



ANNUAL REPORT 2022/2023

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February 28, 2024

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, 2023. 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 automobiles. 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.

2023 Operating Revenue Highlights

Total operating revenues for fiscal year 2023 were \$65,747, a 7% increase over prior year. Total container volumes in 2023 were 1,313,487 TEUs (twenty-foot equivalent units), a 1% increase over fiscal year 2022 TEUs of 1,298,132. These results reflect the scheduled construction and modernization of 93 acres to accommodate international cargo volumes at deep-water berths, a multi-year project with expected completion in 2025. Additionally, at fiscal year-end 2023, the Authority has 88 acres under construction for a new auto processing facility. Scheduled completion of the auto facility is 2025. In 2023, auto units totaled 505,665 compared to 553,029 units last year. Auto revenues for fiscal year 2023 were \$14,555, down 4% from prior year revenues. Cruise operations experienced its first full year of cruise activity since 2019 with a total of 74 cruises and total revenues of \$6,501, compared to \$2,562 in 2022.

2023 In Review and Looking Ahead

JAXPORT took several major steps forward in 2023 to strengthen its current book of business and prepare for future business development, including:

- Close out of the 47 ft. harbor deepening project.

- Delivery of three new tenant-provided 100-gauge electric cranes installed at newly constructed deep-water berths.
- Expansion and modernization of a major container terminal (93 acres), with all funding sources coming from tenant and federal grants (estimated completion date 2025).
- Design and development of a new auto terminal, concurrent with a new 30-year contract, to include a total 88 acres, construction underway in 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 10.650, *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.

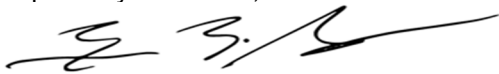
The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental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

Respectfully submitted,



Eric Green, CEO

Independent Auditor's Report

Members of the Board of Directors
Jacksonville Port Authority

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, 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 financial position of the Authority, as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Government Auditing Standards*). 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 and other post-employment benefits and pension related schedules, as listed in the table of contents, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, 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 the Authority's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
February 28, 2024

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

Management's Discussion and Analysis (Unaudited)

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, 2023, and 2022. 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, Florida, 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 present 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 represent 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.

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

Management's Discussion and Analysis (Unaudited)

Operating Results for 2023

Total operating revenues for fiscal year 2023 were \$65,747, an increase of 7%, compared to revenues of \$61,233 in fiscal year 2022. Total container volumes in 2023 were 1,313,487 TEUs (twenty-foot equivalent units), a 1% increase over fiscal year 2022 TEUs of 1,298,132. These results reflect the expected phased transition of containers to deep-water berths, along with the scheduled terminal development to accommodate additional international cargo. During fiscal year 2023, the Authority had substantial container cargo terminal acreage under construction, with an anticipated construction completion date of fiscal year 2025. As of midyear 2022, JAXPORT now accommodates larger cargo vessels with the 47 ft. harbor depths. Concurrent with completion of the 47 ft. harbor deepening was the completion of deep-water berth infrastructure and the addition of three new (tenant owned) 100-gauge electric container cranes added in late fiscal year 2023. Total container revenues in fiscal year 2023 were \$29,910, an increase of 2% over prior year revenues of \$29,440. Auto units totaled 505,665 in 2023 compared to 553,029 units in 2022, the decrease is largely attributable to 44 acres being taken out of service in 2023 for the development of a new 88-acre auto processing facility, concurrent with a renewal of a long-term lease with an existing tenant, scheduled completion of the 88-acre auto facility is 2025. Auto revenues for fiscal year 2023 were \$14,555, a decrease of 4% over prior year revenues of \$15,098.

Cruise operations experienced its first full year of activity since 2019 with a total of 74 cruises and total revenues of \$6,501, compared to \$2,562 in 2022. Breakbulk revenue of \$5,002 reflected reduced tonnage, down 11% with revenues declining 15% from prior year. Dry Bulk (aggregate materials) tonnage were up 96% over prior year, with related revenues increasing 18%. Revenues associated with military cargo were \$1,399 in 2023, compared to \$578 in 2022. Other lines of business including liquid bulk and other were steady year over year.

Total operating expenses before depreciation for 2023 were \$43,870, an increase of \$6,068 over fiscal year 2022. Salaries and benefits expense increased \$4,064, of which \$2,588 was attributable to variances in "year-end valuation accounting" for pension costs. The remaining increase in salaries and benefits was related to additional staffing levels for increased crane operations and maintenance, along with scheduled annual wage increases. Berth maintenance dredging totaled \$5,730, and increased 16%, tied to heavy dredge activity. Contract security costs totaled \$5,020, an increase of 14%, and includes contract wage increases, and additional coverage, including a full year of cruise operations activity. Service and supplies expense was \$5,799, up 4% over prior year, and include increased property and casualty premiums of \$207. Repair and maintenance expense totaled \$2,423 in 2023, up 13% as impacted higher-than-normal inflation in this area.

Net non-operating revenues (expenses) for 2023 totaled \$11,299 and included several large recurring and one non-recurring transactions. Ongoing contributions from tenants for construction in progress totaled \$22,441 in 2023, comparable to prior year. Shared revenue from primary government was \$10,108, up 3% over prior year. Interest income for fiscal year 2023 was impacted favorably by higher interest rates/yields, and higher than normal cash balances on hand, including strong internal cash balances, construction funds received from tenants, and other construction funds received related to a harbor deepening rebate in 2023. Larger outflows (expenses) within non-operating items include \$16,992 of grants funds returned as part of the previously mentioned harbor deepening rebate (total of \$35 million) of which, \$16,992 was returned and/or provisioned for return to state and local grantors as their share of the refund where applicable. Interest expense on debt was \$6,539 in 2023, compared to \$7,028 in 2022, and debt amortization paydown weighed more towards principal in 2023. Fiscal year 2022 was impacted favorably by a significant gain on contract termination in the amount of \$109,114 (see note E).

Capital contributions in 2023, which includes state, local and federal grant contributions totaled \$16,759, compared to \$25,996 in prior year.

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

Management's Discussion and Analysis (Unaudited)

At the close of fiscal year 2023, the Authority had a net position of \$695,952, an increase of \$17,133 from \$678,819 at fiscal year-end 2022.

