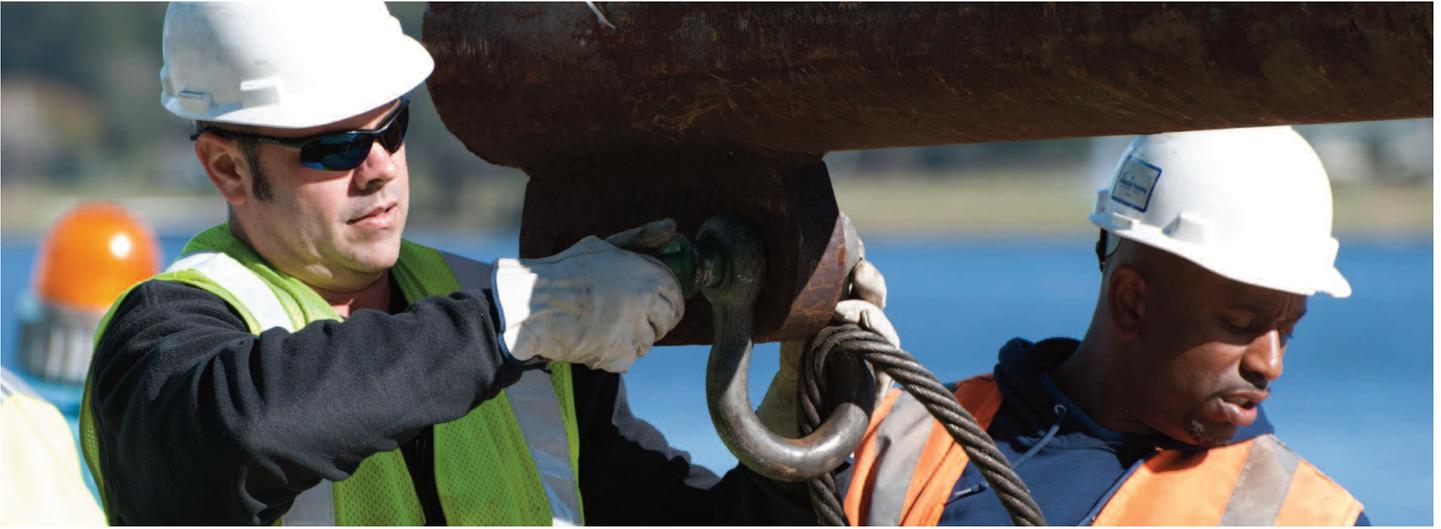


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13

# JAXPORT | JACKSONVILLE PORT AUTHORITY ANNUAL REPORT







## ABOUT JAXPORT

The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida. JAXPORT owns three cargo facilities and one passenger cruise terminal along the St. Johns River: Blount Island Marine Terminal, Talleyrand Marine Terminal, Dames Point Marine Terminal and the JAXPORT Cruise Terminal.

- Ten of the world's top 15 global carriers now serve JAXPORT
- Serving the Asian trade through the Panama & Suez Canals
- Record setting container volume at JAXPORT
- More than 60 million consumers within one-day truck drive
- One of the nation's highest-weight-bearing-capacity docks
- No. 1 container port complex in Florida
- 5th year of container volume growth
- 13th year of operating revenue growth
- Celebrating a decade of cruise service
- Foreign Trade Zone No. 64 named one of the best in the world
- No. 1 U.S. port handling trade to Puerto Rico
- No. 1 U.S. vehicle export port
- One of 16 U.S. Strategic Ports on-call to move military cargo for national defense



Blount Island Marine Terminal



Dames Point Marine Terminal



Talleyrand Marine Terminal

# A MESSAGE FROM JAXPORT



BLOUNT ISLAND MARINE TERMINAL · DAMES POINT MARINE TERMINAL · TALLEYRAND MARINE TERMINAL · JAXPORT CRUISE TERMINAL

## **Business growth demands a solid foundation.**

Demonstrated throughout the pages of this annual report, you will find the vital components necessary for the future growth of our port – financial stability, diversity of cargo, focused business development and superior customer service.

These factors – along with careful expense-side management and an improving balance sheet – enable us to fulfill our chartered mission to create quality employment, promote private sector prosperity and deliver sound economic impact for Northeast Florida.

## **Here's just a sampling of the highlights from this year's annual report:**

- JAXPORT earned \$53 million in operating revenues in FY 2013, the port's 13th consecutive year of operating revenue growth
- JAXPORT reduced operating expenses by 7 percent and saw operating income grow 15 percent over last year
- JAXPORT moved a total of 8.2 million tons of cargo and set another record in container volume
- JAXPORT saw further rebound in vehicle numbers taking us close to near pre-recession levels
- The Carnival Fascination attracted more than 185,000 passengers to sail from JAXPORT's North Jacksonville cruise terminal, bringing the total passengers served during our decade of cruise service to more than 1.5 million

## **Looking ahead we are laser-focused on our current port growth:**

- JAXPORT's Intermodal Container Transfer Facility is on track for completion in 2015
- The Mile Point project is moving toward congressional approval, with Florida Gov. Rick Scott committing state funds to remove this navigational hazard in the St. Johns River
- Critical modernization of docks and berths continue
- Following a comprehensive federal study, deepening of the channel to accommodate increasingly larger container cargo ships will enter the next phase, which will include pre-construction, engineering and design

When combined with the roadmap to success outlined in our recently released 2014 Strategic Master Plan and the unwavering support of federal, state and regional leaders, these investments will allow us to continue to be a powerful generator of economic benefit for decades to come.

P.O. Box 3005 · 2831 TALLEYRAND AVENUE · JACKSONVILLE,



**Joe York**  
Chairman of the Board



**Brian Taylor**  
Chief Executive Officer

# Strategic Master Plan *Delivering a 47-foot shipping channel & beyond*

## VISION

Northeast Florida will be a principal hub of the nation's global logistics, trade and transportation network

## MISSION

Creating jobs and opportunity by offering the most competitive environment for the movement of cargo and people

## GUIDING PRINCIPLES

Innovation · Teamwork · Accountability · Leadership · Integrity

## WE PLEDGE TO

- Demand a measurable return for the dollars invested
- Maximize the use of public assets for public good
- Balance the interests of those we serve
- Integrate green port initiatives into all endeavors
- Pursue all outreach and engagement opportunities

