
JAXPORT
JACKSONVILLE PORT AUTHORITY

# ANNUAL REPORT 2021/2022

# Jacksonville Port Authority
# A Component Unit of the
# City of Jacksonville, Florida

Annual Financial Report
For the Year Ended September 30, 2022

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February 25, 2023

To the Board of Directors of the
Jacksonville Port Authority:

We present the Annual Financial Report of the Jacksonville Port Authority (the Authority or JAXPORT), a component unit of the City of Jacksonville, Florida, for the fiscal year ended September 30, 2022. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information about the financial position of the Authority.

***Reporting Entity and Governance***

The Jacksonville Port Authority, a public body corporate and politic, was created in 1963 by Chapter 63-1447 of the Laws of Florida to own and operate marine facilities in Duval County, Florida.

JAXPORT is comprised of three separate terminal locations in Jacksonville, with a diverse mix of cargo including containers, automobiles, bulk and cruise operations. Approximately 3/4 of all revenues are generated by containers and autos. The remaining lines of business include breakbulk, dry bulk, liquid cargo and cruise.

A seven-member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints a Chief Executive Officer/CEO. The Board of Directors annually elects a Chairman, Vice-Chairman, Secretary and Treasurer. Directors serve a four-year term.

The CEO of the Authority plans and directs all the programs and activities of the Authority, focusing on the future and the development of long-term business strategies.

***2022 Operating Revenue results***

Total operating revenues of $61.2 million in fiscal year 2022 reflected a slight decline of 1%, compared to prior year results of $61.9 million. Container TEUs totaled 1,298,132 in fiscal year 2022 and auto units were at 555,301 units, down 8% and 10% respectively. Container TEU declines were largely attributable to one tenant's declining vessel and cargo business, leading to an early surrender and termination of lease agreement in mid-2022. Auto volumes for 2022 were adversely impacted by global supply chain shortages, including computer chips and parts. However, due to fixed-lease contracts, auto revenues were down only 1%. Breakbulk tonnage volumes were up 35% over prior year to 989,058 tons, with related revenues up 42%. Cruises returned in March 2022, after a two-year absence, with strong passenger counts (nearly 100% occupancy), adding $2.6 million in revenues compared to zero in 2021.

***Steps forward in 2022 and looking ahead***

In addition to the mid-year 2022 completion and formal opening of the deepened Jacksonville Harbor to 47 feet, JAXPORT took several major steps in 2022 to strengthen its current book of business and prepare for future business growth and development, including:

- Completion of deep-water berths concurrent with the 47 ft. Harbor Deepening project

- Site preparation for three additional tenant-provided new 100-gauge electric cranes arriving in 2023

- Negotiated exit of tenant in February 2022, and transition to a new tenant (with a 20-year contract) in March 2022

- Expansion and modernization of a major container terminal beginning mid-2022 (from 77 to 93 acres), with all funding sources coming from tenant and federal grants (estimated completion date 2024)

- Design and development of a new auto terminal, concurrent with a 30-year contract renewal, to include a total 90 acres to be developed, beginning in early 2023. All funding for construction provided by tenant and state grants (estimated completion date 2025)

- Partnering with sister agency, Jacksonville Electric Authority, to begin design and construction of the raising of the power lines spanning the Jacksonville Harbor from a current 174 ft. operational clearance to 205 ft. This project is funded by both state and local grants, and funding from the Authority.

Rating agencies Moody's Investors Service and Fitch Ratings currently report JAXPORT credit ratings of A2 and A, respectively, Outlook Stable for both.

As exhibited in the attached financial statements, JAXPORT continues to strive for disciplined fiscal stewardship focused on maintaining strong cash balances, controlled expenses, while managing its conservative debt profile.

***Independent Audit***

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General. The Authority selected the firm of RSM US LLP to perform these services. Their opinion is presented with this report. Each year, the independent certified public accountants meet with the Audit Committee of the Board of Directors to review the results of the audit.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board.

***Acknowledgement***

I would like to recognize the Finance Team in the preparation and presentation of JAXPORT's financial statements and commentary.

I would also like to thank the Board of Directors for their direction, oversight, and strong corporate governance in the financial and operational matters of the Port.

Respectfully submitted,

Eric Green, CEO

RSM US LLP

# Independent Auditor's Report

Members of the Board of Directors
Jacksonville Port Authority

## Report on the Audit of the Financial Statements

***Opinions***

We have audited the financial statements of the Jacksonville Port Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Authority'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 Authority'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 (MD&A), the schedule of changes in total OPEB liability, the schedules of the Authority's proportionate share of the net pension liability, and the schedules of Authority contributions 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.

***Supplementary Information***
Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements . The revenue recognition – GAAP to budgetary basis reconciliation is presented for purpose of additional analysis 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 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 revenue recognition – GAAP to budgetary basis reconciliation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Authority'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 Authority's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
February 25, 2023

This section of the Jacksonville Port Authority's (the Authority or JAXPORT) annual financial report presents a narrative overview and analysis of the Authority's financial performance for the fiscal years ended September 30, 2022 and 2021. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

## FINANCIAL STATEMENTS PRESENTATION

The Authority, a component unit of the City of Jacksonville, is considered a special purpose governmental entity engaged in a single business-type activity. JAXPORT is a landlord port and generates revenues primarily through user fees and charges to its tenants and customers. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

The statements of net position presents information on all of the Authority's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The statements of revenue, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. The statements of cash flows represents cash and cash equivalent activity for the fiscal year resulting from operating, non-capital financing, capital financing and investing activities. Collectively, these financial statements provide an assessment of the overall financial condition of the Authority.

## FINANCIAL ANALYSIS OF THE AUTHORITY

A condensed overview of the Authority's net position is provided in the following pages. The statements of net position serve as a useful indicator of assessing the Authority's financial position and relative components of assets, deferred outflows of resources, liabilities and deferred inflows of resources. It identifies these assets, deferred outflows of resources, liabilities and deferred inflows of resources for their expected use both for current operations and long-term purposes and identifies trends and allocation of resources.

As the Authority operates in a capital-intensive environment, capital assets are by far the largest component of net position. They are essential to seaport operations, providing land assets, buildings and equipment and other capital assets to its tenants and customers. These capital assets are largely funded by bonds and notes outstanding (debt). Repayment of this debt is provided annually from operations, as well as funds maintained by the Authority restricted for ongoing scheduled and certain future debt payments. The Authority's capital spending program is also supported by funding from its primary government, the City of Jacksonville, as well as state and federal grants. In addition to long-term assets and liabilities, the Authority holds current assets, including operating cash balances, to meet current liabilities.

Monetary amounts are presented in the thousands (000's), unless noted otherwise.

Operating Results for 2022

Total operating revenues for fiscal year 2022 were $61,233, a decline in total revenues of 1%, compared to revenues of $61,853 in fiscal year 2021. Total container volumes in 2022 were 1,298,132 TEUs (twenty-foot equivalent units), declining from a record 1,407,310 TEUs in 2021. The reduction was largely due to a steady decline of shipper calls and vessel activity at one terminal location, leading to an early termination of the lease and transition to a new terminal operator in mid-year. As of 2022, JAXPORT now accommodates larger cargo vessels with the 47 feet harbor depth achieved in mid-2022, concurrent with the completion of deep-water berths. Auto units totaled 553,029 in 2022 compared to 623,212 units in 2021, the decline primarily a result of a global shortage of auto parts and supplies. Auto revenue dollars held up well, declining only 1% due to fixed lease acreage-based contracts. Breakbulk tonnage increased to 989,058 tons, a 35% increase over prior year, primarily driven by demand for forest products – paper, wood pulp and lumber. Collectively, Containers (48%), Autos (25%), and Breakbulk (10%) make up 83% of total revenues. Cruise revenues for 2022 were $2,562 and reflect approximately seven months of cruise activity beginning in March of 2022. Other lines of business including liquid bulk and dry bulk were steady year over year.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

| (in thousands of dollars) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating revenue | $ 61,233 | $ 61,853 | $ 63,507 |
| Operating expenses | | | |
| Salaries and benefits | 18,913 | 15,882 | 18,610 |
| Services and supplies | 5,559 | 3,806 | 3,952 |
| Security services | 4,405 | 4,374 | 5,039 |
| Business travel and training | 322 | 141 | 272 |
| Promotion, advertising, dues and memberships | 647 | 539 | 579 |
| Utility services | 743 | 632 | 850 |
| Repairs and maintenance | 2,138 | 1,846 | 1,829 |
| Berth maintenance dredging | 4,920 | 3,986 | 5,394 |
| Miscellaneous | 155 | 163 | 163 |
| Total operating expenses | 37,802 | 31,369 | 36,688 |
| Operating income before depreciation | 23,431 | 30,484 | 26,819 |
| Depreciation | 30,989 | 30,031 | 29,659 |
| Operating (loss) income | (7,558) | 453 | (2,840) |
| Non-operating revenue (expense) | | | |
| Interest expense | (7,028) | (7,261) | (8,487) |
| Interest income | 184 | 10 | 230 |
| Shared revenue from primary government | 9,769 | 9,847 | 1,847 |
| Intragovernmental grant revenue | 18,758 | - | - |
| Gain on contract termination | 109,114 | - | |
| Capital contributions from/(to) tenants | 22,093 | - | (1,092) |
| Capital contributions to other government agencies | - | - | (1,025) |
| (Loss) gain on sale/disposition of assets | (317) | (150) | 13 |
| Other non-operating expenses | (94) | (853) | (884) |
| Total non-operating revenue (expense) | 152,479 | 1,593 | (9,398) |
| Income (loss) before capital contributions | 144,921 | 2,046 | (12,238) |
| Capital contributions | 25,996 | 35,619 | 50,847 |
| Changes in net position | 170,917 | 37,665 | 38,609 |
| **NET POSITION** | | | |
| Beginning of year | 507,902 | 470,237 | 431,628 |
| End of year | $ 678,819 | $ 507,902 | $ 470,237 |

Total operating expenses before depreciation for 2022 were $37,802 an increase of $6,433 over prior year expenses before depreciation of $31,369. Prior fiscal year 2021 included COVID-19 cost containment measures, whereas fiscal year 2022 expense levels returned to more normalized levels. Salaries and benefits in 2022 were $18,913, an increase of $3,031 over 2021, of which $1,483 was attributable to variances in "year-end valuation accounting" for pension costs. Other factors accounting for the increase included a return to full staffing levels, post COVID, and the addition of nine security personnel previously part of outsourced contract security. Workers' Compensation Insurance expense included a two years catchup assessment totaling $675. Fuel costs in 2022 increased $615 largely due to diesel (85%) price increases. Berth maintenance dredging expense increased $934 in fiscal year 2022, reflective of increased dredge volumes.

Net non-operating revenues (expenses) for 2022 totaled $152,479, and included several large non-recurring and recurring transactions. Most notable was a gain on contract termination in the amount of $109,114, the outcome of an early exit of a tenant with a 30-year contract, causing an accelerated recognition of unearned revenue amounts (see note E). The Authority also received Coronavirus State and Local Fiscal Recovery Funds (ARPA Funds) totaling $17,716 in 2022, recorded as intergovernmental grant revenue. Tenant contributions for construction totaled $22,093. Noteworthy in fiscal years 2022 and 2021 is a significant increase in shared revenue from primary government of $9,769 and $9,847, respectively, compared to $1,847 in fiscal year 2020. The increase is a result of certain debt obligations previously recorded on the books of the City, on behalf of the Authority, serviced by this revenue source being fully satisfied at year end 2020. Beginning in 2021 and forward, the Authority receives the full share of these interlocal revenues.

