737	95,034
Water	118,486	99,943
Line handling	126,324	109,640
Miscellaneous	154,330	253,296
Switching	735,116	662,854
Licenses	160,250	149,000
Identification badging	9,540	8,580
Security fee	905,994	854,441
Cargo terminal fee	875,569	813,031
Harbor master fee	203,344	202,291
Vessel bunkers	111,955	111,147
Total Port Facilities Gross Operating Revenue	<u>\$ 25,156,656</u>	<u>\$ 19,823,760</u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Year Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
General expenses		
Property and liability insurance	\$ 446,018	\$ 467,279
Retirement	1,637,732	619,691
Group health insurance	1,115,555	990,031
State and local taxes	28,912	5,827
Audit and other accounting services	69,650	70,300
Bad debt expense	41,000	1,033,123
Trustee fees	2,523	4,212
Governmental consulting	48,045	42,237
Miscellaneous	12,492	18,780
Total general expenses	<u>3,401,927</u>	<u>3,251,480</u>
 Engineering and maintenance		
Salaries	806,519	592,479
Payroll taxes	59,123	43,795
Maintenance and repairs – buildings and grounds	590,168	477,182
Electricity	429,150	371,685
Water	645,817	570,553
Janitorial and trash removal	199,288	187,539
Maintenance and repairs –equipment	67,801	46,223
Engineering fees	25,383	31,391
Fuel and oil –port equipment	52,075	50,430
Telephone	54,298	43,743
Uniforms	15,947	5,720
Shop maintenance and supplies	55,635	34,657
Total engineering and maintenance	<u>3,001,204</u>	<u>2,455,397</u>
 Security		
Salaries	1,070,650	958,952
Payroll taxes	78,380	72,496
Contract Services	740,770	514,175
Identification badges	8,580	6,408
Maintenance and repairs - Security equipment	59,279	27,688
Subscriptions	60,204	53,235
Uniforms	1,121	8,666
Telephone	10,233	7,235
Maintenance and repairs - radios	25,955	21,338
Miscellaneous	10,167	10,342
Total security	<u>2,065,339</u>	<u>1,680,535</u>

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Year Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Administration		
Salaries	\$ 1,935,485	\$ 1,646,575
Payroll taxes	137,377	113,411
Telephone	18,696	28,876
Maintenance and repairs	7,376	6,855
Information Systems	241,841	151,292
Supplies, stationary and printing	38,884	13,062
Postage	4,872	4,873
Dues and subscriptions	2,661	2,210
Publications	11,943	8,408
Legal fees and other professional fees	229,410	280,072
Miscellaneous	51,226	29,628
Total administration	<u>2,679,771</u>	<u>2,285,262</u>
 Business development		
Salaries	491,850	405,827
Payroll taxes	36,478	28,099
Retirement	72,355	61,132
Advertising and promotion	18,771	14,493
Trade development	11,751	21,370
Community relations	35,724	16,050
Travel	42,981	22,559
Dues and subscriptions	75,058	63,196
Publications	4,197	2,350
Miscellaneous	25,950	20,030
Total business development	<u>815,115</u>	<u>655,106</u>
 Operations		
Salaries	418,452	205,078
Payroll taxes	31,019	15,268
Customer & Tenant Operation	394,959	319,690
Telephone	1,354	1,876
Maintenance and repairs – train	17,584	21,680
Maintenance and repairs – track	30,039	24,452
Fuel and oil – train	33,266	33,167
Miscellaneous	992	248
Total operations	<u>927,665</u>	<u>621,459</u>
 Amortization	<u>11,258</u>	<u>57,532</u>
 Depreciation	<u>4,359,473</u>	<u>4,506,976</u>
 Total operating expenses	<u><u>\$17,261,752</u></u>	<u><u>\$15,513,747</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Year Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Port facilities	\$ 25,156,656	\$ 19,823,760
Less: Direct marketing support	<u>(4,549,657)</u>	<u>(1,415,438)</u>
Net operating revenue	<u>20,606,999</u>	<u>18,408,322</u>
 Expenses		
General expenses	3,401,927	3,251,480
Engineering and maintenance expenses	3,001,204	2,455,397
Security	2,065,339	1,680,535
Administration	2,679,771	2,285,262
Business development	815,115	655,106
Operations	<u>927,665</u>	<u>621,459</u>
Operating expenses	<u>12,891,021</u>	<u>10,949,239</u>
 Operating income before depreciation and amortization	7,715,978	7,459,083
 Depreciation and amortization	<u>4,370,731</u>	<u>4,564,508</u>
 Operating income after depreciation and amortization	3,345,247	2,894,575
 Non-operating revenues (expenses)		
Investment earnings	1,163,953	110,752
Grant revenue	-	813,742
Grant expense	(85,582)	(64,372)
Insurance recoveries	7,256	1,346
Gain (loss) on disposition of assets	100	(12,316)
Interest expense	<u>(795,501)</u>	<u>(943,723)</u>
Total non-operating revenues (expenses)	<u>290,226</u>	<u>(94,571)</u>
 Income before contributions	<u>3,635,473</u>	<u>2,800,004</u>
 Capital contributions	<u>1,776,766</u>	<u>1,768,260</u>
 Change in net position	<u><u>\$ 5,412,239</u></u>	<u><u>\$ 4,568,264</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses – Budget to Actual
For the Fiscal Year Ended September 30, 2023

