

PANAMA CITY PORT AUTHORITY

PANAMA CITY, FLORIDA

**COMPONENT UNIT FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2024



Tipton, Marler, Garner & Chastain
The CPA Group

PANAMA CITY PORT AUTHORITY

PANAMA CITY, FLORIDA

**COMPONENT UNIT FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Panama City Port Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Panama City Port Authority, component unit of the City of Panama City, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Panama City Port Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Panama City Port Authority, as of September 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment schedules on pages 5-9 and 44-52 be presented to supplement the basic financial

statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Panama City Port Authority's basic financial statements. The accompanying schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, as required by Section 288.8018(1), Florida Statutes, is presented for purposes of additional analysis and is not a required part of the basic financial statements. In our opinion, the schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2025, on our consideration of the Panama City Port 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 Panama City Port Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panama City Port Authority's internal control over financial reporting and compliance.

Lipton, Mauler, Garner & Chastain

Panama City, Florida

March 7, 2025

PANAMA CITY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED SEPTEMBER 30, 2024 AND 2023

INTRODUCTION

Each year we provide a Management's Discussion and Analysis ("MD&A") of the Panama City Port Authority's (the "Port") activities and financial performances. The MD&A is intended to provide an introduction to the Port's financial statements for the year ending September 30, 2024 with comparative information for the year ending September 30, 2023.

The MD&A provides some discussion and additional information related to capital assets and long-term debt activity during the year, including commitments made for future capital expenditures. The information provided in the MD&A has been prepared by management and should be considered in conjunction with the complete financial statements and notes included with the financial statements.

FINANCIAL STATEMENTS

The financial section of this report includes the MD&A, the financial statements, and the notes to the financial statements. The financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

SUMMARY OF FINANCIAL POSITIONS

The statements of net position are snapshots of the Port's financial position at the end of the fiscal years. The statements include all assets, deferred outflows, liabilities, and deferred inflows of the Port. Net position, the difference between total assets, deferred outflows, total liabilities, and deferred inflows is a good indicator of the Port's fiscal health from year to year. A summarized comparison of the Port's assets, deferred outflows, liabilities, deferred inflows, and net position on September 30th, is provided below:

(In thousands)	2024	2023
ASSETS:		
Current assets	\$ 9,286	\$ 11,920
Other noncurrent assets	5,965	5,028
Capital assets	<u>160,662</u>	<u>167,067</u>
Total assets	<u>\$ 175,913</u>	<u>\$ 184,015</u>
DEFERRED OUTFLOWS:		
Deferred outflows from hedging	\$ 26	\$ 14
Deferred outflows from pension	28	14
Deferred outflows from OPEB	<u>1</u>	<u>1</u>
Total deferred outflows	<u>\$ 55</u>	<u>\$ 29</u>

(In thousands)	2024	2023
LIABILITIES:		
Current liabilities	\$ 2,245	\$ 4,329
Noncurrent liabilities	<u>19,557</u>	<u>23,425</u>
Total liabilities	<u>\$ 21,802</u>	<u>\$ 27,754</u>
DEFERRED INFLOWS:		
Deferred inflows from leases	\$ 7,638	\$ 6,239
Deferred inflows from pension	83	113
Deferred inflows from OPEB	<u>147</u>	<u>144</u>
Total deferred inflows	<u>\$ 7,868</u>	<u>\$ 6,496</u>
NET POSITION:		
Net investment in capital assets	\$ 140,128	\$ 140,375
Unrestricted net position	<u>6,170</u>	<u>9,419</u>
Total net position	<u>\$ 146,298</u>	<u>\$ 149,794</u>

The Port's assets and deferred outflows exceeded liabilities and deferred inflows by \$146.3 million in 2024. Current assets decreased by \$2.6 million mainly due to a decrease in accounts receivable, grants. Current liabilities decreased by \$2.1 million primarily due to a decrease in accounts payable.

The amount invested in capital assets, net of related debt, decreased by \$247,000 from 2023 to 2024. The Port relies on these capital assets to provide Port facilities and services to Port users and tenants. These assets are not available for future spending or debt service.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The net of all revenues less all expenses result in the net income (loss) generated by the Port during the year. A review of these statements for years ended September 30, 2024 and 2023 can indicate the ongoing health of the Port's business operations. A positive net income increases the net position. Given below is a summary of the statement of revenues, expenses, and changes in net position:

(In thousands)	2024	2023
Operating revenues	\$ 18,402	\$ 18,700
Operating expenses	<u>14,800</u>	<u>14,576</u>
Operating income before depreciation	3,602	4,124
Depreciation	<u>7,401</u>	<u>7,018</u>
Operating loss	(3,799)	(2,894)
Nonoperating income – net	<u>303</u>	<u>18,617</u>

(In thousands)	2024	2023
Increase (decrease) in net position	(3,496)	15,723
Net position - beginning of year	<u>149,794</u>	<u>134,071</u>
Net position - end of year	<u>\$ 146,298</u>	<u>\$ 149,794</u>

FINANCIAL OPERATION HIGHLIGHTS

Operating revenues were \$298,000 lower in 2024 compared to 2023, primarily due to lower dock warehouse storage.

Operating income prior to depreciation was \$3.6 million. It was an Engineering and planning year for the Port with \$1 million in capital grants and contributions.

BUDGETARY HIGHLIGHTS

The following is a summary of the Port's budgetary performance for the year ended September 2024:

(In thousands)	Actual 2024	Budget 2024
Operating revenues	\$ 18,402	\$ 19,146
Operating expenses	<u>14,800</u>	<u>14,925</u>
Operating income before depreciation	3,602	4,221
Depreciation	<u>7,401</u>	<u>7,793</u>
Operating loss	(3,799)	(3,572)
Nonoperating income - net	<u>303</u>	<u>4,577</u>
Net income (loss)	<u>\$ (3,496)</u>	<u>\$ 1,005</u>

Operating revenues for the year were approximately \$744,000 below the budget estimate due to lower than anticipated dock warehouse storage.

Operating expenses were \$125,000 below budget estimates primarily due to lower than planned supplies and services. Also, depreciation expense was ultimately \$392,000 lower than budgeted. The resulting operating loss was \$227,000 above the budgeted amount.

Net nonoperating income was \$4.3 million below the budget estimate. This shortfall was caused by delaying some of the capital projects and the related collection of matching grants for those projects. The income from these grants will be realized in the coming year.

CAPITAL ASSETS

The Port's capital assets, less accumulated depreciation, totaled \$160.7 million as of September 30, 2024. Buildings and improvements are the largest share of these assets. Other capital assets include land, material handling equipment, vehicles, furniture and fixtures, and construction in progress.

During 2024, the Port began engineering of the Phase 2 Warehouse and Berth Extension at the East Terminal.

Capital assets are recorded at cost and depreciated by the straight-line method over the useful lives of the individual assets.

DEBT MANAGEMENT

The Port had a total of \$18 million in loans and notes payable as of September 30, 2024. This was a decrease of \$1.3 million compared to September 30, 2023.

The Port's long-term obligations are as follows:

	Balance on September 30, 2024
Bank Swap (2007 Agreement)	\$1,472,715
State Infrastructure Bank loan (IDC Warehouse)	2,296,605
State Infrastructure Bank loan (IDC Warehouse Expansion)	1,212,169
State Infrastructure Bank loan (East Terminal)	10,283,413
Note payable - Truist Bank	2,418,882
Note payable - Economic Development Alliance	300,000
Claims and judgments	351,198
Net pension liability	86,976
Compensated absences	109,627
Net OPEB liability	187,934
Lease liability	547,110
Line of credit	2,000,000

The Bank Swap, State Infrastructure Bank loans, and note payable with Truist Bank are collateralized by the pledge of the net revenues of the facility. The note payable with the Economic Development Alliance is collateralized by the specified property.

FUTURE EVENTS

Port Panama City cargo activity continued at a brisk pace for 2024, with 1.99 million tons of cargo moving through the Port’s deepwater marine terminals. The Port revenues of \$18.4 are derived from cargo handling, and tenant leases that support on-port manufacturing facilities and user companies. These revenues support the daily port operations, maintenance of the Port’s terminals, and capacity expansion projects. This past year the Port Authority continued to advance engineering, design, and permitting efforts for multiple projects. The largest project, Phase Two expansion of the East Terminal, is the construction of a second on-port warehouse and 600-foot berth extension. We anticipate starting construction on the new 200,000 square-foot warehouse in the third quarter of 2025 and starting the berth extension in 2027. West Terminal projects include expanding the bulkhead (filling in the barge slip) and improvements to the existing cap and fender system on the south and west berths. These projects are nearing completion of the final design and will be published for bid in mid-2025. The Port Authority is also improving the site of the old molasses tank area for added container stacking capacity. The molasses tank and support rail tracks have been removed, and we anticipate this project to be completed before the end of 2025.

The long-term growth of the port is dependent upon continued investment in deep-water terminals, cargo handling equipment, and inland connectivity. The following capital project list for the Port Authority’s East and West terminals, and the Intermodal Distribution Center is illustrated below:

PROJECTS PLANNED FOR 2025

East Terminal Warehouse (break ground and start project)	\$2,800,000
Bulkhead Improvements (barge slip enclosure)	\$1,924,333
Cap and Fender Refurbishment	\$2,800,000
Container Yard Expansion	\$2,376,000
IDC Bulk Transfer Facility Improvements	\$440,000
Main Gate Rail Access Improvements	\$285,000

The Panama City Port Authority supports its mission by providing modern port facilities, promoting trade, and supporting industrial development. We look forward to completing these important projects that will support long-term growth in port and cargo activity for many years to come.