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**
(in thousands of dollars)

	2023	2022	2021
Operating revenue			
Cargo	\$ 53,500	\$ 54,185	\$ 54,870
Cruise	6,501	2,562	-
Military	1,399	578	1,353
Other operating revenue	4,347	3,908	5,630
Total operating revenue	<u>65,747</u>	<u>61,233</u>	<u>61,853</u>
Operating expenses			
Salaries and benefits	22,977	18,913	15,882
Services and supplies	5,799	5,559	3,806
Security services	5,020	4,405	4,374
Business travel and training	416	322	141
Promotion, advertising, dues and memberships	550	647	539
Utility services	787	743	632
Repairs and maintenance	2,423	2,138	1,846
Berth maintenance dredging	5,730	4,920	3,986
Miscellaneous	168	155	163
Total operating expenses	<u>43,870</u>	<u>37,802</u>	<u>31,369</u>
Operating income before depreciation	<u>21,877</u>	<u>23,431</u>	<u>30,484</u>
Depreciation	<u>32,802</u>	<u>30,989</u>	<u>30,031</u>
Operating (loss) income	<u>(10,925)</u>	<u>(7,558)</u>	<u>453</u>
Non-operating revenue (expense)			
Interest expense	(6,539)	(7,028)	(7,261)
Interest income	3,469	184	10
Shared revenue from primary government	10,108	9,769	9,847
Intergovernmental grant revenue	307	18,758	-
Reimbursement of advanced grant funds	(16,992)	-	-
Gain on contract termination	-	109,114	-
Capital contributions from tenants	22,441	22,093	-
Loss on sale/disposition of assets	(1,075)	(317)	(150)
Other non-operating expenses	(420)	(94)	(853)
Total non-operating revenue (expense)	<u>11,299</u>	<u>152,479</u>	<u>1,593</u>
Income before capital contributions	<u>374</u>	<u>144,921</u>	<u>2,046</u>
Capital contributions	<u>16,759</u>	<u>25,996</u>	<u>35,619</u>
Changes in net position	<u>17,133</u>	<u>170,917</u>	<u>37,665</u>
NET POSITION			
Beginning of year	<u>678,819</u>	<u>507,902</u>	<u>470,237</u>
End of year	<u>\$ 695,952</u>	<u>\$ 678,819</u>	<u>\$ 507,902</u>

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

Management's Discussion and Analysis (Unaudited)

Revenue, Expenses and Changes in Net Position

2022 vs 2021

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 ft. 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 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.

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-year 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 ft. 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.

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

Management's Discussion and Analysis (Unaudited)

Net Position

2023 vs. 2022

At September 30, 2023, the Authority's net position was \$695,952 compared to \$678,819 at year-end 2022, an increase of \$17,133. Significant additions in 2023 included capital contributions in the form of grants \$16,759, and tenant contributions for construction of \$22,441. Partially offsetting the above increases to net position were reimbursable amounts of advanced capital grants of \$16,992 from prior years. These funds were appropriated back to state, and local grantors, as their allocation of a \$35,000 refund, related to the 47 ft. harbor deepening project close out. The remainder of impacts were all normal operating and non-operating activities.

<i>(In thousands of dollars)</i>	2023	2022	2021
NET POSITION			
Current assets	\$ 63,218	\$ 61,669	\$ 54,109
Noncurrent assets (excluding capital assets)	63,275	31,496	23,373
Capital assets	830,649	856,329	849,826
Deferred outflows of resources	9,064	10,077	9,266
Total assets and deferred outflows	966,206	959,571	936,574
Current liabilities	27,716	20,615	24,563
Bonds and notes outstanding (net of current portion)	197,210	206,067	214,291
Other noncurrent liabilities and deferred	43,872	52,713	179,949
Deferred inflows of resources	1,456	1,357	9,869
Total liabilities and deferred inflows	270,254	280,752	428,672
Net position			
Net investment in capital assets	640,705	621,944	468,910
Restricted for debt service	19,396	18,391	18,080
Restricted – other	3,252	3,071	2,926
Unrestricted	32,599	35,413	17,986
Total net position	\$ 695,952	\$ 678,819	\$ 507,902

Total assets and deferred outflows were positively impacted by increases in current assets, primarily within unrestricted cash, an increase of \$4,259. Also, within noncurrent assets excluding capital assets, was additional restricted cash for capital projects, an overall increase of \$31,126, and includes tenant fund construction balances and the aforementioned harbor deepening refund. Capital assets declined largely as a result of the \$35,000 USACE harbor deepening refund.

Total liabilities and deferred inflows activity include increases in current liabilities, primarily from construction related accounts payable increase of \$6,891. Bonds and note outstanding were reduced \$8,857, primarily from normal scheduled principal payments in 2023. Other noncurrent liabilities and deferred inflows reductions reflect a \$7,829 paydown of balances on the Authority's line of credit.

Total net position at year-end 2023 was \$695,952, reflecting net investment in capital assets of \$640,705, amounts restricted for debt service of \$19,396, unrestricted balances of \$32,599 and renewal and replacement funds of \$3,252.

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

Management's Discussion and Analysis (Unaudited)

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 intergovernmental 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.

Total assets and deferred outflows at year-end 2022 were \$959,571, Capital asset net increases were \$6,503. Current assets increased 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 \$39,730. 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.

Cash Flows

2023 vs 2022

Cash flows from operating activities in 2023 were \$24,389, compared to \$23,758 in prior year.

Cash flows from noncapital financing activities in 2023 were \$10,462, compared to \$27,485 in 2022. Fiscal year 2022 included the receipt of intergovernmental grant revenue (ARPA Funds) awarded in the amount of \$17,716.

Net cash used in capital and related financing activities totaled \$834 in 2023. Large outflows include funding for acquisition and construction of capital assets of \$46,319, principal and interest debt service payments of \$13,963, and paydown on the line of credit of \$7,829. Significant inflows include state and federal contributions-in-aid of construction of \$22,441. Additionally, the Authority received a \$35,000 refund from the United States Army Corps of Engineers (USACE) related to the 47 ft. harbor deepening project closeout, of which \$10,870 was separately returned to the state (FDOT), as their proportionate share of the refund. In fiscal year 2022, net cash used in capital and related financing activities was \$23,090, largely impacted by a combined net paydown on the line of credit and a bridge loan from primary of government, collectively totaling \$29,730.

Cash and cash equivalents at the end of 2023 were \$107,238 compared to \$69,752 in 2022. Current unrestricted cash and cash equivalents increased \$4,259 to \$21,608. Cash restricted for capital projects increased \$31,126 to \$46,661, primarily a result of the aforementioned harbor deepening refund. Restricted cash for debt obligations increased \$2,100 in 2023.

