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

Annual Financial Report
For the Year Ended September 30, 2019

Table of Contents

January 29, 2020

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, 2019. 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 two-thirds of revenues are generated by containers and autos. The remaining lines of business include breakbulk, drybulk, liquid cargo, and cruise.

A seven member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints an Executive Director to implement it. The Board of Directors annually elects a Chairman, Vice-Chairman, Secretary, and Treasurer. Directors serve a four-year term. The Board appoints an Executive Director who serves at the pleasure of the Board of Directors.

The Executive Director/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.

2019 Financial Highlights

JAXPORT moved a record 1,338,429 twenty-foot equivalent units (TEUs), exceeding the previous record of 1,270,480 TEUs set last year. Total tonnage was up 4% to 10,887,242 tons, also recording record volumes. When combined with containers handled through private users of the harbor, these volumes make Jacksonville the largest container port complex in the State of Florida.

JAXPORT moved a record 696,427 vehicles in FY2019, up 5% over prior year, exceeding the previous record of 693,248 units reported in FY2017. JAXPORT ranks as the nation's second busiest vehicle-handling port. JAXPORT also renewed a 25-year lease agreement with AMPORTS, a long-term auto-processing tenant, who will be assisting with the development of the new Dames Point Ro/Ro 45-acre terminal.

Asian container trade represented 441,184 TEUs, or 33% of JAXPORT's total container cargo business, up 3% over prior year. China trade specifically makes up about 8% of total container cargo, a relatively minor percentage potentially impacted by trade tariffs. In 2019, JAXPORT signed a 25-year lease agree with SSA Atlantic, LLC (SSA) which includes approximately 80 terminal acres initially, with expectations of additional build-out of more than 100 total acres, as property becomes available. Two additional postpanamax berths (total of three) are currently being rehabilitated to accommodate this expansion. JAXPORT's Puerto Rico trade grew 2% in FY2019 to 754,951 TEUs. Of note, prior year FY2018 results were aided by significant Puerto Rico relief volumes following Hurricane Maria (as FY 2018 TEU volumes showed a 35% increase over FY2017 volumes), which signifies that FY2019 actually sustained a strong performance comparatively.

Other JAXPORT trade lanes include the Caribbean, South Africa, the Bahamas, Africa and European markets, which comprise approximately 10% of total revenues.

Northeast Florida continued to be a national leader in the use of Liquefied Natural Gas (LNG) as fuel for the maritime industry with the successful fueling and operations of the world's first LNG-powered container ships and the growing investments in new LNG manufacturing facilities in the region. These investments position JAXPORT to take advantage of export opportunities as the use of LNG expands.

Harbor Deepening Project

In February 2018, the U.S. Army Corps of Engineers began construction to deepen the JAXPORT harbor to 47'. The first 11 miles of the authorized 13-mile project covers the distance from the Atlantic Ocean to the Blount Island terminal. It is expected to be constructed in three phases with an original completion date of 2025. To date JAXPORT has invested $57.3 million in this project with the remaining $185 million funded by Federal and State grants and a contribution by a major tenant. The total project cost is estimated to be $484 million. Construction is ahead of schedule with an estimated completion date of 2023. Construction contracts are awarded based on availability of funding. Once completed JAXPORT's harbor will accommodate the world's largest ships, enhancing the port's competitive position for global trade.

As exhibited in the attached financial statements, JAXPORT continues to strive for disciplined fiscal stewardship focused on maintaining strong cash balances while continuing to pay down existing debt.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General. The Authority selected the firm of RSM US LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. 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 (GASB).

Acknowledgement

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

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

Respectfully submitted,

Eric Green, CEO

RSM

RSM US LLP

Independent Auditor's Report

To the Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, Florida

We have audited the accompanying financial statements of the Jacksonville Port Authority, Florida (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The revenue recognition – GAAP to budgetary basis reconciliation, and the schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General, State of Florida*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020 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. This 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
January 29, 2020

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 during its most recent fiscal year which ended September 30, 2019 and for fiscal year 2018. 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 is considered a special purpose governmental entity engaged in a single business-type activity. JAXPORT is a landlord port and generates revenues primarily through user fees and charges to its tenants and customers. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

A condensed overview of the Authority's net position is provided in the following pages. The statements of net position serve as a useful indicator of assessing the entity'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 primary to seaport operations, providing land assets, buildings and equipment, and other capital assets to its tenants and customers. These capital assets are largely funded by bonds and notes outstanding (debt). Repayment of this debt is provided annually from operations, as well as funds maintained by the Authority restricted for ongoing scheduled and certain future debt payments. The Authority's capital spending program is also supported by funding from its primary government, the City of Jacksonville, as well as state and federal grants. In addition to long-term assets and liabilities, the Authority holds current assets, including operating cash balances, to meet current liabilities.

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

Operating Results for 2019

Total operating revenues for 2019 were $67,533, sustaining solid revenue trends compared to prior years 2018 and 2017. Total 2019 tonnage volumes of 10,887,242 tons outpaced prior year record volumes of 10,474,283 tons. Fiscal year 2018 revenues were augmented by Puerto Rico Hurricane relief effort cargo, resulting in a 35% increase in "Puerto Rico related" TEUs in 2018. Additionally, 2018 was improved by $1,435 in minimum guarantee revenue. Container revenues, which comprise about 50% of the Authority's revenue base, were $33,017, and for reasons noted above were up marginally in 2019. The Authority continues to diversify its trade lanes, with 33% of container volumes attributable to Asian business, 441,184 TEUs, up 3% over prior year. Total TEUs in 2019 were 1,338,429 compared to 1,270,480 in 2018. Auto volumes in 2019 achieved a record 696,427 units, a 5% increase over 2018, totaling $17,818 in revenue, up 4% over 2018. Other revenue line items include Cruise $5,600, with 76 cruises, and a near record 194,655 passengers. Various Bulk cargo revenues totaled $7,443, with other revenues totaling $3,655.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands of dollars)	2019	2018	2017
Operating revenue	$ 67,533	$ 66,947	$ 58,052
Operating expenses			
Salaries and benefits	19,517	17,455	17,596
Services and supplies	4,412	4,685	4,366
Security services	4,701	4,494	4,177
Business travel and training	417	384	316
Promotion, advertising, dues and memberships	799	841	874
Utility services	1,047	1,061	967
Repairs and maintenance	1,810	2,383	1,643
Berth maintenance dredging	4,677	7,722	2,266
Miscellaneous	193	268	308
Total operating expenses	37,573	39,293	32,513
Operating income before depreciation	29,960	27,654	25,539
Depreciation	30,363	30,572	30,395
Operating income / (loss)	(403)	(2,918)	(4,856)
Non-operating revenue (expense)			
Interest income	777	336	159
Interest expense	(9,191)	(9,049)	(8,781)
Shared revenue from primary government	2,282	2,751	2,626
Gain/(loss) on sale/disposition of assets	(1,545)	3	(5,755)
Capital contributions to other government agencies	(300)	(12,077)	-
Contribution to tenants	(2,138)	(2,509)	(2,866)
Other non-operating	(220)	(107)	(294)
Total non-operating revenue (expense)	(10,335)	(20,652)	(14,911)
Loss before capital contributions	(10,738)	(23,570)	(19,767)
Capital contributions	49,621	19,912	30,701
Changes in net position	38,883	(3,658)	10,934
NET POSITION			
Beginning of year	392,745	396,403	385,469
End of year	$ 431,628	$ 392,745	$ 396,403

Total operating expenses before depreciation for 2019 were $37,573 a decrease of $1,720 from prior year expenses before depreciation of $39,293. The decrease year over year, is largely attributable to prior year weather and hurricane related berth maintenance dredging costs, as 2019 totaled $4,677, compared to $7,722 in 2018, a decrease of $3,045. Salaries and benefits increased $2,062, and include pension accruals of $2,115 recorded in accordance with governmental accounting standards (GASB 68), compared to $1,069 in 2018. Services and supplies expenses were $4,412, declining $291 from prior year, and reflect savings in fuel and other contract services. Security expenses were $4,701, up $207, reflecting a new security contract this year with an increased rate structure. Repair and maintenance costs were $1,810, down $573 from prior as year, as prior year activity included overall terminal maintenance upgrades for lighting and landscaping. All other expense line items reflected minor differences from prior year.