Capital contributions in 2022, which includes state, local and federal grant contributions totaled $25,996, compared to $35,619 in prior year. Included in 2021, was a local capital contribution of $4,161 from the City of Jacksonville, which was in addition to $35,000 provided in fiscal year 2020, specifically to support the final phase of the 47 feet harbor deepening project.

At the close of fiscal year 2022, the Authority had a net position of $678,819, an increase of $170,917 from $507,902 at fiscal year-end 2021.

<u>Revenue, Expenses and Changes in Net Position 2021 vs 2020</u>

Total operating revenues for fiscal year 2021 were $61,853, a decline in total revenues of 3%, compared to revenues of $63,507 in fiscal year 2020. Container volumes in 2021 rebounded to a record 1,407,310 TEUs, and accounted for 51% of all revenues. Autos also rebounded in 2021, to 623,212 units and account for about 25% of all revenues. The absence of cruise revenues continued into all of fiscal year 2021, whereas fiscal year 2020 had reported about $1.9 million in cruise related revenues. Bulk cargo volumes including breakbulk, dry bulk, and liquid bulk were relatively constant year over year, and collectively account for about 13% of total revenues. Container volumes growth in 2021, up 130,149 TEUs, reflected increased volumes in Puerto Rico and Caribbean trade lanes, as well as Asian trade.

Total operating expenses before depreciation for 2021 were $31,369, a decrease of $5,319 from prior year expenses before depreciation of $36,688. The Authority continued COVID-19 cost containment measures into early 2021, gradually returning to more normalized levels by year end. Salaries and benefits declined $2,728, to $15,882 in 2021, of which $3,198 was attributable to variances in accounting for pension costs. Berth maintenance dredging expense declined $1,408 in fiscal year 2021. The Authority was able to maintain employment of all existing personnel and incurred no furloughs of staff for both fiscal years 2020 and 2021.

Net non-operating revenues (expenses) for 2021 totaled $1,593, compared to ($9,398) in 2020, a $10,991 favorable increase. Noteworthy in fiscal year 2021 is a significant increase in shared revenue from primary government totaling $9,847, compared to $1,847 in 2020. The increase is a result of certain debt obligations recorded on the books of the City, on behalf of the Authority, serviced by this revenue source, being fully satisfied at year end 2020. Interest expense on debt totaled $7,261 in 2021, a reduction of $1,226 from fiscal year 2020, primarily resulting from a bond refunding transaction in 2020.

Capital contributions in 2021, which include state, local, and federal grant contributions totaled $35,619, compared to $50,847 in 2020. Included in 2021, was a second capital contribution of $4,161 from the City of Jacksonville, which was in addition to $35,000 provided in fiscal 2020, provided specifically to support the funding of the final phase of the 47 feet harbor deepening project.

At the close of fiscal year 2021, the Authority had a net position of $507,902, an increase of $37,665 from $470,237 at fiscal year-end 2020.

Net Position

2022 vs. 2021

At September 30, 2022, the Authority's net position was $678,819 compared to $507,902 at year end 2021, an increase of $170,917. Significant additions in 2022, were the receipt of $18,758 in intragovernmental grant revenue, largely ARPA funds of $17,716, tenant contributions for construction of $22,093, and a $109,114 gain on contract termination effectively reducing total liabilities and deferred inflows in the same amount (eliminating unearned revenue balances). Other recurring sources of support include shared revenue from primary government of $9,769 and state and federal grants of $25,996.

| *(In thousands of dollars)* | 2022 | 2021 | 2020 |
|---|---|---|---|
| **NET POSITION** | | | |
| Current assets | $ 61,669 | $ 54,109 | $ 42,662 |
| Noncurrent assets (excluding capital assets) | 31,496 | 23,373 | 31,614 |
| Capital assets | 856,329 | 849,826 | 849,045 |
| Deferred outflows of resources | 10,077 | 9,266 | 11,284 |
| Total assets and deferred outflows | 959,571 | 936,574 | 934,605 |
| Current liabilities | 20,615 | 24,563 | 24,675 |
| Bonds and notes outstanding (net of current portion) | 206,067 | 214,291 | 222,152 |
| Other noncurrent liabilities and deferred inflows | 54,070 | 189,818 | 217,541 |
| Total liabilities and deferred inflows | 280,752 | 428,672 | 464,368 |
| Net position | | | |
| Net investment in capital assets | 621,944 | 468,910 | 440,981 |
| Restricted for debt service | 18,391 | 18,080 | 17,468 |
| Restricted – other | 3,071 | 2,926 | 2,991 |
| Unrestricted | 35,413 | 17,986 | 8,797 |
| Total net position | $ 678,819 | $ 507,902 | $ 470,237 |

Total assets and deferred outflows at year end 2022 were $959,571, Capital asset net increases were $6,503. Current assets improved with unspent ARPA funds adding $13,095 at year end, partly offset by $5,540 in reduced grant receivable balances. Noncurrent assets were $31,496 and include tenant funds provided for construction of $15,535, partly offset by $7,037 in a reduction of long-term grant receivables.

Total liabilities and deferred inflows were $280,752 at year end 2022, compared to $428,672 in 2021. Bonds and notes outstanding (net of current portion), declined $8,224, primarily from scheduled debt service. Other noncurrent liabilities and deferred inflows were reduced significantly in 2022, reflecting paydowns of other borrowings (line of credit and bridge loan) totaling $29,730. The elimination of unearned revenue balances associated with the aforementioned gain on contract termination resulted in a $6.3 million reduction (unearned revenue) in current liabilities and $106.8 million reduction (unearned revenue) in other noncurrent liabilities and deferred inflows.

Total net position at year end 2022 was $678,819, reflecting net investment in capital assets of $621,944, amounts restricted for debt service of $18,391, unrestricted balances of $35,413 and repair and replacement funds of $3,071.

Net Position

2021 vs. 2020

At September 30, 2021, the Authority's net position was $507,902 compared to $470,237 at year end 2020. Operating income before depreciation was $30,484, compared to $26,819 in 2020.The Authority's operations are also supported by state, local and federal grants, totaling $35,619 in 2021, primarily dedicated to capital improvements. The Authority is also supported through an interlocal agreement with the City of Jacksonville, which provided $9,847 in fiscal year 2021, see Note A.22 for additional information.

Total assets and deferred outflows at year end 2021 were $936,574, capital Asset net increases in 2021 were nominal compared to large harbor deepening additions of $77,344, and $52,004 in fiscal years 2020 and 2019, respectively. Funding for the Harbor Deepening project was completed in fiscal year 2020 and included contributions from federal, state and local grants, as well as tenant and Authority support. See Note C for additional information. Depreciation expense was $30,031 in 2021, compared to $29,659 in 2020.

Total liabilities and deferred inflows were $428,672 at year end 2021, compared to $464,368 in 2020. Bonds and notes outstanding (net of current portion), declined $7,861, primarily from scheduled debt service. Other noncurrent liabilities and deferred inflows were reduced significantly in 2021, reflecting paydowns of other borrowings (line and of credit and bridge loan) totaling $16,567, and deferred revenue balances reductions of $8,070. In addition to normal deferred lease revenue amortization, the Authority returned a $4 million previous tenant lease prepayment, opting for future throughput fees instead. See Note F for additional information. Deferred inflows of resources for pensions and related net pension liability declined $2,971.

Total net position at year end 2021 was $507,902, reflecting net investment in capital assets of $468,910, amounts restricted for debt service of $18,080 and unrestricted balances of $17,986.

Cash Flows

2022 vs 2021

Cash flows from operating activities in 2022 were $23,758 compared to $20,571 in prior year. Fiscal year 2021 included a return of funds to a tenant in the amount of $4 million. The tenant had paid substantial upfront rents in fiscal year 2020, by mutual agreement the Authority refunded the $4 million, in exchange for increased throughput tonnage rates.

Cash flows from noncapital financing activities in 2022 were $27,485, compared to $9,847 in 2021. This increase is attributable to the receipt of intragovernmental grant revenue (ARPA Funds) awarded in the amount of $17,716 in fiscal year 2022.

Net cash used in capital and related financing activities totaled $23,090. Large outflows include funding for acquisition and construction of capital assets of $34,786, principal and interest debt service payments of $15,256. Additionally, the Authority paid off a bridge loan balance of $25,000, and also a net paydown on the line of credit of $4,730. The Authority also incurred a $4,064 outlay associated with a tenant lease termination (see Note E). Significant inflows include state and federal contributions-in-aid of construction of $38,645 and tenant contributions for construction for $22,093.

Cash and cash equivalents at the end of 2022 were $69,752 compared to $41,415 in 2021. The cash balance of $69,752 at September 30, 2022 is comprised of $17,349 in unrestricted cash, $13,095 in current restricted cash (ARPA funds), $15,535 in construction funds, $20,702 in restricted debt service and reserve funds and $3,071 for renewal and replacement funds.

<u>Cash Flows</u>

<u>2021 vs 2020</u>

Cash flows from operating activities in 2021 were $20,571 compared to $30,218 in prior year. Most of this $9,647 reduction was related to a $6 million prepaid lease payment received in 2020 and a subsequent $4 million return of these funds in 2021, pertaining to a contract amendment in 2021 which allows for ongoing increased "throughput" payments instead.

Cash flows from noncapital financing activities in 2021 were $9,847, representing an increase of $8,000 over $1,847 in 2020. These receipts from the primary government increased in 2021 as a result of the satisfaction of all debt obligations originally issued and recorded by the City. These shared revenues had been pledged to pay the debt service on these obligations.

Net cash used in capital and related financing activities totaled $33,212, which include outlays for acquisition and construction of capital assets of $31,369, principal and interest debt service payments of $14,686, and paydown of other interim borrowings (City bridge loan and net line of credit activity) of $16,567. Significant inflows include state and federal contributions-in-aid of construction of $26,183 and an additional contribution from the City of $4,161 supporting the harbor deepening project.

Cash and cash equivalents at the end of 2021 were $41,415 compared to $44,199 in 2020. The cash balance of $41,415 at September 30, 2021 is comprised of $17,004 in unrestricted cash, $345 in construction funds, $21,140 in restricted debt service and reserve funds and $2,926 for renewal and replacement funds.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Capital assets include land, land improvements, harbor deepening and related costs, buildings and building improvements and equipment. At September 30, 2022, the Authority had commitments for future construction work of approximately $63,036. Additional information regarding capital assets can be found in the accompanying notes to the financial statements (see Note C).

<u>2022 vs. 2021</u>

At September 30, 2022, the Authority's capital assets, net of depreciation, grew to $856,329, compared to prior year net capital assets of $849,826. Capital project additions for 2022 were $37,838; major projects include terminal construction and rehab $13,329, wharf rehabilitation projects $5,976, and dredge material management sites $9,032. Capital spending was partly funded by local, state and federal grants totaling $25,996 in 2022. Depreciation expense for 2022 was $30,989, compared to $30,031 in 2021.

2021 vs. 2020

At September 30, 2021, the Authority's capital assets, net of depreciation, grew to $849,826, compared to prior year net capital assets of $849,045. Capital project additions for 2021 were $30,981; major projects include wharf rehabilitation projects totaling $13,057, dredge material management sites $5,089, bridge rehabilitation $2,130 and harbor deepening of $1,509. Capital spending was partly funded by local, state and federal grants totaling $35,619 in 2021. Depreciation expense for 2021 was $30,031, compared to $29,659 in 2020.