GOAL			
Deliver a 47-foot shipping channel	Develop near-term and long-term plans that are operationally and financially compatible	Preserve diversity of business	Deliver annual profitable business growth
STRATEGIES			
<ul style="list-style-type: none"> <li>Eliminate the Mile Point navigational issue</li> <li>Interface with U.S. Congress, U.S. Army Corps of Engineers and all those able to expedite approval/funding</li> <li>Develop business and community consensus</li> <li>Design and construct the Intermodal Container Transfer Facility at Dames Point</li> <li>Develop a more efficient rail corridor in collaboration with business and community partners</li> <li>Work with the FL Dept. of Transportation to enhance the regional highway and road systems</li> </ul>	<ul style="list-style-type: none"> <li>Ensure complete integration of near-term and long-term capital spending plans</li> <li>Optimize the current capabilities of the Talleyrand Marine Terminal</li> <li>Continue berth and rail improvements at the Blount Island Marine Terminal to support a 47-foot harbor</li> <li>Efficiently manage ongoing dredging and disposal operations</li> <li>Finalize a Mayport property strategy that creates economic value and is consistent with community goals</li> </ul>	<ul style="list-style-type: none"> <li>Increase market share in the Caribbean and Latin America</li> <li>Develop a business model for an alternate cruise terminal</li> <li>Capitalize on existing infrastructure to support specialty and oversized cargoes</li> <li>Strengthen bulk handling capabilities for commodities such as limestone, granite, biodiesel and liquids</li> <li>Continue to offer rapid, effective, secure service during U.S. military mobilizations as one of only 16 strategic military ports in the nation</li> </ul>	<ul style="list-style-type: none"> <li>Leverage prime geographic location</li> <li>Target retail and refrigerated distribution capabilities, manufacturing and light assembly companies</li> <li>Market directly to ocean carriers and importers/exporters</li> <li>Aggressively pursue options to serve all international carriers and major shipping alliances</li> <li>Promote the use of the Foreign Trade Zone</li> <li>Lead the industry in support of Liquefied Natural Gas (LNG) operations</li> </ul>

# FINANCIAL HEALTH

JAXPORT earned \$53.1 million in operating revenues in FY 2013, a 2.4 percent increase over FY 2012 and the port's 13th consecutive year of operating revenue growth. Strong expense-side management allowed JAXPORT to reduce operating expenses to \$28 million in FY 2013 from \$30 million in FY 2012, a 7 percent decrease. At the same time, operating income in FY 2013 rose 15 percent to \$25 million from \$21.7 million in FY 2012.

Successes include a continued rebound of automobile and other roll-on/roll-off cargoes and an increase in cruise-related revenues based on a new contractual agreement.

In addition, JAXPORT enhanced its balance sheet by reducing overall debt by \$28 million and improving debt service coverage ratios.

These financial results reflect JAXPORT's positive year operationally with another record set in container volume. JAXPORT facilities moved a record 926,810 containers or twenty-foot equivalent units (TEUs) in FY 2013. Container volume has grown 33 percent since 2008, making JAXPORT one of the few U.S. seaports to experience growth even through the recent global economic downturn.

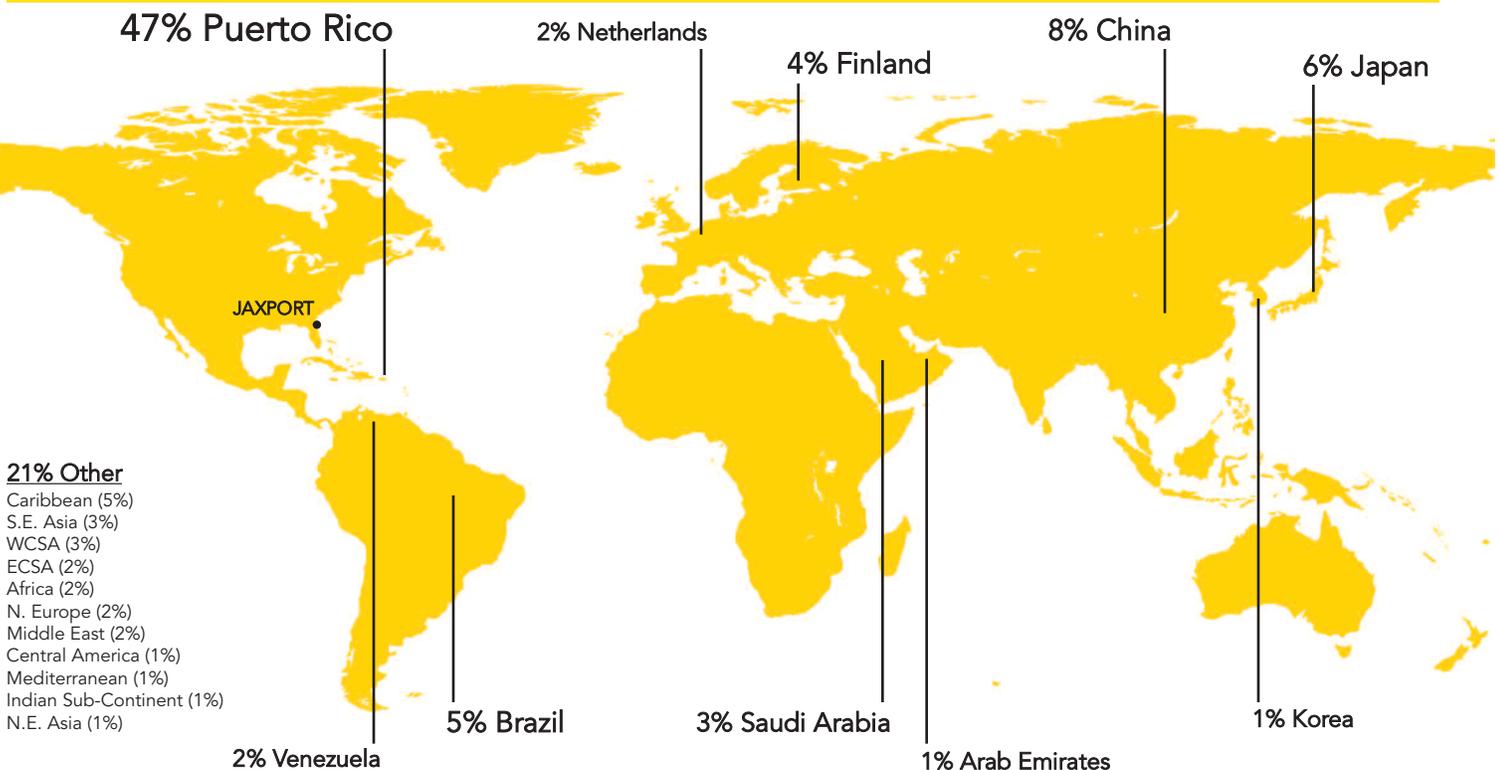
When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's No. 1 container port.

A total of 8.2 million tons of cargo shipped through JAXPORT facilities in FY 2013 and the port saw 1,933 vessels calls in the same period. The rebound in vehicle volumes (630,697) continues taking JAXPORT to near pre-recession levels.

Moody's Investors Service recently assigned JAXPORT a financial rating of "A2" while Fitch Ratings assigned JAXPORT a rating of "A." Both agencies noted that despite challenging economic conditions, JAXPORT maintained its competitive position as a strategically located container port, its status as one of the nation's largest vehicle processing centers, and its diverse revenue streams supported by long-term contracts with private tenants.