Net non-operating expenses for 2019 totaled $10,335. Significant non-operating expenses include debt related interest cost of $9,191, and contributions to tenants of $2,138 (certain capital grant commitments were used as indirect offsets to these outlays). Net loss on disposition of assets were $1,545. Contributions to other agencies totaled $300, for a harbor improvement project for The Army Corp of Engineers. Fiscal year 2018 included a $12,077 transfer of properties (land) to the City.

Shared revenue from primary government in 2019 was $2,282 compared to $2,751 in 2018. Interest Income totaled $777.

State and federal grant contribution in 2019 were $49,621, compared to $19,912 in 2018. Significant capital contributions in 2019 were for $35,300 for harbor deepening, and $12,968 for wharf reconstruction projects.

At the close of fiscal year 2019, the Authority had a net position of $431,628, an increase of $38,883 compared to prior year net position of $392,745.

Revenue, Expenses and Changes in Net Position – 2018 vs. 2017

Total operating expenses before depreciation for 2018 were $39,293, an increase of $6,780 over prior year expenses before depreciation of $32,513. The increase in expenses is largely attributable to heavy weather (hurricane related) berth maintenance dredging costs, which totaled $7,722 in 2018, compared to $2,266 a year ago, an increase of $5,456. Impacts of the hurricane (Hurricane IRMA) were primarily dredge siltation related, and may continue into fiscal 2019 to some degree. Salaries and benefits declined $141, and include pension accruals of $1,069 recorded in accordance with governmental accounting standards (GASB 68), compared to $1,371 in 2017. Increases in services and supplies expense of $319 relate to increase fuel (diesel) costs associated with increased container cargo volumes. Repair and maintenance costs were up $740 and reflect terminal enhancements such as lighting, landscaping and other repairs to upgrade the terminal facilities. Security costs were up $317 for new terminal security access services, offset by charges to tenants for these services.

Net non-operating expenses for 2018 totaled $20,652. Significant non-operating expenses included debt service interest cost of $9,049, and contributions to tenants of $2,509 (certain capital grant commitments are utilized as indirect offsets to some of these expenditures). Additionally, contributions to other agencies totaled $12,077. Shared revenue from primary government in 2018 was $2,751 compared to $2,626 in 2017. Interest Income totaled $336.

Capital contributions (state and federal grants) in 2018 were $19,912, compared to $30,701 in 2017. Significant capital contributions in 2018 were for $15.6 million for harbor deepening, and $3 million for wharf reconstruction.

At the close of fiscal year 2018, the Authority had a net position of $392,745, a decrease of $3,658 compared to prior year net position of $396,403.

Net Position

2019 vs. 2018

At September 30, 2019, the Authority's net position was $431,628 compared to $392,745 a year ago. Operating income before depreciation was $29,960, compared to $27,654 in 2018. Depreciation expense was $30,363, in line with prior year. The Authority's operations are also supported by funding from both the primary government (City of Jacksonville) of $2,282, and state and federal grants in aid of construction of $49,621, in fiscal year 2019.

(In thousands of dollars)	2019	2018	2017
NET POSITION			
Current assets	$ 32,816	$ 35,339	$ 32,355
Noncurrent assets (excluding capital assets)	33,430	33,035	20,024
Capital assets	779,924	735,686	699,347
Deferred outflows of resources	6,181	7,388	9,348
Total assets and deferred outflows	852,351	811,448	761,074
Current liabilities	24,635	30,341	28,545
Bonds and notes outstanding (net of current portion)	225,903	230,449	169,470
Other noncurrent liabilities and deferred inflows	170,185	156,148	166,656
Total liabilities and deferred inflows	420,723	416,938	364,671
Net position			
Net investment in capital assets	404,185	363,622	366,820
Restricted for debt service	16,243	18,279	19,145
Restricted – other	3,416	2,967	2,948
Unrestricted	7,784	7,877	7,490
Total net position	$ 431,628	$ 392,745	$ 396,403

Total assets and deferred outflows at year end 2019 were $852,351, reflecting net Capital Asset additions of $44,238, including $52,004 for harbor deepening, and $26,050 for other port related improvements (net of depreciation). Funding for the Harbor Deepening project in 2019 included state grants of $35.3 million and tenant advance receipts of $16 million.

Total liabilities and deferred inflows were $420,723 at year end 2019, compared to $416,938 in 2018. Reductions in bonds and notes payable totaled $12,973, primarily from scheduled debt service payments, positively impacting both Current liabilities and Bonds and notes outstanding. Other noncurrent liabilities increased in 2019, mainly as $16 million in advance tenant lease receipts were added to unearned revenue balances (see Note F). Line of credit balances outstanding were $12,427 in 2019, compared to $11,794 a year ago.

Total net position at year end 2019 was $431,628; most significant was net investment in capital assets of $404,185, amounts restricted for debt service of $16,243, and unrestricted balances of $7,784.

2018 vs. 2017

At September 30, 2018, the Authority's net position was $392,745 compared to $396,403 a year ago. Operating income before depreciation was $27,654, up $2,115 (8%) year over year. Depreciation expense was $30,572, in line with prior year. The Authority's operations are also supported by funding from both the primary government (City of Jacksonville) of $2,751, and state and federal grants in aid of construction of $19,912 in fiscal year 2018. Large non-operating expenses include debt service interest expense of $9,049, compared to $8,781 in 2017, and a land contribution to the City of $11,849.

Total assets and deferred outflows at year end 2018 were $811,448. Capital asset additions during the year include $66,274 for harbor deepening, and $12,750 for other port related improvements (net of depreciation, land and contributions – see Note C for more details). Current assets, comprised of cash, grants and trade receivables, were up consistent with revenue volumes. Noncurrent assets (excluding capital assets) were up $13,011, primarily from available net bond proceeds (construction funds) of $15,253 resulting from a bond and bank note issue in 2018.

Total liabilities and deferred inflows were $418,703 at year end 2018, compared to $364,671 in 2017. Bonds and notes outstanding (net of current portion) were up $60,979, and include $69,522 for two new debt issues (2018A Bank Note and 2018B Bonds). Principal reductions for scheduled debt service payments were $12,763. Other noncurrent liabilities declined $9,901, mainly from reduced line of credit balances outstanding of $9,777. Line of credit balances outstanding were $11,794 in 2018, compared to $21,571 a year ago.

Total net position at year end 2018 was $392,745; most significant was net investment in capital assets of $363,622, amounts restricted for debt service of $18,279, and unrestricted balances of $7,877.

Cash Flows

2019 vs. 2018

Cash flows from operating activities in 2019 were $43,628, compared to $28,525 in 2018, an increase of $15,103. Receipts from customers were up $17,124, and included a $16,000 lump-sum tenant prepaid lease receipt, see Note F for additional information. Payments to suppliers in 2019 were $21,217, an increase of $1,696, associated with heavy 2018 berth maintenance dredging invoices paid in early 2019. Payments to employees were $17,197, an increase of $298 over 2018.

Cash flows from noncapital financing activities were $2,282 compared to $2,751 in 2018.