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

Management's Discussion and Analysis (Unaudited)

Total cash and cash equivalents of \$107,238 at September 30, 2023 is comprised of \$21,608 in unrestricted cash, \$46,661 in construction funds, \$13,620 in current restricted cash (ARPA funds), \$8,763 in cash restricted debt service, \$13,195 in bond reserve funds, and \$3,391 designated for renewal and replacement funds and other.

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 intergovernmental 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 of \$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.

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, 2023, the Authority had commitments for future construction work of \$108,866. Additional information regarding capital assets can be found in the accompanying notes to the financial statements (see Note C).

2023 vs. 2022

At September 30, 2023, the Authority's capital assets, net of depreciation, were \$830,649 a net reduction of \$25,680 compared prior year totals of \$856,329. Capital project additions for 2023 totaled \$51,809, compared to \$37,838 in 2022. In 2023, two major tenant sites were under construction; modernization of a 93-acre container terminal, construction began in 2022, and a new 88-acre auto processing facility underway in 2023, both scheduled for completion in 2025. Offsetting these expenditures was a large refund of \$35,000 from the USACE, related to savings on the closeout of the 47 ft. harbor deepening project. These funds were originally provided in advance of the phased project schedule, the project was completed under budget, and funds were returned to the Authority. Other reductions to total capital assets included the reversal of a \$8,537 reserve from the prior 40 ft. harbor deepening project. Depreciation expense for 2023 was \$32,802, compared to \$30,989 in 2022. Capital spending in 2023 was funded largely by federal

Jacksonville Port Authority
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Management's Discussion and Analysis (Unaudited)

and state grants totaling \$16,759 and tenant contributions for construction of \$22,441, compared to 2022 federal and state grants of \$25,996 and tenant contributions of \$22,092.

2022 vs. 2021

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.

Long-Term Debt

2023 vs. 2022

At September 30, 2023, the Authority had outstanding bonds and notes payable of \$205,878, a decrease of \$8,225 from fiscal year-end 2022 balances of \$214,103 (both net of unamortized bond premiums). Line of credit balances outstanding at September 30, 2023 were \$2,920, compared to \$10,749 at prior year-end.

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.

The Authority exceeded its required minimum debt service coverage ratio for the 2023 fiscal year.

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
A Component Unit of the City of Jacksonville, Florida

Statements of Net Position
September 30, 2023 and 2022
(In thousands of dollars)

	2023	2022
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 21,608	\$ 17,349
Restricted cash and cash equivalents	22,383	20,958
Accounts receivable, net	7,694	7,251
Notes and other receivables	151	120
Grants receivable	9,104	13,914
Inventories and prepaid items	2,278	2,077
Total current assets	<u>63,218</u>	<u>61,669</u>
Noncurrent assets		
Restricted cash and cash equivalents	16,586	15,910
Restricted cash and cash equivalents for capital projects	46,661	15,535
Notes receivable	28	51
Capital assets, net	830,649	856,329
Total noncurrent assets	<u>893,924</u>	<u>887,825</u>
Total assets	<u>957,142</u>	<u>949,494</u>
Deferred outflow of resources (Note J)	9,064	10,077
Total assets and deferred outflow of resources	<u>966,206</u>	<u>959,571</u>

(continued)

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

Statements of Net Position
September 30, 2023 and 2022
(In thousands of dollars)

	2023	2022
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	\$ 2,729	\$ 2,257
Accrued expenses	808	683
Accrued interest payable	2,563	2,180
Construction contracts payable	10,030	3,139
Retainage payable	2,218	3,620
Unearned revenue	700	700
Bonds and notes payable	8,668	8,036
Total current liabilities	<u>27,716</u>	<u>20,615</u>
Noncurrent liabilities		
Unearned revenue	13,892	14,592
Accrued expenses	2,387	2,290
Payable to primary government	6,122	-
Other obligations	-	8,537
Net pension liability	18,551	16,545
Line of credit	2,920	10,749
Bonds and notes payable, net	197,210	206,067
Total noncurrent liabilities	<u>241,082</u>	<u>258,780</u>
Total liabilities	<u>268,798</u>	<u>279,395</u>
Deferred inflow of resources (Note J)	1,456	1,357
Total liabilities and deferred inflow of resources	<u>270,254</u>	<u>280,752</u>
Net Position		
Net investment in capital assets	640,705	621,944
Restricted for		
Debt service	19,396	18,391
Repair and replacement	3,252	3,071
Unrestricted	32,599	35,413
Total net position	<u>\$ 695,952</u>	<u>\$ 678,819</u>

See Notes to the Financial Statements.

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

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended September 30, 2023 and 2022

(In thousands of dollars)

	2023	2022
Operating revenue		
Cargo	\$ 53,500	\$ 54,185
Cruise	6,501	2,562
Military	1,399	578
Other operating revenue	4,347	3,908
Total operating revenue	<u>65,747</u>	<u>61,233</u>
Operating expenses		
Salaries and benefits	22,977	18,913
Services and supplies	5,799	5,559
Security services	5,020	4,405
Business travel and training	416	322
Promotions, advertising, dues and memberships	550	647
Utility services	787	743
Repairs and maintenance	2,423	2,138
Berth maintenance dredging	5,730	4,920
Miscellaneous	168	155
Total operating expenses	<u>43,870</u>	<u>37,802</u>
Operating income before depreciation	<u>21,877</u>	<u>23,431</u>
Depreciation expense	<u>32,802</u>	<u>30,989</u>
Operating loss	<u>(10,925)</u>	<u>(7,558)</u>
Non-operating revenues (expenses)		
Interest expense	(6,539)	(7,028)
Investment income	3,469	184
Shared revenue from primary government	10,108	9,769
Intergovernmental grant revenue	307	18,758
Reimbursement to grantor	(16,992)	-
Gain on contract termination	-	109,114
Contributions from tenants	22,441	22,093
Loss on sale/disposition of assets	(1,075)	(317)
Other non-operating expenses	(420)	(94)
Total non-operating revenues (expenses)	<u>11,299</u>	<u>152,479</u>
Income before capital contributions	<u>374</u>	<u>144,921</u>
Capital contributions	<u>16,759</u>	<u>25,996</u>
Change in net position	<u>17,133</u>	<u>170,917</u>
Net position		
Beginning of year	678,819	507,902
End of year	<u>\$ 695,952</u>	<u>\$ 678,819</u>

See Notes to the Financial Statements.