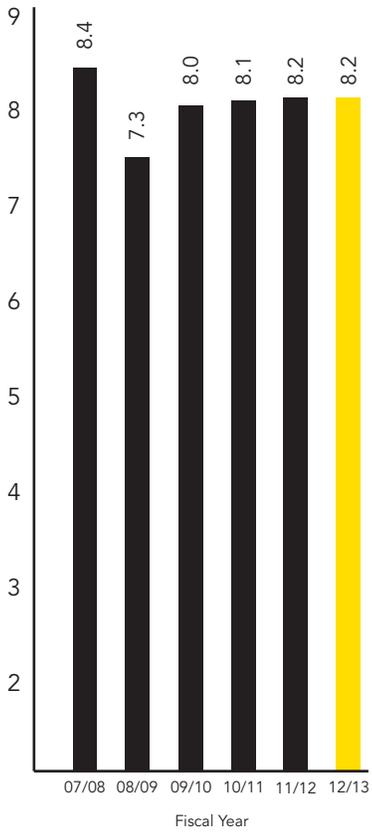
JAXPORT has a significant capital program planned for FY 2014, much of it funded through state and federal grants. These projects include wharf rehabilitation at Blount Island and Talleyrand Terminals, Mile Point improvements, the Intermodal Container Transfer Facility at Dames Point and spoil site improvements at Bartram Island.

## Top 10 Trade Lanes FY 2013

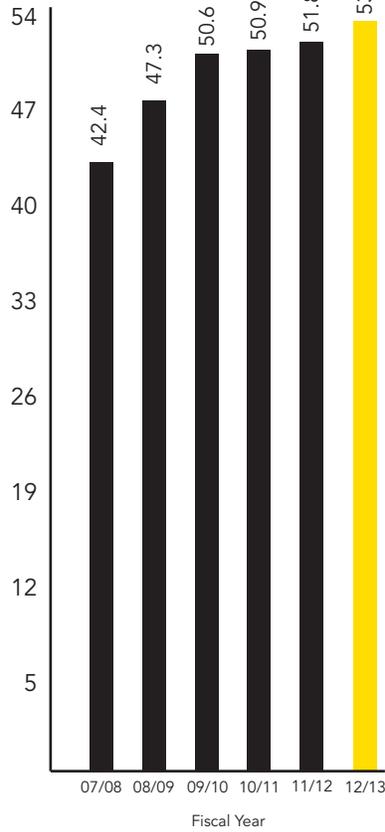


Source: Compiled from PIERS/Journal of Commerce Data includes JAXPORT ONLY (does not include petroleum or coal)

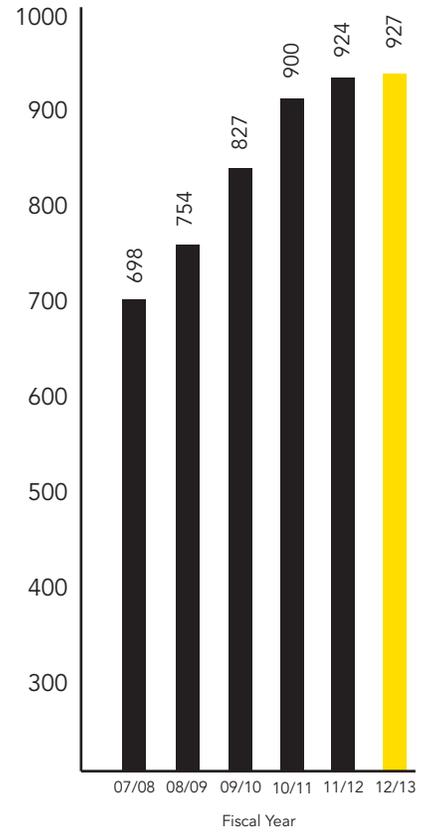
**Total Tonnage (in millions)**



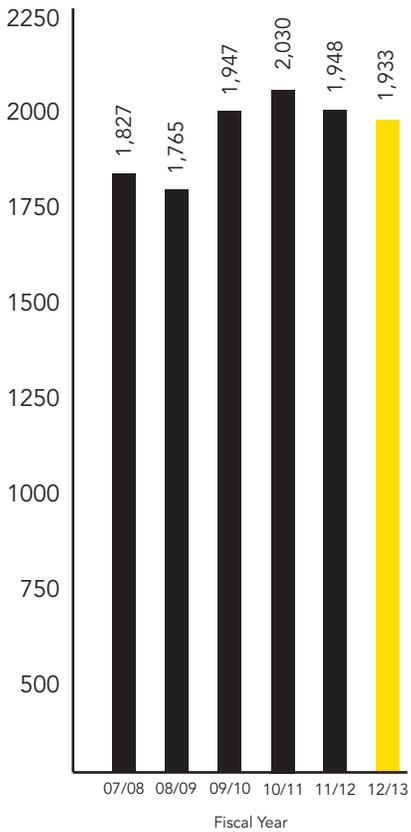
**Revenue (in millions)**



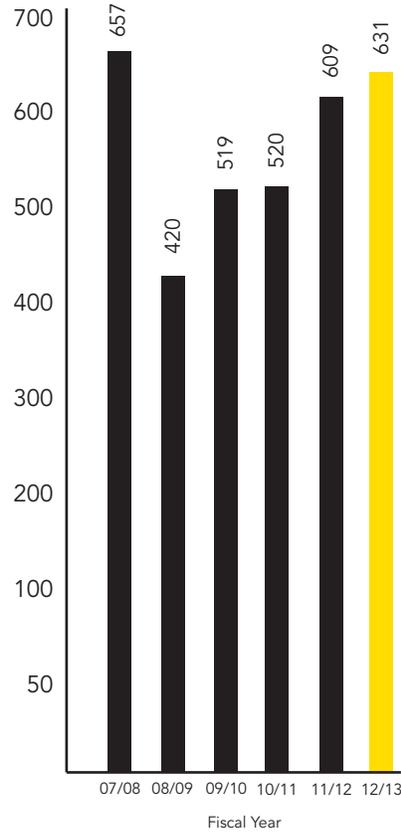
**TEUs (in thousands)**



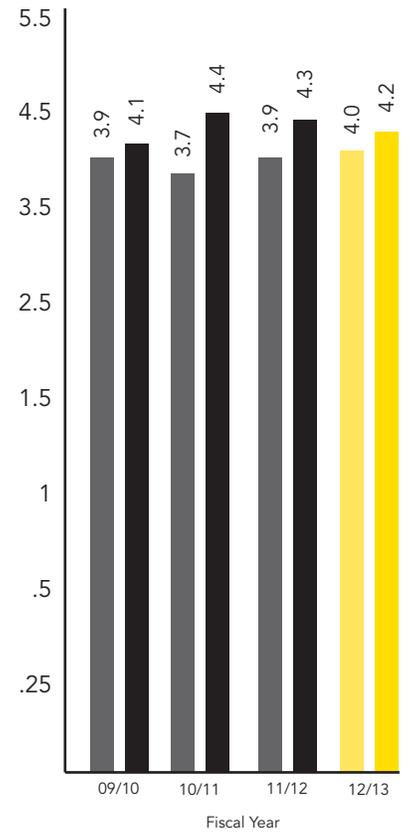
**Vessel Calls**



**Auto Units (in thousands)**



**Import/Export (in millions of tons)**



# ECONOMIC ENGINE

There is no denying that JAXPORT is a crucial component of the area's present economic vitality and future growth. According to figures released in 2009 by the world renowned consulting firm Martin Associates, Jacksonville's seaport generates the following impact:

Nearly 65,000 direct and indirect area jobs are supported by port activity: everything from longshoremen, truck drivers and warehouse workers to engineering specialists, legal consultants, maintenance workers and hundreds of similar support positions. In Jacksonville alone, nearly 23,000 people are employed in port-dependent positions, jobs directly relying on the port. An additional 43,000 positions are related to cargo activity in the Port of Jacksonville; these are jobs within the manufacturing, retail, wholesale and distribution industries.