Net cash used in capital and related financing activities in 2019 totaled ($53,957). Acquisition and construction of capital assets of were $74,907, partly funded by contributions-in-aid of constructions of $42,336. Principal and interest payments on capital debt in 2019 were ($21,340). Proceeds from sale of assets were $2,295. Contribution to tenants were ($2,462). No new debt was issued in 2019.

Cash flows from investing activities totaled $6,026 of which $5,261 relate to the maturities of investments converted to cash in 2019 (funds restricted for debt service). Interest on investments were $765.

Cash and cash equivalents at the end of 2019 were $49,121, compared to $51,142 in 2018. The cash balance of $49,121 at September 30, 2019 is comprised of $16,705 in unrestricted cash, $8,821 in construction funds, $20,179 in restricted debt service and reserve funds, and $3,416 for renewal and replacement funds.

2018 vs. 2017

Cash flows from operating activities in 2018 were $28,525, compared to $28,828 in 2017, a decrease of $303. Receipts from customers were up $5,680, payment for services and supplies increased $5,357, and payments to employees increased $626.

Cash flows from noncapital financing activities were $2,751 compared to $2,626 in 2017.

Cash flows from capital and related financing activities in 2018 were ($18,969). Proceeds from capital debt of $100,313 include proceeds from new debt issued in 2018 (Series 2018A Bank Note and 2018B Bonds). Additional proceeds resulted from a debt refunding transaction (Tax-Exempt Note 2017), utilized to pay off debt ($26,550), collectively resulting in a net cash inflow of $73,763. Additionally, part of the 2018 new debt proceeds of $17,269 was designated, and utilized to pay down the line of credit. Net line of credit activity (advances and payments) was a reduction of ($9,777). Acquisition and construction of capital assets of were $84,166. Partly offsetting these capital outlays were contributions-in-aid of constructions in the amount of $20,412. Principal and interest payments on capital debt in 2018 were ($20,501). Proceeds from sale of assets of $4,794 were primarily from a land parcel acquired in 2017, subsequently sold in 2018, which resulted in a net lands purchase of 600 acres designated for the harbor deepening project. Contribution to tenants were ($2,654).

Cash flows from investing activities totaled $1,084, of which $700 were related to investment maturities on balances restricted for debt service.

Cash and cash equivalents at the end of 2018 were $51,142, compared to $37,751 in 2017. The cash balance of $51,142 at September 30, 2018 is comprised of $16,357 in unrestricted cash, $15,253 in construction funds, $16,565 in restricted debt service and reserve funds, and $2,967 for renewal and replacement funds. Investment balances of $5,065 are also restricted for debt service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, port dredging and related costs, buildings and building improvements and equipment. At September 30, 2019, the Authority had commitments for future construction work of approximately $38,100. Additional information can be found in the accompanying notes to the financial statements (see Note C).

<u>2019 vs. 2018</u>

At September 30, 2019, the Authority's capital assets, net of depreciation, grew to $779,924, compared to prior year net capital assets of $735,686. Capital project additions for 2019 were $78,054; including harbor deepening project costs of $52,004, wharf rehabilitation projects totaling $18,643, and all other spending including tenant improvements of $7,407. Capital spending was partly funded by state and federal grants totaling $49,621 in 2019. Depreciation expense for 2019 was $30,363, compared to $30,572 in 2018.

<u>2018 vs. 2017</u>

At September 30, 2018, the Authority's capital assets, net of depreciation, grew to $735,686, compared to prior year net capital assets of $699,347. Capital project additions for 2018 were $83,524; large capital projects included harbor deepening and related land purchases of $66,274, terminal expansion and tenant improvements $9,018, and wharf rehabilitation of $4,066. Capital spending was partly funded by state and federal grants totaling $19,912 in 2018. Depreciation expense for 2018 was $30,572, compared to $30,395 in 2017.

Long-Term Debt

<u>2019 vs. 2018</u>

At September 30, 2019, the Authority had outstanding bonds and notes payable of $230,056, a decrease of $12,973 from $243,029 at end of fiscal year 2018 (both net of unamortized bond discounts and premiums). The line of credit balance outstanding at September 30, 2019 was $12,427, compared to $11,794 at prior year end. The line of credit is primarily used for capital projects paid back by; deferred grant reimbursement agreements, or long-term port financing. No new debt was issued in 2019.

<u>2018 vs. 2017</u>

At September 30, 2018, the Authority had outstanding bonds and notes payable of $243,029, an increase of $60,760 from $182,269 at end of fiscal year 2017 (both net of unamortized bond discounts and premiums). New debt obligations in 2018 include the 2018A Tax Exempt Bank Note $28,982 and the Series 2018B Bonds $42,400, which included a bond premium (cash inflow) of $5,811. See Note J for more details. The new debt was issued to support the Authority's capital spending program, including harbor deepening, also $17,269 of the proceeds were utilized to pay down line of credit borrowings. The line of credit balance outstanding at September 30, 2018 was $11,794, compared to $21,571 at prior year end. The line of credit note (5-year term) is primarily used for funding certain capital projects to be paid down by future grant funding or long-term port financing.

The Authority exceeded its required minimum debt service coverage ratio for the 2019 fiscal year.

Budgetary Highlights

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2019 and 2018, though additional appropriations for storm related berth maintenance dredging were required in 2018.

REQUESTS FOR INFORMATION

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

Jacksonville Port Authority

Statements of Net Position
September 30, 2019 and 2018
(In thousands of dollars)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 16,705	$ 16,357
Restricted cash and cash equivalents	5,451	6,933
Accounts receivable, net	6,681	6,868
Notes and other receivables	40	1,646
Grants receivable	2,326	1,750
Inventories and other assets	1,613	1,785
Total current assets	32,816	35,339
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	18,144	12,599
Investments	-	5,065
Restricted for capital projects		
Cash and cash equivalents	8,821	15,253
Notes receivable	120	118
Grants receivable	6,345	-
Capital assets, net, primarily held for lease	779,924	735,686
Total noncurrent assets	813,354	768,721
Total assets	846,170	804,060
Deferred outflow of resources	6,181	7,388
Total assets and deferred outflow of resources	$ 852,351	$ 811,448

(continued)

Jacksonville Port Authority

Statements of Net Position
September 30, 2019 and 2018
(In thousands of dollars)

	2019	2018
Liabilities		
Current liabilities		
Accounts payable	$ 2,790	$ 5,543
Accrued expenses	897	709
Accrued interest payable	3,801	3,212
Construction contracts payable	4,595	1,491
Retainage payable	998	525
Unearned revenue	7,401	6,281
Bonds and notes payable	4,153	12,580
Total current liabilities	24,635	30,341
Noncurrent liabilities		
Unearned revenue	128,114	117,055
Derivative instrument liability	-	15
Accrued expenses	3,533	4,032
Other obligations	8,537	8,537
Net pension liability	15,877	14,715
Line of credit note	12,427	11,794
Bonds and notes payable	225,903	230,449
Total noncurrent liabilities	394,391	386,597
Total liabilities	419,026	416,938
Deferred inflow of resources for pensions	1,697	1,765
Net Position		
Net investment in capital assets	404,185	363,622
Restricted for		
Debt service	16,243	18,279
Repair and replacement	3,416	2,967
Unrestricted	7,784	7,877
Total net position	$ 431,628	$ 392,745

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended September 30, 2019 and 2018
(In thousands of dollars)