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

Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022
(In thousands of dollars)

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 64,573	\$ 62,023
Payments for services and supplies	(20,189)	(19,165)
Payments to employees	(19,995)	(19,100)
Net cash provided by operating activities	24,389	23,758
Cash flows from noncapital financing activities		
Receipts from primary government	10,108	9,769
Intragovernmental grant revenue	354	17,716
Net cash provided by noncapital financing activities	10,462	27,485
Cash flows from capital and related financing activities		
Proceeds from capital debt	-	88,870
Principal paid on debt refunding	-	(88,870)
Payment on bridge loan from primary government	-	(25,000)
Line of credit advances	-	10,000
Line of credit payments	(7,829)	(14,730)
Contributions from tenants for construction	22,441	22,093
Contributions-in-aid of construction (grants)	21,523	38,645
Acquisition and construction of capital assets	(46,319)	(34,786)
Harbor deepening refund (USACE)	35,000	-
Reimbursement to grantor	(10,870)	-
Principal paid on capital debt	(8,036)	(7,672)
Interest paid on capital debt	(5,927)	(7,584)
Proceeds from sale of assets	98	52
Costs associated with contract termination	-	(4,064)
Crane demolition	(801)	-
Other	(114)	(44)
Net cash used in capital and related financing activities	(834)	(23,090)
Cash flows from investing activities		
Interest on investments	3,469	184
Net cash provided by investing activities	3,469	184
Net increase in cash and cash equivalents	37,486	28,337
Cash and cash equivalents		
Beginning of year	69,752	41,415
End of year	\$ 107,238	\$ 69,752

(continued)

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

Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022
(In thousands of dollars)

	2023	2022
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (10,925)	\$ (7,558)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	32,802	30,989
Decrease in accounts receivable and other current assets	(674)	(47)
Increase (decrease) in deferred outflow of resources	648	(1,177)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,133	(324)
Unearned revenue	(700)	532
Pension	2,006	9,855
Increase (decrease) in deferred inflows of resources	99	(8,512)
Total adjustments	35,314	31,316
Net cash provided by operating activities	<u>\$ 24,389</u>	<u>\$ 23,758</u>
Noncash investing, capital and financing activities		
Grants receivable	\$ 9,104	\$ 13,914
Construction costs paid on account	12,248	6,759
Payable to primary government	6,122	-

See Notes to the Financial Statements.

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

Notes to Financial Statements

Note A – Reporting Entity and 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 revenue, 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 cargo, cruise, military, and other charges for services to customers. 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.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

5. Recently adopted accounting pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)* (GASB 94). The objective of this statement is to improve financial reporting by addressing issues related to PPPs and APAs. This statement was adopted by the Authority as of October 1, 2022, and did not have a material effect within these financial statements.

In May 2022, the GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)* (GASB 96). The objective of this statement is to provide guidance on the accounting and financial reporting for SBITAs for government end users. This statement was adopted by the Authority as of October 1, 2022, and did not have a material effect within these financial statements.

6. Recently issued accounting pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability. This statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is permitted. The Authority is currently evaluating the impacts of this statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences in order to create consistency amongst various governmental entities. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this standard are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is permitted. The Authority is currently evaluating the impacts of this statement on its financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to better meet the information needs of financial statement users by providing enhanced disclosure about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this standard are effective for fiscal years beginning after June 15, 2024. Earlier application is permitted. The Authority is currently evaluating the impacts of this statement on its financial statements.

7. 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.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

7. Budgeting procedures (continued)

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.

8. 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 include investments held with an original maturity of three months or less.

9. 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.

10. Fair value determination

Certain cash equivalents of the Authority 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.

11. 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, 2023 and 2022 was \$92,000 each.

12. Leases and subscriptions

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 of GASB Statement No. 87, *Leases* (GASB 87) *certain regulated leases*. The Authority has no material ancillary operational activities outside the scope of those defined as a “terminal facility” by FMC regulations.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

12. Leases and subscriptions (continued)

The Authority owns all its facilities and has no property or equipment leases defined as long term. Accordingly, the Authority reports no lease obligations within its statements of net position. The Authority utilizes arrangements SBITAs for various functions. Under GASB 96, a right-to-use subscription asset and a corresponding liability are recognized at the commencement of the subscription term. The right-to-use assets are initially measured at an amount equal to the related subscription liability.

Any payments made at or before commencement of the services and certain direct costs. SBITA assets are amortized on a straight-line basis over the subscription term. SBITA liabilities are initially measured at the present value of subscription payments expected to be made during the subscription term, discounted to present value. The discount rate used is commensurate to the Authority's incremental borrowing rate at the date the SBITA is placed into service. The Authority evaluates each SBITA arrangement annually to determine if it meets the definition of a SBITA under GASB 96 and applies the appropriate accounting treatment as outlined in this policy. There are exemptions for short-term subscriptions of less than 12 months, in addition, the Authority has established a \$30,000 minimum annual expense threshold to qualify for recognition under GASB 96. All of the Authority's current SBITAs are either short-term in nature or under the \$30,000 threshold, as a result, the Authority reports no subscription obligations.

13. Inventories and prepaid items

Inventories are stated at the lower of cost or market 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.

14. 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 all applicable eligibility requirements are met. Grants receivables are classified as current unless deferred receipts arrangements are prescribed by grantor agreement.

15. 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 capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Service Life (Years)</u>
Buildings	20-30
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.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

15. Capital assets (continued)

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.

16. Deferred outflows/inflows of resources

In addition to assets, the statements of net position include a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position 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 net 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.

17. Unearned revenue

Resources received that do not meet revenue recognition requirements are recorded as unearned revenue in the financial statements. Unearned revenue consists of unearned lease revenue exclusively (see Note E).

18. 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.

19. 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. The Authority has no conduit debt issued or outstanding as of September 30, 2023.

20. Debt, notes payable, and long-term other 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 except for prepaid bond insurance which is capitalized and amortized over the life of the bonds.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

21. Pensions

In the statements 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.

22. 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 and related deferred inflows/outflows as required under GASB Statement No. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

23. 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.

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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

24. 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 \$10,108,000 and \$9,769,000 in 2023 and 2022, respectively.

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

Notes to Financial Statements

Note A – Reporting Entity and Summary of Significant Accounting Policies (Continued)

25. Intergovernmental grant revenue

Intergovernmental grant revenues are accounted for as non-operating revenues in the period they are 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) grants 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. No ARPA funds were recognized in fiscal year 2023.

26. 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.

27. 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 Cash Equivalents

Cash and Deposits

At September 30, 2023 and 2022, the carrying amount of the Authority's cash deposit accounts were \$81,049,000 and \$20,553,000, respectively. These 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.