	Original Final Budget	Actual	\$ Variance with Final Budget Positive (Negative)
Operating Revenues:			
Wharfage	\$ 3,979,122	\$ 3,891,868	\$ (87,254)
Dockage	2,757,531	2,830,082	72,551
Parking	731,250	1,586,653	855,403
Passengers - Cruise Lines	4,111,180	7,347,972	3,236,792
Storage	50,523	154,737	104,214
Water	100,280	118,486	18,206
Line Handling	105,107	126,324	21,217
Switching	712,747	735,116	22,369
Licenses and Permits	139,000	160,250	21,250
Vessel Bunkers	110,485	111,955	1,470
Cargo Terminal Fee	905,259	875,569	(29,690)
Security Fees - Cargo	666,948	693,126	26,178
Special Detail Security Fees	81,990	212,868	130,878
Identification Badging	4,045	9,540	5,495
Harbor Master Fee	212,335	203,344	(8,991)
Rent	6,071,047	5,944,436	(126,611)
Miscellaneous Income	66,611	154,330	87,719
Total Operating Revenues	20,805,460	25,156,656	4,351,196
Less: Direct Marketing Support	(2,246,932)	(4,549,657)	2,302,725
Net Operating Revenues	18,558,528	20,606,999	2,048,471
Operating Expenses:			
Administrative and HR	1,014,465	1,128,634	114,169
Office - Finance and IT	1,166,320	1,307,785	141,465
Engineering	100,000	25,383	(74,617)
Consultant	51,000	48,045	(2,955)
Legal	220,000	230,847	10,847
General Maintenance	2,147,665	2,052,390	(95,275)
Railroad	223,500	172,888	(50,612)
Operations	358,605	722,735	364,130
General Expense	2,286,010	3,356,543	1,070,533
Security	1,894,989	2,064,460	169,471
Business Development	845,597	815,115	(30,482)
Cruise Terminal	394,500	290,898	(103,602)
Maritime Office Complex	367,950	390,539	22,589
Southgate Complex	99,500	113,542	14,042
Renewal and Replacement	500,000	171,217	(328,783)
Total Operating Expenses	11,670,101	12,891,021	1,220,920
Oper. Income Before Depr & Amort	6,888,427	7,715,978	827,551
Less: Depreciation Expense	4,800,000	4,359,473	(440,527)
Less: Amortization Expense	80,000	11,258	(68,742)
Operating Income (Loss)	2,008,427	3,345,247	1,336,820
Non-Oper. Revenues (Expenses):			
Interest Income	430,000	1,163,953	733,953
Insurance Recoveries		7,256	7,256
Grant Revenue			
Gain or (Loss) on Disposal of Assets	(15,000)	100	15,100
Grant Expenses	(90,000)	(85,582)	4,418
Interest Expense	(795,500)	(795,501)	(1)
Total Non-Oper. Revenue (Expenses)	(470,500)	290,226	760,726
Income (Loss) before contributions	\$ 1,537,927	3,635,473	\$ 2,097,546
Capital Contributions		1,776,766	
Change in Net Position		\$ 5,412,239	

STATISTICAL INFORMATION

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2014 through 2023
Unaudited

<u>Year Ending September 30</u>		<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2014	(1)	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	(2)	99,729,682	1,080,356	14,668,613	115,478,651
2018		102,315,957	1,671,605	15,439,452	119,427,014
2019		107,626,748	2,646,112	15,269,620	125,542,480
2020		109,888,686	3,412,329	15,189,636	128,490,651
2021		113,954,887	3,204,087	18,275,494	135,434,468
2022	(3)	117,053,432	2,901,141	20,001,064	139,955,637
2023		119,911,380	2,109,510	23,346,986	145,367,876

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".

