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

Annual Financial Report
For the Year Ended September 30, 2020

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February 15, 2021

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, 2020. 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, dry bulk, liquid cargo and cruise.

A seven-member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints an Executive Director. 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.

2020 Financial Highlights

In a year challenged by COVID-19 impacts, JAXPORT was still able to keep most financial targets intact. Although Asian cargo and auto volumes were adversely impacted, certain other diversified lines of business were able to outpace 2019 results, namely Puerto Rico and other Caribbean cargo. Also, additive to 2020 results were one-time other revenue opportunities, including vessel layup fees resulting from COVID-19 impacts. As a result, total revenues declined a modest 6% compared to a year ago. In response to revenue challenges, cost containment measures were put in place in mid-fiscal year 2020 which resulted in significant savings across most expense line items, excluding berth maintenance dredging.

In 2020, JAXPORT recorded 1,227,281 twenty-foot equivalent units (TEUs), down 5% from a record 1,338,429 TEUs in 2019. Auto volumes in 2020 were 555,876 units, down 20% from record volumes of 696,427 units in 2019. Auto shipments were slowed significantly in mid-calendar year 2020 as manufacturing facilities and production activities were shut-down or curtailed, directly impacting import volumes. Cruise operations were discontinued from early March through year end; cruise business impacts alone declined $3.7 million as fiscal 2020 revenues of $1.9 million compared to $5.6 million a year ago.

Asian container trade represented 350,212 TEUs in 2020, compared to 441,184 TEUs in 2019, and comprise 27% of JAXPORT's total container cargo business. JAXPORT's Puerto Rico trade grew 6% in FY2020 to 802,101 TEUs, compared to 754,491 TEUs in 2019.

Other JAXPORT trade lanes include the Caribbean, South Africa, the Bahamas, and Africa markets, and accounted for 134,619 TEUs compared to 142,653 TEUs a year ago, collectively declining 6%. These markets comprise 10% of total JAXPORT container revenues.

In fiscal year 2020, amidst the COVID-19 pandemic, rating agencies Moody's Investors Service and Fitch Ratings both affirmed credit ratings of A2 and A, respectively, Outlook Stable for both.

Harbor Deepening Project

Fiscal year 2020 was a landmark year for the Harbor Deepening Project, JAXPORT's most significant strategic effort. The model for funding the first 11 miles of the authorized 13-mile project originally estimated the project to cost $484 million with completion expected in 2025. This 11-mile project covers the distance from the Atlantic Ocean to the Blount Island Marine Terminal. Construction of the project was awarded in three separate contracts and began February 2018. The first two construction contracts representing eight miles of the deepening were complete as of year-end 2020. The revised completion date is now estimated to be 2022. The total estimated cost for the 11-mile deepening is now $410 million.

The final construction contract, awarded in September 2020 was funded with financial support from Federal, State and local sponsors. In addition to funding from the Federal government, the State of Florida committed an additional $37.7 million to the project and the City of Jacksonville contributions and commitments totaled $39.2 million. Upon completion 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, and controlling expenses, 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. 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

Independent Auditor's Report

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, 2020 and 2019, 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, 2020 and 2019, 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 February 15, 2021 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
February 15, 2021

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, 2020 and for fiscal year 2019. 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 2020

Total operating revenues for 2020 were $63,507, an overall 6% decline from 2019 in a year that was adversely impacted by the onset of COVID-19 (March 2020). Total 2020 tonnage volumes declined 9% to 9,915,155 tons compared to 10,887,242 in 2019, and down 5% comparatively from 10,474,283 tons in 2018. Repercussions of COVID-19 were most notable in terms of supply chain disruptions impacting import autos and Asian cargo. Puerto Rico and Caribbean trade lanes were impacted only temporarily and rebounded to exceed 2019 twenty-foot equivalent units (TEU) volumes by 6%, while Asia based cargo TEU declined 21% in 2020. Total TEUs for 2020 were 1,227,161 compared to 1,338,429 in 2019, down 5% overall. Auto volumes in 2020 were 555,876 units, down 20% from a record 696,427 units achieved in 2019. Auto revenues were down 11%, as fixed land leases help buffer the decline in auto wharfage revenue. Cruise business was out of service from early March through year end 2020, and declined 66% to $1,897. Other revenues however totaled $6,041 up $2,387, up 65% from 2019. Included in other revenues in 2020 were non-active cruise and other vessel layup fees of $2,042. Bulk cargo revenues increased $835, or 11% compared to 2019. In review, fiscal year 2020 exhibited the Authority's diversification of revenues, as some lines of business were able to sustain or exceed expectations partly offsetting the shortfall in others, in a challenging year.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands of dollars)	2020	2019	2018
Operating revenue	$ 63,507	$ 67,533	$ 66,947
Operating expenses			
Salaries and benefits	18,610	19,517	17,455
Services and supplies	3,952	4,412	4,685
Security services	5,039	4,701	4,494
Business travel and training	272	417	384
Promotion, advertising, dues and memberships	579	799	841
Utility services	850	1,047	1,061
Repairs and maintenance	1,829	1,810	2,383
Berth maintenance dredging	5,394	4,677	7,722
Miscellaneous	163	193	268
Total operating expenses	36,688	37,573	39,293
Operating income before depreciation	26,819	29,960	27,654
Depreciation	29,659	30,363	30,572
Operating loss	(2,840)	(403)	(2,918)
Non-operating revenue (expense)			
Interest expense	(8,487)	(9,191)	(9,049)
Interest income	230	777	336
Shared revenue from primary government	1,847	2,282	2,751
Contributions to tenants	(901)	(2,138)	(2,509)
Capital contributions to tenants	(1,092)	-	-
Capital contributions to other government agencies	(1,025)	(300)	(12,077)
Gain (loss) on sale/disposition of assets	13	(1,545)	3
Other non-operating	17	(220)	(107)
Total non-operating revenue (expense)	(9,398)	(10,335)	(20,652)
Loss before capital contributions	(12,238)	(10,738)	(23,570)
Capital contributions	50,847	49,621	19,912
Changes in net position	38,609	38,883	(3,658)
NET POSITION			
Beginning of year	431,628	392,745	396,403
End of year	$ 470,237	$ 431,628	$ 392,745