The latest research concludes these positions provide an average annual salary of \$43,980, well above the Jacksonville average of \$27,215 as cited by the JAX Chamber.

The port accounts for \$19 billion in economic impact annually, including \$1.8 billion of personal wages paid by

port-related companies and re-spending by workers; \$1.9 billion in business revenue generated by port-related companies; \$320 million generated in U.S. Customs revenue; \$385 million in local purchases made by port-related businesses; and \$130 million paid in state and local taxes by port businesses.

The 2009 Martin Associates study further shows that the cruise industry supports more than 460 jobs in Northeast Florida and more than \$67 million in annual economic impact. Jobs at the JAXPORT Cruise Terminal include those handling luggage, customer service, parking and security, as well as jobs generated in the community to support passengers and crew members, such as ground transportation and hospitality.

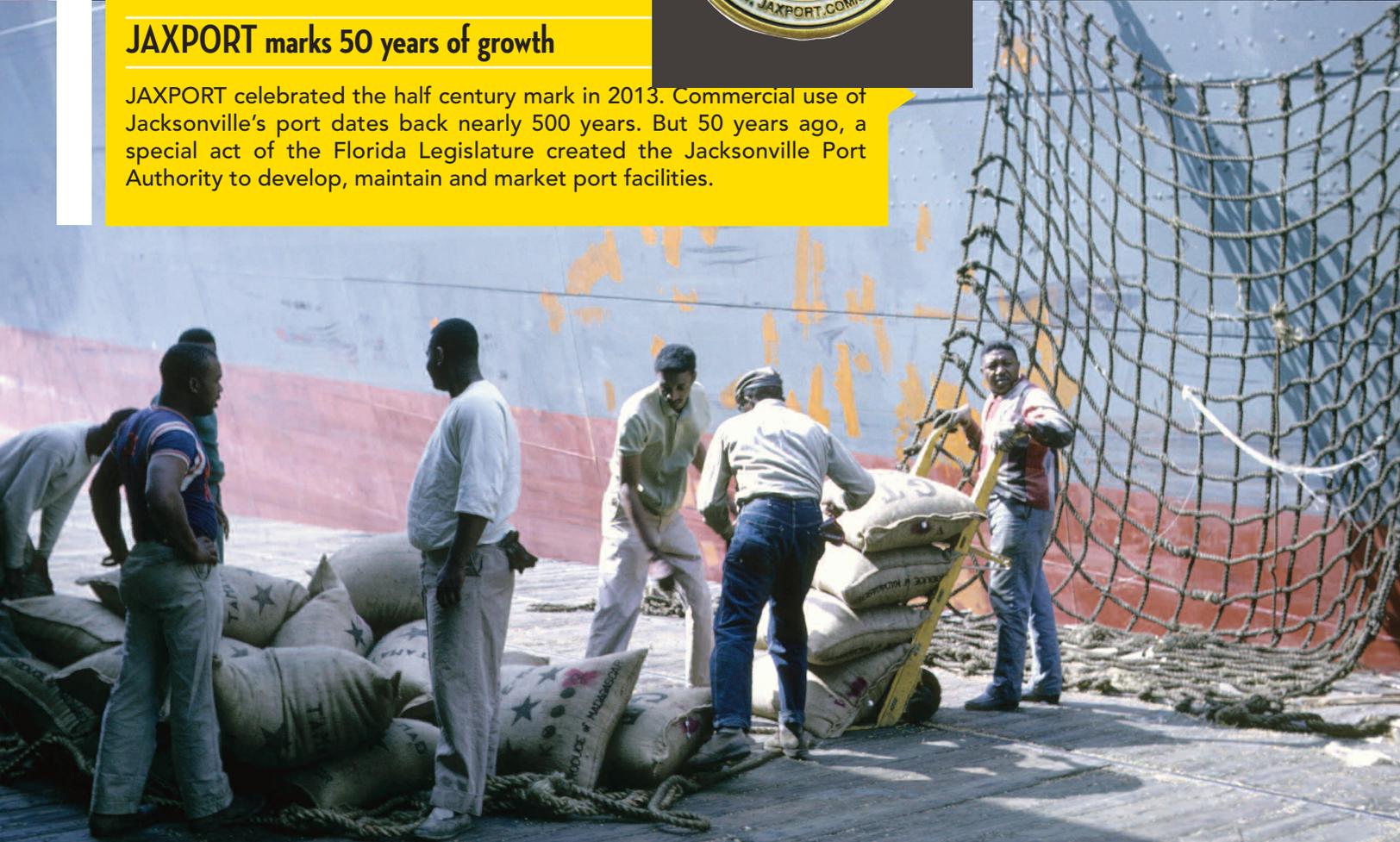
In addition, growth at the port has spurred demand for commercial real estate and warehouse space. Citing Jacksonville's outstanding intermodal connections and worldwide ocean carrier services, several companies have opened warehousing and distribution center facilities in Jacksonville and/or have relocated corporate offices to Northeast Florida.