	2019	2018
Operating revenue	$ 67,533	$ 66,947
Operating expenses		
Salaries and benefits	19,517	17,455
Services and supplies	4,412	4,685
Security services	4,701	4,494
Business travel and training	417	384
Promotions, advertising, dues and memberships	799	841
Utility services	1,047	1,061
Repairs and maintenance	1,810	2,383
Berth maintenance dredging	4,677	7,722
Miscellaneous	193	268
Total operating expenses	37,573	39,293
Operating income before depreciation	29,960	27,654
Depreciation expense	30,363	30,572
Operating (loss)	(403)	(2,918)
Non-operating revenues (expenses)		
Interest expense	(9,191)	(9,049)
Investment income	777	336
Shared revenue from primary government	2,282	2,751
Contributions to tenants	(2,138)	(2,509)
Capital contributions to other government agencies	(300)	(12,077)
Gain/(loss) on sale/disposition of assets	(1,545)	3
Other non-operating expense	(220)	(107)
Total non-operating expenses	(10,335)	(20,652)
Loss before capital contributions	(10,738)	(23,570)
Capital contributions	49,621	19,912
Change in net position	38,883	(3,658)
Net position		
Beginning of year	392,745	396,403
End of year	$ 431,628	$ 392,745

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For The Years Ended September 30, 2019 and 2018
(In thousands of dollars)

	2019	2018
Cash flows from operating activities		
Receipts from customers	$ 82,042	$ 64,945
Payments for services and supplies	(21,217)	(19,521)
Payments to/for employees	(17,197)	(16,899)
Net cash provided by operating activities	43,628	28,525
Cash flows from noncapital financing activities		
Receipts from primary government	2,282	2,751
Net cash provided by noncapital financing activities	2,282	2,751
Cash flows from capital and related financing activities		
Proceeds from capital debt	-	100,313
Principal paid on debt refunding	-	(26,550)
Line of credit advances	5,964	13,552
Line of credit payments	(5,331)	(23,329)
Contributions to tenants	(2,462)	(2,654)
Contributions-in-aid of construction (grants)	42,336	20,412
Acquisition and construction of capital assets	(74,907)	(84,166)
Principal paid on capital debt	(12,575)	(12,763)
Interest paid on capital debt	(8,764)	(7,738)
Proceeds from sale of assets	2,295	4,794
Other	(513)	(840)
Net cash used in capital and related financing activities	(53,957)	(18,969)
Cash flows provided from investing activities		
Interest on investments	765	384
Proceeds from sale and maturities on investments	5,261	700
Net cash provided by investing activities	6,026	1,084
Net (decrease) increase in cash and cash equivalents	(2,021)	13,391
Cash and cash equivalents		
Beginning of year	51,142	37,751
End of year	$ 49,121	$ 51,142

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018
(In thousands of dollars)

	2019	2018
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	$ (403)	$ (2,918)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	30,363	30,572
Increase (decrease) in accounts receivable and other current assets	2,502	(3,051)
Increase in Deferred Outflow of Resources – Pension	1,021	622
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,128)	1,798
Unearned revenue	12,179	1,055
Pension	1,162	(606)
Increase (decrease) in Deferred Inflows of Resources – Pension	(68)	1,053
Total adjustments	44,031	31,443
Net cash provided by operating activities	$ 43,628	$ 28,525
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 5,593	$ 2,016
Increase (decrease) in fair value of investments	196	(48)
Grants receivable	8,671	1,750
Advance on line of credit for deferred grant agreement	(5,661)	-
Change in value of derivative instrument	15	187
Capital assets contributed to other governments	(300)	(12,077)

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

The Authority is considered a special purpose government engaged in a single business-type activity. Business-type activities are those activities primarily supported by user fees and charges. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

3. Fund structure

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

4. Basis of accounting

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

The principal operating revenues of the Authority are from facility operating leases, which are recognized over the term of the lease agreements. Other revenues, such as fees from wharfage, throughput and dockage, are recognized as services are provided.

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

Note A – Summary of Significant Accounting Policies (Continued)

5. New pronouncement not yet adopted

GASB Statement No. 87, ***Leases*** was issued in June 2017, and will be effective for the Authority in fiscal year 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as inflows of resources or outflows of resources based upon payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement also includes an exception for short-term leases and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. The implementation of GASB 87 will have a significant impact on the financial statement of the Authority.

GASB Statement No. 91, ***Conduit Debt Obligations*** was issued in May 2019 and will be effective for the Authority in fiscal year 2022. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not expect this to have a significant impact on the financial statements of the Authority.

6. Budgeting procedures

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

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

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

Once adopted, the total budget may only be increased through action of the City Council.

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

Note A – Summary of Significant Accounting Policies (Continued)

7. Cash and cash equivalents

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

8. Investments

The Authority's investments are reported at fair value using quoted market price or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurements.* Fair value is defined by GASB Statement No. 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.

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 renewal and replacement funds restricted for capital improvements, and other funds as specifically designated by contributors or by grant agreement.

10. Capital assets

Capital assets are carried at cost less accumulated depreciation. Donated capital assets are recorded at acquisition value. 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 the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

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

When capital assets are disposed of, the related cost and accumulated depreciation are removed with gains or losses on disposition reflected in current operations, in non-operating activity.

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. Maintenance dredging is expensed as incurred.

Note A – Summary of Significant Accounting Policies (Continued)

11. Inventories and prepaid items

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

12. Deferred outflows/inflows of resources

In addition to assets, the statement of net position includes 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 accumulated decrease in fair value of hedging derivatives, the net deferred loss on refunding of debt, as well as deferred outflows related to pensions in this category.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position 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.

13. Unearned revenue

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

14. 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 all employees.

15. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third-party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2019, total conduit debt was $68,510,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (Continued)

16. Long-term obligations

In the financial statements, long-term obligations are reported as liabilities in the statement 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.

17. Pensions

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

18. Other post-employment benefits

The Authority obtains actuarial valuation reports for its postemployment benefit plan (other than pensions) and records the OPEB liability as required under GASB Statement No. 75.

19. 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.

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville (City) and millage payments from the Jacksonville Electric Authority (JEA) pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement allows the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. The Authority's share of shared revenue from primary government was $2,282,000 and $2,751,000 in 2019 and 2018, respectively.

Note A – Summary of Significant Accounting Policies (Continued)

19. Use of estimates

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

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2019 and 2018, the carrying amount of the Authority's cash deposit accounts was $20,256,000 and $19,461,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

Investments

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

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

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

Note B – Deposits and Investments (Continued)

As of September 30, the Authority had the following investments and effective duration presented in terms of years:

2019							
			Investment Maturities (in Years)				
(in thousands of dollars)		Fair		Less			
Investment Type		Value		Than 1		1-5	
Investments Subject to Interest Rate Risk:							
Money market funds	$	28,666	$	28,666	$	-	
Total investments	$	28,666	$	28,666	$	-	

2018							
			Investment Maturities (in Years)				
(in thousands of dollars)		Fair		Less			
Investment Type		Value		Than 1		1-5	
Investments Subject to Interest Rate Risk:							
U.S. Government Bonds	$	2,241	$	2,241	$	-	
Corporate Bonds		2,824		2,824		-	
Money market funds		31,680		31,680		-	
Total investments	$	36,745	$	36,745	$	-	

Total Investments amounts shown above are classified as Investments (U.S Government Bonds and Corporate Bonds), or within Restricted cash and cash equivalents, reflecting money market funds held for debt service obligations (and related proceeds), on the Statement of Net Position.

Credit Risk

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

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

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

Note B – Deposits and Investments (Continued)

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

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least 'Aa' by Moody's and 'AA' by Standard & Poor's for long-term debt, or rated at least 'VMIG-2' by Moody's and 'A-2' by Standard & Poor's for short-term debt (one year or less), or equivalent as provided by two nationally recognized rating agencies.