Total operating expenses before depreciation for 2020 were $36,688, a decrease of $885 from prior year expenses before depreciation of $37,573. In response to COVID-19's expected impacts to 2020 revenues, the Authority instituted cost containment measures in March 2020 to include holding open positions, deferral or reduction of non-essential services and supplies, reduced marketing expenses and suspension of travel. The Authority, however, was able to maintain the employment of all existing personnel and incurred no furloughs of staff. As a result of these measures, most controllable expense categories reflect significant savings year over year. Salaries and benefits declined $907 and services and supplies expenses were reduced by $460 compared to prior year. Security expenses were $5,039, up $338, a line item that reflects mandatory staffing levels. Business travel and business promotion combined declined $365. Utility costs were down $197. Berth maintenance dredging expenses of $5,394 were up $717 in 2020 compared to 2019, a trailing impact of Hurricane Dorian.

Net non-operating expenses for 2020 totaled $9,398. Significant non-operating expenses include interest expense of $8,487, contributions to tenants of $1,092 and contributions to other government agencies totaling $1,025. Significant income and inflows included interest income of $230 and shared revenue from primary government of $1,847.

Capital Contributions totaled $50,847. State and federal grant contributions in 2020 were $49,621, compared to $38,883 in 2019. Also, in 2020, was a capital contribution from the City of Jacksonville (the City), which provided $35,000 to assist with the funding of the final phase of the 47 feet harbor deepening project. An additional capital contribution of $4,161 was received from the City in fiscal year 2021, the final part of a two-year capital grant commitment.

At the close of fiscal year 2020, the Authority had a net position of $470,237, an increase of $38,609 compared to $431,628 in 2019.

Revenue, Expenses and Changes in Net Position – 2019 vs 2018

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.

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.

Net Position

2020 vs. 2019

At September 30, 2020, the Authority's net position was $470,237 compared to $431,628 at year end 2019. Operating income before depreciation was $26,819, compared to $29,960 in 2019. Depreciation expense was $29,659 in 2020, compared to $30,363 in prior year. The Authority's operations are also supported by state and federal grants, as well as an interlocal agreement with its primary government (City of Jacksonville). Interlocal revenues for 2020 were $1,847. Additionally, in 2020, the city provided a $35,000 capital grant in support of the 47' harbor deepening project. State and federal grants in aid of construction of were $15,847.

(In thousands of dollars)	2020	2019	2018
NET POSITION			
Current assets	$ 42,662	$ 32,816	$ 35,339
Noncurrent assets (excluding capital assets)	31,614	33,430	33,035
Capital assets	849,045	779,924	735,686
Deferred outflows of resources	11,284	6,181	7,388
Total assets and deferred outflows	934,605	852,351	811,448
Current liabilities	24,675	24,635	30,341
Bonds and notes outstanding (net of current portion)	222,152	225,903	230,449
Other noncurrent liabilities and deferred inflows	217,541	170,185	156,148
Total liabilities and deferred inflows	464,368	420,723	416,938
Net position			
Net investment in capital assets	440,981	404,185	363,622
Restricted for debt service	17,468	16,243	18,279
Restricted – other	2,991	3,416	2,967
Unrestricted	8,797	7,784	7,877
Total net position	$ 470,237	$ 431,628	$ 392,745

Total assets and deferred outflows at year end 2020 were $934,605, reflecting net Capital Asset additions of $69,121, including $77,344 for harbor deepening and $21,436 for other port related improvements and equipment (net of depreciation). Funding for the Harbor Deepening project in fiscal year 2020 included contributions from primary government (the City) of $35,000 and an FDOT grant funding commitment of $37,700, supported by a bridge loan in the same amount from the City. Borrowings from the City will be repaid from construction progress FDOT grant draws, with an anticipated two-year construction phase.