## JAXPORT marks 50 years of growth

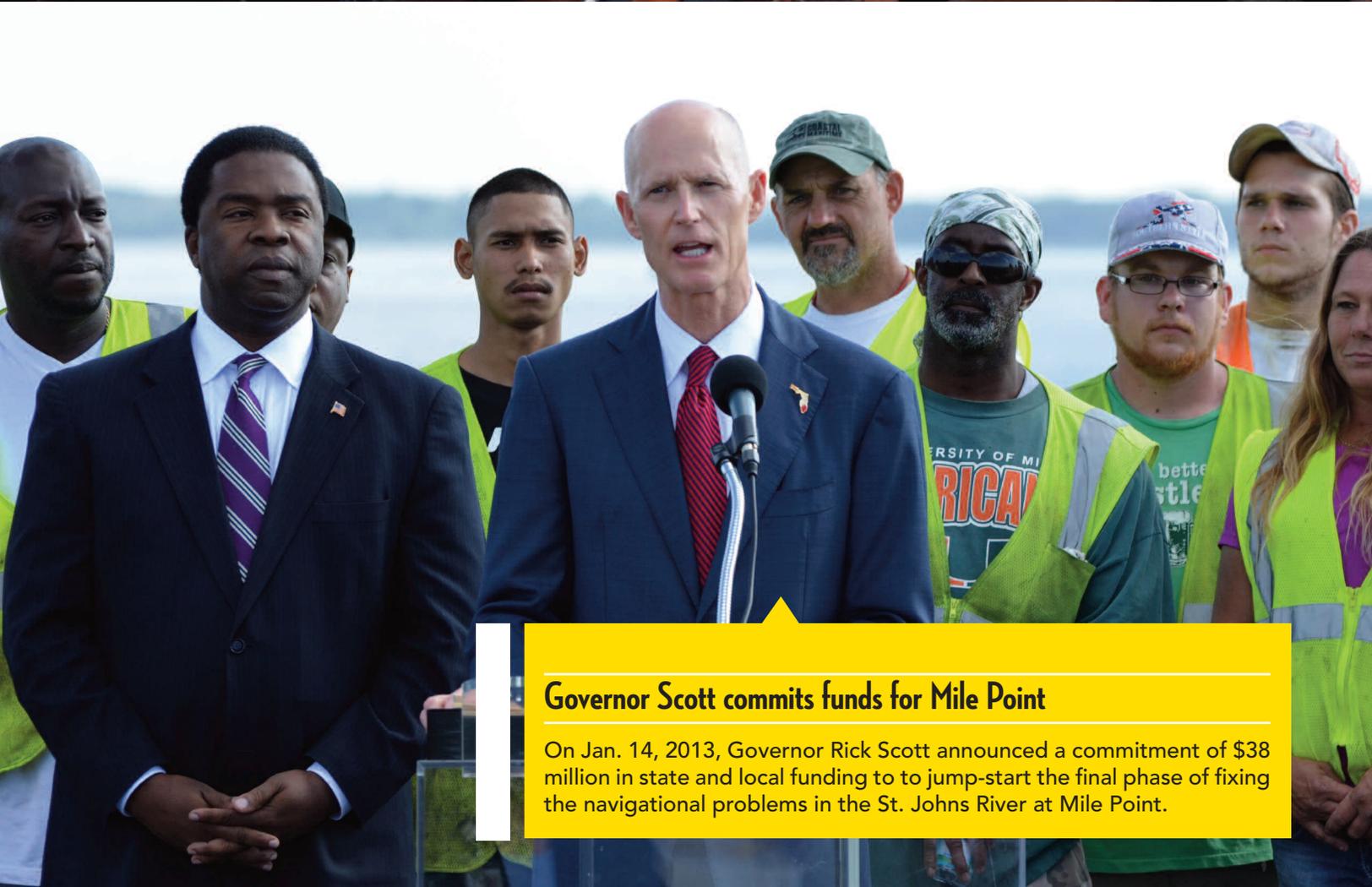
JAXPORT celebrated the half century mark in 2013. Commercial use of Jacksonville's port dates back nearly 500 years. But 50 years ago, a special act of the Florida Legislature created the Jacksonville Port Authority to develop, maintain and market port facilities.





## President Obama visits JAXPORT

After a tour of JAXPORT on July 25, 2013, President Barack Obama spoke about the importance of manufacturing and ports to the nation's economy.



## Governor Scott commits funds for Mile Point

On Jan. 14, 2013, Governor Rick Scott announced a commitment of \$38 million in state and local funding to to jump-start the final phase of fixing the navigational problems in the St. Johns River at Mile Point.



We've got to create more jobs today doing what you're doing right here at JAXPORT, and that's building this country's future.

**- President Barack Obama**

Our seaports and transportation infrastructure are critical to our goal of facilitating job creation in order to strengthen our country's middle and working class.

**- U.S. Representative Corrine Brown**

A thriving JAXPORT means more jobs, more trade and more economic growth for the region; that's why my support for the port and its progress is stronger than ever.

**- U.S. Representative Ander Crenshaw**

My top priority as Governor is job creation. Florida's ports are critical to providing jobs for Florida families.

**- Florida Governor Rick Scott**

My administration is working to help lead our efforts with members of Congress, state leaders and national officials to elevate JAXPORT to its full potential and create jobs and investment in Jacksonville.

**- Jacksonville Mayor Alvin Brown**





## **11,000 tons of aluminum arrive at JAXPORT in one shipment**

On August 13, 2013, Longshoremen at JAXPORT's Talleyrand Marine Terminal unloaded 11,000 tons of aluminum ingots, the largest shipment of its kind at the port in more than five years. The aluminum was moved by JAXPORT tenant Seaonus, which offers full spectrum logistics services to or from anywhere in the world.

# CARGO HIGHLIGHTS



In FY 2013, JAXPORT facilities handled 8.2 million tons of cargo and continued adding container volume, moving a record number of twenty-foot equivalent units (TEUs) for the fifth consecutive year. The port handled 926,810 TEU in FY 2013. When combined with the containers moved by private users of the St. Johns River harbor, these volumes make Jacksonville the largest container port in Florida.

JAXPORT was one of a handful of U.S. container ports to experience increases in volumes from FY 2009 through FY 2013, reflecting the continued addition of new business through both the Panama and Suez Canals.

In addition, JAXPORT logged 1,933 vessel calls in FY 2013.

The shipment of vehicles and other Ro/Ro cargoes — primarily passenger cars, trucks and heavy equipment — continued to show a significant rebound in FY 2013, with the port moving 630,697 units, up 3.6 percent. This continued growth follows on the heels of last year's 17 percent increase in Ro/Ro volumes.



# CRUISE HIGHLIGHTS

In FY 2013, JAXPORT celebrated 10 years of cruise service and 185,829 passengers embarked aboard Carnival Cruise Line's Fascination at JAXPORT's North Jacksonville cruise terminal.

The 2,052 passenger Fascination took a total of 77 voyages out of JAXPORT's cruise terminal at Dames Point in FY 2013. The Fascination currently offers cruises to Key West and the Bahamas year-round.

Passengers enjoy their "Cruise Jacksonville" experience, with a total of 95 percent of those surveyed saying they would consider choosing Jacksonville again for their next cruise departure. In recent years, Carnival awarded JAXPORT's Cruise Terminal Embarkation Team highest honors in its Quality Assurance Inspection Program. The same team continues to earn top honors in the company's annual guest comment card survey.



# COMMUNITY HIGHLIGHTS

JAXPORT takes pride in being an involved corporate citizen of the region. Our chartered mission to create employment and economic activity means we have a special interest in educating the transportation and logistics leaders of tomorrow, taking care of those in need in our community, supporting environmental stewardship, and ensuring port-related opportunities are available to all.