**Long-Term Debt**

2022 vs. 2021

At September 30, 2022, the Authority had outstanding bonds and notes payable of $214,103, a decrease of $7,860 from $221,963 at end of fiscal year 2021 (both net of unamortized bond premiums). Line of credit balances outstanding at September 30, 2022 were $10,749, compared to $15,479 at prior year-end. In 2022 the Authority paid off all outstanding balances on an original $37,700 bridge loan from primary government, balances at prior year end 2021 was $25,000.

2021 vs. 2020

At September 30, 2021, the Authority had outstanding bonds and notes payable of $221,963, a decrease of $7,352 from $229,315 at end of fiscal year 2020 (both net of unamortized bond premiums). Line of credit balances outstanding at September 30, 2021 were $15,479, compared to $19,346 at prior year-end. The Authority paid down balances of $12,700 on a $37,700 bridge loan from primary government, to $25,000 at year-end 2021. Both the line of credit borrowings and the bridge loan serve as funding sources for large grant-funded capital project in progress (harbor deepening and wharf rehabilitation), whereby associated repayment amounts pending from FDOT grant reimbursement agreements will provide total repayment for both obligations, to be paid in full by 2023.

The Authority exceeded its required minimum debt service coverage ratio for the 2022 fiscal year.

**Budgetary Highlights**

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2022 and 2021.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to each of those groups. Questions concerning any information included in this report or any request for additional information should be addressed to the Chief Financial Officer, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

**Jacksonville Port Authority**

**Statements of Net Position**
**September 30, 2022 and 2021**
*(In thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 17,349 | $ 17,004 |
| Restricted cash and cash equivalents | 20,958 | 8,149 |
| Accounts receivable, net | 7,251 | 7,309 |
| Notes and other receivables | 120 | 420 |
| Grants receivable | 13,914 | 19,454 |
| Inventories and prepaid items | 2,077 | 1,773 |
| Total current assets | 61,669 | 54,109 |
| | | |
| Noncurrent assets | | |
| Restricted assets: | | |
| Cash and cash equivalents | 15,910 | 15,917 |
| Restricted for capital projects: | | |
| Cash and cash equivalents | 15,535 | 345 |
| Notes receivable | 51 | 74 |
| Grants receivable | - | 7,037 |
| Capital assets, net | 856,329 | 849,826 |
| Total noncurrent assets | 887,825 | 873,199 |
| Total assets | 949,494 | 927,308 |
| | | |
| Deferred outflow of resources | 10,077 | 9,266 |
| Total assets and deferred outflow of resources | 959,571 | 936,574 |

(continued)

**Jacksonville Port Authority**

**Statements of Net Position**
**September 30, 2022 and 2021**
*(In thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable | 2,257 | 2,202 |
| Accrued expenses | 683 | 1,066 |
| Accrued interest payable | 2,180 | 2,928 |
| Construction contracts payable | 3,139 | 2,326 |
| Retainage payable | 3,620 | 1,382 |
| Unearned revenue | 700 | 6,987 |
| Bonds and notes payable | 8,036 | 7,672 |
| Total current liabilities | 20,615 | 24,563 |
| Noncurrent liabilities | | |
| Unearned revenue | 14,592 | 120,952 |
| Accrued expenses | 2,290 | 3,291 |
| Other obligations | 8,537 | 8,537 |
| Net pension liability | 16,545 | 6,690 |
| Bridge loan from primary government | - | 25,000 |
| Line of credit note | 10,749 | 15,479 |
| Bonds and notes payable | 206,067 | 214,291 |
| Total noncurrent liabilities | 258,780 | 394,240 |
| Total liabilities | 279,395 | 418,803 |
| Deferred inflow of resources for pensions | 1,357 | 9,869 |
| **Net Position** | | |
| Net investment in capital assets | 621,944 | 468,910 |
| Restricted for | | |
| Debt service | 18,391 | 18,080 |
| Repair and replacement | 3,071 | 2,926 |
| Unrestricted | 35,413 | 17,986 |
| Total net position | $ 678,819 | $ 507,902 |

See Notes to the Financial Statements.

**Jacksonville Port Authority**

**Statements of Revenue, Expenses and Changes in Net Position**
**For the Years Ended September 30, 2022 and 2021**
*(In thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Operating revenue** | $ 61,233 | $ 61,853 |
| **Operating expenses** | | |
| Salaries and benefits | 18,913 | 15,882 |
| Services and supplies | 5,559 | 3,806 |
| Security services | 4,405 | 4,374 |
| Business travel and training | 322 | 141 |
| Promotions, advertising, dues and memberships | 647 | 539 |
| Utility services | 743 | 632 |
| Repairs and maintenance | 2,138 | 1,846 |
| Berth maintenance dredging | 4,920 | 3,986 |
| Miscellaneous | 155 | 163 |
| Total operating expenses | 37,802 | 31,369 |
| Operating income before depreciation | 23,431 | 30,484 |
| **Depreciation expense** | 30,989 | 30,031 |
| Operating (loss) income | (7,558) | 453 |
| **Non-operating revenues (expenses)** | | |
| Interest expense | (7,028) | (7,261) |
| Investment income | 184 | 10 |
| Shared revenue from primary government | 9,769 | 9,847 |
| Intragovernmental grant revenue | 18,758 | - |
| Gain on contract termination | 109,114 | - |
| Contributions from tenants | 22,093 | - |
| Loss on sale/disposition of assets | (317) | (150) |
| Other non-operating (expenses) | (94) | (853) |
| Total non-operating income (expenses) | 152,479 | 1,593 |
| Income before capital contributions | 144,921 | 2,046 |
| **Capital contributions** | 25,996 | 35,619 |
| Change in net position | 170,917 | 37,665 |
| **Net position** | | |
| Beginning of year | 507,902 | 470,237 |
| End of year | $ 678,819 | $ 507,902 |

See Notes to the Financial Statements.

**Jacksonville Port Authority**

**Statements of Cash Flows**
**For The Years Ended September 30, 2022 and 2021**
*(In thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | $ 62,023 | $ 56,815 |
| Payments for services and supplies | (19,165) | (19,178) |
| Payments to/for employees | (19,100) | (17,066) |
| Net cash provided by operating activities | 23,758 | 20,571 |
| **Cash flows from noncapital financing activities** | | |
| Receipts from primary government | 9,769 | 9,847 |
| Intragovernmental grant revenue | 17,716 | - |
| Net cash provided by noncapital financing activities | 27,485 | 9,847 |
| **Cash flows from capital and related financing activities** | | |
| Proceeds from capital debt | 88,870 | - |
| Principal paid on debt refunding | (88,870) | - |
| Bridge loan from primary government | (25,000) | (12,700) |
| Contribution from primary government | - | 4,161 |
| Line of credit advances | 10,000 | 10,844 |
| Line of credit payments | (14,730) | (14,711) |
| Contributions from tenants for construction | 22,093 | - |
| Contributions-in-aid of construction (grants) | 38,645 | 26,183 |
| Acquisition and construction of capital assets | (34,786) | (31,369) |
| Principal paid on capital debt | (7,672) | (7,163) |
| Interest paid on capital debt | (7,584) | (7,523) |
| Proceeds from sale of assets | 52 | 42 |
| Costs associated with contract termination | (4,064) | |
| Other | (44) | (976) |
| Net cash used in capital and related financing activities | (23,090) | (33,212) |
| **Cash flows provided from investing activities** | | |
| Interest on investments | 184 | 10 |
| Net cash provided by investing activities | 184 | 10 |
| **Net increase (decrease) in cash and cash equivalents** | 28,337 | (2,784) |
| **Cash and cash equivalents** | | |
| Beginning of year | 41,415 | 44,199 |
| End of year | $ 69,752 | $ 41,415 |

(continued)

**Jacksonville Port Authority**

**Statements of Cash Flows**
**For The Years Ended September 30, 2022 and 2021**
*(In thousands of dollars)*

| | 2022 | 2021 |
|---|---|---|
| **Reconciliation of operating (loss) income to net cash provided by operating activities** | | |
| Operating (loss) income | $ (7,558) | $ 453 |
| Adjustment to reconcile operating (loss) income to net cash provided by operating activities: | | |
| Depreciation expense | 30,989 | 30,031 |
| Decrease in accounts receivable and other current assets | (47) | (738) |
| Increase (decrease) in deferred outflow of resources – pension | (1,177) | 1,653 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (324) | 627 |
| Unearned revenue | 532 | (8,484) |
| Pension | 9,855 | (11,379) |
| Increase (decrease) in deferred inflows of resources – pension | (8,512) | 8,408 |
| Total adjustments | 31,316 | 20,118 |
| Net cash provided by operating activities | $ 23,758 | $ 20,571 |
| **Noncash investing, capital and financing activities** | | |
| Construction costs paid on account | $ 6,759 | $ 3,708 |
| Grants receivable | 13,914 | 26,491 |

See Notes to the Financial Statements.

## Note A – Summary of Significant Accounting Policies

1. Reporting entity

The Jacksonville Port Authority (the Authority) was created in 1963 by Chapter 63-1447 of the Laws of Florida, to own and operate marine facilities in Duval County, Florida. The Authority is governed by a seven-member board. Three board members are appointed by the Governor of Florida and four are appointed by the Mayor and confirmed by the City Council of the City of Jacksonville, Florida. The City Council reviews and approves the Authority's annual budget.

The Authority is a component unit of the City of Jacksonville, Florida (the City), as defined by Governmental Accounting Standards Board (GASB) Section 2100 of Codification, *The Financial Reporting Entity*. The Authority's financial statements include all funds and departments controlled by the Authority or which are dependent on the Authority. No other agencies or organizations have been included in the Authority's financial statements.

2. Basic financial statements

The Authority is considered a special purpose government engaged in a single business-type activity. Business-type activities are those activities primarily supported by user fees and charges. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

3. Fund structure

The operations of the Authority are recorded in a single proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating revenue and expenses. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operation. The principal operating revenues for the Authority's proprietary fund are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue or capital contributions when all eligibility requirements imposed by the provider are met.

Operating revenues of the Authority include revenues from facility leases, which are recognized over the term of the lease agreements. All other revenues, such as fees from wharfage, throughput and dockage, are recognized as services are provided.

The Authority's policy is to use restricted resources first, then unrestricted resources, when both are available for use to fund activity.

**Note A – Summary of Significant Accounting Policies (Continued)**

5. New pronouncements not yet adopted

GASB Statement No. 91, *Conduit Debt Obligations* was issued in May 2019, and will be effective for the Authority in fiscal year 2023. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management does not expect this to have a significant impact on the financial statements of the Authority.

GASB Statement No. 96, *Subscription – Based Information Technology Arrangements* was issued in May 2020, and will be effective for the Authority in fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Management is currently evaluating the impact of this standard to the Authority's financial statements.

GASB Statement No. 101, *Compensated Absences* was issued in June 2022, and will be effective for the Authority in fiscal year 2024. Earlier application is encouraged. The objective of this standard is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Management is currently evaluating the impact of this standard to the Authority's financial statements.

6. Budgeting procedures

The Authority's charter and related amendments, City Council resolutions and/or Board policies have established the following budgetary procedures for certain accounts maintained within its enterprise fund. These include:

Prior to July 1 of each year, the Authority shall prepare and submit its budget to the City Council for the ensuing fiscal year.

The City Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis; however, the appropriation from the City Council for construction, reconstruction, enlargement, expansion, improvement or development of any marine project or projects authorized to be undertaken by the Authority, shall not be reduced below $800,000.

Once adopted, additional appropriations may only be through action of the City Council.