Total liabilities and deferred inflows were $464,368 at year end 2020, compared to $420,723 in 2019. Reductions in bonds and notes payable totaled $741, from scheduled debt service payments, amortization of bond premiums and as impacted by a significant debt refunding in 2020 (see note K). Other noncurrent liabilities and deferred inflows in 2020 totaled $217,541, an increase of $47,356 from 2019, and included borrowings from the City of $37,700 referenced above and interim borrowings of $6,919 on the line of credit.

Total net position at year end 2020 was $470,237, reflecting net investment in capital assets of $440,981, amounts restricted for debt service of $17,468 and unrestricted balances of $8,797.

<u>Net Position</u>

<u>2019 vs. 2018</u>

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.

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.

<u>Cash Flows</u>

<u>2020 vs. 2019</u>

Cash flows from operating activities in 2020 were $30,218 compared to $43,628 in 2019, a decrease of $13,410. Receipts from customers were $65,039, down $17,003 from prior year. Prior fiscal year 2019 included a prepaid lease receipt of $16,000 compared to $6,000 in fiscal year 2020 – see Note F for additional information. The remaining decrease in receipts is attributable to reduced operating revenues in 2020. Payments to suppliers in 2020 were $18,073. Payments to/for employees were $16,748.

Cash flows from noncapital financing activities were $1,847 compared to $2,282 in 2019.

Net cash used in capital and related financing activities in 2020 totaled $37,217. Acquisition and construction of capital assets outlays were $103,787, partly funded by contributions-in-aid of construction of $3,259. Harbor deepening spending totaled $77,344 and was funded by a $35,000 contribution from primary government (the City), also a bridge loan for $37,700 from the City (for timing of FDOT Grant Funds committed) and the line of credit borrowings in anticipation of another City capital grants due in fiscal year 2021. Other line of credit activity was for funds expended on a berth rehab project, whereby FDOT grant reimbursements are being deferred over ten quarterly instalments starting in late 2020. Interest and principal payments on capital debt in 2020 were $4,154. Contributions to tenants were $1,667. Proceeds from issuance of debt of $92,275 relate to the issuance of the 2020A and 2020B Bank Notes, which were used for the advance refunding of 95% of the 2012 Bonds $84,695 two years in advance of their normal call date. Net borrowings of $7,580 where combined with other available cash funds collectively totaling $10,873, specifically designated for the 2012 Bonds refunding transaction – see Note K for additional information.

Cash flows from investing activities totaled $230 in 2020 from interest income. Fiscal year 2019 included $765 in interest income and an investment security sale of $5,261 (liquidation of investments of funds restricted for debt service).

Cash and cash equivalents at the end of 2020 were $44,199 compared to $49,121 in 2019. The cash balance of $44,199 at September 30, 2020 is comprised of $16,788 in unrestricted cash, $3,457 in construction funds, $20,963 in restricted debt service and reserve funds and $2,991 for renewal and replacement funds.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, harbor deepening and related costs, buildings and building improvements and equipment. At September 30, 2020, the Authority had commitments for future construction work of approximately $18,525. Additional information can be found in the accompanying notes to the financial statements (see Note C).

<u>2020 vs. 2019</u>

At September 30, 2020, the Authority's capital assets, net of depreciation, grew to $849,045, compared to prior year net capital assets of $779,924. Capital project additions for 2020 were $98,827; including harbor deepening project costs of $77,344, wharf rehabilitation projects totaling $18,294 and all other spending including tenant improvements of $3,142. Capital spending was partly funded by local, state and federal grants totaling $50,847 in 2020. Depreciation expense for 2020 was $29,659, compared to $30,363 in 2019.

<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.

Long-Term Debt

<u>2020 vs. 2019</u>

At September 30, 2020, the Authority had outstanding bonds and notes payable of $229,315, a decrease of $741 from $230,056 at end of fiscal year 2019 (both net of unamortized bond premiums). In 2020, the Authority executed an advance refunding of $84,695 (95% of 2012 Bonds outstandings) with the issuance of the 2020 Bonds (Bank Note) in the amount of $92,275, resulting in total NPV savings of approximately $17 million through 2038 – see Note K for more information. The line of credit balance outstanding at September 30, 2020 was $19,346, compared to $12,427 at prior year end. The Authority also added borrowings of $37,700 in 2020 for a bridge loan from primary government (the City). Both the line of credit and the $37,700 bridge loan serve as funding sources for large capital project in progress (wharf rehabilitation and harbor deepening), whereby associated repayment amounts pending from FDOT grant reimbursement agreements, will provide total repayment for both to be paid in full by 2023.

<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.

The Authority exceeded its required minimum debt service coverage ratio for the 2020 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, 2020 and 2019.