Here are just some of the programs JAXPORT recently sponsored or participated in:

## **Environment**

- Greenscape of Jacksonville's Annual Tree Sale
- Tree Hill Nature Center's environmental programs, including the Butterfly Festival
- Annual Right Whale Festival
- Community and school tree plantings

## **Jobs / Workforce / Education**

- The JAXPORTjobs.com website serving 133,000+ registered users and 275 companies
- Duval, Baker, Clay, Columbia and St. John's County Public Schools "Career Academies"
- Support of local college and university logistics degrees and certifications
- Big Brothers Big Sisters mentoring programs
- Military veterans, trade and college career showcases

## **Small Business**

- International Trade Certificate programs and education
- Florida Black Expo and minority business outreach
- Minority Enterprise Development Week
- Asian, Puerto Rican, Indian, Hispanic and African American Chambers and alliances
- JAX Chamber mentorships

## **Community**

- JAXPORT employees and partners contributed more than \$60,000 to the United Way of Northeast Florida and the Community Health Charities' 2013 campaigns
- American Heart Association, Cancer Society, Leukemia Lymphoma Society fundraising walks
- Community Angel Tree of Giving and food drives
- JAXPORT Gallery hosts free exhibitions, highlighting local artists and their original works
- Safe Harbor Boys Home
- Port tours for community organizations, schools, business and industry



# FUTURE

## ***Design and Construct Dames Point On-Dock Rail***

JAXPORT is proceeding with the design and construction of the \$30 million Intermodal Container Transfer Facility at Dames Point, also home to the MOL/TraPac Container Terminal. Paid for by federal and state transportation grants, the ICTF will increase the competitiveness of the entire JAXPORT terminal network, offering the increased level of efficiency shippers require in today's demanding marketplace.

## ***Revitalize Infrastructure***

JAXPORT is in the midst of a comprehensive infrastructure revitalization program to rebuild/construct docks and rail at both the Blount Island and Talleyrand Marine Terminals. This well-designed, phased reconstruction is taking place over several years, allowing operations to continue while fortifying the facilities for future growth.

## ***Improve the Federal Channel***

JAXPORT and the U.S. Army Corps of Engineers (USACE) have two projects underway to improve the commercial viability and economic competitiveness of the St. Johns River harbor: Mile Point, a project removing a navigational restriction and the Jacksonville Harbor Deepening Project, a federal program aimed at deepening the harbor to 47 feet.

## ***Expand Dredge Disposal Capabilities***

JAXPORT is also working with USACE to increase capacity at various disposal sites used by these agencies and other commercial interests operating in the harbor. Implementation of this plan will allow USACE and JAXPORT to accommodate the disposal needs of a rapidly growing seaport.

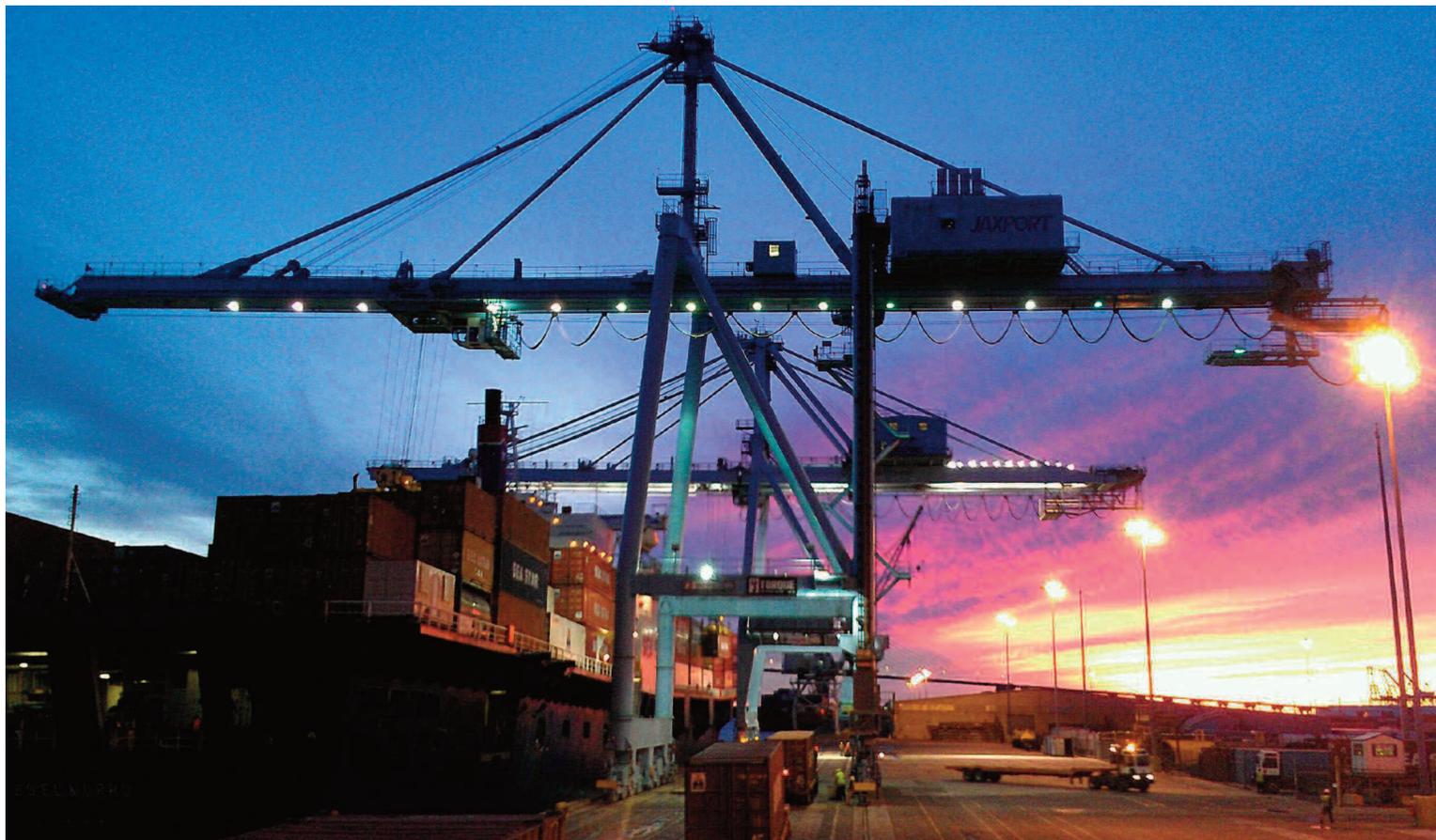
## ***Enhance Port Security and Emergency Preparedness***

JAXPORT continues to assess threat and vulnerabilities in an all-hazards environment finding new and innovative ways to mitigate risk while achieving the highest level of operational efficiency. Ongoing implementation of physical security solutions such as Access Control and Command and Control systems will reduce risk and increase operating efficiencies throughout the port.

## ***Become a Leader in LNG***

With Jacksonville-based Sea Star Line and Crowley Maritime pioneering the use of liquefied natural gas (LNG) to power a new generation of cargo ships, JAXPORT and the Northeast Florida region are taking a lead role in the emergence of LNG as a preferred environmentally friendly fuel source and potential export commodity.