The Authority is authorized to transfer within Operating/Non-Operating Schedules and the Capital Schedule as needed. Transfers between schedules are allowable up to $50,000. Once the $50,000 limit is reached, City Council approval must be obtained. Operating budget item transfers require Chief Executive Officer or Chief Financial Officer approval. Line-to-line capital budget transfers of $50,000 or less require the same approval levels. Line-to-line capital budget transfers of more than $50,000 require the same approval levels, with additional notification to the Board if deemed necessary by either of the above-mentioned parties. Any Capital Budget transfer creating a new capital project greater than $1,000,000 requires Board approval. All appropriations lapse at the end of each fiscal year and must be re-appropriated.

## Note A – Summary of Significant Accounting Policies (Continued)

7. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, money market funds and the Florida State Board of Administration investment pool. Cash equivalents are investments with a maturity of three months or less when purchased.

8. Accounts receivable

Management considers all accounts to be fully collectible; however, the Authority has established an allowance for doubtful accounts based upon collections experience. The allowance for doubtful accounts for the years ended September 30, 2022 and 2021 was $92,000.

9. Leases

The Authority, as a landlord port, has various leases which convey usage of property, facilities, equipment, terminal privileges, and space to its tenants. As lessor, the Authority administers the leases as a Marine Terminal Operator (MTO), as defined by the Federal Maritime Commission (FMC). Additionally, lessees (tenants) are also defined as MTOs. The Authority takes the position that all its lease agreements and tariff are regulated and *subject to external laws, regulations, or legal rulings*, and meet the definition under the accounting standard as *certain regulated leases*. The Authority has no material ancillary operational activities outside the scope of those defined as a “terminal facility” by FMC regulations

The Authority implemented GASB Statement 87, *Leases* in fiscal year 2022. In accordance with the standard, recognition and measurement for *certain regulated leases* under *GASB 87, paragraphs 42 and 43*, prescribes that *lessors should recognize inflows of resources based upon payment provisions of the lease contract and provide disclosures,* as provided in paragraph 60 of GASB Statement 87 for leases for which external laws, regulations or legal rulings apply. Please see note D for required disclosures.

The Authority owns all its facilities and has no property or equipment leases defined as long term, and accordingly reports no lease obligations.

10. Grants receivable

Grants received from federal and state government agencies that are restricted for the acquisition of construction of capital assets are recorded as capital contributions when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grant, have been incurred. Grants receivable are classified as current unless deferred receipts arrangements are prescribed by grantor agreement.

11. Investments

The Authority’s investments are reported at fair value using quoted market price or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurements* (GASB 72). Fair value is defined by GASB 72, as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. Categories within the fair value hierarchy include: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 are unobservable inputs. As of September 30, 2022 and 2021, the Authority did not hold any investments.

**Note A – Summary of Significant Accounting Policies (Continued)**

12. Restricted assets

Certain proceeds of revenue bonds and notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, as their use is limited by applicable debt agreements. Restricted cash also includes renewals and replacement funds restricted for capital improvements and other funds as specifically designated by contributors or by grant agreement.

13. Capital assets

Capital assets are carried at cost less accumulated depreciation. Capital assets are defined by the Authority as assets with an individual cost of $5,000 or greater, and an estimated useful life of more than one year.

Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

| Asset Class | Estimated Service Life (Years) |
|---|---|
| Buildings | 20-30 |
| Other improvements | 10-50 |
| Equipment | 3-30 |

When capital assets are disposed of, the related cost and accumulated depreciation are recorded as gains or losses on disposition.

Costs incurred for harbor deepening are accounted for as non-depreciable land improvements. Costs incurred for the development of dredge spoil sites are recorded as land improvements and amortized over 20 years. Berth maintenance dredging is expensed as incurred.

14. Inventories and prepaid items

Inventories are stated at cost using the average cost method. Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items.

15. Deferred outflows/inflows of resources

In addition to assets, the statements of net position include a separate section for deferred outflows of resources. These separate financial statements section, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The Authority currently reports the net deferred loss on refunding of debt and deferred outflows related to pensions in this category.

In addition to liabilities, the statements of financial position include a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently reports deferred inflows related to pensions in this category.

**Note A – Summary of Significant Accounting Policies (Continued)**

16. Unearned revenue

Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the financial statements. Unearned revenue consists primarily of unearned lease revenue.

17. Compensated absences (accrued leave plan)

Compensated absences consist of paid time off, which employees accrue each pay period. Individual leave accrual rates vary based upon position and years of service criteria. A liability is accrued as the benefits are earned by the employee for services already rendered and to the extent it is probable the employer will compensate the employees for the benefits. Maximum leave accrual balances cap at 480 hours for union employees, and 350 hours for non-union employees.

18. Conduit debt

On February 28, 2022, a Surrender and Termination of Lease agreement was executed by the Authority and its tenant Trapac Jacksonville, LLC. On that date, per the agreement, Mitsui O.S.K. (MOL) redeemed the outstanding balance of Special Facilities Bonds (Mitsui O.S.K. Lines, Ltd. Project), Series 2007 Bonds (Par amount of redeemed bonds were $57,050,000). Please see Note E for additional information.

19. Long-term obligations

In the financial statements, long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the related obligation using the straight-line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable premium or discount. Costs of issuance are expensed as incurred.

20. Pensions

In the statement of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates.

21. Other post-employment benefits (OPEB)

The Authority obtains actuarial valuation reports for its post-employment benefit plan (other than pensions) and records the total OPEB liability as required under GASB Statement No. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

22. Net position

In the financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets** – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, deferred balances from debt refunding and prepaid lease revenues (unearned revenues) that are attributable to the acquisition, construction or improvement of these assets will reduce this category.

### Note A – Summary of Significant Accounting Policies (Continued)

**Restricted Net Position** – This category represents the net position of the Authority which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations.

**Unrestricted Net Position** – This category represents the net position of the Authority, which is not restricted for any project or other purpose.

23. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the Communications Service Tax received by the City, millage payments from the Jacksonville Electric Authority (JEA) pursuant to City Ordinance Code and the Interlocal Agreement, as well as a fixed contribution from the City. These revenues had been pledged to pay debt service on bond obligations issued by the city and designated for port expansion projects. All previous debt obligations issued by the City, on behalf of the Authority, were paid off at year-end 2020. Shared revenue from primary government was $9,769,000 and $9,847,000 in 2022 and 2021, respectively.

24. Intragovernmental grant revenue

Intragovernmental grant revenues are accounted for as non-operating revenues in the period they are received or recognized, as defined by the grant agreement. Most common are reimbursements for specific federal security grants for security or public safety operational expenditures. Also included are Federal Emergency Management Agency (FEMA) funds received for disaster relief, examples would include federal assistance for costs incurred for hurricane preparation and recovery. In fiscal year 2022, the Authority received Coronavirus State Fiscal Recovery Funds under the American Rescue Plan Act (ARPA) in the amount of $17,716,224 accounted for as operating grants.

25. Contributions from tenants for construction

Tenant Contributions are accounted for as contributions within non-operating income (in a non-exchange transaction). Whereby the tenant contributes funding for a construction project they would have otherwise undertaken, but the project is administered by the Authority when federal or state grants are involved.

26. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note B – Deposits and Investments

Cash and Deposits

At September 30, 2022 and 2021, the carrying amount of the Authority's cash deposit accounts was $20,551,000 and $20,063,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Community Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

**Note B – Deposits and Investments (Continued)**

Cash equivalents consist of deposits with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

Investments

The Authority formally adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the Authority's cash and investment assets.

The Authority's investment policy allows for the following investments: The State Board of Administration's Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, Corporate Bonds, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds) and Intergovernmental Investment Pools.

In instances where unspent bond proceeds, scheduled bond payments held by a third-party trustee, or other bond reserves as prescribed by bond covenants are held, the Authority will look first to the Authority's Bond Resolution for guidance on qualified investments and then to the Authority's investment policy.

*Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates adversely affecting the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. The policy of the Authority is to maintain an amount equal to three months, or one quarter, of the budgeted operating expenses of the current fiscal year in securities with maturities of less than 90 days. The weighted average duration of the portfolio will not exceed 3 years at the time of each reporting period. As of September 30, the Authority had the following investments and effective duration presented in terms of years:

| 2022 | | Investment Maturities (in Years) | |
|---|---|---|---|
| *(in thousands of dollars)* | Fair | Less | |
| Investment Type | Value | Than 1 | 1-5 |
| Investments Subject to Interest Rate Risk | | | |
| Money market funds | $ 20,570 | $ 20,570 | $ - |
| Total investments | $ 20,570 | $ 20,570 | $ - |

| 2021 | | Investment Maturities (in Years) | |
|---|---|---|---|
| *(in thousands of dollars)* | Fair | Less | |
| Investment Type | Value | Than 1 | 1-5 |
| Investments Subject to Interest Rate Risk | | | |
| Money market funds | $ 21,352 | $ 21,352 | $ - |
| Total investments | $ 21,352 | $ 21,352 | $ - |

**Note B – Deposits and Investments (Continued)**

Total investments amounts shown above are classified as restricted cash and cash equivalents, reflecting money market funds held for debt service obligations (and related proceeds), on the statements of net position.

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below:

Commercial paper of any United States company or foreign company domiciled in the United States that is rated, at the time of purchase, 'Prime-1' by Moody's and 'A-1' by Standard & Poor's (prime commercial paper), or equivalent as provided by two nationally recognized rating agencies. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated 'A' or better by at least two nationally recognized rating agencies.

Corporate bonds issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum 'A' by Moody's and a minimum long-term debt rating of 'A' by Standard & Poor's, or equivalent as provided by two nationally recognized rating agencies.

Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, 'P-1' by Moody's Investors Service and 'A-1' Standard & Poor's, or equivalent as provided by two nationally recognized rating agencies.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least 'Aa' by Moody's and 'AA' by Standard & Poor's for long-term debt, or rated at least 'VMIG-2'

by Moody's and 'A-2' by Standard & Poor's for short-term debt (one year or less), or equivalent as provided by two nationally recognized rating agencies.

Federal instrumentalities or U.S. Government sponsored agencies which are non-full faith and credit agencies limited to the following:

Federal Farm Credit Bank (FFCB)
Federal Home Loan Bank or its Authority banks (FHLB)
Federal National Mortgage Association (FNMA)
Federal Home Loan Mortgage Corporation (Freddie Macs)

Money market funds shall be rated 'AAAm' or better by Standard & Poor's or the equivalent by another rating agency.

**Note B – Deposits and Investments (Continued)**

As of September 30, the Authority had the following credit exposure as a percentage of total investments:

| 2022 | | |
|---|---|---|
| Security type: | Credit Rating | % of Portfolio |
| Money market funds | AAAm | 100.00% |
| Total | | 100.00% |

| 2021 | | |
|---|---|---|
| Security type: | Credit Rating | % of Portfolio |
| Money market funds | AAAm | 100.00% |
| Total | | 100.00% |

*Custodial Credit Risk*

This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian and all securities purchased by and all collateral obtained by the Authority should be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida.

*Concentration of Credit Risk*

The Authority's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the Authority's investment portfolio.

A maximum of 100% may be invested in non-negotiable interest-bearing time certificates of deposit, time deposit accounts, demand deposit accounts, or savings accounts in banks organized under State of Florida law. To include national banks organized under the laws of the United States and doing business in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits

Act, Chapter 280, Florida Statutes, or such deposits are with a national bank whose short-term ratings are at least A-1 by Standard Poor's, or P-1 by Moody's Rating agency.