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, 2020 and 2019
(In thousands of dollars)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 16,788	$ 16,705
Restricted cash and cash equivalents	7,867	5,451
Accounts receivable, net	6,056	6,681
Notes and other receivables	1,041	40
Grants receivable	9,243	2,326
Inventories and other assets	1,667	1,613
Total current assets	42,662	32,816
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	16,087	18,144
Restricted for capital projects		
Cash and cash equivalents	3,457	8,821
Notes receivable	97	120
Grants receivable	11,973	6,345
Capital assets, net	849,045	779,924
Total noncurrent assets	880,659	813,354
Total assets	923,321	846,170
Deferred outflow of resources	11,284	6,181
Total assets and deferred outflow of resources	$ 934,605	$ 852,351

(continued)

Jacksonville Port Authority

Statements of Net Position
September 30, 2020 and 2019
(In thousands of dollars)

	2020	2019
Liabilities		
Current liabilities		
Accounts payable	$ 1,755	$ 2,790
Accrued expenses	895	897
Accrued interest payable	3,365	3,801
Construction contracts payable	3,293	4,595
Retainage payable	803	998
Unearned revenue	7,401	7,401
Bonds and notes payable	7,163	4,153
Total current liabilities	24,675	24,635
Noncurrent liabilities		
Unearned revenue	129,022	128,114
Accrued expenses	3,406	3,533
Other obligations	8,537	8,537
Net pension liability	18,069	15,877
Bridge loan from primary government	37,700	-
Line of credit note	19,346	12,427
Bonds and notes payable	222,152	225,903
Total noncurrent liabilities	438,232	394,391
Total liabilities	462,907	419,026
Deferred inflow of resources for pensions	1,461	1,697
Net Position		
Net investment in capital assets	440,981	404,185
Restricted for		
Debt service	17,468	16,243
Repair and replacement	2,991	3,416
Unrestricted	8,797	7,784
Total net position	$ 470,237	$ 431,628

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended September 30, 2020 and 2019
(In thousands of dollars)

	2020	2019
Operating revenue	$ 63,507	$ 67,533
Operating expenses		
Salaries and benefits	18,610	19,517
Services and supplies	3,952	4,412
Security services	5,039	4,701
Business travel and training	272	417
Promotions, advertising, dues and memberships	579	799
Utility services	850	1,047
Repairs and maintenance	1,829	1,810
Berth maintenance dredging	5,394	4,677
Miscellaneous	163	193
Total operating expenses	36,688	37,573
Operating income before depreciation	26,819	29,960
Depreciation expense	29,659	30,363
Operating (loss)	(2,840)	(403)
Non-operating revenues (expenses)		
Interest expense	(8,487)	(9,191)
Investment income	230	777
Shared revenue from primary government	1,847	2,282
Contributions to tenants	(901)	(2,138)
Capital contributions to other government agencies	(1,025)	(300)
Capital contributions to tenants	(1,092)	-
Gain (loss) on sale/disposition of assets	13	(1,545)
Other non-operating gains (expenses)	17	(220)
Total non-operating expenses	(9,398)	(10,335)
Loss before capital contributions	(12,238)	(10,738)
Capital contributions	50,847	49,621
Change in net position	38,609	38,883
Net position		
Beginning of year	431,628	392,745
End of year	$ 470,237	$ 431,628

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For The Years Ended September 30, 2020 and 2019
(In thousands of dollars)

	2020	2019
Cash flows from operating activities		
Receipts from customers	$ 65,039	$ 82,042
Payments for services and supplies	(18,073)	(21,217)
Payments to/for employees	(16,748)	(17,197)
Net cash provided by operating activities	30,218	43,628
Cash flows from noncapital financing activities		
Receipts from primary government	1,847	2,282
Net cash provided by noncapital financing activities	1,847	2,282
Cash flows from capital and related financing activities		
Proceeds from capital debt	92,275	-
Principal paid on debt refunding	(84,695)	-
Payments for refunding of revenue bonds	(10,873)	-
Note issue costs	(199)	-
Bridge loan from primary government	37,700	-
Contribution from primary government	35,000	-
Line of credit advances	18,116	5,964
Line of credit payments	(11,197)	(5,331)
Contributions to tenants	(1,667)	(2,462)
Contributions-in-aid of construction (grants)	3,259	42,336
Acquisition and construction of capital assets	(103,787)	(74,907)
Principal paid on capital debt	(4,154)	(12,575)
Interest paid on capital debt	(7,046)	(8,764)
Proceeds from sale of assets	32	2,295
Other	19	(513)
Net cash used in capital and related financing activities	(37,217)	(53,957)
Cash flows provided from investing activities		
Interest on investments	230	765
Proceeds from sale and maturities on investments	-	5,261
Net cash provided by investing activities	230	6,026
Net (decrease) in cash and cash equivalents	(4,922)	(2,021)
Cash and cash equivalents		
Beginning of year	49,121	51,142
End of year	$ 44,199	$ 49,121

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019
(In thousands of dollars)

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (2,840)	$ (403)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	29,659	30,363
Increase (decrease) in accounts receivable and other current assets	(430)	2,502
Increase (decrease)in deferred outflow of resources – pension	(76)	1,021
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,041	(3,128)
Unearned revenue	908	12,179
Pension	2,192	1,162
Decrease in deferred inflows of resources – pension	(236)	(68)
Total adjustments	33,058	44,031
Net cash provided by operating activities	$ 30,218	$ 43,628
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 4,096	$ 5,593
Increase (decrease) in fair value of investments	-	196
Grants receivable	21,216	8,671
Loss on refunding of debt	5,796	-
Capital assets contributed to other governments	(1,025)	(300)

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

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

4. Basis of accounting

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

5. New pronouncement not yet adopted

GASB Statement No. 87, *Leases* was issued in June 2017, and will be effective for the Authority in fiscal year 2022. 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 statements 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.