## FINANCIALS

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Jacksonville Port Authority, Florida (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A"), and the schedule of funding progress – other post-employment benefits plan on pages 3-11 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying revenue recognition – GAAP to budgetary basis reconciliation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*McGladrey LLP*

Jacksonville, Florida  
January 22, 2014

## **Jacksonville Port Authority**

### **Management's Discussion and Analysis (unaudited)**

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This section of the Jacksonville Port Authority's (the "Authority") annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year which ended September 30, 2013 and for fiscal year 2012. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

#### **FINANCIAL HIGHLIGHTS**

Revenues for the Authority grew 2.4 percent over prior year, to finish at \$53 million, the 13th consecutive year-over-year revenue growth. Operating income before depreciation grew to \$25 million, up from \$22 million a year ago.

Highlights in fiscal year 2013 included a continued rebound in vehicle units (630,697 units), up 4 percent over prior year, and a related 3.4% growth in revenues. Additionally cruise revenues were up 14 percent from prior year, resulting from a contract renewal and enhanced pricing structure. Operating expenses before depreciation were \$28 million, a reduction of over \$2 million from \$30 million in 2012, due in part to continued strong expense side management in fiscal year 2013.

The Authority remains at the center of a shift in international trade to the U.S. East Coast and ideally suited to attract opportunity through expansion and new lines of business. It continues to be the nation's No. 1 vehicle export port; the No. 1 port for trade with Puerto Rico by tonnage and value and the 11th largest U.S. container port. Seventeen of the world's top 20 global ocean shippers call on Jacksonville and JAXPORT now offers service to all major European and Asian ports, including services through the Suez Canal. All of this has spurred demand for commercial real estate and warehouse space in the region. Citing Jacksonville's outstanding intermodal connections and worldwide ocean carrier services, scores of household name companies, including Bridgestone, Coach, Kraft, Unilever, Michaels and Mercedes-Benz have expanded distribution operations in Northeast Florida. In addition, JAXPORT remains one of only 16 U.S. Strategic Ports on-call to move military cargo for national defense (and the only one in Florida).

Further discussion of the Authority's performance is contained in the following comparative financial statements and related management's discussion and analysis.

## Jacksonville Port Authority

### Management's Discussion and Analysis (unaudited)

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(All dollar amounts presented below are in thousands)

#### 2013 vs. 2012

Operating revenues for 2013 were \$53,077, reflecting 2.4% growth over prior year revenues of \$51,825. Auto revenues were up 3.4% (630,697 units – 4% over prior year), and cruise revenues increased 13.5%. Container revenues declined 1.4% year to year. Operating expenses before depreciation and amortization declined \$2,034, primarily a result of a transfer of ferry operations at year end 2012, reducing expenses by \$1,629, and costs savings within security expenses of \$420. Depreciation and amortization was \$24,033 in 2013, relatively unchanged from 2012. As a result of revenue growth of \$1,252 and reduced operating expenses of \$2,034, operating income improved \$3,222 to \$978 operating income in 2013, compared to an operating loss of (\$2,244) in 2012.

Net non-operating revenue and expenses were (\$6,412), compared to (\$9,784) in prior year. Positive impacts in 2013 were reduced interest expenses of \$797, resulting from a late 2012 bond refunding and a favorable variable interest rate environment. Additionally, shared revenue from primary government increased \$789 resulting from a debt refunding in 2013 serviced by this revenue source, funds are distributed net of debt service payments. One-time items within non-operating items include the 2012 transfer of ferry assets to the city of \$4,384, with additional final transfer of \$438 in 2013. One-time items for 2013 included a \$1,378 charge for a potential liability for dredging grant funds de-obligated. A write off of design and development costs of approximately \$1,100 for a new terminal determined not to proceed at this time (Hanjin) and legal and litigation costs incurred to date of \$520 related to claims against a contractor.

Capital contributions were \$19,260 in 2013, compared to \$14,956 in 2012, focused on berth reconstruction, spoil sites development and security enhancements.

At the close of fiscal year 2013, the Authority had a net position of \$317,666, an increase of \$13,826 over prior year net position of \$303,840.

#### 2012 vs. 2011

Operating revenues for 2012 were \$51,825, up nearly 2% year-to-year. Auto and container revenues, which make up 73% of overall revenues, were up 5% and 2%, respectively. Total operating expenses before depreciation and amortization of \$30,100 reflect a \$1,000 (3%) reduction compared to prior year. Most significant were reductions in salaries and benefits costs of \$589, and savings in security costs totaling \$972, both relate to cost saving efforts in these two categories. Promotional and advertising expenses were up \$236, and services and supplies were up \$207, primarily related to fuel costs. Depreciation and amortization was flat year-to-year. As a result of both increased revenue and expense savings year-to-year, income from operations improved to (\$2,244) in 2012, or a net increase of \$2,001 compared to 2011.

Net non-operating revenues and expenses were (\$9,784), recording a net increase in expense for this category in 2012 of (\$1,408). On the positive side, interest expense of (\$10,883) includes savings of \$628 compared to 2011. Negatively impacting non-operating revenue is a \$1,398 decline in shared revenue from primary government, \$5,712 in 2012 compared to \$7,110 in 2011. This decline is mainly attributable to an increase in scheduled debt payments, serviced from this interlocal revenue source. Other noteworthy non-operating items are one-time items and include a contribution of ferry assets to the City of Jacksonville (City) in 2012 of \$4,384, and a contribution of a highway infrastructure project to the Florida Department of Transportation (FDOT) in 2011 of \$3,885.

Capital contributions recorded in 2012 were \$14,956, compared to \$5,113 in 2011, an increase of \$9,843, related to significant infrastructure rebuild projects in 2012.

## **Jacksonville Port Authority**

### **Management's Discussion and Analysis (unaudited)**

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At the close of fiscal year 2012, the Authority had a net position of \$303,840, an increase of \$2,928 (1%), compared to prior year's net position of \$300,912.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion is to introduce the Authority's financial statements. Since the Authority is engaged in a single business-type activity only, no fund level statements are shown. The basic financial statements also include notes essential to a full understanding of the statements.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. The statement of revenues, expenses, and changes in net position shows how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of when cash flows may take place. As a result, some revenues and expenses in this statement are reported for items that will result in cash flows in future fiscal periods. The statement of cash flows represents cash and cash equivalent activity for the fiscal year, resulting from operating, non-capital financing, capital financing and investing activities. The net result of these activities is added to the beginning balance of cash and cash equivalents to reconcile to the ending balance of cash and cash equivalents at the end of the fiscal year.

Taken together, these financial statements demonstrate how the Authority's net position has changed. Net position is one way of assessing the Authority's current financial condition. Increases or decreases in net position are good indicators of whether the Authority's financial health is improving or deteriorating over time.

#### **Notes to the financial statements**

The notes provide additional information and explanation that is necessary for a full understanding of the basic financial statements.