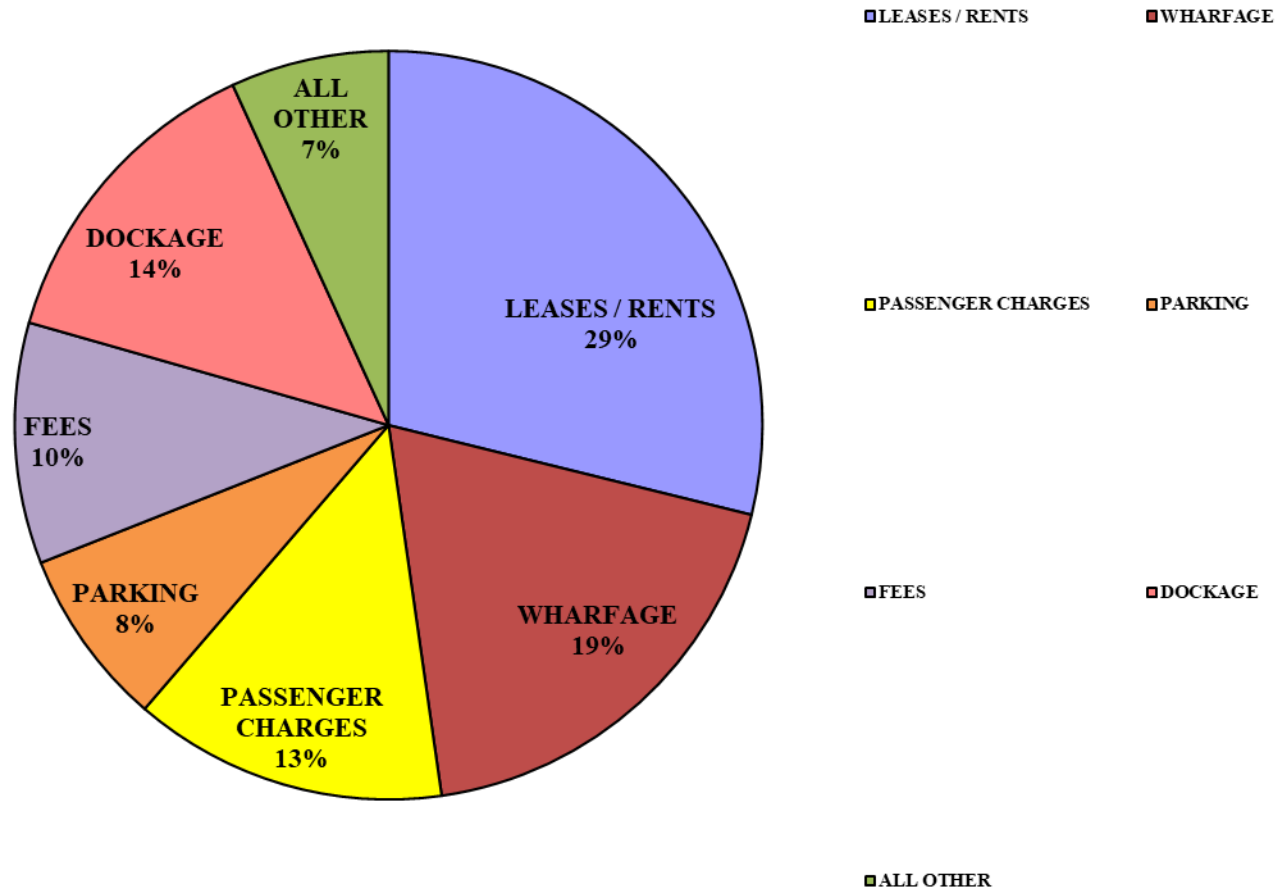
- (1) Ending net position was restated due to adjustments that were made to comply with GASB Statement No. 68 that was adopted in fiscal year 2015.
- (2) Ending net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 75 that was adopted in fiscal year 2018.
- (3) Beginning net position was restated due to prior period errors that were made in accounting for the voluntary employee insurance deductions.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2014 through 2023
Unaudited

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

	2019	2020	2021	2022	2023
Wharfage	\$ 3,663,759	\$ 3,765,410	\$ 3,922,569	\$ 3,717,925	3,891,868
Leases / Rents	4,691,222	4,968,807	5,642,789	5,817,780	5,944,436
Dockage	2,229,884	2,770,447	2,977,232	3,273,116	2,830,082
Parking	1,306,727	357,813	49,585	529,118	1,586,653
Passenger wharfage					
Net passenger charges	2,430,786	1,058,608	137,386	1,711,126	2,798,315
Storage	170,296	246,712	83,322	95,034	154,737
Water	191,714	212,773	126,378	99,943	118,486
Line handling	105,881	158,088	168,197	109,640	126,324
Miscellaneous	1,124,018	92,407	446,975	253,296	154,330
Switching	667,602	505,628	538,185	662,854	735,116
Licenses	153,200	157,800	157,750	149,000	160,250
Identification badging	14,829	6,015	7,045	8,580	9,540
Security fee	642,163	717,814	751,728	854,441	905,994
Cargo terminal fee	727,511	784,283	815,610	813,031	875,569
Harbor master fee	194,202	205,355	202,968	202,291	203,344
Vessel bunkers	68,583	90,131	64,774	111,147	111,955
Total	\$ 18,382,377	\$ 16,098,091	\$ 16,092,493	\$ 18,408,322	\$ 20,606,999

PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2023
Unaudited

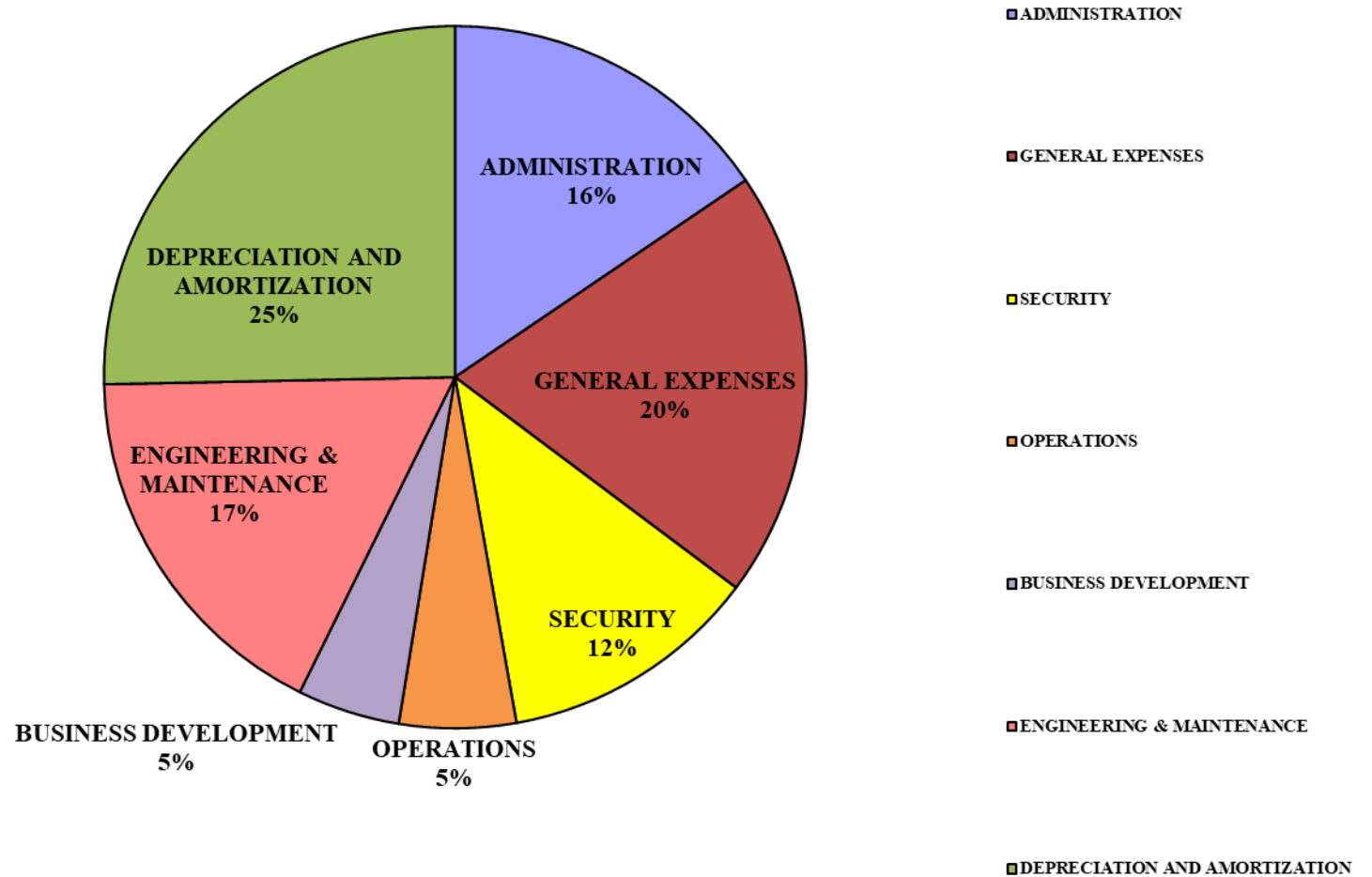


PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2014 through 2023
Unaudited