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* was issued in June 2020. Although certain provisions of this statement are effective immediately, the provisions likely to impact the Authority will be effective in fiscal year 2022. The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not expect this to have a significant impact on the financial statements of the Authority.

Note A – Summary of Significant Accounting Policies (Continued)

6. Budgeting procedures

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

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

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

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

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

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. As of September 30, 2020, and 2019, the Authority did not hold any investments.

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.

Note A – Summary of Significant Accounting Policies (Continued)

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. Berth maintenance dredging is expensed as incurred.

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 statements 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.

Note A – Summary of Significant Accounting Policies (Continued)

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, 2020, total conduit debt was $64,855,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

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.

Note A – Summary of Significant Accounting Policies (Continued)

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

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

20. 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 $1,847,000 and $2,282,000 in 2020 and 2019, respectively.

21. 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, 2020 and 2019, the carrying amount of the Authority's cash deposit accounts was $19,909,000 and $20,256,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Community Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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.

Note B – Deposits and Investments (Continued)

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

Interest Rate Risk

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

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

2020		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	$ 24,290	$ 24,170	$ -
Total investments	$ 24,290	$ 24,170	$ -

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	$ -

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

Note B – Deposits and Investments (Continued)

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

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

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

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

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

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

2020

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

2019

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

Custodial Credit Risk

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

Note B – Deposits and Investments (Continued)

of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida.

Concentration of Credit Risk

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

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

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

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority had no fair value measurements at September 30, 2020 or at September 30, 2019.

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2020 and 2019, was as follows:

2020 *(in thousands of dollars)*	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 145,470	$ -	$ (707)	$ 144,763
Harbor deepening and related costs	201,143	77,344	-	278,487
Construction in progress	22,545	24,893	(9,988)	37,450
Total capital assets not being depreciated	369,158	102,237	(10,695)	460,700
Depreciable capital assets				
Buildings	96,685	-	(201)	96,484
Improvements	595,661	6,038	(8,945)	592,754
Equipment	155,818	1,540	(9,475)	147,883
Total depreciable capital assets at historical cost	848,164	7,578	(18,621)	837,121
Less accumulated depreciation for:				
Buildings	59,186	3,166	(152)	62,200
Improvements	295,080	21,215	(8,812)	307,483
Equipment	83,132	5,278	(9,317)	79,093
Total accumulated depreciation	437,398	29,659	(18,281)	448,776
Depreciable capital assets, net	410,766	(22,081)	(340)	388,345
Capital assets, net	$ 779,924	$ 80,156	$ (11,035)	$ 849,045

Note C – Capital Assets (Continued)

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
Harbor Deepening 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

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share (as Non-Federal Sponsor) of these costs amounts to approximately $278 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 million. Costs incurred and paid by the USACE (Federal Sponsor / Government) for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

Note D – Leasing Operations – 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 $833,491,000 and accumulated depreciation of $360,995,000 as of September 30, 2020. Revenues recognized for facility leases for the fiscal years ended September 30, 2020 and 2019, were $18,588,000 and $18,849,000, 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, 2020, are as follows:

(in thousands of dollars)	Total
2021	$ 30,062
2022	27,980
2023	23,145
2024	20,175
2025	20,462
2026-2030	94,760
2031-2035	92,027
2036-2040	61,774
2041-2045	36,522
	$ 406,907

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

In 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. 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 these debt service requirements. These scheduled rent payments and related debt service obligations will be fully extinguished in fiscal year 2023.

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

Revenue Recognition

Lease 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, 2020 and 2019, totaled approximately $116 million and $120 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, based upon tonnage-based throughput rates, 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, $6 million in fiscal year 2020, and $6 million in 2021. 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, 2020 and 2019, was $20.7 million and $15.8 million, respectively. Deferred revenue recognized in 2020 totaled $1,120,000.

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

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 $3,260,117 and $3,440,209 for the fiscal years ended September 30, 2020 and 2019, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

Florida Retirement System (FRS) Pension Plan

Plan Description: The FRS Pension Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

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

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 2020 and 2019, were as follows:

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

	Percent of Gross Salary		
		2020	2019
Class	Employee	Employer	Employer
FRS, Regular	3.00	10.00	8.47
FRS, Senior Management Service	3.00	27.29	25.41
DROP – Applicable to Members from all above classes	0.00	16.98	14.60

The Authority's contributions, for FRS and HIS totaled $1,420,852 and employee contributions totaled $337,141 for the fiscal year ended September 30, 2020. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2020, the Authority reported a liability of $13,754,260 for its proportionate share of the FRS Plan's net pension liability, compared to $11,740,361 at September 30, 2019. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportionate share of the net pension liability was based on the Authority's 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the Authority's proportionate share was 0.0317%, which was a decrease of 0.0024% from its proportionate share measured as of June 30, 2019, of 0.0341%.

Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2020, the Authority recognized the Plan pension expense of $2,926,108. Fiscal year 2019 showed pension expense of $3,119,507, which, in addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2020 and 2019, as shown:

2020 Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 526,404	$ -
Change of assumptions	2,489,959	-
Net difference between projected and actual earnings on FRS pension plan investments	818,942	-
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	140,401	891,486
Authority FRS contributions subsequent to the measurement date	272,446	-
Total	$ 4,248,152	$ 891,486

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

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $272,446, 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:

2020	Amount
2021	$ 1,374.7
2022	946.7
2023	275.5
2024	184.5
2025	166.5
Thereafter	136.1

Actuarial Assumptions: The total pension liabilities in the July 1, 2020 and 2021, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.40%	2.60%
Salary Increase	3.25%	3.25%
Investment Rate of Return	6.80%	6.90%

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

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, 2020 Actuarial Assumptions:

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

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%

Note G – Pension Plan (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.8%. 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 6.8%, 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 (5.8%) or 1 percentage-point higher (7.8%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of the net pension liability			
As of July 1, 2020	$ 21,963,242	$ 13,754,260	$ 6,898,083
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, 2020, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, 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, 2020, 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 $203,097 for the fiscal year ended June 30, 2020, and $203,293 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, the Authority reported a net pension liability of $4,315,437 for its proportionate share of the HIS Plan's net pension liability, compared to $4,137,205 at September 30, 2019. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportionate share of the net pension liability was based on the Authority's 2019-20 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the Authority's proportionate share was 0.0353%, a 0.0017% decrease in its proportionate share measured as of June 30, 2019, of 0.0370%.

For the fiscal year ended June 30, 2020, the Authority recognized the HIS Plan pension expense of $334,009 and $320,702 for fiscal year 2019. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020 Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 176,528	$ 3,329
Change of assumptions	464,032	250,926
Net difference between projected and actual earnings on HIS pension plan investments	3,445	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	96,263	315,023
Authority HIS contributions subsequent to the measurement date	44,934	-
Total	$ 785,202	$ 569,278

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

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $44,934, 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:

2020	Amount
2021	$ 86.0
2022	47.0
2023	(17.8)
2024	(14.4)
2025	24.9
Thereafter	45.3

Actuarial Assumptions: The total pension liabilities in the July 1, 2020 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.40%	2.60%
Salary Increase	3.25%	3.25%
Investment Rate of Return	2.21%	3.50%

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 2.21%. 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 2.21%, 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 (1.21%) or 1 percentage-point higher (3.21%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of the net pension liability			
As of July 1, 2020	$ 4,988,453	$ 4,315,437	$ 3,764,576
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, 2020, 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 $445,329 for the fiscal year ended September 30, 2020, and $417,813 for the fiscal year ended September 30, 2019.

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 $172,000 for the years ended September 30, 2020 and 2019, 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 GASB 75. The Authority currently has 123 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 (Beginning of year) 2.66% per annum (End of year). *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, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 294,914	$ 317,699
Service cost	15,000	16,000
Interest cost	12,000	12,098
Differences between expected and actual experience	-	67,260
Changes in assumptions or other inputs	-	(115,492)
Benefit payments	(6,000)	(2,651)
Net change	21,000	(22,785)
Balance, end of year	$ 315,914	$ 294,914

In accordance with GASB 75*, Accounting and Financial Reporting for Postemployment Benefits*, the Authority is required to perform an actuarial study every two years to determine its OPEB Liability.
As a result, the Authority has recorded an estimate of activity and changes in the OPEB Liability balance for fiscal year 2020.

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, 2020	$258,000	$316,000	$381,000
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, 2020	$355,000	$316,000	$284,000
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 $181,000 and $153,000 for the years ended September 30, 2020 and 2019, 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 $532,000 and $498,000 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, was as follows:

	2020				
(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	-	(84,695)	2,715	865
Revenue Notes – Tax Exempt	90,617	88,870	(4,094)	175,393	6,198
Revenue Note – Taxable	60	3,405	(60)	3,405	100
Unamortized original issue premium amounts	9,569	-	(4,167)	5,402	-
Total bonds and notes payable	230,056	92,275	(93,016)	229,315	7,163
Liability for pollution remediation	1,018	-	(142)	876	-
Compensated absences and other	1,502	389	(352)	1,539	367
Line of credit	12,427	18,116	(11,197)	19,346	-
Bridge loan from primary governme	-	37,700		37,700	-
Reserve for grants assessment	1,013	-	(43)	970	-
Other obligation	8,537	-	-	8,537	-
	$ 254,553	$ 148,480	$ (104,750)	$ 298,283	$ 7,530

	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

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

Long-term liabilities at September 30, 2020 and 2019, consisted of the following:

(in thousands of dollars)	2020	2019
Tax Exempt Revenue Note, Series 2017, due in varying amounts through 2028. Interest rates are fixed at 2.25%.	$ 21,035	$ 23,120
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2023. Interest rates range from 4.00% to 5.0%.	2,715	87,410
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%.	-	505
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.68%.	-	60
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	17,976	18,476
Tax Exempt Bank Note Crane 2014, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	18,530	19,534
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
Taxable Revenue Note, Series 2020A, due in varying amounts through 2024. Interest rate are fixed at 2.66%	3,405	-
Taxable Revenue Note, Series 2020B, due in varying amounts through 2038. Interest rate (taxable) are 2.66% thru 2022, converting to a tax-exempt rate on 2.11% in August 2022.	88,870	-
Tax Exempt Bridge Loan from primary government, due in varying amounts through 2023. Interest rates vary based upon the city's commercial paper rate.	37,700	-
$50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.95% to 2.40% in 2019 and 2020. Principal due December 2022.	19,346	12,427
	280,959	232,914
Less current portion	7,163	4,153
	$ 273,796	$ 228,761

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

In January 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, which 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 long-term funding source designated for the Authority's capital spending program. The outstanding balance on the Line of Credit at September 30, 2020 was 19,346,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2009 Tax-Exempt Revenue Note, for $52,090,000 and Series 2009, Taxable Revenue Note for $6,420,000. The balance at September 30, 2020, on the Tax- Exempt Revenue Note was $0. The balance at September 30, 2020, on the Taxable Note was $0.

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, 2020, was $17,976,000.

In September 2012, the Authority issued $87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds were issued to refund $65,020,000 of the Authority's outstanding Series 2008 Bonds and to finance new capital project spending. The Series 2012 issue had a final maturity of 2038. In 2020, the 2012 Bonds were advance refunded with the issuance of the 2020A and 2020B Bonds, with the exception of 5% of the outstanding balance. The outstanding balance as of September 30, 2020, was $2,715,000.

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, 2020, was $18,530,000.

In November 2017, the Authority executed a loan agreement with Regions Bank, the Tax-Exempt Revenue Note, Series 2017, for the purpose of paying off the balance of the 2008 Bonds. The original amount of the loan was $23,120,000, at a fixed term rate of 2.25%, with a final maturity of 2028. The outstanding balance as of September 30, 2020 was $21,035,000.

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, 2020, was $28,982,000.

In August 8, 2018, the Authority issued $42,400,000 in Revenue Bonds, Series 2018B, for the purposes of financing the Authority's capital improvement program, largely the harbor deepening project. The bonds have a fixed term rate of 5.00% with a term of 30 years. The outstanding balance as of September 30, 2020, was $42,400,000.

In March 2020, the Authority executed loan agreements with Truist Bank for the purpose of advance refunding $84,695 (95%) of the Series 2012 bonds. The transaction effectively defeased 95% of the outstanding Series 2012 Bonds in advance of their 2022 call date in a Cinderella Bonds transaction. The transaction resulted in two bank notes, the Taxable Revenue Note, Series 2020A for $3,405,000 and the Taxable Revenue Note, Series 2020B for $88,870,000. The Series 2020A Note has a maturity date of 2024 and the Series 2020B note converts in 2022 to a Tax-Exempt Note, with a fixed rate of 2.11% through 2038. The refunding reduces the Authority's aggregate debt service by $22,956,000 through fiscal year 2038, resulting in net present value savings of $16,986,000.

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

In August 2020, the Authority executed the 2020 Bridge Loan with the City of Jacksonville in the amount of $37,700,000. The purpose of the loan is to provide bridge financing for an FDOT Grant, in like amount, for the Harbor Deepening Contract C payment remitted in full to the USACE at September 2020. The FDOT grant calls for reimbursements, based upon project expenditures. FDOT funds collected by the Authority are concurrently remitted against the outstanding on the loan to the city. Total repayment is expected to occur within two years. The interest rate is based upon the City's commercial paper borrowing rate, estimated at 0.2% – 2 %.

Bond covenants

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.

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, 2020, was as follows:

Years ending	*(in thousands of dollars)*	Interest	Principal
2021		$ 7,176	$ 7,163
2022		6,753	7,672
2023		6,154	8,036
2024		5,795	8,668
2025		5,565	8,920
2026 – 2030		23,174	49,305
2031 – 2035		17,550	58,186
2036 – 2040		10,550	46,840
2041 – 2045		5,899	14,555
2046 – 2050		1,866	14,568
		$ 90,482	$ 223,913

Line of Credit and Bridge Loan from Primary Government

At September 30, 2020 the Authority had two additional loans outstanding, of which both result from the need for interim financing for specific construction projects in process (Harbor Deepening and Berth Rehabilitation), whereby state grant reimbursements and other committed funds from the City and tenants will be forthcoming as full repayments for these obligations by 2023. The line of credit balance at September 30, 2020, was $19,346. The Bridge Loan from primary government outstanding balance at September 30, 2020, was $37,700.