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

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

Money market funds shall be rated 'AAAm' or better by Standard & Poor's or the equivalent by another rating agency. As of September 30, the Authority had the following credit exposure as a percentage of total investments:

2019

Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100.00%
Total		100.00%

2018

Security Type	Credit Rating	% of Portfolio
U.S. Government Bonds	AAA	6.10%
Corporate Bonds	AA3 - A3	7.69%
Money market funds	AAAm	86.21%
Total		100.00%

Custodial Credit Risk

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

Note B – Deposits and Investments (Continued)

Concentration of Credit Risk

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

A maximum of 100% may be invested in non-negotiable interest bearing time certificates of deposit, time deposit accounts, demand deposit accounts, or savings accounts in banks organized under State of Florida law. To include national banks organized under the laws of the United States and doing business in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, or such deposits are with a national bank whose short-term ratings are at least A-1 by Standard Poor's, or P-1 by Moody's Rating agency.

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

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority had no fair value measurements at September 30, 2019. As of September 30, 2018 fair value measurements were as follows:

2018

(in thousands of dollars)	September 30, 2018			
Investment Type	Fair Value	Level 1	Level 2	Level 3
FNMA	$ 997	$ 997	$ -	$ -
FHLMC	1,244	1,244	-	-
Corporate bonds	2,825	2,825	-	-
Total investments	$ 5,066	$ 5,066	$ -	$ -
Derivative Instrument Liability	$ 15	$ -	$ 15	$ -

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2019 and 2018, was as follows:

2019 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 148,350	$ -	$ (2,880)	$ 145,470
Port dredging and related costs	149,139	52,004	-	201,143
Construction in progress	20,464	24,378	(22,297)	22,545
Total capital assets not being depreciated	317,953	76,382	(25,177)	369,158
Depreciable capital assets				
Buildings	96,685	-	-	96,685
Improvements	577,924	22,255	(4,518)	595,661
Equipment	154,162	1,714	(58)	155,818
Total depreciable capital assets at historical cost	828,771	23,969	(4,576)	848,164
Less accumulated depreciation for:				
Buildings	55,995	3,191	-	59,186
Improvements	277,376	21,650	(3,946)	295,080
Equipment	77,667	5,522	(57)	83,132
Total accumulated depreciation	411,038	30,363	(4,003)	437,398
Depreciable capital assets, net	417,733	(6,394)	(573)	410,766
Capital assets, net	$ 735,686	$ 69,988	$ (25,750)	$ 779,924

Note C – Capital Assets (Continued)

2018 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 160,254	$ -	$ (11,904)	$ 148,350
Port dredging and related costs	87,323	66,274	(4,458)	149,139
Construction in progress	14,089	14,730	(8,355)	20,464
Total capital assets not being depreciated	261,666	81,004	(24,717)	317,953
Depreciable capital assets				
Buildings	96,986	-	(301)	96,685
Improvements	573,290	6,187	(1,553)	577,924
Equipment	152,157	4,688	(2,683)	154,162
Total depreciable capital assets at historical cost	822,433	10,875	(4,537)	828,771
Less accumulated depreciation for:				
Buildings	53,102	3,194	(301)	55,995
Improvements	257,462	21,339	(1,425)	277,376
Equipment	74,188	6,039	(2,560)	77,667
Total accumulated depreciation	384,752	30,572	(4,286)	411,038
Depreciable capital assets, net	437,681	(19,697)	(251)	417,733
Capital assets, net	$ 699,347	$ 61,307	$ (24,968)	$ 735,686

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately $201 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets, and amortized over a 20-year life. To date, the Authority's share of these costs total, net of depreciation is approximately $16.8 million. Costs incurred and paid by the USACE for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

Note D – Leasing Operations – Lessor

The Authority is the lessor on agreements with various tenants for their use of port facilities. Capital assets held for lease have a cost of $836,292,000 and accumulated depreciation of $344,544,000 as of September 30, 2019. Revenues recognized for facility leases for the fiscal years ended September 30, 2019 and 2018, were $18,849,000 and $18,670,000, respectively.

Minimum future rental receipts and contractual minimum annual guarantees for each of the next five years and thereafter, excluding contingent or volume variable amounts on non-cancelable operating facility leases at September 30, 2019, are as follows:

(in thousands of dollars)	Total
2020	$ 34,138
2021	31,791
2022	27,477
2023	22,858
2024	20,193
2025-2029	97,290
2030-2034	86,201
2035-2039	53,300
2040-2044	33,294
	$ 406,542

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

In August 2005, the Authority entered into an Operating and Lease Agreement with Mitsui O.S.K. Lines (MOL), LTD., Japanese Corporation (Lessee), whereby the Authority (Lessor) agreed to construct a 158 acre container terminal for exclusive use by the lessee. The 30-year lease term begins at the date of project completion, which occurred January 2009. The lessee is responsible for all operational costs of the facility over the lease term. At the expiration of the lease term (which is expected to be in 2039), the lessee will have the option to extend the lease agreement in 10-year increments. Per terms of the 30-year agreement, all constructed facilities are owned by and reported as capital assets of the Authority. MOL subsequently assigned the lease to TraPac, Inc., a wholly-owned subsidiary of MOL. MOL remains ultimately responsible for the obligations to the Authority.

Financing

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

$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the Mitsui O.S.K. Lines, Ltd. Project. The debt proceeds were remitted to the Authority for project construction and reported as unearned revenue. The Authority has no obligation to pay the Series 2007 bonds, which is payable by MOL and supported by an irrevocable direct-pay Letter of Credit by Sumitomo Mitsui Banking Corporation. See Note A.15 for additional information on conduit debt.

Additionally, the Authority issued $95 million of its own debt, whereby MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements, through 2023.

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2039. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2019 and 2018 totaled approximately $120 million and $123 million, respectively.

Note F – Operating Lease with SSA Atlantic, LLC

In March 2019, the Authority executed a 25-year lease agreement with SSA Atlantic, LLC (SSA), effective August 1, 2019. The lease includes approximately 77 acres initially, with plans for future development totaling 100+ acres within 3-5 years. The contract was developed based upon tonnage based throughput rates, which anticipates a deep water (47’ berth) and significant revenue volumes with the build out of the total terminal footprint. In addition to the contract tonnage rate, SSA is providing a total of $28 million in lump sum prepayments over the first three years of the contract, $16 million in 2019, and two $6 million payments over the next two years. These payments support the funding of the harbor deepening to 47’ feet, currently in progress. The contract also provides SSA exclusive use of three cranes (owned by the Authority) over the 25–year lease term. The lump sum payments of $28 million are being recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. Unearned revenue at September 30, 2019 was $15.8 million. Two months of deferred revenue was recognized in 2019, totaling $187,000.

In addition to the ongoing tonnage throughput fees, the Authority also assesses fees for harbor and port security fees based upon vessel activity.

In addition to the revenue features of the contract detailed above, the Authority also charges SSA for crane maintenance activities, which continue to be maintained by using Authority personnel and supplies over the first five years of the agreement. These amounts are recorded as contra-expense on the books of the Authority.

Note G – Pension Plan

Retirement Benefits

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

Note G – Pension Plan (Continued)

Governmental Accounting Standards Board Statement No. 68

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

General Information about the FRS

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

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The Authority's pension expense for FRS and HIS totaled $3,440,209 and $2,316,633 for the fiscal years ended September 30, 2019 and 2018, 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 Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

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

Note G – Pension Plan (Continued)

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to 4 years of credit for military service toward creditable service.