Additionally, the Authority maintains deposits held in trust account money market funds for purposes of required bond reserve balances, debt service funding, and a renewal and replacement fund, collectively totaling \$26,160,000 at September 30, 2023 and \$20,542,000 at September 30, 2022.

Other cash balances maintained totaled \$28,000 and \$26,800 at September 30, 2023 and 2022 respectively, and include Florida Prime balances and petty cash.

Investment Policy

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.

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Notes to Financial Statements

Note B – Deposits and Cash Equivalents (Continued)

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 three 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:

<u>2023</u>		Maturities (in Years)		
<i>(in thousands of dollars)</i>				
	Fair	Less		
Cash Equivalents Type	Value	Than 1	1-5	
Cash Equivalents Subject to Interest Rate Risk				
Money market funds	\$ 26,160	\$ 26,160	\$ -	
Total Cash Equivalents	\$ 26,160	\$ 26,160	\$ -	
<u>2022</u>		Maturities (in Years)		
<i>(in thousands of dollars)</i>				
	Fair	Less		
Cash Equivalents Type	Value	Than 1	1-5	
Cash Equivalents Subject to Interest Rate Risk				
Money market funds	\$ 20,542	\$ 20,542	\$ -	
Total Cash Equivalents	\$ 20,542	\$ 20,542	\$ -	

Total cash equivalents 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:

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Notes to Financial Statements

Note B – Deposits and Cash Equivalents (Continued)

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.

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.

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

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

2023

Security type:

Money market funds

Total

<u>Credit Rating</u>	<u>% of Portfolio</u>	<u>Fair Value</u>
AAAm	100.00%	\$ 26,160
	100.00%	\$ 26,160

2022

Security type:

Money market funds

Total

<u>Credit Rating</u>	<u>% of Portfolio</u>	<u>Fair Value</u>
AAAm	100.00%	\$ 20,542
	100.00%	\$ 20,542

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.

Jacksonville Port Authority
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Notes to Financial Statements

Note B – Deposits and Cash Equivalents (Continued)

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.

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. The following table summarizes major categories of the Authority's assets measured at fair value on a recurring basis as of September 30:

2023

(in thousands of dollars)

		September 30, 2023			
	Fair Value	Level 1	Level 2	Level 3	
Cash and cash equivalents					
Money Market Funds	\$ 997	\$ 997	\$ -	\$ -	
Total cash and cash equivalents	\$ 997	\$ 997	\$ -	\$ -	

2022

(in thousands of dollars)

		September 30, 2022			
	Fair Value	Level 1	Level 2	Level 3	
Cash and cash equivalents					
Money Market Funds	\$ 20,542	\$ 20,542	\$ -	\$ -	
Total cash and cash equivalents	\$ 20,542	\$ 20,542	\$ -	\$ -	

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Notes to Financial Statements

Note C – Capital Assets

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

<i>2023 (in thousands of dollars)</i>	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	-	(43,536)	236,460
Construction in progress	42,095	51,434	(27,597)	65,932
Total capital assets not being depreciated	467,538	51,434	(71,133)	447,839
Depreciable capital assets				
Buildings	96,525	-	(10,850)	85,675
Improvements	651,134	26,471	(71)	677,534
Equipment	140,600	1,501	(572)	141,529
Total depreciable capital assets at historical cost	888,259	27,972	(11,493)	904,738
Less accumulated depreciation for:				
Buildings	68,517	3,125	(9,717)	61,925
Improvements	351,152	24,264	(53)	375,363
Equipment	79,799	5,413	(572)	84,640
Total accumulated depreciation	499,468	32,802	(10,342)	521,928
Depreciable capital assets, net	388,791	(4,830)	(1,151)	382,810
Capital assets, net	\$ 856,329	\$ 46,604	\$ (72,284)	\$ 830,649

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the 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 \$236 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 and amortized over a 20-year life. To date, the Authority's share of these costs total, net of depreciation is approximately \$37 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.

The most recent 47 ft. harbor deepening project was operational in fiscal year 2022. Closeout of the project occurred in 2023 and resulted in a \$35 million refund from the USACE from costs savings on the advance funded project, a final accounting and reconciliation is expected in 2024. Of the amounts refunded to the Authority, FDOT was subsequently reimbursed \$10.8 million for their share, and the City reimbursement share was \$6.1 million (recorded as payable at year-end 2023). The Authority also recorded a reduction of \$8.5 million within other obligations and capital assets with the close out of the 40 ft. harbor deepening project accounting.

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Notes to Financial Statements

Note C – Capital Assets (Continued)

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

<i>2022 (in thousands of dollars)</i>	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	<u>\$ 849,826</u>	<u>\$ 63,585</u>	<u>\$ (57,082)</u>	<u>\$ 856,329</u>

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.

The Authority leases property to terminal operators for the purpose of cargo movement generated from international trade and foreign commerce. 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.

Capital assets held for lease have a cost of approximately \$907,583,000 and accumulated depreciation of \$428,381,000 as of September 30, 2023 compared to \$892,184,000 and \$410,838,000 as of September 30, 2022.

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Notes to Financial Statements

Note D – Leasing Operations (Continued)

Inflows of resources received from leases were \$51,046,000 and \$52,689,736 for the years ended September 30, 2023 and 2022, respectively. \$33,748,000 in 2023 and \$28,010,148 in 2022 were related to contractual annual guarantees and required rents. Inflows of resources from variable payments not included in expected future minimum payments were \$17,298,000 and \$24,679,588 for the fiscal years ended 2023 and 2022.

The Authority has no lease agreements with terms and conditions that 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 on September 30, 2023, are as follows:

<i>Year (in thousands of dollars)</i>	<i>Total</i>
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
	<u>\$ 752,785</u>

Note E – Unearned Revenue

In fiscal year 2019, the Authority executed a 25-year lease agreement with SSA Atlantic, LLC (SSA). The lease includes an initial 77 acres with plans to expand to 100+ acres. As part of the agreement, SSA advanced \$18 million of rent payments, which are being recognized as lease revenue on a straight-line basis over the lease term, in accordance with lease accounting guidance. Unearned revenue at September 30, 2023 and 2022 was \$14,592,000 and \$15,292,000, respectively.

In fiscal year 2022, the Authority and former tenant Trapac, executed a surrender and termination agreement which terminated an existing long-term lease, well in advance of the scheduled 2038 lease term. As a result, the Authority recognized a gain on termination of contract of approximately \$109 million in 2022. As a result of this transaction, the Authority no longer reports any associated unearned revenue balances at September 30, 2023 and 2022 for this lease.