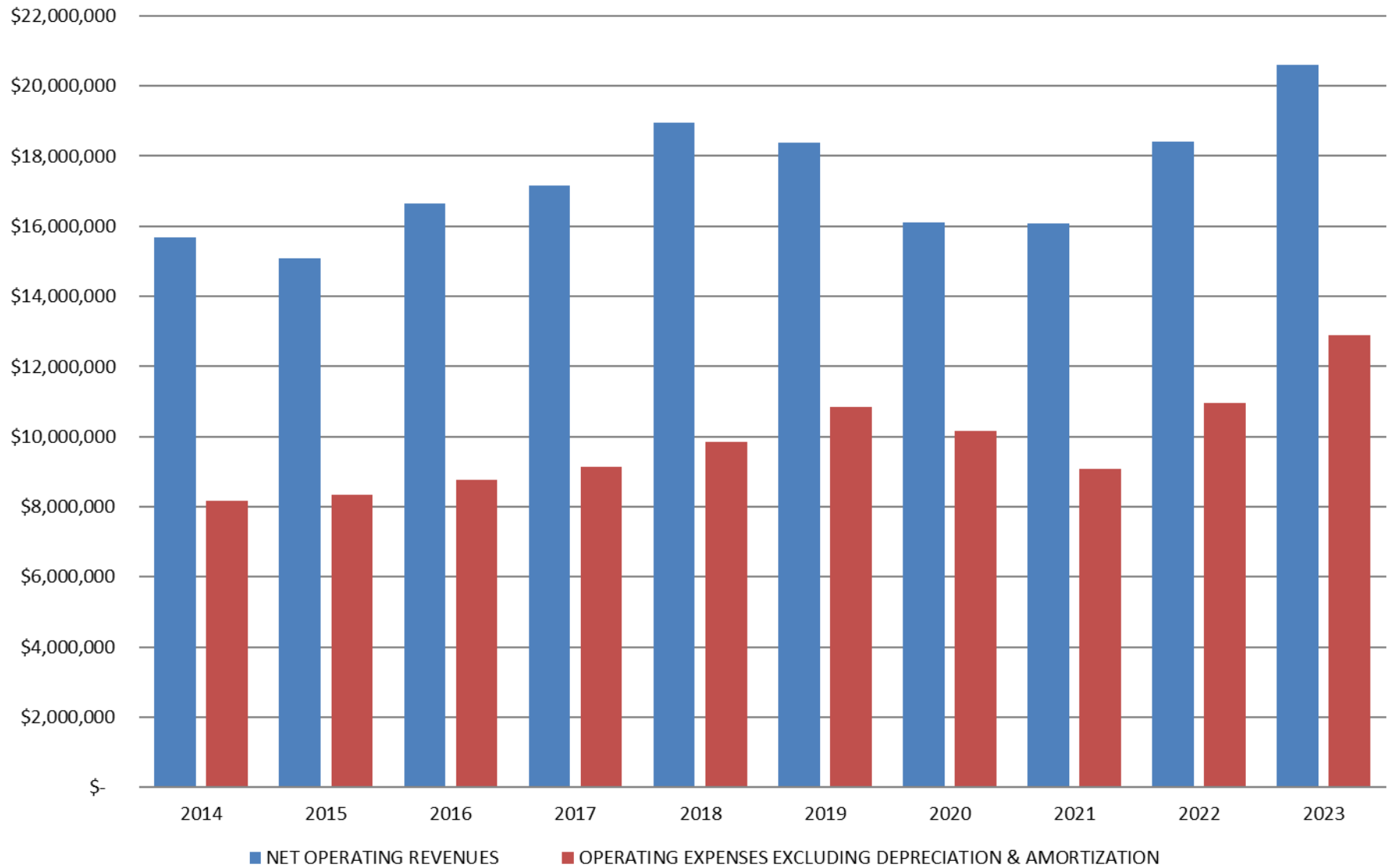
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General expenses	\$ 1,771,389	\$ 1,590,821	\$ 1,865,103	\$ 2,213,993	\$ 2,012,394
Engineering and maintenance	1,989,431	2,269,742	2,408,293	2,419,325	2,931,289
Security	1,879,762	1,776,390	2,000,425	1,784,325	2,071,052
Administration	1,677,101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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General expenses	\$ 2,622,378	\$ 2,757,698	\$ 1,704,244	\$ 3,251,480	\$ 3,401,927
Engineering and maintenance	2,995,644	2,596,159	2,404,063	2,455,397	3,001,204
Security	2,174,002	1,740,390	1,526,991	1,680,535	2,065,339
Administration	2,032,611	2,027,942	2,344,921	2,285,262	2,679,771
Business development	688,383	695,735	764,368	655,106	815,115
Operations	321,467	346,744	343,197	621,459	927,665
Subtotal	<u>10,834,485</u>	<u>10,164,668</u>	<u>9,087,784</u>	<u>10,949,239</u>	<u>12,891,021</u>
Amortization	52,025	55,196	55,436	57,532	11,258
Depreciation	4,452,963	4,712,915	4,616,388	4,506,976	4,359,473
Subtotal	<u>4,504,988</u>	<u>4,768,111</u>	<u>4,671,824</u>	<u>4,564,508</u>	<u>4,370,731</u>
Total	<u><u>\$ 15,339,473</u></u>	<u><u>\$ 14,932,779</u></u>	<u><u>\$ 13,759,608</u></u>	<u><u>\$ 15,513,747</u></u>	<u><u>\$ 17,261,752</u></u>