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

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

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

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

Note G – Pension Plan (Continued)

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

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2019 and 2018, were as follows:

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

	Percent of Gross Salary		
		2019	2018
Class	**Employee**	**Employer**	**Employers**
FRS, Regular	3.00	8.47	8.26
FRS, Senior Management Service	3.00	25.41	24.06
DROP – Applicable to Members from all above classes	0.00	14.60	14.03

The Authority's contributions, for FRS and HIS totaled $1,370,938, and employee contributions totaled $333,203 for the fiscal year ended September 30, 2019. The Authority's contributions, for FRS and HIS totaled $1,410,934, and employee contributions totaled $337,774 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2019, the Authority reported a liability of $11,740,361 for its proportionate share of the FRS Plan's net pension liability, compared to $10,797,420 at September 30, 2018. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Authority's proportionate share of the net pension liability was based on the Authority's 2018-19 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the Authority's proportionate share was .0341%, which was a decrease of .0018% from its proportionate share measured as of June 30, 2018, of .0358%.

Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2019, the Authority recognized the Plan pension expense of $3,119,507. Fiscal year 2018 showed pension expense of $2,018,014, which, in addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2019 and 2018, as shown:

2019 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 696,354	$ 7,286
Change of assumptions	3,015,430	-
Net difference between projected and actual earnings on FRS pension plan investments	-	649,538
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	288,951	492,302
Authority FRS contributions subsequent to the measurement date	240,604	-
Total	$ 4,241,339	$ 1,149,126

2018 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 914,704	$ 33,199
Change of assumptions	3,528,071	-
Net difference between projected and actual earnings on FRS pension plan investments	-	834,233
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	549,230	237,704
Authority FRS contributions subsequent to the measurement date	259,861	-
Total	$ 5,251,866	$ 1,105,136

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $240,604, 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	Amount
2020	$ 682.1
2021	1,219.6
2022	792.0
2023	120.5
2024	29.5
Thereafter	7.8

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%
Investment Rate of Return	6.90%

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

Note G – Pension Plan (Continued)

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, 2019 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation – Mean			2.6%	1.7%

July 1, 2018 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation – Mean			2.6%	1.9%

Note G – Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 6.9%. 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 6.9%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9%) or 1 percentage-point higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Authority's proportionate share of the net pension liability			
As of July 1, 2019	$ 20,295,174	$ 11,740,361	$ 4,595,644

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 Comprehensive Annual Financial Report.

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, 2019, 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, 2019, 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.

Note G – Pension Plan (Continued)

The Authority's contributions to the HIS Plan totaled $203,293 for the fiscal year ended June 30, 2019, and $208,052 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the Authority reported a net pension liability of $4,137,205 for its proportionate share of the HIS Plan's net pension liability, compared to $3,917,903 at September 30, 2018. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Authority's proportionate share of the net pension liability was based on the Authority's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the Authority's proportionate share was .0370%, unchanged for its proportionate share measured as of June 30, 2018, of .0370%.

For the fiscal year ended June 30, 2019, the Authority recognized the HIS Plan pension expense of $320,702, and $298,619 for fiscal year 2018. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 50,251	$ 5,066
Change of assumptions	479,049	338,141
Net difference between projected and actual earnings on HIS pension plan investments	2,670	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	138,375	204,121
Authority HIS contributions subsequent to the measurement date	45,677	-
Total	$ 716,022	$ 547,328

2018 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 59,981	$ 6,656
Change of assumptions	435,719	414,233
Net difference between projected and actual earnings on HIS pension plan investments	2,365	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	180,486	238,988
Authority HIS contributions subsequent to the measurement date	48,126	-
Total	$ 726,677	$ 659,877

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $45,677, 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	Amount
2020	$ 69.7
2021	69.7
2022	30.7
2023	(34.1)
2024	(30.6)
Thereafter	17.6

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
Authority's proportionate share of the net pension liability			
As of July 1, 2019	$ 4,722,832	$ 4,137,205	$ 3,649,444

Note G – Pension Plan (Continued)

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

FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, 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 $417,813 for the fiscal year ended September 30, 2019, and $252,494 for the fiscal year ended September 30, 2018.

Note H – Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with IRS Code 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 IRS Code 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 statement of position. The Authority's 401(a) matching contributions were $172,000 and $167,000 for the years ended September 30, 2019 and 2018, respectively.

Note I – Other Post-Employment Benefits (OPEB)

<u>Plan Description</u>

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 75 (GASB 75). The Authority currently has 125 active participants in the group medical plan, and no participating retirees.

<u>OPEB Liability</u>

GASB 75 requires the recording of the OPEB liability. The OPEB liability is the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date. The Authority recognizes an "implicit rate subsidy" (age adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 75. The OPEB Expense reflects the annual change in the employer's OPEB liability, with deferred recognition provided for certain items. GASB 75 calls for the Authority to have an OPEB valuation performed every two years.

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

Actuarial Assumptions

Measurement Date: September 30, 2019

Discount Rate: 3.64% per annum (BOY) 2.66% per annum (EOY). *Source: Bond Buyer 20-Bond GO index*

Salary Increase Rate: 3.5% per annum

Medical Consumer Price Index Trend: Chained-CPI of 2.0% per annum

Valuation Date: The census was provided by the Authority as of September 30, 2019.

Spouse Age: Spouse dates of birth were not provided. Male spouses are assumed to be three years older than female spouses.

Medicare Eligibility: All current and future retirees are assumed to be eligible for Medicare at age 65.

Actuarial Cost Method: Entry Age Normal based on level percentage of projected salary.

Amortization Method: *Experience* gains and losses are amortized over a closed period of 14.6 years starting on October 1, 2018, equal to the average remaining service of active and inactive plan members.

Plan Participation Percentage: It is assumed that 20% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. Additionally, it is assumed that 50% of those retirees continue coverage upon Medicare eligibility. All retirees are assumed to elect the $500 deductible plan.

Mortality Rates: PUB 2010 generational table scaled using MP-19 and applied on a gender-specific basis

Health Care Cost Trend Rate: The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the current HCA Consulting trend study and are applied on a select and ultimate basis. Select trends are reduced 0.5% each year until reaching the ultimate trend rate.

Expense Type	Select	Ultimate
Pre-Medicare Medical and Rx Benefits	6.5%	4.5%
Medicare Benefits	5.5%	4.5%
Administrative Fees	4.5%	4.5%

Per Capita Health Claim Cost: Per capita health claim costs as of October 1, 2016 are developed from age adjusting and blending the fully insured premium rates. The age 60 and 70 annual expected claim costs are presented in the table below:

Per Capita Cost	Age 60	Age 70
Future Retirees	$14,600	$5,700

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

Non-Claim Expenses: Non-claim costs are assumed to be 15% of the premium rates. Two-thirds of fixed expenses are attributed to administrative costs, and the remaining one-third are attributed to pooling costs.

Plan Election Percentage: It is assumed that all retirees will elect the PPO plan at retirement.

Age Based Morbidity: The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study.

Termination: The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2018.

Retirement Age: Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2018.

Changes in Total OPEB Liability

The following data presents the changes in the total OPEB Liability for fiscal years ending September 30, 2019 and 2018:

	2019	2018
Balance, beginning of year	$ 317,699	$ 319,347
Service cost	16,000	14,896
Interest cost	12,098	11,984
Differences between expected and actual experience	67,260	-
Changes in assumptions or other inputs	(115,492)	(18,451)
Benefit payments	(2,651)	(10,077)
Net change	(22,785)	(1,648)
Balance, end of year	$ 294,914	$ 317,699

OPEB Expense recognized by the Authority for the fiscal years ending September 30, 2019 and 2018, were $23,370, and $25,456, respectively.

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.