A maximum of 100% of available funds may be invested in the Local Government Surplus Funds Trust Fund, in Savings Accounts and in the United States Government Securities: 50% of available funds may be invested in United States Government Agencies with a 25% limit on individual issuers; 100% of available funds may be invested in Federal Instrumentalities with a 40% limit on individual Issuers; 25% of available funds may be invested in Interest Bearing Time Deposit with a 15% limit on individual issuers; 50% of available funds may be invested in Repurchase Agreements with a 25% limit on individual issuers; 20% of available funds may be directly invested in Commercial Paper with a 10% limit on individual issuers; 15% of available funds may be directly invested in Corporate Bonds with a 5% limit on individual issuers; 20% of available funds may be directly invested in Bankers Acceptances with a 10% limit on individual issuers; 20% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 25% limit of individual funds and 25% of available funds may be invested in intergovernmental investment pools.

### Note B – Deposits and Investments (Continued)

#### Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority had no fair value measurements at September 30, 2022 or 2021.

### Note C – Capital Assets

Capital asset activity for the fiscal year ended September 30, 2022, was as follows:

| 2022 *(in thousands of dollars)* | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and improvements | $ 145,447 | $ - | $ - | $ 145,447 |
| Harbor deepening and related costs | 279,996 | - | - | 279,996 |
| Construction in progress | 61,438 | 37,393 | (56,736) | 42,095 |
| Total capital assets not being depreciated | 486,881 | 37,393 | (56,736) | 467,538 |
| Depreciable capital assets | | | | |
| Buildings | 96,484 | 41 | - | 96,525 |
| Improvements | 595,433 | 55,766 | (65) | 651,134 |
| Equipment | 146,837 | 1,374 | (7,611) | 140,600 |
| Total depreciable capital assets at historical cost | 838,754 | 57,181 | (7,676) | 888,259 |
| Less accumulated depreciation for: | | | | |
| Buildings | 65,358 | 3,159 | - | 68,517 |
| Improvements | 328,934 | 22,275 | (57) | 351,152 |
| Equipment | 81,517 | 5,555 | (7,273) | 79,799 |
| Total accumulated depreciation | 475,809 | 30,989 | (7,330) | 499,468 |
| Depreciable capital assets, net | 362,945 | 26,192 | (346) | 388,791 |
| Capital assets, net | $ 849,826 | $ 63,585 | $ (57,082) | $ 856,329 |

## Note C – Capital Assets (Continued)

Capital asset activity for the fiscal year ended September 30, 2021, was as follows:

| 2021 *(in thousands of dollars)* | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and improvements | $ 144,763 | $ 684 | $ - | $ 145,447 |
| Harbor Deepening and related costs | 278,487 | 1,509 | - | 279,996 |
| Construction in progress | 37,450 | 28,510 | (4,522) | 61,438 |
| Total capital assets not being depreciated | 460,700 | 30,703 | (4,522) | 486,881 |
| Depreciable capital assets | | | | |
| Buildings | 96,484 | - | - | 96,484 |
| Improvements | 592,754 | 2,679 | - | 595,433 |
| Equipment | 147,883 | 2,121 | (3,167) | 146,837 |
| Total depreciable capital assets at historical cost | 837,121 | 4,800 | (3,167) | 838,754 |
| Less accumulated depreciation for: | | | | |
| Buildings | 62,200 | 3,158 | - | 65,358 |
| Improvements | 307,483 | 21,451 | - | 328,934 |
| Equipment | 79,093 | 5,422 | (2,998) | 81,517 |
| Total accumulated depreciation | 448,776 | 30,031 | (2,998) | 475,809 |
| Depreciable capital assets, net | 388,345 | (25,231) | (169) | 362,945 |
| Capital assets, net | $ 849,045 | $ 5,472 | $ (4,691) | $ 849,826 |

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share (as Non-Federal Sponsor) of these costs amounts to approximately $280 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets and amortized over a 20-year life. To date, the Authority's share of these costs total, net of depreciation is approximately $30 million. Costs incurred and paid by the USACE (Federal Sponsor / Government) for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

## Note D – Leasing Operations

In accordance with GASB 87 paragraph 43, lessors who are regulated by external laws, regulators, or legal rulings, should only recognize current inflows of resources and provide the required disclosures outlined in paragraph 60.

Required Disclosures

The Authority leases property to terminal operators for the purpose of cargo movement generated from foreign commerce. Capital assets held for lease have a cost of approximately $892,184,000 and accumulated depreciation of $410,838,000 as of September 30, 2022. All assets including cranes and other equipment include language in contracts such as – a minimum complement of cranes (not specified), tenant acreage is exclusive to the extent that the port properties are segregated for operational and security purposes.

Inflows of resources for leases for the fiscal year ending September 30, 2022, were $52,689,736 of which $28,010,148 were contractual annual guarantees and required rents. Inflows of resources in this reporting period that are related to variable payments not included in expected future minimum payments were $24,679,588. The Authority has no lease agreements with terms and conditions which allow the lessee to solely terminate the lease or abate payments. The Authority looks to its pledged revenues to support its debt obligations, but no lease agreement calls for lease payments as security for debt obligations. Minimum future rental receipts and contractual minimum annual guarantees for each of the next five years and thereafter, excluding contingent or volume variable amounts on non-cancelable operating facility leases at September 30, 2022, are as follows:

| *(in thousands of dollars)* | Total |
|---|---|
| 2023 | $ 27,785 |
| 2024 | 28,637 |
| 2025 | 29,529 |
| 2026 | 28,997 |
| 2027 | 27,139 |
| 2028-2032 | 126,399 |
| 2033-2037 | 119,662 |
| 2038-2042 | 115,206 |
| 2043-2047 | 104,999 |
| 2048-2052 | 100,187 |
| 2053-2057 | 44,245 |
| | $ 752,785 |

## Note E – Lease with Mitsui O.S.K. Lines, Ltd. (MOL)

In 2005, the Authority entered into a lease agreement with Mitsui O.S.K. Lines (MOL), LTD., Japanese Corporation, whereby the Authority agreed to construct a 158-acre container terminal for exclusive use by MOL. The 30-year lease term began at the date of project completion, which occurred January 2009. MOL was responsible for all operational costs of the facility over the lease term. MOL subsequently assigned the lease to TraPac, Inc (Trapac)., a wholly-owned subsidiary of MOL.

## Note E – Lease with Mitsui O.S.K. Lines, Ltd. (MOL) (Continued)

Project Financing

The lease agreement stipulates that MOL would provide project financing arrangements for the first $195 million, the financing includes:

$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the MOL project. MOL was solely responsible for repayment supported by an irrevocable direct-pay Letter of Credit from Sumitomo Mitsui Banking Corporation.

Additionally, the Authority issued $95 million of its own debt, whereby MOL TraPac agreed to provide scheduled monthly rent payments to the Authority to meet these debt service requirements. Remaining scheduled rent payments and related debt service obligations were fully extinguished in 2022.

Surrender and Termination of Lease Agreement

On February 28, 2022, the Authority and TraPac executed a surrender and termination of lease agreement in connection with the sale of 100% of the issued and outstanding equity in TraPac to Ceres Terminal Holdings LLC. Per the terms of the agreement, the lease was hereby amended to provide that, upon and subject to the satisfaction of the closing, the expiration date of the lease shall be February 28, 2022, and the Term shall expire as if such date were the Expiration Date set forth in the Lease for the termination thereof.

All debt obligations pertaining to project financing have been satisfied in full by MOL/TraPac, including final rent payments remitted in 2022 to meet the Authority's remaining associated debt service obligations. Additionally, the redemption of the Special Purpose Bonds, Series 2007 by MOL occurred on February 28, 2022. An associated SWAP agreement (between SMBC Capital Markets, Inc. and TraPac) was also terminated at a cost of approximately $8.1 million. The SWAP (interest rate hedging transaction) was in place with the original issuance of the SPB. The lease agreement called for the Authority and MOL to each share 50% of the SWAP termination fee. The Authority's SWAP termination shared cost was approximately $4.1 million, and is recorded net (an offset) with the gain on the contract termination transaction (net $109 million).

Revenue Recognition

Lease revenue is recognized on a straight-line basis over the 30-year lease term, in accordance with lease accounting guidance. Revenue recognition for years ending September 30, 2022 and 2021, were $2,801,446 and $6,286,923, respectively. With the surrender and termination of the lease in mid-year 2022, the Authority recognized a gain on termination of contract of approximately $109 million. As a result of this transaction, the Authority no longer reports any associated unearned revenue balances at September 30, 2022. Amounts reported at September 30, 2021, were approximately $112 million.

## Note F – Lease with SSA Atlantic, LLC (SSA)

In fiscal year 2019, the Authority executed a 25-year lease agreement with (SSA). The lease includes approximately 77 acres initially, with plans for future development totaling 100+ acres. As part of the agreement, SSA advanced $18 million of rent payments, which are being recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. Unearned revenue at September 30, 2022 and 2021, was $15,292,000 and $15,993,000 respectively.

## Note G – Pension Plan

Retirement Benefits

The Authority provides retirement benefits to its employees through the Florida Retirement System (FRS), the Florida Retirement System Health Insurance Subsidy (HIS) and an FRS Deferred Retirement Option Program (DROP). Additionally, the Authority provides an implicit rate subsidy for retiree insurance (an age adjusted premium benefit), which is addressed in Note I – Other Post-Employment Benefits.

GASB No. 68

As a participating employer, the Authority follows accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The GASB 68 component of pension expense captures and records the Authority's proportionate share of net pension liability of both the FRS Pension Plan and Health Insurance Program, along with the Authority's related allocation of deferred outflows and deferred inflows and pension expense impacts. The GASB 68 pension expense accrual has no current year impact on pension funding. The employer share of FRS and HIS pension funding contributions are recorded as expense when contributed. The two elements (accrual and contributions) are combined to show total pension expense of the Authority.

### General Information about the 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 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 FRS 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.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. 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 a 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. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The Authority's pension expense for FRS and HIS totaled $2,117,971 and $264,479 for the fiscal years ended September 30, 2022 and 2021, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

**Note G – Pension Plan (Continued)**

Florida Retirement System (FRS) Pension Plan

*Plan Description*: The FRS Pension Plan (the 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* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to 4 years of credit for military service toward creditable service.

The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of 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. The following chart shows the percentage value for each year of service credit earned:

| | % Value |
|---|---|
| *Regular Class members initially enrolled before July 1, 2011* | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement at age 63 or with 31 years of service | 1.63 |
| Retirement at age 64 or with 32 years of service | 1.65 |
| Retirement at age 65 or with 33 or more years of service | 1.68 |
| *Regular Class members initially enrolled on or after July 1, 2011* | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement at age 66 or with 34 years of service | 1.63 |
| Retirement at age 67 or with 35 years of service | 1.65 |
| Retirement at age 68 or with 36 or more years of service | 1.68 |
| *Senior Management Service Class* | 2.00 |

**Note G – Pension Plan (Continued)**

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% 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% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions*: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2022 and 2021, were as follows:

Notes: Employer rates include 1.66% for the postemployment health insurance subsidy program.

| | Percent of Gross Salary | | |
|---|---|---|---|
| | | 2022 | 2021 |
| Class | Employee | Employer | Employer |
| FRS, Regular | 3.00 | 11.91 | 10.82 |
| FRS, Senior Management Service | 3.00 | 31.57 | 29.01 |
| DROP – Applicable to Members from all above classes | 0.00 | 18.60 | 18.34 |

The Authority's contributions, for FRS and HIS totaled $1,955,376 and employee contributions totaled $375,917 for the fiscal year ended September 30, 2022. The Authority's contributions, for FRS and HIS totaled $1,640,690 and employee contributions totaled $340,433 for the fiscal year ended September 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*: At September 30, 2022, the Authority reported a liability of $12,764,006 for its proportionate share of the FRS Plan's net pension liability, compared to $2,480,995 at September 30, 2021. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Authority's proportionate share of the net pension liability was based on the Authority's 2021-22 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the Authority's proportionate share was .0343%, which was an increase of 0.0015% from its proportionate share measured as of June 30, 2021, of 0.0328%.

### Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2022, the Authority recognized the Plan pension expense of $1,951,619. Fiscal year 2021 showed pension expense of $10,616, which, in addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2022 and 2021, as shown:

| 2022<br>Description | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 606,217 | $ - |
| Change of assumptions | 1,571,941 | - |
| Net difference between projected and actual earnings on FRS pension plan investments | 842,806 | - |
| Changes in proportion and differences between Authority FRS contributions and proportional share of contributions | 573,444 | 489,378 |
| Authority FRS contributions subsequent to the measurement date | 406,143 | - |
| Total | $ 4,000,551 | $ 489,378 |

| 2021<br>Description | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 425,247 | $ - |
| Change of assumptions | 1,697,620 | - |
| Net difference between projected and actual earnings on FRS pension plan investments | - | 8,665,570<br>- |
| Changes in proportion and differences between Authority FRS contributions and proportional share of contributions | 358,517 | 690,432 |
| Authority FRS contributions subsequent to the measurement date | 315,926 | - |
| Total | $ 2,797,310 | $ 9,356,002 |

**Note G – Pension Plan (Continued)**

The deferred outflows of resources related to pensions, totaling $406,143, resulted from the Authority's contributions to the Plan subsequent to the measurement date and will be recognized as a reduction of the net pension liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| 2022 | Amount |
|---|---|
| 2023 | $ 482.7 |
| 2024 | 391.7 |
| 2025 | 373.7 |
| 2026 | 343.4 |
| 2027 | 658.0 |
| Thereafter | 855.6 |

*Actuarial Assumptions*: The total pension liabilities in the July 1, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2022 | 2021 |
|---|---|---|
| Inflation | 2.40% | 2.40% |
| Salary Increase | 3.25% | 3.25% |
| Investment Rate of Return | 6.70% | 6.80% |

PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details in valuation reports.

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

July 1, 2022 actuarial assumptions:

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 2.6% | 2.6% | 1.1% |
| Fixed Income | 19.8% | 4.4% | 4.4% | 3.2% |
| Global Equity | 54.0% | 8.8% | 7.3% | 17.8% |
| Real Estate | 10.3% | 7.4% | 6.3% | 15.7% |
| Private Equity | 11.1% | 12.0% | 8.9% | 26.3% |
| Strategic Investments | 3.8% | 6.2% | 5.9% | 7.8% |
| Total | 100.0% | | | |
| Assumed inflation – Mean | | | 2.4% | 1.3% |

**Note G – Pension Plan (Continued)**

July 1, 2021 actuarial assumptions:

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 2.1% | 2.1% | 1.1% |
| Fixed Income | 20.0% | 3.8% | 3.7% | 3.3% |
| Global Equity | 54.2% | 8.2% | 6.7% | 17.8% |
| Real Estate | 10.3% | 7.1% | 6.2% | 13.8% |
| Private Equity | 10.8% | 11.7% | 8.5% | 26.4% |
| Strategic Investments | 3.7% | 5.7% | 5.4% | 8.4% |
| Total | 100% | | | |
| Assumed inflation – Mean | | | 2.4% | 1.2% |

*<u>Discount Rate</u>*: The discount rate used to measure the total pension liability was 6.7%. The 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 calculating the total pension liability is equal to the long-term expected rate of return.

*<u>Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate</u>*: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.7%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.7%) or 1 percentage-point higher (7.7%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | | | |
| As of July 1, 2022 | $ 22,074,470 | $ 12,764,006 | $ 4,979,350 |
| As of July 1, 2021 | $ 11,095,178 | $ 2,480,995 | $ (4,719,495) |

*<u>Pension Plan Fiduciary Net Position</u>*: Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems, Annual Comprehensive Financial Report.

**<u>The Retiree Health Insurance Subsidy Program (HIS)</u>**

*<u>Plan Description</u>*: The HIS Pension Plan (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.

**Note G – Pension Plan (Continued)**

*Benefits Provided:* For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS Plan 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 June 30, 2022, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan totaled $223,739 for the fiscal year ended June 30, 2022, and $203,674 for the fiscal year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*: At June 30, 2022, the Authority reported a net pension liability of

$3,780,704 for its proportionate share of the HIS Plan's net pension liability, compared to $4,209,146 at September 30, 2021. The net pension liability was measured as of June 30, 2022, and the total pension

liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Authority's proportionate share of the net pension liability was based on the Authority's 2021-22 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the Authority's proportionate share was 0.0356%, a 0.0013% increase in its proportionate share measured as of June 30, 2021, of 0.0343%.

**Note G – Pension Plan (Continued)**

For the fiscal year ended June 30, 2022, the Authority recognized the HIS Plan pension expense of $166,352 and $253,863 for fiscal year 2021. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2022<br>Description | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 114,753 | $ 16,635 |
| Change of assumptions | 216,712 | 584,872 |
| Net difference between projected and actual earnings on HIS pension plan investments | 5,474 | - |
| Changes in proportion and differences between Authority HIS contributions and proportional share of contributions | 159,433 | 266,979 |
| Authority HIS contributions subsequent to the measurement date | 60,503 | - |
| Total | $ 556,875 | $ 868,486 |

| 2021<br>Description | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 140,849 | $ 1,763 |
| Change of assumptions | 330,745 | 173,428 |
| Net difference between projected and actual earnings on HIS pension plan investments | 4,388 | - |
| Changes in proportion and differences between Authority HIS contributions and proportional share of contributions | 59,860 | 348,191 |
| Authority HIS contributions subsequent to the measurement date | 46,984 | - |
| Total | $ 582,826 | $ 523,382 |

The deferred outflows of resources related to pensions, totaling $60,503, resulted from the Authority's contributions to the Plan subsequent to the measurement date and will be recognized as a reduction of the net pension liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| 2022 | Amount |
|---|---|
| 2023 | $ (83.8) |
| 2024 | (80.3) |
| 2025 | (40.7) |
| 2026 | (40.3) |
| 2027 | (41.4) |
| Thereafter | (85.6) |

**Note G – Pension Plan (Continued)**

*Actuarial Assumptions*: The total pension liabilities in the July 1, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2022 | 2021 |
|---|---|---|
| Inflation | 2.40% | 2.40% |
| Salary Increase | 3.25% | 3.25% |
| Investment Rate of Return | 3.54% | 2.16% |

Mortality rates were based on the Generational RP-2010 with Projection Scale MP 2018.

*Discount Rate*: The discount rate used to measure the total pension liability was 3.54%. 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.

*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*: The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.54%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.54%) or 1 percentage-point higher (4.54%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | | | |
| As of July 1, 2021 | $ 4,325,435 | $ 3,780,704 | $ 3,329,949 |
| As of July 1, 2020 | $ 4,866,180 | $ 4,209,146 | $ 3,670,853 |

## Note G – Pension Plan (Continued)

*Pension Plan Fiduciary Net Position*: Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

### FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority 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. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit 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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members.

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 FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

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 FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled $721,967 for the fiscal year ended September 30, 2022, and $584,052 for the fiscal year ended September 30, 2021.

## Note H – Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with Internal Revenue Code (IRC) Section 457. The 457 Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority's statements of net position.

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRC Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) plan are not reflected on the Authority's statements of position. The Authority's 401(a) matching contributions were $191,000 and $172,000 for the years ended September 30, 2022 and 2021, respectively.

## Note I – Other Post-Employment Benefits (OPEB)

<u>Plan Description</u>

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience-rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The OPEB portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon GASB 75. The Authority currently has 129 active participants in the group medical plan and 3 participating retirees.

<u>OPEB Liability</u>

GASB 75 requires the recording of the OPEB liability. The OPEB liability is the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date. The Authority recognizes an implicit rate subsidy (age-adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 75. The OPEB expense reflects the annual change in the employer's OPEB liability, with deferred recognition provided for certain items. GASB 75 calls for the Authority to have an OPEB valuation performed every two years. The Authority does not accumulate assets to pay benefits but rather finances the program on a pay-as-you-go basis.

**Note I – Other Post-Employment Benefits (OPEB) (Continued)**

**Actuarial Assumptions**

**Valuation Date:** 10/1/2021 (9/30/2021 census)

**Discount Rate:** 2.43% per annum (beginning of year) 4.77% per annum (end of year). *Source: The S&P 20 AA Municipal Bond Index*

**Salary Scale:** 3.0% per annum

**Health Care Cost Trend Rate:** 6.5% per annum trending down 0.5% each year until reaching the ultimate trend of 4.5%

**Mortality:** PUB-2010 mortality table with MP-2021 projection.

**Asset Valuation Method:** Market value.

**Amortization Basis:** Experience gains/losses: average expected future working lifetime of the whole group. assumption changes: average expected future working lifetime of the whole group.

Changes in Total OPEB Liability

The following data presents the changes in the total OPEB Liability for fiscal years ended September 30:

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning of year | $ 404,992 | $ 315,914 |
| Service cost | 16,442 | 15,206 |
| Interest cost | 9,397 | 7,917 |
| Differences between expected and actual experience | (5,422) | 18,890 |
| Changes in assumptions or other inputs | (35,873) | 83,659 |
| Benefit payments | (36,594) | (36,594) |
| Net change | (52,050) | 89,078 |
| Balance, end of year | $ 352,942 | $ 404,992 |

Deferred inflows and outflows associated with the Authority's total OPEB liability are not considered significant by management and accordingly have not been recorded in the Authority's financial statements.

## Note I – Other Post-Employment Benefits (OPEB) (Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate*

***Health Care Cost Trend Sensitivity***, calculated using trend rates that are one percent lower or higher than the current rate assumption:

| | | Total OPEB Liability | | |
|---|---|---|---|---|
| | Rate | 1% Decrease | Current Rate | 1% Increase |
| As of September 30, 2022 | 8.0% | $324,864 | $352,942 | $385,958 |
| As of September 30, 2021 | 6.5% | $375,074 | $404,992 | $440,071 |

***Discount Rate Sensitivity***: The discount rate was based upon a 20-year tax-exempt municipal bond fund, below are the changes as impacted by a 1% lower or higher than the current rate assumption:

| | | Total OPEB Liability | | |
|---|---|---|---|---|
| | Discount Rate | 1% Decrease | Current Rate | 1% Increase |
| As of September 30, 2022 | 4.77% | $324,864 | $352,942 | $385,958 |
| As of September 30, 2021 | 2.43% | $420,284 | $404,992 | $389,095 |

## Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' compensation and general liability insurance premiums amounted to $856,000 and $176,000 for the years ended September 30, 2022 and 2021, respectively. Fiscal year 2022 amounts included a multi-year assessment catchup premium of $566,000.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to $597,000 and $535,000 for the years ended September 30, 2022 and 2021, respectively.

As a part of the Authority's risk management program, the Authority also purchases certain additional commercial insurance policies to cover exposures such as special risk employees and business interruption coverage. The Authority does not retain any risk on their policies and settlements have not exceeded insurance coverage for each of the last three fiscal years.