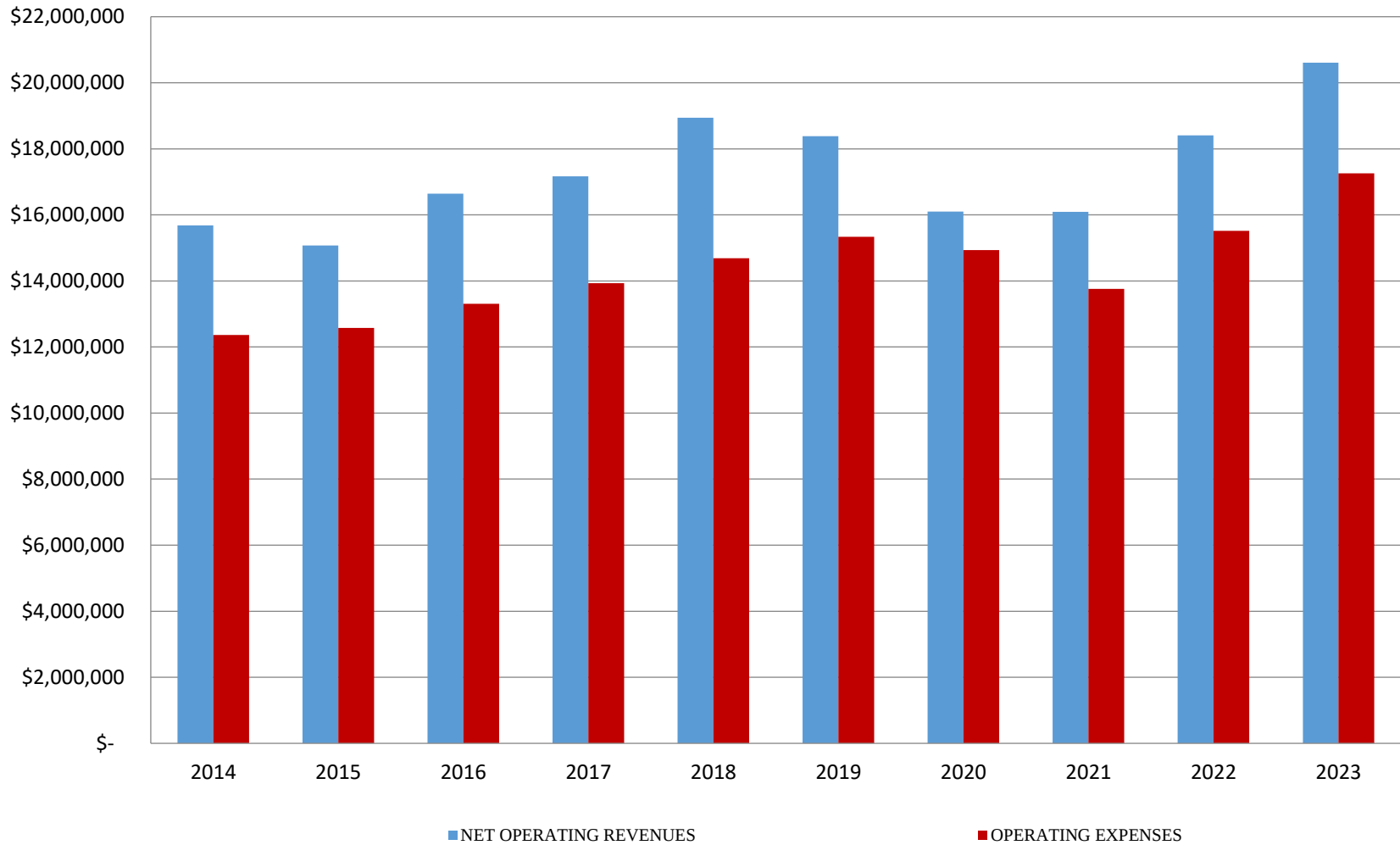
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2023
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2014 through 2023
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2014 through 2023
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Year Ended September 30, 2014 through 2023
Unaudited

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Investment earnings	\$ 399,541	\$ 160,328	\$ 8,541	\$ 110,752	\$ 1,163,953
Grant revenue	179,249	94,454	3,352,633	813,742	-
Grant expense	(203,607)	(140,990)	(28,359)	(64,372)	(85,582)
Gain (loss) on disposition of assets	(274,780)	(94,507)	(12,104)	(12,316)	100
Electric utility distribution line relocation					
Insurance recoveries	4,944	2,260	29,684	1,346	7,256
Bond issue costs					
Feasibility study			(8,000)	-	
Interest expense	(1,095,454)	(989,037)	(1,146,812)	(943,723)	(795,501)
Total	<u>\$ (990,107)</u>	<u>\$ (967,492)</u>	<u>\$ 2,195,583</u>	<u>\$ (94,571)</u>	<u>\$ 290,226</u>

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Year Ended September 30, 2014 through 2023
Unaudited

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net Operating Income (Loss)	\$ 3,042,904	\$ 1,165,312	\$ 2,332,885	\$ 2,894,575	\$ 3,345,247
Net Non-Operating Revenue (Expense)	<u>(990,107)</u>	<u>(967,492)</u>	<u>2,195,583</u>	<u>(94,571)</u>	<u>290,226</u>
Income (Loss) before Contributions	2,052,797	197,820	4,528,468	2,800,004	3,635,473
Capital Contributions	<u>4,062,669</u>	<u>2,750,351</u>	<u>2,415,349</u>	<u>1,768,260</u>	<u>1,776,766</u>
Change in Net Position	<u>\$ 6,115,466</u>	<u>\$ 2,948,171</u>	<u>\$ 6,943,817</u>	<u>\$ 4,568,264</u>	<u>\$ 5,412,239</u>