Respectfully Submitted,



Alex King
Executive Director

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PANAMA CITY PORT AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Assets:

Current Assets:

Cash and cash equivalents	\$ 3,419,860
Accounts receivable, trade	1,717,476
Accounts receivable, grants	913,129
Leases receivable, current portion	2,055,503
Prepaid items	1,180,468
Total current assets	<u>9,286,436</u>

Noncurrent Assets:

Leases receivable, less current portion	5,964,627
Capital assets:	
Non-depreciable	36,043,934
Depreciable, net	124,618,146
Total capital assets	<u>160,662,080</u>
Total noncurrent assets	<u>166,626,707</u>
Total assets	<u>175,913,143</u>

Deferred Outflows of Resources:

Deferred outflows from hedging	26,068
Deferred outflows from pension related items	28,369
Deferred outflows from OPEB related items	785
Total deferred outflows of resources	<u>55,222</u>

Liabilities:**Current Liabilities:**

Accounts payable	286,542
Accrued liabilities	223,185
Current maturities of long-term debt	1,686,157
Current maturities of claims and judgements	12,657
Current maturities of compensated absences	27,407
Lease liability, current portion	9,058
Total current liabilities	<u>2,245,006</u>

Noncurrent Liabilities:

Interest rate swap agreement, net	26,068
Line of credit	2,000,000
Long-term debt, less current maturities	16,297,627
Claims and judgments, less current maturities	338,541
Compensated absences, less current maturities	82,220
Lease liability, less current portion	538,052
Net pension liability	86,976
Net OPEB liability	187,934
Total noncurrent liabilities	<u>19,557,418</u>

Total liabilities 21,802,424

Deferred Inflows of Resources:

Deferred inflows from leases	7,637,810
Deferred inflows from pension related items	82,847
Deferred inflows from OPEB related items	147,483
Total deferred inflows of resources	<u>7,868,140</u>

Net Position:

Net investment in capital assets	140,127,828
Unrestricted net position	6,169,973
Total net position	<u>\$ 146,297,801</u>

See the accompanying notes to the financial statements.

PANAMA CITY PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2024

Operating Revenues:	
Charges for services	<u>\$ 18,401,464</u>
Operating Expenses:	
Personnel services	7,358,094
Operations and maintenance	7,442,096
Depreciation	<u>7,400,852</u>
Total operating expenses	<u>22,201,042</u>
Operating Loss	<u>(3,799,578)</u>
Nonoperating Revenues (Expenses):	
Loss on disposal of capital assets	(133,109)
Federal grants	745,060
Grant administrative fees	(38,828)
Intergovernmental grants	53,630
Net casualty gain	3,107
Interest income	389,096
Interest expense	<u>(917,021)</u>
Total nonoperating revenues (expenses)	<u>101,935</u>
Capital Grants and Contributions	<u>201,005</u>
Change in Net Position	(3,496,638)
Net Position at Beginning of Year	<u>149,794,439</u>
Net Position at End of Year	<u><u>\$ 146,297,801</u></u>

See the accompanying notes to the financial statements.

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**PANAMA CITY PORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024**

Cash Flows From Operating Activities:

Cash received from customers	\$ 16,545,074
Cash paid to suppliers for goods and services	(8,402,981)
Cash paid to employees for services	(7,345,131)
Net cash provided by operating activities	<u>796,962</u>

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(1,199,121)
Proceeds from disposition of capital assets	70,500
Draw on line of credit	2,000,000
Payments on line of credit	(4,500,000)
Principal paid on long-term debt	(1,335,570)
Interest paid	(917,021)
Principal payments made on lease liability	(8,880)
Grant administrative fees	(38,828)
Insurance proceeds on casualty loss	79,700
Repairs associated with insurance proceeds	(76,593)
Prior accounts receivable, grants received	4,706,309
Intergovernmental grant	18,312
Intergovernmental grant - capital	68,254
Net cash used by capital and related financing activities	<u>(1,132,938)</u>

Cash Flows From Investing Activities:

Interest earned	<u>389,096</u>
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Net Increase in Cash and Cash Equivalents

53,120

Cash and Cash Equivalents at Beginning of Year

3,366,740

Cash and Cash Equivalents at End of Year

\$ 3,419,860

Reconciliation of Operating Loss to Net Cash Provided**By Operating Activities:**

Operating loss	\$ (3,799,578)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	7,400,852
(Increase) decrease in assets and deferred outflows:	
Accounts receivable, trade	(429,780)
Leases receivable	(1,426,613)
Prepaid items	(186,844)
Deferred outflows from pension related items	(14,443)
Deferred outflows from OPEB related items	125
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	(2,193,343)
Accrued liabilities	58,101
Compensated absences	3,084
Net pension liability	11,376
Net OPEB liability	2,154
Deferred inflows from leases	1,398,736
Deferred inflows from pension related items	(29,957)
Deferred inflows from OPEB related items	3,092
Net Cash Provided by Operating Activities	\$ 796,962

See the accompanying notes to the financial statements.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Panama City Port Authority (Port Authority) is a dependent special district created under Special Act 1945, Chapter 23466, and is a discretely presented component unit of the City of Panama City, Florida (City). The Port Authority's Board of Directors are appointed by the City Commission. Personnel, management, and finances are controlled by the Port Authority's Board of Directors, with the City's control over finances limited to approval of annual budgets.

The Port Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Port Authority are reported below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This means that all assets and liabilities (whether current or noncurrent) associated with this activity are included on the statement of net position. Under this method revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

The Port Authority is accounted for as an enterprise fund. Enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Port Authority are charges for services. Operating expenses of the Port Authority include personnel services, supplies and services, trade and promotions, insurance and taxes, professional services, repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues (expenses). Capital grants are reported as nonoperating revenues in compliance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable, Trade:

Accounts are charged to bad debt expense as they are deemed uncollectible. At September 30, 2024, no allowance for uncollectible accounts was considered necessary.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$25,000 or more are recorded at cost and are depreciated principally by the straight-line method over the estimated useful lives of individual assets. Capitalized leased assets are amortized over their estimated useful lives. Amortization expense on capitalized leased assets is included with depreciation expense on owned assets. Donated capital assets are recorded at fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects once constructed. Estimated useful lives are generally as follows:

Buildings and improvements	7 to 40 years
Improvements other than buildings	5 to 25 years
Lease assets	99 years
Machinery and equipment	5 to 10 years

Cash Equivalents:

For purposes of the statement of cash flows, the Port Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Leases:

Leases Receivable – The Port Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with exceptions for certain short-term leases and leases that transfer ownership of the underlying asset. As lessor, the asset underlying the lease is not unrecognized. The leases held by the Port Authority do not have an implicit rate of return, therefore, the Port Authority used their incremental borrowing rate on the date of lease commencement, or the date of implementation, to discount the lease revenue to the net present value.

For new or modified contracts, the Port Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(including any options to extend or terminate the lease when exercise is reasonably certain), the Port Authority records a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease.

At the commencement of a lease, the Port Authority measures the lease receivable as the present value of payments expected to be received during the lease term and then reduces the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as operating revenues over the lease term.

Right-to-Use Lease Assets and Lease Liability – Lease contracts that provide the Port Authority with control of a nonfinancial asset, such as land, buildings, or equipment, for a period of time in excess of 12 months are reported as a lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate, and reasonably certain residual guarantees. The intangible lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Key estimates and judgements related to leases include how the Port Authority determines the discount rate it uses to discount the expected lease payments to present value, lease term, and lease payments. When readily available or determinable, the Port Authority uses the interest rate charged by the lessor as the discount rate. If not readily available or determinable, the Port Authority uses its estimated incremental borrowing rate. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price the Port Authority is reasonably certain to exercise.

Interest:

Cash paid for interest for the year ended September 30, 2024 was \$917,021 of which \$11,120 was related to leases.

Estimates:

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Port Authority has three items that qualify for reporting in this category: 1) the deferred outflow of resources on the hedging derivative instrument is a result from the decrease in the fair value of the derivative instrument in which a deferred outflow is recognized to verify that the decrease is not expected to be recognized in investment income in future periods; 2) deferred pension and pension expense as a result of changes in expected and actual experience, assumptions, contributions and proportionate share of contributions, and subsequent contributions; and 3) deferred OPEB and OPEB expense as a result of changes in assumptions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *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 Port Authority has three items that qualify for reporting in this category: 1) leases as a result of changes in assumptions; 2) deferred pension and pension expense as a result of changes in expected and actual experience, assumptions, projected and actual earnings on investments, and contributions and proportionate share of contributions; and 3) deferred OPEB and OPEB expense as a result of changes in expected and actual experience and assumptions.

Net Pension Liability:

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Port Authority's pension plans and additions to/deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position:

Net position is categorized as net investment in capital assets and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position, which is associated with non-liquid capital assets less outstanding capital asset related debt.