Note F – 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

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Notes to Financial Statements

Note F – Pension Plan (Continued)

Program (DROP). Additionally, the Authority provides an implicit rate subsidy for retiree insurance (an age adjusted premium benefit), which is addressed in Note H – Other Post-Employment Benefits.

As a participating employer, the Authority follows accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), 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 \$5,004,372 and \$2,117,371 for the fiscal years ended September 30, 2023 and 2022, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

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 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.

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Notes to Financial Statements

Note F – Pension Plan (Continued)

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

	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
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
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
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
<i>Senior Management Service Class</i>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% 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

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Notes to Financial Statements

Note F – Pension Plan (Continued)

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 2023 and 2022, were as follows:

Notes: Employer rates include 1.66% for the post-employment health insurance subsidy program.

Class	Percent of Gross Salary		
	Employee	2023	2022
		Employer	Employer
FRS, Regular	3.00	13.57	11.91
FRS, Senior Management Service	3.00	34.52	31.57
DROP – Applicable to members from all above classes	0.00	21.13	18.60

The Authority's contributions, for FRS and HIS totaled \$2,280,077 and employee contributions totaled \$413,951 for the fiscal year ended September 30, 2023. The Authority's contributions, for FRS and HIS totaled \$1,955,376 and employee contributions totaled \$385,387 for the fiscal year ended September 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2023, the Authority reported a liability of \$12,848,797 for its proportionate share of the FRS Plan's net pension liability, compared to \$12,764,006 at September 30, 2022. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Authority's proportionate share of the net pension liability was based on the Authority's 2022-23 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Authority's proportionate share was 0.0323%, which was an decrease of 0.002% from its proportionate share measured as of June 30, 2022, of 0.0343%.

For the fiscal year ended September 30, 2023, the Authority recognized the Plan pension expense of \$2,892,610. Fiscal year 2022 showed pension expense of \$1,945,589 which, in addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2023 and 2022, as shown:

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Notes to Financial Statements

Note F – Pension Plan (Continued)

	<u>2023</u>	Deferred Outflow of Resources	Deferred Inflow of Resources
<u>Description</u>			
Differences between expected and actual experience		\$ 1,206,391	\$ -
Change of assumptions		837,591	-
Net difference between projected and actual earnings on FRS pension plan investments		536,601	-
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions		419,299	762,770
Authority FRS contributions subsequent to the measurement date		461,253	-
Total		<u>\$ 3,461,135</u>	<u>\$ 762,770</u>

	<u>2022</u>	Deferred Outflow of Resources	Deferred Inflow of Resources
<u>Description</u>			
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		<u>\$ 4,000,551</u>	<u>\$ 489,378</u>

The deferred outflows of resources related to pensions, totaling \$461,253, 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 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2024	\$ 319
2025	301
2026	271
2027	585
2028	783
Thereafter	(22)
	<u>\$ 2,237</u>

Actuarial Assumptions: The total pension liabilities in the July 1, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Notes to Financial Statements

Note F – Pension Plan (Continued)

	2023	2022
Inflation	2.40%	2.40%
Salary Increase	3.25%	3.25%
Investment Rate of Return	6.70%	6.70%

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, 2023 actuarial assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100.0%</u>			
Assumed inflation – Mean			2.4%	1.4%

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Notes to Financial Statements

Note F – Pension Plan (Continued)

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	<u>100.0%</u>			
Assumed inflation – Mean			2.4%	1.3%

Discount Rate: The discount rate used to measure the total pension liability was 6.7% for 2023 and 2022, respectively. 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.

Sensitivity of the Authority's Proportionate Share of the Net Position 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 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 one percentage-point lower (5.7%) or one 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, 2023	\$ 21,948,361	\$ 12,848,797	\$ 5,235,922
As of July 1, 2022	\$ 22,074,470	\$ 12,764,006	\$ 4,979,350

Pension Plan Fiduciary Net Position: 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.

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Notes to Financial Statements

Note F – Pension Plan (Continued)

The Retiree Health Insurance Subsidy Program (HIS)

Plan Description: 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.

Benefits Provided: For the fiscal year ended June 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, 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, 2023, 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 \$256,123 for the fiscal year ended June 30, 2023, and \$223,739 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2023, the Authority reported a net pension liability of \$5,702,456 for its proportionate share of the HIS Plan's net pension liability, compared to \$3,780,704 at September 30, 2022. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Authority's proportionate share of the net pension liability was based on the Authority's 2022-23 fiscal year contributions relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Authority's proportionate share was 0.0359%, a 0.0002% increase in its proportionate share measured as of June 30, 2022, of 0.0357%.

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Notes to Financial Statements

Note F – Pension Plan (Continued)

For the fiscal year ended June 30, 2023, the Authority recognized the HIS Plan pension expense of \$2,111,762 and \$171,782 for fiscal year 2022. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2023</u>	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		\$ 83,480	\$ 13,358
Change of assumptions		149,916	494,137
Net difference between projected and actual earnings on HIS pension plan investments		2,945	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions		132,335	185,766
Authority HIS contributions subsequent to the measurement date		79,715	-
Total		<u>\$ 448,391</u>	<u>\$ 693,261</u>

<u>Description</u>	<u>2022</u>	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		<u>\$ 556,875</u>	<u>\$ 868,486</u>

The deferred outflows of resources related to pensions, totaling \$79,715, resulted from the Authority's contributions to the HIS Plan subsequent to the measurement date and will be recognized as a reduction of the net pension liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2024	\$ (86)
2025	(47)
2026	(46)
2027	(47)
2028	(91)
Thereafter	(8)
	<u>\$ (325)</u>

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Notes to Financial Statements

Note F – Pension Plan (Continued)

Actuarial Assumptions: The total pension liabilities in the July 1, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2023	2022
Inflation	2.40%	2.40%
Salary Increase	3.25%	3.25%
Investment Rate of Return	3.54%	3.65%

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% and 3.65% for 2023 and 2022, respectively. 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 Plan 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 applicable discount rate for each fiscal year, 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 one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of the net pension liability			
As of July 1, 2023	\$ 6,505,612	\$ 5,702,456	\$ 3,349,665
As of July 1, 2022	\$ 4,325,435	\$ 3,780,704	\$ 3,329,949

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Notes to Financial Statements

Note F – 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 years ended September 30, 2023 and 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 \$968,275 for the fiscal year ended September 30, 2023, and \$721,967 for the fiscal year ended September 30, 2022.

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Notes to Financial Statements

Note G – 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 net position. The Authority's 401(a) matching contributions were \$203,000 and \$191,000 for the years ended September 30, 2023 and 2022, respectively.