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Year Ended September 30, 2014 through 2023
Unaudited

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
CARGO TONNAGE					
General Cargo					
Container	1,292,505	1,303,289	1,295,490	1,351,573	1,422,801
Break-bulk	64,488	53,546	98,801	96,530	111,965
Sub-Total	<u>1,356,993</u>	<u>1,356,835</u>	<u>1,394,291</u>	<u>1,448,103</u>	<u>1,534,766</u>
Bulk and Dry Cargo					
Asphalt	87,817	80,732	83,909	101,023	118,191
Cement					
Fuel Oils	30,284	53,045	98,354	122,174	233,331
Miscellaneous					
Recyclable metal	68,950	26,604	37,122	35,618	27,705
Molasses	110,720	100,553	121,889	184,176	139,656
Sugar	496,040	544,780	783,690	593,563	513,744
Sub-Total	<u>793,811</u>	<u>805,714</u>	<u>1,124,964</u>	<u>1,036,554</u>	<u>1,032,627</u>
TOTAL ALL CARGO	<u>2,150,804</u>	<u>2,162,549</u>	<u>2,519,255</u>	<u>2,484,657</u>	<u>2,567,393</u>
TEUs	<u>257,252</u>	<u>265,245</u>	<u>260,324</u>	<u>275,538</u>	<u>286,704</u>
RAIL CARS (IN AND OUT BOUND)	<u>16,606</u>	<u>20,153</u>	<u>17,324</u>	<u>18,885</u>	<u>20,048</u>
VESSELS	<u>1,553</u>	<u>1,406</u>	<u>1,750</u>	<u>1,533</u>	<u>1,683</u>
PASSENGERS	<u>364,829</u>	<u>350,932</u>	<u>502,876</u>	<u>432,585</u>	<u>462,674</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
CARGO TONNAGE					
General Cargo					
Container	1,344,157	1,317,997	1,389,795	1,483,467	1,518,737
Break-bulk	91,612	69,972	111,047	106,178	162,354
Sub-Total	<u>1,435,769</u>	<u>1,387,969</u>	<u>1,500,842</u>	<u>1,589,645</u>	<u>1,681,091</u>
Bulk and Dry Cargo					
Asphalt	107,034	121,288	88,583	108,616	93,339
Cement			17,162	41,172	90,466
Fuel Oils	139,982	75,477	83,213	43,829	
Miscellaneous	11,665	14,855	13,310		
Recyclable metal	46,420	56,873	35,490	53,776	41,364
Molasses	73,835	130,499	149,295	108,526	101,561
Sugar	494,065	705,748	671,700	482,631	515,200
Sub-Total	<u>873,001</u>	<u>1,104,740</u>	<u>1,058,753</u>	<u>838,550</u>	<u>841,930</u>
TOTAL ALL CARGO	<u>2,308,770</u>	<u>2,492,709</u>	<u>2,559,595</u>	<u>2,428,195</u>	<u>2,523,021</u>
TEUs	<u>273,902</u>	<u>266,431</u>	<u>253,427</u>	<u>262,233</u>	<u>272,516</u>
RAIL CARS (IN AND OUT BOUND)	<u>18,682</u>	<u>14,288</u>	<u>14,160</u>	<u>16,029</u>	<u>14,802</u>
VESSELS	<u>1,556</u>	<u>1,392</u>	<u>1,269</u>	<u>1,385</u>	<u>1,413</u>
PASSENGERS	<u>449,457</u>	<u>141,051</u>	<u>13,935</u>	<u>146,033</u>	<u>412,701</u>

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Year Ended September 30, 2014 through 2023
Unaudited

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Revenues	(1)	\$ 15,680,031	\$ 15,079,628	\$ 16,652,404	\$ 17,211,513	\$ 19,100,333	\$ 18,781,918	\$ 16,258,419	\$ 16,101,034	\$ 18,519,074	\$ 21,770,953
Operating Expenses	(2)	(8,178,867)	(8,332,220)	(8,772,394)	(9,145,427)	(9,856,203)	(10,834,485)	(10,164,622)	(9,087,784)	(10,949,239)	(12,891,021)
Supplemental Revenues		-	-	-	-	-	-	-	-	-	-
Net Revenues	(3)	<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>6,093,797</u>	<u>7,013,250</u>	<u>7,569,835</u>	<u>8,879,932</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>\$ 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>\$ 1,308,797</u>	<u>\$ 2,228,250</u>	<u>\$ 2,784,835</u>	<u>\$ 4,094,932</u>
Coverage	(4)	157%	141%	165%	169%	193%	166%	127%	147%	158%	186%

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

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

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

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

COMPLIANCE SECTION

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

To the 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 business-type activities of the Port of Palm Beach District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements and have issued our report thereon dated June 20, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