Unrestricted net position represents unrestricted liquid assets.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements:

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. Certain provisions of this statement are effective upon issuance, while other provisions are effective for years beginning after June 15, 2022 and 2023. The Port Authority has implemented GASB Statement No. 99 in this annual report, however, it does not have any current impact on the Port Authority.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections— an Amendment of GASB Statement No. 62*. This statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This statement requires that a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for financial statements for reporting period beginning after June 15, 2023. The Port Authority has implemented GASB Statement No. 100 in this annual report.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement clarifies the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2023. The Port Authority is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess (1) whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact and (2) whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The Port Authority is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2024, the GASB issued statement No. 103, *Financial Reporting Model Improvements*. This statement outlines new regulations regarding governmental accounting, focusing on enhancing the effectiveness of the financial reporting model for state and local governments. The targeted improvements contained in this statement establish or modify existing accounting and financial reporting requirements related to: 1) management’s discussion and analysis, 2) unusual or infrequent items, 3) presentation of the proprietary fund statements of revenues, expenses and changes in fund net position, 4) major component unit information, and 5) budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Port Authority is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Port Authority is evaluating the impact, if any, upon its financial position results of operations, or cash flows upon adoption.

NOTE 2 – ACCOUNTS RECEIVABLE, GRANTS

Accounts receivable, grants consist of the following at September 30, 2024:

Florida Department of Transportation	\$ 913,129
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NOTE 3 – COMPENSATED ABSENCES

The annual leave policy states that all regular employees of the Port Authority who have satisfactorily completed 6 months of employment are entitled to annual leave with pay. Temporary or part-time employees shall not be eligible for annual leave. All regular employees accumulate annual leave time with pay as follows:

<u>Years of Service</u>	<u>Hours per Month</u>
1 to 2	6.67
3 to 7	10.00
8 +	13.34

First and second year employees may carry over 40 hours of leave into the next year. Third year and up employees may carry over 80 hours of leave into the next year. Each employee may choose to carry over the above hours or be paid for those hours. Each employee will be paid, on their anniversary date, for hours accumulated greater than 40 or 80 hours as mentioned above. An employee who has

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 3 – COMPENSATED ABSENCES (Continued)

satisfactorily completed the 1-year initial probationary period and who separates from the Port Authority by retirement, resignation, layoff, or involuntary termination shall be paid for the annual leave balance available to the employee at the time of the separation. As of September 30, 2024, the accrued liability for compensated absences was \$109,627.

NOTE 4 – LINE OF CREDIT

The Port Authority established a line of credit for \$7,500,000 on May 22, 2019. The line of credit was renewed March 12, 2024 and is set to mature March 16, 2025. The Port Authority intends to renew the line of credit at maturity. The line of credit carries an interest rate of 6.58% at September 30, 2024. The line of credit is collateralized by the Port Authority's net revenues.

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

	<u>Balance</u> <u>10/01/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>09/30/2024</u>	<u>Due in</u> <u>One Year</u>
Bank Swap:					
Fixed interest currently at 4.43%; principal and interest are due based on equal quarterly installments amortized over the period to the final maturity date of the note; collateralized by the pledge of the net revenues of the facility; maturity date June 2027.	\$ 1,965,518	\$ -	\$ 492,803	\$ 1,472,715	\$ 515,000
Note Payable:					
Interest currently at 3.00%; interest payable quarterly and principal balance payable upon the earlier of the sale or lease of any portion of the specified Industrial Park property or upon demand; collateralized by specified Industrial Park property.	300,000	-	-	300,000	300,000

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

	<u>Balance</u> <u>10/01/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>09/30/2024</u>	<u>Due in</u> <u>One Year</u>
State Infrastructure Bank Loan: Interest currently at 4.00%; principal and interest are due based on equal annual installments amortized over the period to the final maturity date of the loan; collateralized by the pledge of the net revenues of the facility; maturity date October 2032.	2,562,032	-	265,427	2,296,605	276,044
State Infrastructure Bank Loan: Interest currently at 4.00%; principal and interest are due based on equal annual installments amortized over the period to the final maturity date of the loan; collateralized by the pledge of the net revenues of the facility; maturity date October 2035.	1,306,220	-	94,051	1,212,169	97,812
State Infrastructure Bank Loan: Interest currently at 3.00%; principal and interest are due based on equal annual installments amortized over the period to the final maturity date of the loan; collateralized by the pledge of the net revenues of the facility; maturity date October 2047.	10,591,062	-	307,649	10,283,413	316,878
Note Payable: Interest currently at 2.69%; principal and interest are due based on equal installments amortized over the period to the final maturity date of the note; collateralized by the pledge of the net revenues of the facility; maturity date April 2036.	<u>2,594,522</u>	<u>-</u>	<u>175,640</u>	<u>2,418,882</u>	<u>180,423</u>

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

	Balance <u>10/01/2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>09/30/2024</u>	Due in <u>One Year</u>
Total notes payable	19,319,354	-	1,335,570	17,983,784	1,686,157
Claims and judgments	351,198	-	-	351,198	12,657
Compensated absences	106,543	275,124	272,040	109,627	27,407
Lease liability	555,990	-	8,880	547,110	9,058
Line of credit	4,500,000	2,000,000	4,500,000	2,000,000	-
Net pension liability	75,600	11,376	-	86,976	-
Net OPEB liability	<u>185,780</u>	<u>2,154</u>	<u>-</u>	<u>187,934</u>	<u>-</u>
Total	<u>\$ 25,094,465</u>	<u>\$ 2,288,654</u>	<u>\$ 6,116,490</u>	<u>\$ 21,266,629</u>	<u>\$ 1,735,279</u>

Debt service requirements to maturity subsequent to September 30, 2024 is as follows:

Year Ended <u>09/30</u>	<u>Bank Swap</u>		<u>Notes Payable</u>		<u>State Infrastructure Bank Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 515,000	\$ 56,150	\$ 480,423	\$ 62,854	\$ 690,734	\$ 448,853
2026	538,196	32,177	185,337	57,941	715,195	424,393
2027	419,519	8,234	190,384	52,893	740,539	399,049
2028	-	-	195,569	47,708	766,799	372,789
2029	-	-	200,895	42,382	794,008	345,580
2030-2034	-	-	1,089,586	126,800	3,396,320	1,318,869
2035-2039	-	-	376,688	8,502	2,298,758	867,480
2040-2044	-	-	-	-	2,621,041	505,859
2045-2048	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768,794</u>	<u>107,168</u>
	<u>\$ 1,472,715</u>	<u>\$ 96,561</u>	<u>\$ 2,718,882</u>	<u>\$ 399,080</u>	<u>\$ 13,792,188</u>	<u>\$ 4,790,040</u>

Derivative Instrument Payments and Hedged Debt – Derivative Instrument A

As of September 30, 2024, aggregate debt service requirements of the Port Authority's debt (fixed-rate and variable-rate) and net receipts/payments on the associated hedging derivative instrument is presented below. These amounts assume a forward implied interest rate on the variable interest rate that the Port Authority will receive from the hedging derivative instrument. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. The hedging derivative instrument column reflects only net receipts/payments on the derivative instrument that qualify for hedge accounting.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Year Ended <u>09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivatives, Net</u>	<u>Total</u>
2025	\$ 515,000	\$ 56,150	\$ (44,165)	\$ 526,985
2026	538,196	32,177	(20,956)	549,417
2027	<u>419,519</u>	<u>8,234</u>	<u>(5,371)</u>	<u>422,382</u>
	<u>\$ 1,472,715</u>	<u>\$ 96,561</u>	<u>\$ (70,492)</u>	<u>\$ 1,498,784</u>

Lease Liability

Future obligations subsequent to September 30, 2024 is as follows:

Year Ended <u>09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,058	\$ 10,942	\$ 20,000
2026	9,239	10,761	20,000
2027	9,424	10,576	20,000
2028	9,612	10,388	20,000
2029	9,804	10,196	20,000
2030-2034	52,043	47,957	100,000
2035-2039	57,460	42,540	100,000
2040-2044	63,440	36,560	100,000
2045-2049	70,043	29,957	100,000
2050-2054	77,334	22,666	100,000
2055-2059	85,383	14,617	100,000
2060-2064	<u>94,270</u>	<u>5,730</u>	<u>100,000</u>
	<u>\$ 547,110</u>	<u>\$ 252,890</u>	<u>\$ 800,000</u>

NOTE 6 – LEASES

The Port Authority leases a substantial portion of its property to various lessees under operating lease agreements, both cancelable and noncancelable. The Port Authority has a total of 17 leases in which they are the lessor with noncancelable terms ranging from 1-25 years at lease inception. The interest rates range from 2.00% to 7.09%. The terms of the leases include monthly payments ranging from \$1,030 to \$65,395, expiring November 2023 to August 2029. For leases in which the Port Authority is the lessor, the Port Authority recognized lease inflows of resources of \$2,239,376 for the year ended September 30, 2024. For the year ended September 30, 2024, the Port Authority reported lease revenue of \$3,346,477 of which \$2,239,376 is noncancelable, and interest revenue of \$253,477 related to noncancelable lease payments received.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – LEASES (Continued)

Minimum future lease receipts to be received subsequent to September 30, 2024 are as follows:

Year Ended <u>09/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,055,503	\$ 273,289	\$ 2,328,792
2026	2,020,921	187,690	2,208,611
2027	1,601,837	116,816	1,718,653
2028	1,624,761	59,517	1,684,278
2029	<u>717,108</u>	<u>9,342</u>	<u>726,450</u>
	<u>\$ 8,020,130</u>	<u>\$ 646,654</u>	<u>\$ 8,666,784</u>

Lessee:

The Port Authority is the lessee in an agreement with the City for the lease of the land occupied by the Port Authority. The lease is for a period of 99 years, expiring August 2065. The terms of the lease include a minimum annual payment of \$20,000, plus additional rent as the Port Authority deems appropriate in view of its surplus. This additional amount is arbitrary and subject to mutual agreement. Annual rent in the amount of \$24,000, \$4,000 above the minimum, was paid for the year ended September 30, 2024. The Port Authority monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 7 – RETIREMENT PLANS

Florida Retirement System:

General Information – One of the Port Authority’s employees participated in the Florida Retirement System (FRS) during the year ended September 30, 2024. As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). None of the employees participated in the defined contribution plan. The plans are closed to new entrants. As a general rule, membership in the FRS is compulsory for employees filing in a regularly established position in a state agency, county agency, state university, state community college, or district school board. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations is optional. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

plan members and beneficiaries. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the Department of Management Services, Division of Retirement, Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site: http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan:

Plan Description – The Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees.