Note H – Other Post-Employment Benefits (OPEB)

Plan Description

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retired 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 172 active participants in the group medical plan and 2 participating retirees.

OPEB Liability

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.

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Notes to Financial Statements

Note H – Other Post-Employment Benefits (OPEB) (Continued)

Actuarial Assumptions

	2023	2022
Valuation Date	10/01/2022	10/01/2021
Census Date	09/23/2023	09/30/2021
Discount Rate	4.77%	2.43%
Salary Scale	3% per annum	3% per annum
Mortality	PUB-2010 mortality table with MP2021 projection	PUB-2010 mortality table with MP2021 projection
Retirement Rates	Florida Retirement System Actuarial Valuation as of July 1, 2018 for Regular employees	Florida Retirement System Actuarial Valuation as of July 1, 2018 for Regular employees
Health Care Cost Trend Rate	6.5% per annum trending down 0.5% each year until reaching the ultimate trend of 4.5%	6.5% per annum trending down 0.5% each year until reaching the ultimate trend of 4.5%
Asset Valuation Method	Market value	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.	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:

	2023	2022
Balance, beginning of year	\$ 352,942	\$ 404,992
Service cost	9,832	16,442
Interest cost	16,450	9,397
Differences between expected and actual experience	(94,022)	(5,422)
Changes in assumptions or other inputs	(1,853)	(35,873)
Benefit payments	(16,158)	(36,594)
Net change	(85,751)	(52,050)
Balance, end of year	\$ 267,191	\$ 352,942

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.

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Notes to Financial Statements

Note H – 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 and higher than the current rate assumption:

		Total OPEB Liability		
	Rate	1% Decrease	Current Rate	1% Increase
As of September 30, 2023	6.5%	\$ 239,854	\$ 267,191	\$ 299,691
As of September 30, 2022	8.0%	\$ 324,864	\$ 352,942	\$ 385,958

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 and higher than the current rate assumption:

		Total OPEB Liability		
	Rate	1% Decrease	Current Rate	1% Increase
As of September 30, 2023	4.87%	\$ 286,170	\$ 267,191	\$ 249,280
As of September 30, 2022	4.77%	\$ 368,284	\$ 352,942	\$ 337,628

Note I – 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 \$555,000 and \$856,000 for the years ended September 30, 2023 and 2022, respectively. Fiscal year 2022 workers' compensation expenses included a two-year assessment catch up charge.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to \$804,000 and \$597,000 for the years ended September 30, 2023 and 2022, 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.

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Notes to Financial Statements

Note J – Long-Term Debt and Other Noncurrent Liabilities

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

<i>(In thousands of dollars)</i>	2023				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Bonds and notes payable					
Revenue bonds	\$ 42,400	\$ -	\$ -	\$ 42,400	\$ -
Revenue and refunding bonds	945	-	(945)	-	-
Revenue notes – tax exempt	162,819	-	(6,571)	156,248	6,768
Revenue note – taxable	2,915	-	(520)	2,395	1,900
Unamortized original issue premium amounts	5,024	-	(189)	4,835	-
Total bonds and notes payable	214,103	-	(8,225)	205,878	8,668
Liability for pollution remediation	739	130	(137)	732	-
Compensated absences and OPEB	1,907	802	(699)	2,010	355
Payable to primary government	-	6,122	-	6,122	-
Line of credit	10,749	-	(7,829)	2,920	-
Other obligation	8,537	-	(8,537)	-	-
Total	<u>\$ 236,035</u>	<u>\$ 7,054</u>	<u>\$ (25,427)</u>	<u>\$ 217,662</u>	<u>\$ 9,023</u>
<i>(In thousands of dollars)</i>	2022				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
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 OPEB	1,771	381	(245)	1,907	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	-
Total	<u>\$ 274,518</u>	<u>\$ 99,251</u>	<u>\$ (137,734)</u>	<u>\$ 236,035</u>	<u>\$ 8,392</u>

Jacksonville Port Authority
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Notes to Financial Statements

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

Revenue bonds, notes, and line of credit at September 30, consisted of the following:

<i>(in thousands of dollars)</i>	<u>2023</u>	<u>2022</u>
Tax Exempt Revenue Note, Series 2017, due in varying amounts through 2028. Interest rate is fixed at 2.25%.	\$ 14,490	\$ 16,725
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2023. Interest rates range from 4.00% to 5.00%.	-	945
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rate is fixed at 2.69%.	13,844	15,274
Tax Exempt Bank Note Crane 2014, Subordinate Obligation due in varying amounts through 2034. Interest rate is fixed at 3.04%.	15,331	16,430
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 2.87%.	23,713	25,520
Taxable Revenue Note, Series 2020A, due in varying amounts through 2024. Interest rate is fixed at 2.66%	2,395	2,915
Tax Exempt Revenue Note, Series 2022, due in varying amounts through 2038. Interest rate is fixed at 2.10%.	88,870	88,870
\$50 million Line of Credit, Subordinate Obligation, interest due monthly in varying rates, 1.37% to 5.74% in 2022 and 2023. Principal due February 2028.	2,920	10,749
Total revenue bonds, notes, and line of credit	<u>203,963</u>	<u>219,828</u>
Less current portion	<u>8,668</u>	<u>8,036</u>
Total revenue bonds, notes, and line of credit, net	<u><u>\$ 195,295</u></u>	<u><u>\$ 211,792</u></u>

Jacksonville Port Authority
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Notes to Financial Statements

Note J – 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 an additional renewal option 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 due on the line of credit will be paid from FDOT grants reimbursements pending at year-end 2023. The outstanding balance on the line of credit at September 30, 2023 was \$2,920,000.

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, 2023 was \$13,844,000.

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 issued 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 had a maturity date of November 2022. The outstanding balance as of September 30, 2023 was \$0.

In September 2014, the Authority executed a loan agreement in the amount of \$25,000,000 to support the acquisition of three new cranes. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issued has a final maturity of 2034. The outstanding balance as of September 30, 2023 was \$15,331,000.

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, 2023 was \$14,490,000.

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 through 2033. The outstanding balance as of September 30, 2023 was \$23,713,000.

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 through 2048. The outstanding balance as of September 30, 2023 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 in the amount of \$88,870,000, ranging from 2.10% to 2.66%. In August 2022, the Revenue Refunding Bond, Series 2022 in the amount of \$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, 2023 of \$2,395,000.

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Notes to Financial Statements

Note J – 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. The bond has a tax-exempt interest rate of 2.10%, with a maturity date of November 2038. The outstanding balance as of September 30, 2023 was \$88,870,000.