West Palm Beach, Florida
June 20, 2024

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

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the compliance of the Port of Palm Beach District with the types of compliance requirements described in the State of Florida's Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the Port of Palm Beach District's state projects for the year ended September 30, 2023. The Port of Palm Beach District's state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port of Palm Beach District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the Port of Palm Beach District's major state project for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

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 the State of Florida Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards and Chapter 10.550, *Rules of the Auditor General*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port of Palm Beach District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port of Palm Beach District's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port of Palm Beach District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port of Palm Beach District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Port of Palm Beach District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control over Compliance

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

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

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

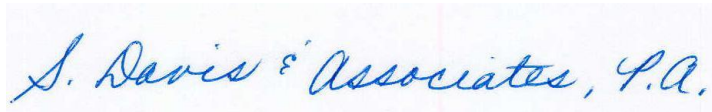
Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.550, Rules of the Auditor General

We have audited the financial statements of the business-type activities of the Port of Palm Beach District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements. We issued our report thereon dated June 20, 2024, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Palm Beach District's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for the purpose of additional analysis, as required by Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

**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 - Continued**

**Report on Schedule of Expenditures of State Financial Assistance Required by Chapter
10.550, *Rules of the Auditor General* - Continued**

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

West Palm Beach, Florida
June 20, 2024

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2023

State Grantor/Program title	CSFA Number	Contract Number	State Expenditures	Amount Provided to Sub-recipients
<u>Florida Department of Transportation</u>				
Seaport Grants	55.005	G1Z04	\$ 405,692	\$ -
Seaport Grants	55.005	G1L41	336,037	-
Seaport Grants	55.005	G1Z03	113,025	-
Seaport Grants	55.005	G2G39	92,824	-
Seaport Grants	55.005	G1H34	65,368	-
Seaport Grants	55.005	G2H48	37,440	-
Seaport Grants	55.005	G1564	17,025	-
Total State Financial Assistance			\$ 1,067,411	\$ -

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance (the “Schedule”) presents the expenditures activity of all state financial assistance projects activity of the Port of Palm Beach District for the year ended September 30, 2023. The information in the schedules is presented in accordance with the requirements of the Florida Single Audit Act. Because the Schedule presents only a selected portion of the expenditures of the Port of Palm Beach District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Port of Palm Beach District. Some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The Port of Palm Beach District’s reporting entity is defined in Note 1 of the Port of Palm Beach District’s basic financial statements. All state financial assistance received directly from the state and indirectly through state agencies, as well as amounts passed through other government agencies are included in the accompanying schedule of expenditures of state financial assistance.

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 of Palm Beach District did not have any loan programs.

NOTE 3 - CONTINGENCIES

Grant monies received and disbursed by the Port of Palm Beach District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Port of Palm Beach District does not believe that such disallowances, if any, would have a material effect on the financial position of the Port of Palm Beach District. As of June 20, 2024 management is not

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of State Financial Assistance - Continued
For the Year Ended September 30, 2023

NOTE 3 – CONTINGENCIES - Continued

aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by a governmental agency of any item charged to a project cannot be determined at this time.

PORT OF PALM BEACH DISTRICT
Schedule of Finding and Question Costs
September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

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

State Financial Assistance

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:

Unmodified

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

_____Yes X No

Identification of major programs:

<u>CSEA Number(s)</u>	<u>Name of Major State Project</u>
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55.005	Florida Department of Transportation Seaport Grants
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Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 320,233

PORT OF PALM BEACH DISTRICT
Schedule of Finding and Question Costs – Continued
September 30, 2023

Section II - Financial Statement Current Year Findings and Questioned Costs

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

Section III - Financial Statement Prior Year Findings and Questioned Costs

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

Section IV – State Projects Current Year Findings and Questioned Costs

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

Section V – State Projects Prior Year Findings and Questioned Costs

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

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

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

Report on the Financial Statements

We have audited the financial statements of the Port of Palm Beach District, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 20, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 20, 2024, should be considered in conjunction with this Management Letter.

Prior Audit Findings

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

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

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

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 56.

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

- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 29.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$7,875,224.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$7,486,692.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$0
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes as presented in this report, page 71, Schedule of Revenues and Expenses – Budget to Actual. The budget was not amended during the year.

Additional Matters

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

Single Audits

The Port of Palm Beach District expended more than \$750,000 of State financial assistance for the fiscal year ended September 30, 2023 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 Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is located within a light blue rectangular box.

West Palm Beach, Florida
June 20, 2024

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

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

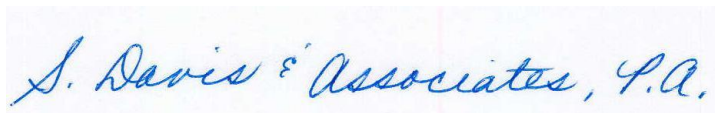
We have examined the Port of Palm Beach District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2023. Management of the Port of Palm Beach District is responsible for the Port of Palm Beach District's compliance with the specified requirements. Our responsibility 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2023.

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



West Palm Beach, Florida
June 20, 2024