Benefits Provided – Benefits under the Pension Plan are computed based on age and/or years of service, average final compensation, and service credit. For Pension Plan members initially enrolled before July 1, 2011, Regular Class members who retire at or after age 62 with at least 6 years of creditable service or 30 years of creditable service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the 5 highest years of salary, for each year of creditable service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to 8 years of creditable service for all these members and increases normal retirement to age 65 or 33 years of creditable service regardless of age for Regular Class members. The final average compensation will be based on the 8 highest years of salary, for each year of creditable service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3.00% 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 3.00% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.00%. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3.00% of their salary to the FRS for Regular Class members. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 each year. The employer contribution rates by job class for the periods from October 1, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024, respectively, were as follows: Regular – 13.57% and 13.63%; and DROP participants – 21.13% and 21.13%. These employer contribution rates do not include the 2.06% HIS Plan contribution for both periods.

The Port Authority’s contributions, including employee contributions, to the Pension Plan totaled \$11,646 for the year ended September 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At September 30, 2024, the Port Authority reported a liability of \$59,955 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability as measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Port Authority’s proportionate share of the net pension liability was based on the Port Authority’s 2023-2024 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2024, the Port Authority’s proportionate share was 0.000154985%, which increased by 0.000026342% compared to the June 30, 2023 proportionate share of 0.000128643%.

For the year ended September 30, 2024, the Port Authority recognized pension income of \$13,588. In addition, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,057	\$ -
Change of assumptions	8,217	-
Net difference between projected and actual earnings on Pension Plan investments	-	3,985
Changes in proportion and differences between Port Authority Pension Plan contributions and proportionate share of contributions	6,806	50,209
Port Authority Pension Plan contributions subsequent to the measurement date	2,379	-
Total Pension Plan	\$ 23,459	\$ 54,194

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$2,379 resulting from Port Authority contributions to the Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ended 09/30	Amount
2025	\$ (17,939)
2026	(13,567)
2027	(6,487)
2028	1,700
2029	2,371
Thereafter	<u>808</u>
Total	<u>\$ (33,114)</u>

Actuarial Assumptions – The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, including inflation
Investment rate of return	6.70%, net of Pension Plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table by member category and sex, projected generationally with Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return on the 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 table:

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.30%	3.30%	1.10%
Fixed income	29.00%	5.70%	5.60%	3.90%
Global equity	45.00%	8.60%	7.00%	18.20%
Real estate	12.00%	8.10%	6.80%	16.60%
Private equity	11.00%	12.40%	8.80%	28.40%
Strategic investments	<u>2.00%</u>	6.60%	6.20%	8.70%
Total	<u>100.00%</u>			
Assumed inflation – mean			2.40%	1.50%

(1) As outlined in the FRS Pension Plan’s investment policy available from Funds We Manage on the SBA’s website at www.sbafla.com.

Discount Rate – The discount rate used to measure the total pension liability was 6.70% for the year ended September 30, 2024. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contributions are contributed in full each year. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Port Authority’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Port Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Port Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate.

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
Port Authority’s proportionate share of the net pension liability	\$ 105,460	\$ 59,955	\$ 21,836

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

Payables to the Pension Plan – The Port Authority reported a payable in the amount of \$754 for outstanding contributions to the Pension Plan required for the year ended September 30, 2024.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

HIS Plan:

Plan Description – The HIS Plan is a non-qualified, cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit term of the HIS Program. The benefit is a monthly payment to assist eligible retirees of the state-administered retirement systems in paying their health insurance costs.

Benefits Provided – For the fiscal year ended June 30, 2024, retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$7.50. The payments are at least \$45 but not more than \$225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a state-administered retirement systems 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 year ended September 30, 2024, the HIS contribution rate for the period October 1, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024 was 2.00%. The Port Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislation may reduce or cancel payments.

The Port Authority's contributions to the HIS Plan totaled \$1,597 for the year ended September 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At September 30, 2024, the Port Authority reported a liability of \$27,021 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Port Authority's proportionate share of the net pension liability was based on the Port Authority's 2023-2024 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2024, the Port Authority's proportionate share was 0.000180131%, which increased by 0.00026864% compared to the June 30, 2023 proportionate share of 0.000153267%.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

For the year ended September 30, 2024, the Port Authority recognized pension income of \$8,638. In addition, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 261	\$ 52
Change of assumptions	478	3,199
Net difference between projected and actual earnings on HIS Plan investments	-	10
Changes in proportion and differences between Port Authority HIS Plan contributions and proportionate share of contributions	3,760	25,392
Port Authority HIS Plan contributions subsequent to the measurement date	<u>411</u>	<u>-</u>
Total HIS Plan	<u>\$ 4,910</u>	<u>\$ 28,653</u>

The deferred outflows of resources related to the HIS Plan, totaling \$411 resulting from Port Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Year Ended 09/30</u>	<u>Amount</u>
2025	\$ (9,576)
2026	(7,140)
2027	(4,527)
2028	(2,353)
2029	(250)
Thereafter	<u>(305)</u>
Total	<u>\$ (24,151)</u>

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

Actuarial Assumptions – Actuarial valuations for the HIS Program are conducted biennially. The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, including inflation
Municipal Bond Index	3.93%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

Discount Rate – The discount rate used to measure the total pension liability was 3.93% for the year ended September 30, 2024. 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. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference.

Sensitivity of the Port Authority’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Port Authority’s proportionate share of the net pension liability, calculated using the discount rate of 3.93%, as well as what the Port Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Port Authority’s proportionate share of the net pension liability	\$ 30,760	\$ 27,021	\$ 23,917

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

Payables to the HIS Plan – The Port Authority reported a payable in the amount of \$130 for outstanding contributions to the HIS Plan required for the year ended September 30, 2024.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

Aggregate Schedule of Retirement Plan Information:

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At September 30, 2024, the Port Authority reported \$86,976, for its net pension liability.

For the year ended September 30, 2024, the Port Authority recognized total pension income of \$22,226 and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,318	\$ 52
Change of assumptions	8,695	3,199
Net difference between projected and actual earnings on investments	-	3,995
Changes in proportion and differences between Port Authority Plan contributions and proportionate share of contributions	10,566	75,601
Port Authority Plan contributions subsequent to the measurement date	<u>2,790</u>	<u>-</u>
Total	<u>\$ 28,369</u>	<u>\$ 82,847</u>

Retirement Plan and Trust for the General Employees:

The Port Authority participated in the Retirement Plan and Trust for the General Employees of the Port Authority for employees hired after January 1, 1996, who were not eligible to participate in the Florida Retirement System.

Plan Description – The Retirement Plan and Trust for the General Employees of the Port Authority is a single-employer defined contribution plan administered by the Florida League of Cities, Inc.

Plan Provisions and Eligibility – All full-time employees hired after January 1, 1996 are eligible to participate. Employees must have completed 3 months of service. The effective date of participation is the first day of the month coinciding with or following 90 days of employment. Members qualify for normal retirement, after obtaining 10 years of creditable service, on the first of the month coinciding with or following the participant’s 65th birthday. Benefits fully vest after the participant reaches 10 years of service, with partial vesting after the completion of 6 through 9 years of service.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7 – RETIREMENT PLANS (Continued)

Each participant who is an employee on his or her attainment of normal retirement age or is terminated as a result of death or disability, to the extent not then vested, shall become fully vested. Upon the death of the participant, the participant’s vested plan account shall be paid to the participant’s beneficiary. If a participant’s employment terminates for any reason other than retirement, disability, or death, the benefits shall be vested as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
1 to 5	0%
6	60%
7	70%
8	80%
9	90%
10	100%

The unvested portion shall be forfeited on the day the participant’s employment is terminated. Any forfeitures that result from a participant’s termination before he or she completes at least 6 years of service will be returned to the employer. All other forfeitures are allocated to the employer contribution accounts of eligible participants.