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 2022, with no balance outstanding at September 30, 2022, or thereafter.

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, 2023, was as follows (in thousands):

Years ending	Interest	Principal
2024	\$ 5,795	\$ 8,668
2025	5,565	8,920
2026	5,334	9,183
2027	5,098	9,438
2028	4,855	9,702
2029-2033	20,308	55,835
2034-2038	13,150	56,122
2039-2043	7,017	22,340
2044-2048	3,179	16,915
2049-2053	98	3,920
	<u>\$ 70,399</u>	<u>\$ 201,043</u>

Jacksonville Port Authority
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Notes to Financial Statements

Note J – 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 \$4,835 and \$5,024 at year-end 2023 and 2022, respectively. Unamortized deferred loss on debt refundings was \$5,154 and \$5,520 in 2023 and 2022, 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.

<i>(in thousands of dollars)</i>	2023	2022
Deferred loss on debt refundings	\$ 5,154	\$ 5,520
Deferred outflow pension (see Note F)	3,910	4,557
Total deferred outflow of resources	<u>\$ 9,064</u>	<u>\$ 10,077</u>
Deferred inflow of resources – pension (see Note F)	<u>\$ 1,456</u>	<u>\$ 1,357</u>

Other noncurrent liabilities

Unearned revenue balances were approximately \$14,592,000 and \$15,292,000 for years ended September 30, 2023 and 2022, respectively. The current portion was \$700,000 and represents one year of rent amortization on SSA rents collected but unearned. See Note E for further explanation regarding unearned lease rent revenue recognition.

The Authority recorded a payable to primary government in the amount of \$6,122,000 at fiscal year-end 2023, reflecting the City share due, as part of the \$35 million refund from the USACE on the closeout of the 47 ft. harbor deepening project.

OPEB liabilities for retiree medical benefits were approximately \$267,000 and \$353,000 at September 30, 2023 and 2022, respectively. See Note H for additional information.

Note K – Other Obligation

Upon completion of the 40 ft. Harbor Deepening Federal Navigation Project in 2010 (Project Cooperation Agreement with the USACE), the Authority recorded amounts payable to USACE for \$8,537,000, pending final close out of this project. The Authority has since participated in other USACE projects, including the completion of the recent 47 ft. harbor deepening project and other large projects, whereby in 2023, all USACE project costs have been accounted for, or are pending final closeout. Accordingly, in fiscal year 2023, any potential liability from these projects have been adjusted to \$0.

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Notes to Financial Statements

Note L – Commitments and Contingencies

Construction Related

At September 30, 2023, the Authority had commitments for future construction work of approximately \$108,866,000 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 originally (in 2011) established a \$1.5 million reserve for project and ongoing operations costs of the groundwater treatment system. As a result of an updated review of ongoing operational costs of this system in 2023, the Authority provided an incremental charge of \$130,000 to supplement the reserve. At September 30, 2023, the reserve balance was approximately \$732,000 for ongoing operations and monitoring costs.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 170 employees. Union employees represent about 40% of the total. The current union contract runs through September 30, 2025.

Note M – Significant Customers

2023

The Authority had five customers with significant operating revenues (10% or more of total revenues): Crowley Liner Services (17%), SSA (14%), Tote Maritime (11%), APS East Coast (10%) and Carnival Cruise Lines (10%).

2022

The Authority had four customers with significant operating revenues (10% or more of total revenues): Crowley Liner Services (16%), SSA (14%), Tote Maritime (11%) and APS East Coast (10%).

Note N – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of \$6,848,538 and \$3,002,265 were recorded for the years ended September 30, 2023 and 2022, respectively.

State Contributions

State funded awards totaled \$9,910,935 and \$22,993,142 for the years ended September 30, 2023 and 2022, respectively.

JACKSONVILLE PORT AUTHORITY
A Component Unit of the City of Jacksonville, Florida
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

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

	2023	2022	2021	2020	2019	2018
Total OPEB liability – beginning	\$ 352,942	\$ 404,992	\$ 315,914	\$ 294,914	\$ 317,699	\$ 319,347
Service cost	9,832	16,442	15,206	15,000	16,000	14,896
Interest cost	16,450	9,397	7,917	12,000	12,098	11,984
Differences between expected and actual experience	(94,022)	(5,422)	18,890	-	67,260	-
Changes in assumptions or other inputs	(1,853)	(35,873)	83,659	-	(115,492)	(18,451)
Benefit payments	(16,158)	(36,594)	(36,594)	(6,000)	(2,651)	(10,077)
Net change	(85,751)	(52,050)	89,078	21,000	(22,785)	(1,648)
Total OPEB liability – ending	\$ 267,191	\$ 352,942	\$ 404,992	\$ 315,914	\$ 294,914	\$ 317,699
Covered employee payroll	\$ 12,415,171	\$ 10,920,134	\$ 10,092,846	\$ 9,887,483	\$ 9,578,318	\$ 9,164,400
Total OPEB liability as a percentage of covered payroll	2.15%	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
(in dollars) (UNAUDITED)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the FRS net pension liability	0.0322%	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	\$ 12,848,797	\$ 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	\$ 12,415,717	\$ 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	103.49%	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	82.38%	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 ended June 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are available.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the HIS net pension liability	0.0359%	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	\$ 5,702,456	\$ 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	\$ 12,415,717	\$ 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 HIS net pension liability as a percentage of its covered-employee payroll	45.93%	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	4.12%	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 September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ended September 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are available.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 2,023,954	\$ 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 contributions	2,023,954	1,731,637	1,437,015	1,217,755	1,167,644	1,202,882	1,046,313	947,884	948,391
FRS contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 12,415,717	\$ 12,713,611	\$ 12,269,541	\$ 12,234,777	\$ 12,246,587	\$ 12,533,283	\$ 12,195,198	\$ 11,910,007	\$ 11,486,853
FRS contributions as a percentage									
of cover-employee payroll	16.3%	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 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, 2022 and 2023 are available.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required HIS contribution	\$ 256,123	\$ 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 contributions	256,123	223,739	203,674	203,097	203,293	208,052	202,440	197,706	157,222
HIS contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 12,415,717	\$ 12,713,611	\$ 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	2.1%	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 ended September 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are available.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Members of the Board of Directors
Jacksonville Port Authority

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 (*Government Auditing Standards*), the basic financial statements of Jacksonville Port Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2023, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the basic 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 VS LLP

Jacksonville, Florida
February 28, 2024



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Controller: Carolus Daniel

Senior Director, Finance: Mike McClung

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