## Note K – Long-Term Debt and Other Noncurrent Liabilities

Long-term liability activity for the years ended September 30, was as follows:

| | 2022 | | | | |
|---|---|---|---|---|---|
| *(In thousands of dollars)* | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
| Bonds and notes payable | | | | | |
| Revenue bonds | $ 42,400 | $ - | $ - | $ 42,400 | $ - |
| Revenue and Refunding bonds | 1,850 | - | (905) | 945 | 945 |
| Revenue Notes – Tax Exempt | 169,196 | 88,870 | (95,247) | 162,819 | 6,571 |
| Revenue Note – Taxable | 3,305 | - | (390) | 2,915 | 520 |
| Unamortized original issue premium amounts | 5,212 | - | (188) | 5,024 | - |
| Total bonds and notes payable | 221,963 | 88,870 | (96,730) | 214,103 | 8,036 |
| Liability for pollution remediation | 798 | - | (59) | 739 | - |
| Compensated absences and other | 1,771 | 433 | (245) | 1,959 | 356 |
| Line of credit | 15,479 | 10,000 | (14,730) | 10,749 | - |
| Bridge loan from primary government | 25,000 | - | (25,000) | - | - |
| Reserve for grants assessment | 970 | - | (970) | - | - |
| Other obligation | 8,537 | - | - | 8,537 | - |
| | $ 274,518 | $ 99,303 | $ (137,734) | $ 236,087 | $ 8,392 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| *(In thousands of dollars)* | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
| Bonds and notes payable | | | | | |
| Revenue bonds | $ 42,400 | $ - | $ - | $ 42,400 | $ - |
| Revenue and Refunding bonds | 2,715 | - | (865) | 1,850 | 905 |
| Revenue Notes – Tax Exempt | 175,393 | - | (6,197) | 169,196 | 6,377 |
| Revenue Note – Taxable | 3,405 | - | (100) | 3,305 | 390 |
| Unamortized original issue premium amounts | 5,402 | - | (190) | 5,212 | - |
| Total bonds and notes payable | 229,315 | - | (7,352) | 221,963 | 7,672 |
| Liability for pollution remediation | 876 | - | (78) | 798 | - |
| Compensated absences and other | 1,539 | 533 | (301) | 1,771 | 338 |
| Line of credit | 19,346 | 10,844 | (14,711) | 15,479 | - |
| Bridge loan from primary government | 37,700 | - | (12,700) | 25,000 | - |
| Reserve for grants assessment | 970 | - | - | 970 | - |
| Other obligation | 8,537 | - | - | 8,537 | - |
| | $ 298,283 | $ 11,377 | $ (35,142) | $ 274,518 | $ 8,010 |

**Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)**

Long-term liabilities at September 30, consisted of the following:

| *(in thousands of dollars)* | 2022 | 2021 |
|---|---|---|
| Tax Exempt Revenue Note, Series 2017, due in varying amounts through 2028. Interest rate is fixed at 2.25%. | $ 16,725 | $ 18,900 |
| Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2023. Interest rates range from 4.00% to 5.0%. | 945 | 1,850 |
| Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rate is fixed at 2.69%. | 15,274 | 16,654 |
| Tax Exempt Bank Note Crane 2014, Subordinate Obligation due in varying amounts through 2034. Interest rate is fixed at 3.04%. | 16,430 | 17,496 |
| Revenue Bonds, Series 2018B, due in varying amounts thru 2048. Interest rate is fixed at 5%. | 42,400 | 42,400 |
| Tax Exempt Revenue Note, Series 2018A, due in varying amounts through 2033. Interest rate is fixed at 2.872%. | 25,520 | 27,276 |
| Taxable Revenue Note, Series 2020A, due in varying amounts through 2024. Interest rate is fixed at 2.66% | 2,915 | 3,305 |
| Taxable Revenue Note, Series 2020B, due in varying amounts through 2038. Interest rate (taxable) was 2.66% thru 2022. | - | 88,870 |
| Tax Exempt Revenue Note, Series 2022, due in varying amounts through 2038. Interest rate is fixed at 2.10%. | 88,870 | |
| Tax Exempt Bridge Loan from primary government, due in varying amounts through 2023. Outstanding balance paid in mid 2022. Interest rates based upon the city's commercial paper rate. | - | 25,000 |
| $50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.09% to 3.15% in 2021 and 2022. Principal due February 2028, per December 12, 2022 renewal. | 10,749 | 15,479 |
| | 219,828 | 257,230 |
| Less current portion | 8,036 | 7,672 |
| | $ 211,792 | $ 249,558 |

**Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)**

In January 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, which has been subsequently renewed for multi-year terms since that time. An eighth renewal was executed on December 12, 2022 and is due and payable February 2028. The current agreement allows for additional renewal options up to 1-5 years through 2029. It is the intention of the Authority to use the line for a revolving medium term or long-term funding source designated for the Authority's capital spending program. All amounts currently on the line of credit will be paid from FDOT grants reimbursement, pending receipt in fiscal year 2023. The outstanding balance on the Line of Credit at September 30, 2022 was $10,749,000.

In November 2010, the Authority executed a loan agreement with Regions Bank, Tax-Exempt Revenue Note Series 2010, for the purpose of paying off the Series 2000 Revenue Bonds and to establish a required reserve account. The Regions Bank, Tax Exempt Note Series 2010, has a final maturity of 2030. The outstanding balance as of September 30, 2022 was $15,274,000.

In September 2012, the Authority issued $87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds were issued to refund $65,020,000 of the Authority's outstanding Series 2008 Bonds and to finance new capital project spending. The Series 2012 issue had a final maturity of 2038. In 2020, the 2012 Bonds were advance refunded with the issuance of the 2020A and 2020B Bonds, with the exception of 5% of the outstanding balance. These remaining obligations have a maturity date of November 2022. The outstanding balance as of September 30, 2022 was $945,000.

In September 2014, the Authority executed a loan agreement in the amount of $25,000,000 to support the acquisition of new three cranes. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issue has a final maturity of 2034. The outstanding balance as of September 30, 2022 was $16,430,000.

In November 2017, the Authority executed a loan agreement with Regions Bank, the Tax-Exempt Revenue Note, Series 2017, for the purpose of paying off the balance of the 2008 Bonds. The original amount of the loan was $23,120,000, at a fixed term rate of 2.25%, with a final maturity of 2028. The outstanding balance as of September 30, 2022 was $16,725,000.

In August 2018, the Authority executed a $28,982,000 loan agreement with Chase Bank, N.A., Tax-Exempt Revenue Note Series 2018A, for the purpose of financing or refinancing expenditures relating to the cost of portions of the Authority's capital program and to pay down the Authority's Line of Credit. The agreement has a fixed term rate of 2.872% with a term of 15 years. The outstanding balance as of September 30, 2022 was $25,520,000.

In August 2018, the Authority issued $42,400,000 in Revenue Bonds, Series 2018B, for the purposes of financing the Authority's capital improvement program, largely the harbor deepening project. The bonds have a fixed term rate of 5.00% with a term of 30 years. The outstanding balance as of September 30, 2022 was $42,400,000.

In March 2020, the Authority executed loan agreements with Truist Bank for the purpose of advance refunding $84,695,000 (95%) of the Series 2012 bonds. The transaction effectively defeased 95% of the outstanding Series 2012 Bonds in advance of their 2022 call date in a Cinderella Bonds transaction. The transaction resulted in two bank notes, the Taxable Revenue Note, Series 2020A for $3,405,000, at 2.66%, and the Taxable Revenue Note, Series 2020B for $88,870,000, ranging from 2.10% to 2.66%. On August 3, 2022, the Revenue Refunding Bond, Series 2022 $88,870,000 (Tax-Exempt) were exchanged for Taxable Revenue Note, Series 2020B in the same amount. The remaining Taxable Revenue Note, Series 2020A (maturity date 2024), had an outstanding balance as of September 30, 2022 of $2,915,000.

**Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)**

In August 2022, the Authority executed an agreement with Truist Commercial Equity, Inc. to issue Tax-Exempt Revenue Refunding Bond, Series 2022 for $88,870,000 for the purposes of redeeming the Taxable Revenue Note, Series 2020B in the same amount (see March 2020 note – Cinderella Bonds transaction). The bond has a tax-exempt interest rate of 2.10%, with a maturity date of November 2038.

Bridge loan from primary government

In August 2020, the Authority executed the 2020 Tax Exempt Bridge Loan with the City in the amount of $37,700,000. The purpose of the loan was to provide bridge financing for an FDOT Grant, in like amount, for the Harbor Deepening Project Contract C. The related FDOT grant calls for reimbursements to occur based upon project progress expenditures. FDOT funds collected by the Authority are concurrently remitted against the outstanding balance on the loan from the city. The Authority paid off this bridge loan in full in mid-2022, with no balance outstanding at September 30, 2022.

Bond covenants

The Authority's debt resolutions place restrictions on the issuance of additional bonds, designate required funding of related bond reserves and requires certain monies for debt service payments be held in trust funds. The Authority has also agreed in its bond covenants to establish and maintain rates charged to customers that will be sufficient to generate certain levels of operating revenues and operating income in excess of its annual debt service on the various outstanding bonds. The Authority has agreed to maintain net operating revenues in excess of 125% of the senior debt service obligations and 100% of the total subordinate debt service obligations.

Debt Maturities

Required debt service for the outstanding bonds and notes payable for the next five years and thereafter to maturity as of September 30, 2022, was as follows:

| Years ending | *(in thousands of dollars)* | Interest | Principal |
|---|---|---|---|
| 2023 | | $ 5,550 | $ 8,036 |
| 2024 | | 5,795 | 8,668 |
| 2025 | | 5,565 | 8,920 |
| 2026 | | 5,334 | 9,183 |
| 2027 | | 5,098 | 9,438 |
| 2028 – 2032 | | 21,656 | 53,624 |
| 2033 – 2037 | | 14,615 | 56,800 |
| 2038 – 2042 | | 7,946 | 30,670 |
| 2043 – 2047 | | 4,004 | 16,090 |
| 2048 – 2052 | | 387 | 7,650 |
| | | $ 75,950 | $ 209,079 |

### Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

Original Issue Discount and Deferred Loss on Refundings (*in thousands of dollars)*

Unamortized premiums on bonds were $5,024 and $5,212 in 2022 and 2021, respectively. Unamortized deferred loss on debt refundings was $5,520 and $5,886 in 2022 and 2021, respectively.

Deferred outflow/inflow of resources

Deferred outflow of resources as shown on the statements of net position include unamortized loss on debt refundings and defeasance transactions. Additionally, deferred outflows and inflows are recorded for changes related to pensions activities.

| *(in thousands of dollars)* | | 2022 | | 2021 |
|---|---|---|---|---|
| Deferred loss on debt refundings | $ | 5,520 | $ | 5,886 |
| Deferred outflow pension (see Note G) | | 3,380 | | 3,380 |
| Total deferred outflow of resources | $ | 8,900 | $ | 9,266 |
| Deferred inflow of resources – pension (see Note G) | $ | 9,869 | | 9,869 |

Other Noncurrent Liabilities

Unearned revenue balances were approximately $15,292,000 and $127,939,000 for years ended September 30, 2022 and 2021, respectively. The current portion was $700,000 and represents one year of rent amortization on SSA rents collected but unearned. See Note E and Note F for further explanation regarding unearned lease rents revenue recognition.

The Authority has accrued reserves in the amount of $739,000 for specific pollution remediation liability. These reserves are reviewed annually for any additional liability and adequacy and adjusted accordingly.