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

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

Unamortized premiums on Bonds were $5,402 and $9,569 in 2020 and 2019, respectively. Unamortized deferred loss on refundings was $455 and $1,224 in 2020 and 2019, respectively.

Deferred outflow/inflow of resources

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

(in thousands of dollars)		2020		2019
Deferred loss on debt refundings	$	455	$	1,224
Deferred loss on defeasance		5,796		-
Deferred outflow pension (see Note G)		5,033		4,957
Total deferred outflow of resources	$	11,284	$	6,181
Deferred inflow of resources – pension (see note G)	$	1,461		1,697

Other Noncurrent Liabilities

Unearned revenue balances were $136,423,000 and $135,515,000 for years ended September 30, 2020 and 2019, respectively. The current portion was $7,401,000 and represents one year of rent amortization on MOL and SSA rents collected but unearned. See Note E and Note F for further explanation regarding unearned lease rents revenue recognition.

The Authority has accrued reserves in the amount of $876,000 for specific pollution remediation liability. These reserves are reviewed annually for any additional liability and adequacy and adjusted accordingly.

OPEB liabilities for retiree medical benefits were $295,000 and $295,000 at September 30, 2020 and 2019, respectively. See Note I for additional information.

The Authority has reserved a balance of $970,000 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 USACE in 2001 for Construction of the Improvement Features of the Jacksonville Harbor Federal Navigation Project. This project was completed in 2010, and cooperatively resulted in 40 feet depth of General Navigation Features in the Jacksonville Harbor.

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. The agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a 30-year amortization. As a result, an estimated liability amount of $8,537,000 is currently recorded as other obligations by the Authority. As of September 30, 2020, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2020, the Authority had commitments for future construction work of approximately $18,525,000, primarily for the rehabilitation of 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 publicly owned treatment works facility (POTW). The Authority had originally established a $1.5 million reserve for project and ongoing operations costs of the groundwater treatment system, of which $876,000 remains at September 30, 2020, for ongoing operations and monitoring costs.

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 (net balance of $970,000 at September 30, 2020) 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, 2020, the Authority had four customers with significant operating revenues (10% or more of total revenues): Crowley Liner Services (14%), Trapac (13%), Tote Maritime (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 $697,082 and $720,451 were recorded for the years ended September 30, 2020 and 2019, respectively.

State Contributions

Amounts from state funding awards totaled $15,150,060 and $48,900,976 for the years ended September 30, 2020 and 2019, respectively.

Local Contributions

Amounts from local funding from the City, designated for the Harbor Deepening project, totaled $35,000,000 and $0 for the years ended September 30, 2020 and 2019, respectively.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

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

	2020	2019	2018
Total OPEB liability – beginning	$ 294,914	$ 317,699	$ 319,347
Service cost	15,000	16,000	14,896
Interest cost	12,000	12,098	11,984
Differences between expected and actual experience	-	67,260	-
Changes in assumptions or other inputs	-	(115,492)	(18,451)
Benefit payments	(6,000)	(2,651)	(10,077)
Net change	21,000	(22,785)	(1,648)
Total OPEB liability – ending	$ 315,914	$ 294,914	$ 317,699
Covered employee payroll	$9,887,483	$9,578,318	$9,164,400
Total OPEB Liability as a percentage of covered payroll	3.20%	3.08%	3.47%

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

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

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

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ended September 30, 2020

GAAP Revenue – per Financial Statements	$	63,507
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		(3,686)
Budgetary Basis Revenues	$	59,821

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, 2020

Agency/Program	CFDA/ CSFA Number	Grant Number	Expenditures
STATE PROJECTS			
State of Florida Department of Transportation			
Seaport Grants	55.005	AR372	$ 86,742
Seaport Grants	55.005	GOG95	518,747
Seaport Grants	55.005	G0O84	880,089
Seaport Grants	55.005	G0496	13,678,046
Seaport Grants	55.005	G1604	54,970
Total Seaport Grants			15,218,594
Total Expenditures of State Financial Assistance			$ 15,218,594

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

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, 2020.

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

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), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 15, 2021.

Internal Control Over Financial Reporting

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

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

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

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

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

RSM US LLP

Jacksonville, Florida
February 15, 2021

**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**

<u>Independent Auditor's Report</u>

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

Report on Compliance for the Major State Project
We have audited the Jacksonville Port Authority's (the Authority) 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, 2020. 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 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, 2020.

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
February 15, 2021

Jacksonville Port Authority, Florida

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

I - Summary of Independent Auditor's Results

<u>Financial Statements</u>

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	Name of State Project
55.005	Seaport Grants

Dollar threshold used to distinguish between type A and type B projects: $750,000

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2020

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.

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2020

None Reported.

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

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) as of and for the year ended September 30, 2020, and issued our report thereon dated February 15, 2021.

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

Other 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 February 15, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. 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.

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
February 15, 2021

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) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2020. Management of the Authority is responsible for the Authority's compliance with the specified 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, 2020.

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
February 15, 2021