Contribution Obligations – Required contributions under federal law are deducted from the employee’s salary and matched by the Port Authority. Total pension expense amounted to \$223,679 (with \$73,010 being paid through forfeitures) for the year ended September 30, 2024. The Port Authority may make non-elective contributions. Contributions made equaled required contributions for the current and preceding years.

A separately issued annual report of the Fund is available from the Florida League of Cities, Inc., 301 S. Bronough Street, Tallahassee, Florida 32302.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Port Authority administers a single-employer defined benefit healthcare plan (the OPEB Plan). This is an optional postemployment healthcare insurance plan available to eligible employees. Eligible individuals include all regular, full-time employees of the Port Authority who retire from active service and are eligible for retirement or disability benefits under any of the Port Authority’s retirement plans. Under certain conditions, eligible individuals for healthcare coverage also include spouses and dependent children. Retirees must contribute an amount determined periodically by the Port Authority equal to 100% of the applicable health insurance premium charged by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus one, or family coverage. There is no minimum required employer contributions. Pursuant to Section 112.0801, Florida Statutes, the Port Authority is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

coverage is available for active employees. For purposes of applying paragraph 4 under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust. No stand-alone report is issued for this plan.

Funding Policy, Benefits Provided, and Contributions – The contribution requirements of plan members and the Port Authority are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. Currently, the Port Authority is financing the postemployment retirement benefits on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs.

There were 71 active employees who participated in the OPEB Plan. There were 2 inactive employees and beneficiaries currently receiving benefits and no inactive employees entitled but not yet receiving benefits.

Net OPEB Liability – The net OPEB liability was measured as of September 30, 2024. The total OPEB liability was determined from an actuarial valuation as of October 1, 2023. The net OPEB liability is the total OPEB liability less the plan fiduciary net position. The total OPEB liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Total OPEB liability	\$ 187,934
Less fiduciary net position	<div style="border-top: 1px solid black; width: 100%; margin-top: 2px;">-</div>
Net OPEB liability	<div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100%; margin-top: 2px;">\$ 187,934</div>

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Schedule of Changes in Net OPEB Liability – Changes in the net OPEB liability for the year ended September 30, 2024 is as follows:

<u>Changes in Net OPEB Liability</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning net OPEB liability	\$ 185,780	\$ -	\$ 185,780
Service cost	18,973	-	18,973
Interest	8,155	-	8,155
Difference between expected and actual experience	(9,013)	-	(9,013)
Change of assumption	(8,098)	-	(8,098)
Benefit payments	<u>(7,863)</u>	<u>-</u>	<u>(7,863)</u>
Net change	<u>2,154</u>	<u>-</u>	<u>2,154</u>
 Ending net OPEB liability	 <u>\$ 187,934</u>	 <u>\$ -</u>	 <u>\$ 187,934</u>

OPEB Expense – For the year ended September 30, 2024, the Port Authority recognized OPEB expense of \$5,371.

OPEB expense is composed of the following components:

Service cost	\$ 18,973
Interest	8,155
Difference between expected and actual experience	(9,013)
Change of assumptions	(4,881)
Benefit payments	<u>(7,863)</u>
 Total OPEB expense	 <u>\$ 5,371</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At September 30, 2024, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 127,708
Change of assumptions	<u>785</u>	<u>19,775</u>
 Total	 <u>\$ 785</u>	 <u>\$ 147,483</u>

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liability will be recognized in OPEB expense as follows:

Year Ended <u>09/30</u>	<u>Amount</u>
2025	\$ (13,894)
2026	(13,894)
2027	(13,894)
2028	(13,894)
2029	(13,894)
Thereafter	<u>(77,228)</u>
Total	<u>\$ (146,698)</u>

Actuarial Assumptions –

The total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following assumptions:

Discount rate – 4.06% per annum; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Salary increases – 3.00% per annum.

Cost-of-living increases: Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.

Healthcare cost trend rates – Increases in healthcare costs are assumed to be 7.00% for the 2023-2024 fiscal year graded down by 0.50% per year to 5.00% for the 2027-2028 and later fiscal years.

Age-related morbidity – Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.

Implied subsidy – Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$675 for the retiree and \$500 for the retiree’s spouse has been assumed at age 62 for the 2023-2024 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Mortality basis – Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2017.

Retirement – For employees hired prior to July 1, 2011, retirement is assumed to occur at age 62 with 6 years of service or at any age with 30 years of service; for employees hired on or after July 1, 2011, retirement is assumed to occur at age 65 with 8 years of service or at any age with 33 years of service.

Other decrements – Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1).

Coverage election – 20% of eligible employees are assumed to elect medical coverage until age 65 under the “buy-up” plan upon retirement or disability; spouses are assumed to be covered in accordance with the employee’s current election.

Spouses and dependents – Husbands are assumed to be 3 years older than wives; retirees are not assumed to have any dependent children.

COBRA – Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.

Changes – Since the prior measurement date, the discount rate was decreased from 4.91% per annum to 4.06% per annum and the implied subsidy at age 62 for the 2023-2024 fiscal year was changed from \$812.70 for the retiree and \$435.38 for the retiree’s spouse to the amounts shown above.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Port Authority’s net OPEB liability calculated using the discount rate of 4.06%, as well as what the Port Authority’s net OPEB liability would have been if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage point higher (5.06%) than the current rate:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
Port Authority’s net OPEB liability	\$ 206,793	\$ 187,934	\$ 171,158

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the Port Authority’s net OPEB liability, as well as what the Port Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% graded down to 4.00%) or one percentage point higher (8.00% graded down to 6.00%) than the current healthcare cost trend rates (7.00% graded down to 5.00%).

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	1% Decrease (6.00%) graded down to 4.00%)	Healthcare Cost Trend Rates (7.00%) graded down to 5.00%)	1% Increase (8.00%) graded down to 6.00%)
Port Authority's net OPEB liability	\$ 163,258	\$ 187,934	\$ 218,050

NOTE 9 – RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; business interruption; job-related illnesses or injuries to employees; and natural disasters for which the Port Authority carries commercial insurance. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Port Authority. There were no significant reductions in insurance coverage during the current year. The amount of settlements has not significantly exceeded insurance coverage for any of the past three fiscal years.

NOTE 10 – DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

In accordance with GASB Statement No. 40, the following disclosures are made regarding the Port Authority's deposit and investment balances as of September 30, 2024.

Deposits:

The Port Authority has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415, Florida Statutes. Such policies shall be structured to place the highest priority on the safety of principal and liquidity of funds. The optimization of investment returns shall be secondary to the requirements for safety and liquidity.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

The Port Authority may invest or reinvest any surplus funds in their control or possession in the following:

- a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02;
- d) Direct obligations of the U.S. Treasury.

The securities listed in c) and d) shall be invested to provide sufficient liquidity to pay obligations as they come due.

Included in the Port Authority’s cash balances are amounts deposited with banks in interest-bearing accounts, noninterest-bearing demand accounts, and interest-bearing time deposit accounts. The bank balances are entirely insured by the Federal Depository Insurance Corporation or by collateral pursuant to the Security for Public Deposits Act of the State of Florida.

Investment Derivative Instrument:

The Port Authority obtained a hedge in June 2007 to lock into a fixed-rate and to budget for future payments. The agreement was amended in December 2022 to replace the LIBOR rate with a Secured Overnight Financing Rate (SOFR). The hedged derivative instrument will automatically transitioned to SOFR on the LIBOR cessation date in July 2023. Hedge accounting was applied for the derivative instrument that was found to be an effective hedge. The Port Authority has determined that the swap is an effective hedge and the changes in the fair value are reported as deferred inflows/outflows on the statement of net position.

Derivative instruments outstanding as of September 30, 2024 are as follows:

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>09/30/24 Fair Value (Negative)</u>
A	Pay-fixed interest rate swap	Hedge the variable rate risk associated with the first draw on the \$7,500,000 debt.	\$7,500,000	06/01/2007	06/01/2027	Pay 4.43%, receive 67% of SOFR plus 70 basis points.	\$ (26,068)

Derivative instrument A is considered a hedging derivative instrument for the year ended September 30, 2024. The fair value of the interest rate swap was estimated using the synthetic interest method, a proprietary valuation model developed by the counterparty. This method calculates future cash flows by projecting forward rates, then discounting those cash flows at their present value.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

Risks:

Credit Risk – The Port Authority’s derivative instrument is held with a counterparty whose credit rating is “Baa1” for the year ended September 30, 2024. The counterparty bears the risk of non-payment.

Interest Rate Risk – The Port Authority is exposed to interest rate risk on its interest rate swap. On its pay-fixed, variable-rate interest rate swap, as SOFR decreases, the Port Authority’s net payment on the swap increases.

Basis Risk – The Port Authority is exposed to basis risk on its pay-fixed swap derivative instrument because the variable-rate payments received by the Port Authority on this derivative instrument is based on a rate or index other than interest rates the Port Authority pays on its hedged variable-rate debt. The derivative instrument A used variable interest rates of 4.4454% and SOFR-based rates of 5.3094% at September 30, 2024.

Termination Risk – The swap may be terminated by the Port Authority or the counterparty if the other party fails to perform under the terms of the swap agreement. If the swap is terminated, the Port Authority would prospectively pay the variable-rate on the debt. The termination of the swap agreement could increase the Port Authority’s total debt service if, at the time of termination, the swap has a negative fair value by the amount of such negative fair value. As noted below under fair value, the Port Authority has a negative fair value for derivative instrument A as of September 30, 2024 and would be liable to the counterparty if the swap were terminated prematurely.