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

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

	Total OPEB Liability		
	1% Decrease	Current Rate	1% Increase
As of September 30, 2019	$243,000	$295,000	$359,000

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

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

	Total OPEB Liability		
	1% Decrease	Current Rate	1% Increase
As of September 30, 2019	$330,000	$295,000	$265,000

Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' Compensation and General Liability insurance premiums amounted to $153,000 and $132,000 for the years ended September 30, 2019 and 2018, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to $498,000 and $488,000 for the years ended September 30, 2019 and 2018, respectively.

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

Note K – Long-Term Debt and Other Noncurrent Liabilities

Long-term liability activity for the years ended September 30, 2019 and 2018, was as follows:

	2019				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 42,400	$ -	$ -	$ 42,400	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	98,165	-	(7,548)	90,617	4,093
Revenue Note – Taxable	784	-	(724)	60	60
State Infrastructure Bank Loan	4,303	-	(4,303)	-	-
Unamortized original issue premium amounts	9,967	-	(398)	9,569	-
Total bonds and notes payable	243,029	-	(12,973)	230,056	4,153
Liability for pollution remediation	1,136	-	(118)	1,018	-
Derivative instrument liability	15	-	(15)	-	-
Compensated absences and other	1,841	364	(703)	1,502	342
Line of credit	11,794	5,964	(5,331)	12,427	-
Reserve for grants assessment	1,377	-	(364)	1,013	-
Other obligation	8,537	-	-	8,537	-
	$ 267,729	$ 6,328	$ (19,504)	$ 254,553	$ 4,495

	2018				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 24,980	$ 42,400	$ (24,980)	$ 42,400	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	54,970	52,102	(8,907)	98,165	7,552
Revenue Note – Taxable	1,578	-	(794)	784	725
State Infrastructure Bank Loan	8,935	-	(4,632)	4,303	4,303
Unamortized original issue				-	
premium amounts	4,396	5,811	(240)	9,967	-
Total bonds and notes payable	182,269	100,313	(39,553)	243,029	12,580
Liability for pollution remediation	1,164	-	(28)	1,136	-
Derivative instrument liability	202	-	(187)	15	-
Compensated absences and other	2,070	392	(621)	1,841	322
Line of credit	21,571	13,552	(23,329)	11,794	-
Reserve for grants assessment	1,377	-	-	1,377	-
Other obligation	8,537	-	-	8,537	-
	$ 208,653	$ 114,257	$ (63,718)	$ 267,729	$ 12,902

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

Long-term liabilities at September 30, 2019 and 2018, consisted of the following:

(in thousands of dollars)	2019	2018
Tax Exempt Revenue Note, Series 2017, due in varying amounts through 2028. Interest rates are fixed at 2.25%.	$ 23,120	$ 23,120
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	87,410	87,410
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%.	505	6,579
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.68%.	60	784
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	18,476	18,976
Tax Exempt Bank Note Crane 2014, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	19,534	20,508
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts. Interest rates are fixed at 3%.	-	4,303
Revenue Bonds, Series 2018B, due in varying amounts thru 2048. Interest rates are fixed at 5%.	42,400	42,400
Tax Exempt Revenue Note, Series 2018A, due in varying amounts through 2033. Interest rate are fixed at 2.872%.	28,982	28,982
$50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.95% to 2.40% in 2018. Principal due December 2022.	12,427	11,794
	232,914	244,856
Less current portion	4,153	12,580
	$ 228,761	$ 232,276

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

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to $50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2019 was $0.

In January 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, which was subsequently renewed, due and payable November 2022. It is the intention of the Authority to use the line for a revolving medium term or longer term funding source designated for the Authority's capital spending program. The outstanding balance on the Line of Credit at September 30, 2019 was $12,427,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2009 Revenue Note (Tax-Exempt) for $52,090,000 and Series 2009 (Taxable) Revenue Note for $6,420,000. The outstanding balance at September 30, 2019 on the Tax Exempt Revenue Note was $505,000. The outstanding balance at September 30, 2019 on the Taxable Note was $60,000.

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 2031. The outstanding balance as of September 30, 2018 was $18,476,000.

In September 2012, the Authority issued $87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds were issued to: (i) finance or refinance expenditures relating to the cost of portions of the Authority's capital program, (ii) refund $65,020,000 of the original Authority's outstanding Series 2008 Bonds, and (iii) fund a reserve. The Series 2012 issue has a final maturity of 2038, consistent with the maturity of the Series 2008 bonds. The outstanding balance as of September 30, 2019 was $87,410,000.

In September 2014, the Authority executed a loan agreement (SunTrust Bank Note) in the amount of $25,000,000 to support the acquisition of new three cranes. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issue has a final maturity of 2034. The outstanding balance as of September 30, 2019 was $19,534,000.

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 2029. The outstanding balance as of September 30, 2019 was $23,120,000.

In August 2018, the Authority executed a $28,982,000 loan agreement with Chase Bank, N.A., Tax-Exempt Revenue Note Series 2018A, for the purpose of financing or refinancing expenditures relating to the cost of portions of the Authority's capital program and to pay down the Authority's Line of Credit. The agreement has a fixed term rate of 2.872% with a term of 15 years. The outstanding balance as of September 30, 2019 was $28,982,000.

In August 8, 2018, the Authority issued $42,400,000 in Revenue Bonds, Series 2018B. The bonds will be used to finance expenditures related to the Authority's capital improvement program, largely the harbor deepening project. The bonds have a fixed term rate of 5.00% with a term of 30 years. The outstanding balance as of September 30, 2019 was $42,400,000.

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

The Authority's debt resolutions place restrictions on the issuance of additional bonds, designates 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.

Deferred outflow of resources

Deferred outflow of resources as shown on the statements of net position include the amounts for the above mentioned interest rate exchange agreement, and unamortized loss amounts on debt refundings.

(in thousands of dollars)	2019	2018
Deferred loss on debt refundings	$ 1,224	$ 1,395
Interest rate exchange agreement	-	15
Deferred outflow pension (see Note G)	4,957	5,978
Total deferred outflow of resources	$ 6,181	$ 7,388

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, 2019, was as follows:

Years ending	*(in thousands of dollars)*	Interest	Principal
2020		$ 9,037	$ 4,153
2021		8,891	7,063
2022		8,686	7,282
2023		8,470	19,943
2024		8,248	7,758
2025 – 2029		36,030	42,756
2030 – 2034		27,772	55,011
2035 – 2039		15,268	57,323
2040 – 2044		7,054	17,055
2045 – 2049		1,503	14,570
		$ 130,959	$ 232,914

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

Unamortized premiums on Bonds were $(9,569) and $(9,967) in 2019 and 2018, respectively. Unamortized deferred loss on refundings was $1,223 and $1,395 in 2019 and 2018, respectively.

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

Other Noncurrent Liabilities

Unearned revenue balances were $135,515,000 and $123,336,000 for years ended September 30, 2019 and 2018, respectively. The current portion was $7,401,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note E and Note F for further explanation regarding unearned lease rents revenue recognition.

The Authority has accrued reserves in the amount of $1,018,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.

Other post-employment benefits (OPEB) liabilities for retiree medical benefits were $295,000 and $318,000 at September 30, 2019 and 2018, respectively. See Note I for additional information.

The Authority has reserved $1,013,000 related to a de-obligation of FEMA Grant Funds for prior year's hurricane-related dredge funding. See Note M for additional information.

Note L – Other Obligation

The Authority entered into a Project Cooperation Agreement with the Army Corps of Engineers (USACE) in 2001 for Construction of the Improvement Features of the Jacksonville Harbor Federal Navigation Project. This project was completed in 2010, and cooperatively resulted in 40 feet depth of General Navigation Features in the Jacksonville Harbor.

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a 30-year amortization. As a result, an estimated liability amount of $8,537,000 is currently recorded as other obligations by the Authority. As of September 30, 2019, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2019, the Authority had commitments for future construction work of approximately $38,100,000, primarily for the rehabilitation of two terminal berths. These projects are 75% grant funded.