OPEB liabilities for retiree medical benefits were $353,000 and $405,000 at September 30, 2022 and 2021, respectively. See Note I for additional information.

### Note L – Other Obligation

The Authority entered into a Project Cooperation Agreement with the USACE in 2001 for Construction of the improvement features of the Jacksonville Harbor Federal Navigation Project. This project was completed in 2010, and cooperatively resulted in 40 feet depth of general navigation features in the Jacksonville Harbor.

The Project Cooperation Agreement committed Federal Government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. The agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a 30-year amortization. As a result, an estimated liability amount of $8,537,000 is currently recorded as other obligations by the Authority. As of September 30, 2022, repayment terms had not been determined.

## Note M – Commitments and Contingencies

Construction Related

At September 30, 2022, the Authority had commitments for future construction work of approximately $63,036,000, primarily for terminal construction projects and improvements, and Dredge Material Management Areas development.

Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third-party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment system, allowing for the groundwater to be captured by wells and discharged to a nearby publicly owned treatment works facility (POTW). The Authority had originally established a $1.5 million reserve for project and ongoing operations costs of the groundwater treatment system, of which $739,000 remains at September 30, 2022, for ongoing operations and monitoring costs.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 160 employees. Union employees represent about 40% of the total. The current union contract runs through September 30, 2025.

## Note N – Significant Customers

For the fiscal year ended September 30, 2022, the Authority had five customers with significant operating revenues (10% or more of total revenues): Crowley Liner Services (16%), SSA Atlantic (14%), Tote Maritime (11%), APS East Coast (10%).

## Note O – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $3,002,265 and $653,225 were recorded for the years ended September 30, 2022 and 2021, respectively.

State Contributions

Amounts from state funding awards totaled $22,993,142 and $30,804,926 for the years ended September 30, 2022 and 2021, respectively.

Local Contributions

Amounts from local funding from the City, designated for the Harbor Deepening project, totaled $0 and $4,160,988 for the years ended September 30, 2022 and 2021, respectively.

**JACKSONVILLE PORT AUTHORITY**
**REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)**

**Schedule of Changes in Total OPEB Liability**
**Last Ten Fiscal Years***
**(in dollars)**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total OPEB liability – beginning | $ 404,992 | $ 315,914 | $ 294,914 | $ 317,699 | $ 319,347 |
| Service cost | 16,442 | 15,206 | 15,000 | 16,000 | 14,896 |
| Interest cost | 9,397 | 7,917 | 12,000 | 12,098 | 11,984 |
| Differences between expected and actual experience | (5,422) | 18,890 | - | 67,260 | - |
| Changes in assumptions or other inputs | (35,873) | 83,659 | - | (115,492) | (18,451) |
| Benefit payments | (36,594) | (36,594) | (6,000) | (2,651) | (10,077) |
| Net change | (52,050) | 89,078 | 21,000 | (22,785) | (1,648) |
| Total OPEB liability – ending | $ 352,942 | $ 404,992 | $ 315,914 | $ 294,914 | $ 317,699 |
| Covered employee payroll | $ 10,920,134 | $ 10,092,846 | $ 9,887,483 | $ 9,578,318 | $ 9,164,400 |
| Total OPEB liability as a percentage of covered payroll | 3.23% | 4.01% | 3.20% | 3.08% | 3.47% |

* Changes in total OPEB Liability for the fiscal years prior to 2018 were not available, and accordingly, not included in the schedule.

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN LAST TEN FISCAL YEARS (amounts expressed in dollars)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the FRS net pension liability | 0.0343% | 0.0328% | 0.0317% | 0.0341% | 0.0358% | 0.0374% | 0.0353% | 0.0352% |
| Authority's proportionate share of the FRS net pension liability | $12,764,006 | $2,480,995 | $13,754,260 | $11,740,361 | $10,797,420 | $11,070,761 | $8,917,567 | $4,546,261 |
| Authority's covered-employee payroll | $12,713,611 | $12,269,541 | $12,234,777 | $12,246,587 | $12,533,283 | $12,195,198 | $11,910,007 | $11,486,853 |
| Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll | 100.40% | 20.22% | 112.42% | 95.86% | 86.15% | 90.78% | 74.87% | 39.58% |
| FRS Plan fiduciary net position as a percentage of the total pension liability | 82.89% | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% |

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 are available.

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN LAST TEN FISCAL YEARS (amounts expressed in dollars)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the HIS net pension liability | 0.0365% | 0.0343% | 0.0353% | 0.0370% | 0.0370% | 0.0398% | 0.0383% | 0.0373% |
| Authority's proportionate share of the HIS net pension liability | $3,780,704 | $4,209,146 | $4,315,437 | $4,137,205 | $3,917,903 | $4,250,943 | $4,461,658 | $3,806,082 |
| Authority's covered-employee payroll | $12,713,610 | $12,269,541 | $12,234,777 | $12,246,587 | $12,533,283 | $12,195,198 | $11,910,007 | $11,486,853 |
| Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll | 29.74% | 34.31% | 35.27% | 33.78% | 31.26% | 34.86% | 37.46% | 33.13% |
| HIS Plan fiduciary net position as a percentage of the total pension liability | 4.81% | 3.56% | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% |

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 are available.

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**
**FLORIDA RETIREMENT SYSTEM PENSION PLAN**
**LAST TEN FISCAL YEARS**
**(amounts expressed in dollars)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required FRS contribution | $ 1,731,637 | $ 1,437,015 | $ 1,217,755 | $ 1,167,644 | $ 1,202,882 | $ 1,046,313 | $ 947,884 | $ 948,391 |
| FRS contributions in relation to the contractually required FRS | 1,731,637 | 1,437,015 | 1,217,755 | 1,167,644 | 1,202,882 | 1,046,313 | 947,884 | 948,391 |
| FRS contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered-employee payroll | $ 12,713,610 | $ 12,269,541 | $ 12,234,777 | $ 12,246,587 | $ 12,553,283 | $ 12,195,198 | $ 11,910,007 | $ 11,486,853 |
| FRS contributions as a percentage of cover-employee payroll | 13.6% | 11.7% | 10.0% | 9.5% | 9.6% | 8.6% | 8.0% | 8.3% |

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending September 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 are available.

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**
**HEALTH INSURANCE SUBSIDY PENSION PLAN**
**LAST TEN FISCAL YEARS**
**(amounts expressed in dollars)**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required HIS contribution | $ 223,739 | $ 203,674 | $ 203,097 | $ 203,293 | $ 208,052 | $ 202,440 | $ 197,706 | $ 157,222 |
| HIS contributions in relation to the contractually required HIS | 223,739 | 203,674 | 203,097 | 203,293 | 208,052 | 202,440 | 197,706 | 157,222 |
| HIS contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered-employee payroll | $ 12,713,610 | $ 12,269,541 | $ 12,234,777 | $ 12,246,587 | $ 12,533,283 | $ 12,195,198 | $ 11,910,007 | $ 11,486,853 |
| HIS contributions as a percentage of cover-employee payroll | 1.8% | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | 1.4% |

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending September 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 are available.

# SUPPLEMENTAL INFORMATION

**Jacksonville Port Authority**

**Revenue Recognition**
**GAAP to Budgetary Basis Reconciliation**
**For the Fiscal Year Ended September 30, 2022**

| | | |
|---|---|---|
| GAAP Revenue – per Financial Statements | $ | 61,233 |
| Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1) | | 184 |
| Budgetary Basis Revenues | $ | 61,417 |

Note 1. MOL and SSA rent payments are recognized on a straight-line basis over the contract lease term for GAAP, while budgetary basis revenues are recognized primarily when received.

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards***

**Independent Auditor's Report**

Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, 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 Jacksonville Port Authority (the Authority), a component unit of the City of Jacksonville, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 25, 2023.

**Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

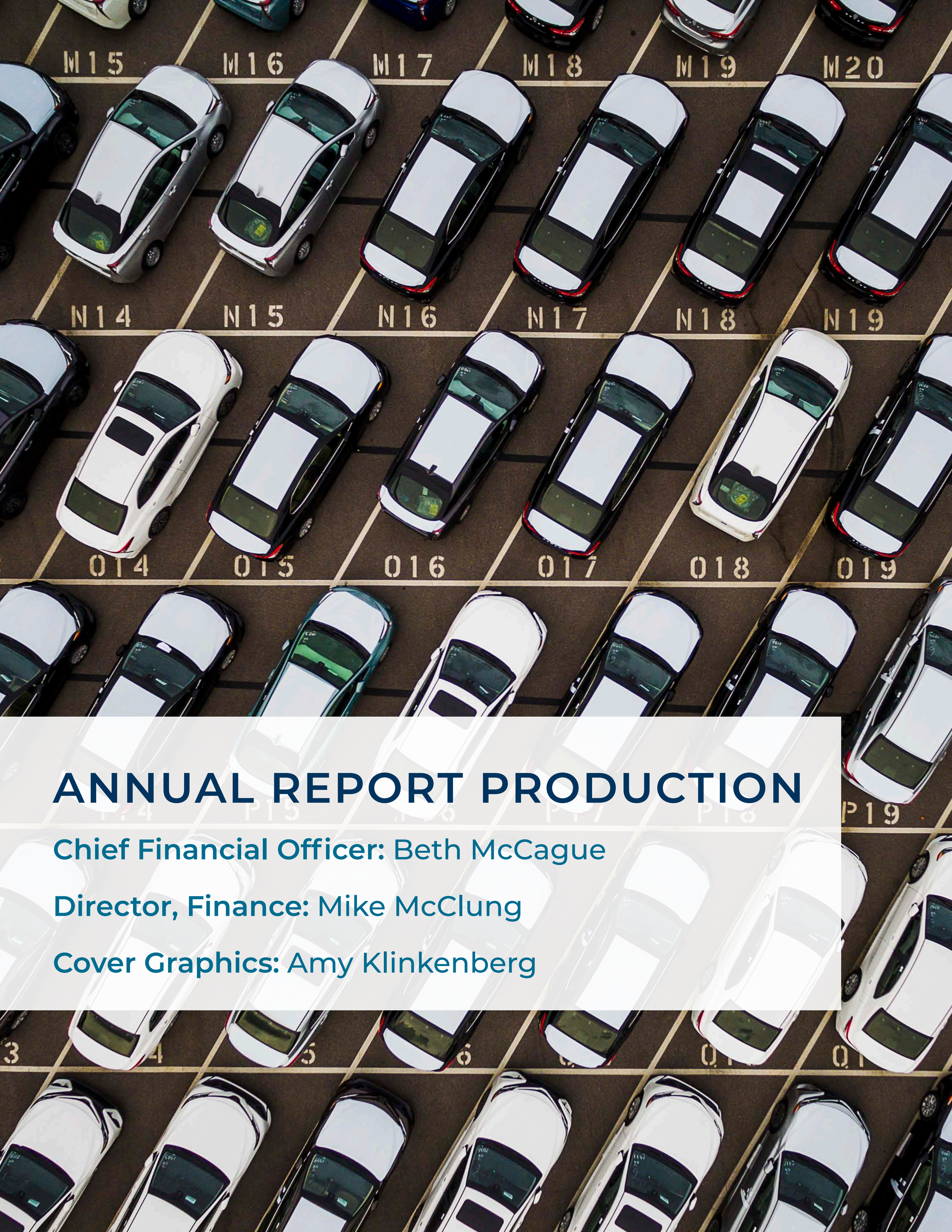
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

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

RSM US LLP

Jacksonville, Florida
February 25, 2023

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