Rollover Risk – Derivative instrument A’s swap agreement termination date is June 1, 2027. The Port Authority may not be able to replicate the hedge associated with the current swap agreement on the termination date.

The Port Authority does not have a policy regarding exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Fair Value Measurement:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Port Authority has the ability to access. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.
- b) Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
- c) Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Port Authority's own data.)

The fair value balance of derivative instrument A outstanding at September 30, 2024, classified by type, and the changes in fair value of such derivative instrument is as follows:

	Fair Value			Changes in Fair Value	
	<u>Classification</u>	<u>Amount</u>	<u>Level</u>	<u>Classification</u>	<u>Amount</u>
Business-type activities:					
Cash flow hedges:				Deferred	
Pay-fixed interest				outflow	
rate swap	Debt	\$ (26,068)	Level 2	(decrease)	\$ (11,594)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

NOTE 11 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Construction Commitments:

The Port Authority has outstanding commitments for construction contracts from time to time. The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract. At September 30, 2024, the Port Authority did not have any contractual commitments for construction of port projects.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 11 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS (Continued)

Grant Contingencies:

The Port Authority participates in various federal, state and local grants. These programs and projects are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures which are subsequently disallowed, the Port Authority may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements. As of September 30, 2024, there were no material questioned or disallowed costs as a result of grant audits in process or complete. The Port Authority has been awarded 2 grants subsequent to September 30, 2024; the first grant is for \$3,000,000 for the East Terminal Bulkhead initiative and the second is for \$1,200,000 for the East Terminal Improvement's Initiative.

Subsequent Events:

The Port Authority did not have any other subsequent events requiring disclosure or recording in these financial statements through March 7, 2025, which is the date these financial statements were available to be issued.

NOTE 12 – ADVERTISING

The Port Authority follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$11,800 for the year ended September 30, 2024.

NOTE 13 – BULK WAREHOUSE SERVICE AGREEMENT

The Port Authority entered into an agreement with Enviva Port of Panama City, LLC (Enviva) related to the use of a bulk warehouse. The Port Authority provided the warehouse with the capacity to accommodate the storage of 33,000 tons of wood pellets. The contract period is for 10 years commencing in May 2021, with the option to renew for two additional 5 year periods. Enviva guaranteed the Port Authority a minimum cargo tonnage of 650,000 tons for each contract year. Enviva's performance is secured by a letter of credit renewable each year for ten years.

NOTE 14 – BUDGET TO ACTUAL – REVENUES AND EXPENSES

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Management may not increase a department's total expenditures without seeking the approval of the Board of Directors and City Commissioners, who may amend the budget at any time during the fiscal year. Amounts shown in the financial statements represent the original and final budgeted amounts and all supplemental amendments.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 15 – CHANGE IN ACCOUNTING ESTIMATE

During the year ended September 30, 2024, the Port Authority was notified that they would be eligible to receive additional American Rescue Plan Act (ARPA) grant monies from another Port. The Port Authority requested and received reimbursement for fiscal year 2022 expenditures during fiscal year 2025. This resulted in a change in the Port Authority's accounting estimate regarding the recognition of federal grants and related accounts receivable for grants. Management determined that expenditures incurred in prior periods, specifically those related to insurance expenses met the criteria for reimbursement under federal grant guidelines.

As a result of this change in estimate, the Port Authority recognized federal grants of \$745,060 during the year ended September 30, 2024. This adjustment reflects amounts related to reimbursable expenditures incurred in fiscal year 2022. The corresponding accounts receivable for grants as of September 30, 2024 is recorded as \$745,060 in the statement of net position. The change in accounting estimate has been accounted for on a prospective basis in accordance with GASB Statement No. 100.

**PANAMA CITY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 16 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 10/01/23	Increases	Decreases	Transfers	Balance 09/30/24
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 32,304,173	\$ -	\$ -	\$ -	\$ 32,304,173
Construction in progress	21,737,281	1,240,257	41,137	(19,196,640)	3,739,761
Total capital assets, not being depreciated	<u>54,041,454</u>	<u>1,240,257</u>	<u>41,137</u>	<u>(19,196,640)</u>	<u>36,043,934</u>
Capital assets, being depreciated:					
Buildings and improvements	98,735,283	17,318,534	-	-	116,053,817
Improvements other than buildings	81,305,871	1,697,723	-	-	83,003,594
Lease assets	876,391	-	-	-	876,391
Machinery and equipment	24,838,650	180,385	502,762	-	24,061,273
Total capital assets, being depreciated	<u>205,301,195</u>	<u>19,196,642</u>	<u>502,762</u>	<u>-</u>	<u>223,995,075</u>
Less accumulated depreciation for:					
Buildings and improvements	36,528,024	2,924,354	-	-	39,452,378
Improvements other than buildings	40,763,272	3,268,255	-	-	44,031,527
Lease assets	505,324	8,853	-	-	514,177
Machinery and equipment	14,478,609	1,199,390	299,152	-	15,378,847
Total accumulated depreciation	<u>92,275,229</u>	<u>7,400,852</u>	<u>299,152</u>	<u>-</u>	<u>99,376,929</u>
Total capital assets, being depreciated, net	<u>113,025,966</u>	<u>11,795,790</u>	<u>203,610</u>	<u>-</u>	<u>124,618,146</u>
Capital assets, net	<u>\$ 167,067,420</u>	<u>\$ 13,036,047</u>	<u>\$ 244,747</u>	<u>\$ (19,196,640)</u>	<u>\$ 160,662,080</u>

Total depreciation expense for the year ended September 30, 2024 was \$7,400,852.

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND
ANALYSIS –ENTERPRISE FUND**

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY,
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021
Port Authority's proportion of the net pension liability	0.000154985%	0.000128643%	0.000239287%	0.000401095%
Port Authority's proportionate share of the net pension liability	\$ 59,955	\$ 51,259	\$ 89,035	\$ 30,299
Port Authority's covered-employee payroll	\$ 76,234	\$ 60,719	\$ 98,584	\$ 130,625
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.65%	84.42%	90.31%	23.19%
Plan fiduciary net position as a percentage of the total pension liability	83.70%	82.38%	89.89%	96.40%

	2020	2019**	2018
Port Authority's proportion of the net pension liability	0.000480367%	0.000506861%	0.000668743%
Port Authority's proportionate share of the net pension liability	\$ 208,196	\$ 174,556	\$ 201,429
Port Authority's covered-employee payroll	\$ 165,824	\$ 184,872	\$ 247,397
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.55%	94.42%	81.42%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%

	2017*	2016	2015
Port Authority's proportion of the net pension liability	0.000639137%	0.000722519%	0.000843587%
Port Authority's proportionate share of the net pension liability	\$ 189,120	\$ 182,437	\$ 108,961
Port Authority's covered-employee payroll	\$ 250,212	\$ 270,640	\$ 294,696
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.61%	67.41%	36.97%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

Notes to Schedule

The amounts presented were determined by an actuarial valuation on July 1 of the fiscal year. The measurement period and measurement date is June 30 of the fiscal year.

*Net pension liability increased due to implementation of GASB Statement No. 75.

**Net pension liability has been decreased.

See the independent auditor's report.

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF CONTRIBUTIONS,
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 9,521	\$ 6,424	\$ 7,587	\$ 16,008	\$ 15,403
Contributions in relation to the contractually required contribution	(9,521)	(6,424)	(7,587)	(16,008)	(15,403)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Port Authority's covered-employee payroll	\$ 79,840	\$ 59,923	\$ 76,334	\$ 139,000	\$ 152,801
Contributions as a percentage of covered-employee payroll	11.93%	10.72%	9.94%	11.52%	10.08%
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 16,138	\$ 18,245	\$ 17,677	\$ 16,581	\$ 20,383
Contributions in relation to the contractually required contribution	(16,138)	(18,245)	(17,677)	(16,581)	(20,383)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Port Authority's covered-employee payroll	\$ 186,777	\$ 228,088	\$ 249,162	\$ 262,300	\$ 293,239
Contributions as a percentage of covered-employee payroll	8.64%	8.00%	7.09%	6.32%	6.95%

Notes to Schedule

Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Timing:	Actuarially determined contribution rates for a given plan year are calculated in the valuation conducted as of the beginning of the preceding plan year (e.g., rates for the 2025-2026 plan year are calculated in the July 1, 2024 actuarial valuation).
Actuarial cost method:	Individual entry age
Amortization method:	Level percent, closed, layered
Amortization period at July 1, 2024:	Effective July 1, 2021: new bases are amortized over 20 years Bases established prior to July 1, 2021: amortized over maximum 20 years
2019 actuarial cost method change:	Amortized over 30 years as level percentage of Tier 1 pay
Payroll growth rate:	3.50%
Asset valuation method:	5 years, asymptotic, 80 - 120% of fair market value
Inflation:	2.40%
Salary increases:	Varies by membership class and length of service
Investment rate of return:	6.70%
Cost of living adjustments:	3% for pre-July 2011 benefit service; 0.00% thereafter
Retirement age:	Varies by tier, membership class, age and gender
Turnover:	Varies by membership class, length of service, age and gender
Mortality:	PUB-2010 base table varies by member category and gender, projected generationally with Scale MP-2021

See the independent auditor's report.