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 publically owned treatment works facility (POTW). The Authority had originally established a $1.5 million reserve for project and ongoing operations costs of the groundwater treatment system, of which $1,017,000 remains at September 30, 2019, for ongoing operations and monitoring costs.

Note M – Commitments and Contingencies (Continued)

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 152 employees. Union employees represent about 40% of the total. The current union contract is a three-year contract expiring on September 30, 2022.

Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. In 2013, the Authority recorded a reserve in the amount of $1,377,000 (subsequently reduced in 2019 to $1,013,000) for a specific de-obligated grant (FEMA) funding, related to a prior years' hurricane related dredging event. This determination made by FEMA was based upon time requirement guidelines available to complete the debris removal work. The Authority's position is that expenditures were proper, and will continue to pursue options regarding this determination.

Note N – Significant Customers

For the fiscal year ended September 30, 2019, the Authority had five customers with significant operating revenues (in excess of 10% of total revenues): Tote Maritime (13%), Trapac (12%), Crowley Liner Services (12%), APS East Coast (10%) and SSA Atlantic (10%).

Note O – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $720,451 and $373,752 were recorded for the years ended September 30, 2019 and 2018, respectively.

State Contributions

Amounts from state funding awards totaled $48,900,976 and $19,537,761 for the years ended September 30, 2019 and 2018, respectively.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

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

	2019	2018
Total OPEB liability – beginning	$ 317,699	$ 319,347
Service cost	16,000	14,896
Interest cost	12,098	11,984
Differences between expected and actual experience	67,260	-
Changes in assumptions or other inputs	(115,492)	(18,451)
Benefit payments	(2,651)	(10,077)
Net change	(22,785)	(1,648)
Total OPEB liability – ending	$ 294,914	$ 317,699
Covered employee payroll	$ 9,578,318	$ 9,164,400
Total OPEB Liability as a percentage of covered payroll	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 SEPTEMBER 30, 2019 (amounts expressed in dollars)

	2019	2018	2017	2016	2015
Authority's proportion of the FRS net pension liability	0.0341%	0.0358%	0.0374%	0.0353%	0.0352%
Authority's proportionate share of the FRS net pension liability	$11,740,361	$10,797,420	$11,070,761	$8,917,567	$4,546,261
Authority's covered-employee payroll	$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	82.61%	86.15%	90.78%	74.87%	39.58%
FRS Plan fiduciary net position as a percentage of the total pension liability	98.43%	84.26%	83.89%	84.88%	92.00%

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

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2019 (amounts expressed in dollars)

	2019	2018	2017	2016	2015
Authority's proportion of the HIS net pension liability	0.0370%	0.0370%	0.0398%	0.0383%	0.0373%
Authority's proportionate share of the HIS net pension liability	$4,137,205	$3,917,903	$4,250,943	$4,461,658	$3,806,082
Authority's covered-employee payroll	$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	33.78%	31.26%	34.86%	37.46%	33.13%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%

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

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2019
(amounts expressed in dollars)

	2019	2018	2017	2016	2015
Contractually required FRS contribution	$ 1,167,644	$ 1,202,882	$ 1,046,313	$ 947,884	$ 948,391
FRS contributions in relation to the contractually required FRS	1,167,644	1,202,882	1,046,313	947,884	948,391
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,246,587	$ 12,553,283	$ 12,195,198	$ 11,910,007	$ 11,486,853
FRS contributions as a percentage of cover-employee payroll	9.5%	9.6%	8.6%	8.0%	8.3%

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

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2018
(amounts expressed in dollars)

	2019	2018	2017	2016	2015
Contractually required HIS contribution	$ 203,293	$ 208,052	$ 202,440	$ 197,706	$ 157,222
HIS contributions in relation to the contractually required HIS	203,293	208,052	202,440	197,706	157,222
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,246,587	$ 12,533,283	$ 12,195,198	$ 11,910,007	$ 11,486,853
HIS contributions as a percentage of cover-employee payroll	1.7%	1.7%	1.7%	1.7%	1.4%

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

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ended September 30, 2019

GAAP Revenue – per Financial Statements	$	67,532,910
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		2,315,590
Budgetary Basis Revenues	$	69,848,500

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

Jacksonville Port Authority, Florida

Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended September 30, 2019

Agency/Program	CSFA Number	Grant Number	Expenditures
STATE PROJECTS			
State of Florida Department of Transportation			
Seaport Grants	55.005	AQW71	$ 921,945
Seaport Grants	55.005	AR372	300,000
Seaport Grants	55.005	GOG95	383,296
Seaport Grants	55.005	G0O84	901,696
Seaport Grants	55.005	G0496	11,145,070
Seaport Grants	55.005	G1B77	35,307,816
Total Seaport Grants			48,959,823
Total Expenditures of State Financial Assistance			$ 48,959,823

See accompanying notes to schedule of expenditures of state financial assistance.

Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures state financial assistance (the Schedule) includes the state grant activity of the Jacksonville Port Authority, Florida and is presented using the accrual basis of accounting for grants which are accounted for in proprietary funds. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Cost Principles for State, Local and Indian Tribal Governments 2 CFR Part 225,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipients

The Authority did not make sub-awards of state financial assistance during the year ended September 30, 2019.

Note 4. Indirect Cost Recovery

The Authority did not recover its indirect costs using the 10% de minimus indirect cost rate provided under section 200.414 of the Uniform Guidance.

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

Independent Auditor's Report

To the Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*,* the financial statements of the Jacksonville Port Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Jacksonville, Florida
January 29, 2020

**Report on Compliance for the Major
State Project; Report on Internal Control Over Compliance;
as Required by Chapter 10.550, Rules of the Florida Auditor General**

Independent Auditor's Report

Report on Compliance for Each Major State Project

We have audited the Jacksonville Port Authority's (the Authority), a component unit of the City of Jacksonville, Florida, compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Authority's major state project for the year ended September 30, 2019. The Authority's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state projects.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program and State Project

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

Jacksonville, Florida
January 29, 2020

Jacksonville Port Authority, Florida

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

I - Summary of Independent Auditor's Results (Continued)

State Financial Assistance

Internal control over major state projects:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Type of auditor's report issued on compliance for major projects:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with state projects pursuant to Rules of the Auditor General?		Yes	X	No

Identification of major projects:

CSFA Number(s)	Name of State Project
55.005	Seaport Grants

Dollar threshold used to distinguish between type A and type B projects: $1,468,795

II – Financial Statement Findings

A. Internal Control Over Financial Reporting

None Reported.

B. Compliance and Other Matters

None Reported.

III – State Financial Assistance Findings and Questioned Costs

A. Internal Control Over Compliance

None Reported.

B. Compliance

None Reported.

Jacksonville Port Authority, Florida

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2019

None Reported.

**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, Florida

Report on the Financial Statements
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 year ended September 30, 2019, and issued our report thereon dated January 29, 2020.

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

Other Reports and Schedule
We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For the Major State Project; Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 29, 2020, should be considered in conjunction with this management letter.

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

Official Title and Legal Authority
Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The specific legal authority that established the Authority is disclosed in Note A of the financial statements.

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

Pursuant to sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the same.

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

Annual Financial Report
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2019, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2019. In connection with our audit, we determined that these two reports were in agreement.

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

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

RSM US LLP

Jacksonville, Florida
January 29, 2020

RSM

RSM US LLP

Independent Accountant's Report

To the Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, Florida

We have examined the Jacksonville Port Authority's (the Authority), a component unit of the City of Jacksonville, Florida, compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

RSM US LLP

Jacksonville, Florida
January 29, 2020