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY,
HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021
Port Authority's proportion of the net position liability	0.000180131%	0.000153267%	0.000256795%	0.000365968%
Port Authority's proportionate share of the net position liability	\$ 27,021	\$ 24,341	\$ 27,199	\$ 45,259
Port Authority's covered-employee payroll	\$ 76,234	\$ 60,719	\$ 98,584	\$ 130,625
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employed payroll	35.44%	40.09%	27.59%	34.64%
Plan fiduciary net position as a percentage of the total pension liability	4.80%	4.12%	4.81%	3.56%

	2020	2019	2018
Port Authority's proportion of the net position liability	0.000477782%	0.000552786%	0.000757457%
Port Authority's proportionate share of the net position liability	\$ 58,340	\$ 61,851	\$ 80,170
Port Authority's covered-employee payroll	\$ 165,824	\$ 184,872	\$ 247,397
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employed payroll	35.18%	33.46%	32.41%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%

	2017	2016	2015
Port Authority's proportion of the net position liability	0.000784977%	0.000876684%	0.000971372%
Port Authority's proportionate share of the net position liability	\$ 83,933	\$ 102,174	\$ 99,066
Port Authority's covered-employee payroll	\$ 250,212	\$ 270,640	\$ 294,696
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employed payroll	33.54%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Notes to Schedule

The amounts presented were determined by an actuarial valuation on July 1 of the fiscal year. The measurement period and measurement date is June 30 of the prior fiscal year.

See the independent auditor's report.

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF CONTRIBUTIONS,
HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 1,597	\$ 995	\$ 1,267	\$ 2,307	\$ 2,536
Contributions in relation to the contractually required contribution	(1,597)	(995)	(1,267)	(2,307)	(2,536)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Port Authority's covered-employee payroll	\$ 79,840	\$ 59,923	\$ 76,334	\$ 139,000	\$ 152,801
Contributions as a percentage of covered-employee payroll	2.00%	1.66%	1.66%	1.66%	1.66%
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,101	\$ 3,786	\$ 4,136	\$ 4,354	\$ 3,981
Contributions in relation to the contractually required contribution	(3,101)	(3,786)	(4,136)	(4,354)	(3,981)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Port Authority's covered-employee payroll	\$ 186,777	\$ 228,088	\$ 249,162	\$ 262,300	\$ 293,239
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.36%

Notes to Schedule

Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual entry age
Amortization method:	Level percent, closed, layered
Amortization period at July 1, 2024:	Effective July 1, 2021: new bases are amortized over 20 years Bases established prior to July 1, 2021: amortized over maximum 20 years
2019 actuarial cost method change:	Amortized over 30 years as level percentage of Tier 1 pay
Payroll growth rate:	3.50%
Asset valuation method:	5 years, asymptotic, 80 - 120% of fair market value
Inflation:	2.40%
Salary increases:	3.50%, including inflation
Investment rate of return:	6.70%
Cost of living adjustments:	3% for pre-July 2011 benefit service; 0.00% thereafter
Retirement age:	Varies by tier, membership class, age and gender
Turnover:	Varies by membership class, length of service, age and gender
Mortality:	Generational PUB-2010 with Projection Scale MP-2021

See the independent auditor's report.

PANAMA CITY PORT AUTHORITY
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2024	2023	2022	2021
Total OPEB Liability:				
Service cost	\$ 18,973	\$ 16,955	\$ 17,377	\$ 25,875
Expected interest growth	8,155	9,080	12,705	6,305
Difference between expected and actual experience	(9,013)	(8,705)	(8,705)	(3,966)
Change of assumptions	(4,881)	(3,971)	(3,796)	(1,662)
Benefit payments, including refunds of employee contributions	<u>(7,863)</u>	<u>(11,533)</u>	<u>(9,705)</u>	<u>(10,019)</u>
Net change in OPEB liability	5,371	1,826	7,876	16,533
Net OPEB liability at beginning of year	185,780	173,662	253,765	238,553
Deferred outflows of resources	(125)	(125)	(125)	(125)
Deferred inflows of resources	<u>(3,092)</u>	<u>10,417</u>	<u>(87,854)</u>	<u>(1,196)</u>
Net OPEB liability at end of year (a)	<u>187,934</u>	<u>185,780</u>	<u>173,662</u>	<u>253,765</u>

Plan Fiduciary Net Position:

Service cost	-	-	-	-
Employer contributions	-	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position at beginning of year	-	-	-	-
Plan fiduciary net position at end of year (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Port Authority's Net OPEB Liability at End of Year (a)-(b) \$ 187,934 185,780 \$ 173,662 \$ 253,765

Plan fiduciary net position as percentage of the total OPEB liability 0.00% 0.00% 0.00% 0.00%

Covered-employee payroll \$ 4,511,504 3,893,444 \$ 3,893,444 \$ 3,723,496

Net OPEB liability as a percentage of covered-employee payroll 4.17% 4.77% 4.46% 6.82%

	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 27,219	\$ 22,790	\$ 22,538	\$ 22,538
Expected interest growth	6,534	9,806	9,179	9,179
Difference between expected and actual experience	(3,966)	-	-	-
Change of assumptions	(1,112)	125	-	-
Benefit payments, including refunds of employee contributions	<u>(4,631)</u>	<u>(9,616)</u>	<u>(10,837)</u>	<u>(10,837)</u>
Net change in OPEB liability	24,044	23,105	20,880	20,880
Net OPEB liability at beginning of year	280,392	255,877	234,997	214,117
Deferred outflows of resources	(125)	1,410	-	-
Deferred inflows of resources	<u>(65,758)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability at end of year (a)	<u>238,553</u>	<u>280,392</u>	<u>255,877</u>	<u>234,997</u>

Plan Fiduciary Net Position:

Service cost	-	-	-	-
Employer contributions	-	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position at beginning of year	-	-	-	-
Plan fiduciary net position at end of year (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Port Authority's Net OPEB Liability at End of Year (a)-(b) \$ 238,553 \$ 280,392 \$ 255,877 \$ 234,997

Plan fiduciary net position as percentage of the total OPEB liability 0.00% 0.00% 0.00% 0.00%

Covered-employee payroll \$ 3,723,496 \$ 3,565,480 \$ 3,565,480 \$ 3,565,480

Net OPEB liability as a percentage of covered-employee payroll 6.41% 7.86% 7.18% 6.59%

See the independent auditor's report.

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

Notes to Schedule

There are no assets accumulated in a trust that meets the criteria of GASB codifications P22.101 to P52.101 to pay related benefits from the OPEB plan.

Change of assumptions: Since the prior measurement date, the discount rate was decreased implied subsidy at age 62 for the from 4.91% per annum to 4.06% per annum and the 2023-2024 fiscal year was changed from \$812.70 for the retiree and \$435.38 for the retiree's spouse to the amounts disclosed in Note 8.

The amortization period for demographic experience and assumption changes was 12.26 years for the 2018-2019 fiscal year, 13.64 years for the 2019-2020 fiscal year, 12.64 years for the 2020-2021 fiscal year, 14.62 years for the 2021-2022 fiscal year, 13.62 years for the 2022-2023 fiscal year and 14.04 years for the 2023-2024 fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See the independent auditor's report.

**PANAMA CITY PORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES –
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services:			
Cargo handling	\$ 5,726,400	\$ 5,876,610	\$ 150,210
Container handling	830,000	575,694	(254,306)
Crane lift charges	491,000	395,998	(95,002)
Dock warehouse storage	780,000	320,757	(459,243)
Dockage	2,515,200	2,094,387	(420,813)
Foreign trade zone revenues	10,000	10,000	-
Miscellaneous income	30,000	45,962	15,962
Miscellaneous services	1,230,000	1,318,964	88,964
Property leases	3,403,100	3,346,477	(56,623)
Security assessment fees	576,500	556,986	(19,514)
Stevedore fees and facility charges	624,000	628,986	4,986
Wharfage and facility use	2,929,900	3,230,643	300,743
Total charges for services	<u>19,146,100</u>	<u>18,401,464</u>	<u>(744,636)</u>
Operating Expenses:			
Personnel services:			
Auto allowance - director and assistant director	16,800	16,800	-
Auto allowance - operations and maintenance	37,800	29,600	8,200
Disability insurance premiums	94,100	96,179	(2,079)
Employee and director retirement	232,800	201,415	31,385
Insurance - medical	1,016,800	948,348	68,452
Insurance - workers' compensation	244,400	259,456	(15,056)
Miscellaneous	100,000	102,848	(2,848)
OPEB expense	-	5,371	(5,371)
Salaries - administration	555,400	585,229	(29,829)
Casual labor	150,000	131,145	18,855
Salaries - operations and maintenance	4,162,800	4,151,948	10,852
Salary - assistant director	170,000	173,138	(3,138)
Salary - director	216,000	217,830	(1,830)
Social security taxes	386,200	406,178	(19,978)
Workers' compensation claims	25,000	32,609	(7,609)
Total personnel services	<u>7,408,100</u>	<u>7,358,094</u>	<u>50,006</u>

See the independent auditor's report.

PANAMA CITY PORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES –
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Expenses (Continued):			
Operations and maintenance:			
Supplies and services:			
Bank fees	600	606	(6)
Gas, oil, and grease	405,000	251,572	153,428
I.D. badges/supplies	22,500	31,035	(8,535)
Janitorial services	145,000	63,700	81,300
Lights and power	540,000	483,120	56,880
Miscellaneous	320,000	266,872	53,128
Postage	1,900	2,710	(810)
Safety supplies and equipment	80,000	106,246	(26,246)
Security guard services	923,900	994,718	(70,818)
Supplies - office	32,500	38,382	(5,882)
Supplies - operating	285,000	339,210	(54,210)
Telephone	102,000	113,226	(11,226)
Tools/miscellaneous equipment	20,000	17,341	2,659
Tools/miscellaneous equipment rental	165,000	185,812	(20,812)
Water and sewer	185,000	188,321	(3,321)
Total supplies and services	<u>3,228,400</u>	<u>3,082,871</u>	<u>145,529</u>
Trade and promotions:			
Advertising	2,000	11,800	(9,800)
Contract marketing	5,000	-	5,000
Dues and subscriptions	66,600	56,816	9,784
Other promotions	25,000	25,000	-
Solicitation	70,200	141,070	(70,870)
Travel	16,900	40,009	(23,109)
Total trade and promotions	<u>185,700</u>	<u>274,695</u>	<u>(88,995)</u>
Insurance and taxes	<u>2,350,000</u>	<u>2,284,963</u>	<u>65,037</u>
Professional services:			
Accounting	61,200	76,853	(15,653)
Engineering	240,000	78,522	161,478
Legal	73,000	104,723	(31,723)
Professional consultant	25,000	14,720	10,280
Total professional services	<u>399,200</u>	<u>274,818</u>	<u>124,382</u>

See the independent auditor's report.

PANAMA CITY PORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES –
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Expenses (Continued):			
Operations and maintenance (Continued):			
Rent	24,000	4,000	20,000
Repairs and maintenance:			
Auto and buildings	400,000	645,722	(245,722)
Bulk terminal maintenance	101,000	136,291	(35,291)
Intermodal Distribution Center maintenance	37,500	19,738	17,762
Material handling	520,000	468,382	51,618
Tracks and railroad beds	121,000	171,578	(50,578)
Wharves and fenders	30,000	1,463	28,537
Total repairs and maintenance	<u>1,209,500</u>	<u>1,443,174</u>	<u>(233,674)</u>
Contingency fees	120,000	77,575	42,425
Total operations and maintenance	<u>7,516,800</u>	<u>7,442,096</u>	<u>74,704</u>
Depreciation	7,792,700	7,400,852	391,848
Total operating expenses	<u>22,717,600</u>	<u>22,201,042</u>	<u>516,558</u>
Operating Loss	<u>(3,571,500)</u>	<u>(3,799,578)</u>	<u>(228,078)</u>
Nonoperating Revenues (Expenses):			
Loss on disposal of capital assets	-	(133,109)	(133,109)
Federal grants	-	745,060	745,060
Grant administrative fees	(36,600)	(38,828)	(2,228)
Intergovernmental grants	-	53,630	53,630
Net casualty gain	-	3,107	3,107
Interest income	295,600	389,096	93,496
Interest expense	(727,200)	(917,021)	(189,821)
Total nonoperating revenues (expenses)	<u>(468,200)</u>	<u>101,935</u>	<u>570,135</u>
Capital Grants and Contributions:			
Intergovernmental grants - capital	5,045,000	201,005	(4,843,995)
Total capital grants and contributions	<u>5,045,000</u>	<u>201,005</u>	<u>(4,843,995)</u>
Change in Net Position	<u>\$ 1,005,300</u>	<u>\$ (3,496,638)</u>	<u>\$ (4,501,938)</u>

See the independent auditor's report.

**OTHER SUPPLEMENTARY
INFORMATION –
ENTERPRISE FUND**

**PANAMA CITY PORT AUTHORITY
SCHEDULES OF OPERATIONS, GRANTS,
AND CAPITAL EXPENDITURES
LAST 10 FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
% increase (decrease) of operating revenues over prior year	-2%	-2%	9%	9%
Operating revenues	\$ 18,401,464	\$ 18,700,119	\$ 18,998,444	\$ 17,444,867
Operating expenses	22,201,042	21,594,397	20,542,048	18,432,127
Operating income (loss)	<u>(3,799,578)</u>	<u>(2,894,278)</u>	<u>(1,543,604)</u>	<u>(987,260)</u>
Capital grants and contributions	201,005	19,375,178	4,490,593	7,119,228
Total operating income (loss) and capital grants and contributions	<u>\$ (3,598,573)</u>	<u>\$ 16,480,900</u>	<u>\$ 2,946,989</u>	<u>\$ 6,131,968</u>
Capital/grant expenditures	\$ (1,240,257)	\$ (26,246,705)	\$ (10,304,091)	\$ (12,973,504)
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
% increase (decrease) of operating revenues over prior year	11%	-4%	4%	
Operating revenues	\$ 16,061,744	\$ 14,417,784	\$ 14,983,008	
Operating expenses	16,544,500	14,636,759	14,328,990	
Operating income (loss)	<u>(482,756)</u>	<u>(218,975)</u>	<u>654,018</u>	
Capital grants and contributions	8,039,121	15,459,033	7,234,290	
Total operating income (loss) and capital grants and contributions	<u>\$ 7,556,365</u>	<u>\$ 15,240,058</u>	<u>\$ 7,888,308</u>	
Capital/grant expenditures	\$ (12,785,197)	\$ (31,825,552)	\$ (15,968,448)	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
% increase (decrease) of operating revenues over prior year	-4%	1%	15%	
Operating revenues	\$ 14,347,121	\$ 15,008,698	\$ 14,903,270	
Operating expenses	13,608,865	13,311,986	12,883,157	
Operating income (loss)	<u>738,256</u>	<u>1,696,712</u>	<u>2,020,113</u>	
Capital grants and contributions	1,060,697	4,207,583	1,079,061	
Total operating income (loss) and capital grants and contributions	<u>\$ 1,798,953</u>	<u>\$ 5,904,295</u>	<u>\$ 3,099,174</u>	
Capital/grant expenditures	\$ (4,038,009)	\$ (22,696,237)	\$ (5,023,237)	

See the independent auditor's report.

COMPLIANCE SECTION



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

To the Board of Directors
Panama City Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Panama City Port Authority, component unit of the City of Panama City, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Panama City Port Authority's basic financial statements and have issued our report thereon dated March 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Panama City Port 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Panama City Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Panama City Port 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panama City Port 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.

Lipton, Mauler, Garner & Chastain

Panama City, Florida

March 7, 2025



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors
Panama City Port Authority

Report on the Financial Statements

We have audited the financial statements of the Panama City Port Authority, component unit of the City of Panama City, Florida, as of and for the year ended September 30, 2024, and have issued our report thereon dated March 7, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Component Unit Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 March 7, 2025, 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. Corrective actions have been taken to address findings and 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. For information regarding the specific legal authority for the entity, see Note 1 to the financial statements.

Financial Condition and Management

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

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

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.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Panama City Port Authority is required to include a statement as to whether a PACE Program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the Panama City Port Authority's geographical boundaries during the fiscal year under audit. The Panama City Port Authority has not authorized the operation of a PACE program, and management is not aware of the operation of any such program, within its geographical boundaries.

Special District Component Units

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

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6., Rules of the Auditor General, the Panama City Port Authority reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 71.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 10.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$5,174,545.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$794,076.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

Bulkhead Improvements - Slip Enclosure and Apron	\$ 1,924,333
Cap and Fender Refurbishment	2,800,000
Container Terminal Expansion	2,376,000
Main Gate Rail Access Improvements	285,000
East Terminal Warehouse	2,800,000
IDC Bulk Transfer Facility Improvements	440,000

- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, is included on pages 50-52.

Additional Matters

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

Purpose of this Letter

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

Lipton, Mauler, Garner & Chastain

Panama City, Florida
 March 7, 2025



INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Board of Directors
Panama City Port Authority

We have examined Panama City Port Authority's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds and with Federal and State laws, rules, regulations, contracts, or grant agreements related to the receipt and expenditure of funds (Section 288.8018(1), Florida Statutes) received related to the Deepwater Horizon Oil Spill, during the year ended September 30, 2024. Management of Panama City Port Authority is responsible for Panama City Port Authority's compliance with the specified requirements. Our responsibility is to express an opinion on Panama City Port Authority's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, Panama City Port Authority complied, in all material respects, with the requirements specified in the first paragraph during the year ended September 30, 2024.

This report is intended solely for the information and use of Panama City Port Authority and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than the specified parties.

Tipton, Marler, Garner & Chastain

Panama City, Florida
March 7, 2025

**PANAMA CITY PORT AUTHORITY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO THE DEEPWATER HORIZON OIL SPILL
YEAR ENDED SEPTEMBER 30, 2024**

Source	Amount Received	Amount Expended
British Petroleum:		
Triumph Gulf Coast, Inc.	\$ 631,802	\$ -

Notes to Schedule:

This Schedule does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The Schedule of Expenditures of Federal Awards and State Financial Assistance includes \$0 of expenditures of Federal awards or State financial assistance that are related to the Deepwater Horizon Oil Spill.