## Jacksonville Port Authority

### Management's Discussion and Analysis (unaudited)

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#### FINANCIAL ANALYSIS OF THE AUTHORITY

##### Net Position

At September 30, 2013, the Authority's net position was \$317,666, an increase of \$13,826 from prior year net position of \$303,840. The increase in 2013 was attributable to operating income before depreciation and amortization of \$25,011, plus capital contributions of \$19,260, minus depreciation and amortization of \$24,033, minus net non-operating expenses of \$6,412 (which includes interest on debt service, shared revenue and one-time items).

<i>(In thousands of dollars)</i>	2013	2012	2011
<b>NET POSITION</b>			
Current assets	\$ 37,333	\$ 32,639	\$ 38,069
Noncurrent assets (excluding capital assets)	32,431	42,923	30,194
Capital assets	603,260	611,123	600,909
Deferred outflows	1,985	3,146	3,022
Total assets and deferred outflows	<u>675,009</u>	<u>689,831</u>	<u>672,194</u>
Current liabilities	26,446	27,922	32,987
Revenue bonds outstanding (net of current portion)	185,167	194,284	182,218
Other noncurrent liabilities	145,730	163,785	156,077
Total liabilities	<u>357,343</u>	<u>385,991</u>	<u>371,282</u>
Net position			
Net Investment in Capital Assets	273,214	261,312	252,599
Restricted for capital projects	-	-	-
Restricted for debt service	18,494	18,203	15,453
Restricted – other	2,659	2,547	6,991
Unrestricted	23,299	21,778	25,869
Total net position	<u>\$ 317,666</u>	<u>\$ 303,840</u>	<u>\$ 300,912</u>

Total assets and deferred outflows at year end 2013 were \$675,009, a decrease of \$14,822. Capital assets declined \$7,863, and include additions of \$16,170 (mostly wharf reconstruction and security related) less depreciation of \$24,033. Non-current assets (excluding capital assets) decreased \$10,492, primarily from construction funds spent in 2013. Current assets increased \$4,694, primarily increased unrestricted cash of \$2,926 and increased debt service escrow cash balances of \$2,349.

Total liabilities decreased \$28,648 in 2013, primarily from scheduled revenue bonds and notes debt service of \$9,117, and line-of-credit pay downs of \$18,324. Current liabilities declined \$1,476, a result of a refund of customer deposit of \$2,802, partly offset by increased debt interest payable of \$1,063.

The Authority is engaged in a capital-intensive industry, and as such its largest component of net position is net investment in capital assets. The next largest components of net position are unrestricted net position and restricted for future debt service.

## Jacksonville Port Authority

### Management's Discussion and Analysis (unaudited)

#### Revenue, Expenses and Changes in Net Positions

	2013	2012	2011
<b>CHANGES IN NET POSITION</b>			
Operating revenue	\$ 53,077	\$ 51,825	\$ 50,871
Operating expenses			
Salaries and benefits	13,629	13,213	13,802
Services and supplies	4,630	6,525	6,318
Security services	3,635	4,055	5,027
Business travel and training	382	359	303
Promotion, advertising, dues and memberships	1,121	841	605
Utility services	1,093	1,207	1,282
Repairs and maintenance	1,718	1,750	1,686
Dredging	1,976	2,080	1,966
Miscellaneous	(118)	70	111
Total operating expenses	28,066	30,100	31,100
Operating income before depreciation and amortization	25,011	21,725	19,771
Depreciation and amortization	24,033	23,969	24,016
Operating gain / (loss)	978	(2,244)	(4,245)
Non-operating revenue (expense)			
Interest expense	(10,086)	(10,883)	(11,511)
Shared revenue from primary government	6,501	5,712	7,110
Intergovernmental revenue	517	253	186
Loss on sale/disposition of assets	(1,128)	(709)	(359)
Insurance recovery, net	-	-	-
Capital contributions to other government agencies	(438)	(4,384)	(3,885)
Other non-operating	(1,778)	227	83
Total non-operating revenue (expense)	(6,412)	(9,784)	(8,376)
Loss before capital contributions	(5,434)	(12,028)	(12,621)
Capital contributions	19,260	14,956	5,113
Changes in net positions	13,826	2,928	(7,508)
<b>NET POSITION</b>			
Beginning of year	303,840	300,912	308,420
End of year	\$ 317,666	\$ 303,840	\$ 300,912

#### Revenue, Expenses and Changes in Net Position – 2013 vs. 2012

Operating revenues for 2013 were \$53,077, up \$1,252 (2.4%) over prior year. Auto revenues increased \$505 (3.4%), cruise revenues increased \$510 (14%) – resulting from new contract rates, while container revenues declined \$318 (1.4%). Other revenue increases were attributable to spoil site usage fees of \$1,090, and rail track fees up \$312.

Operating expenses for 2013 were \$28,066, compared to \$30,100 in 2012, a \$2,034 decrease. Most notable were savings from the transfer of ferry operations \$1,692, and reductions of \$420 (10%) in security costs.

## Jacksonville Port Authority

### Management's Discussion and Analysis (unaudited)

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Net non-operating expenses declined to \$6,412 in 2013, compared to \$9,784 in 2012. Interest expense declined \$797 due to a bond refunding in late 2012, and a favorable variable rate interest environment. Shared revenue from primary government was up \$789 in 2013, resulting from the refunding of one of two debt obligations serviced by this interlocal agreement revenue source. Two one-time transactions in 2013 include a write off of \$1,100 in terminal design and other costs (Hanjin) – determined not to proceed, and a \$1,377 charge for a potential de-obligation of dredging grant funds received in prior years. In 2013, the Authority contributed additional ferry assets of \$438 to the City of Jacksonville, in addition to amounts transferred in 2012 of \$4,384.

Capital contributions recorded in 2013 were \$19,260, compared to \$14,956 in 2012, an increase of approximately \$4.3 million. Significant capital contributions in 2013 were for spoil site development \$10.6 million, port security enhancements \$4.2 million, and berth reconstruction grant funding of \$3.6 million.

At the close of fiscal year 2013, the Authority had a net position of \$317,666, an increase of \$13,826, compared to prior year net position of \$303,840.

#### Revenue, Expenses and Changes in Net Position – 2012 vs. 2011

Operating revenues for 2012 were \$51,825, an increase of almost 2% over prior year. Increases were noted in the core lines of business of autos, up \$724 (5%) and containers, up \$495 (2%). Additionally, liquid bulk was up \$186 (22%), as well as cruise, up \$233 (6.5%). Declining categories year-to-year were break bulk, down \$392 (9%), and dredge spoil fees down \$277. All other categories were essentially offsetting.

Total operating expenses before depreciation and amortization were \$30,100 declining \$1,000 (3%), from prior year expenses of \$31,100. Accounting for the decline was reduced salaries and benefits costs of \$589 (4%), primarily from reduced pension costs and curtailment of incentive pay. Additionally, security costs declined \$972 (19%), a factor of cost containment, regulatory environment, and a shift to in-house staffing. Categories noting increases were services and supplies, up \$207 (3%), primarily fuel costs, and increased promotional and advertising costs, up \$236 (39%). Depreciation expense was \$23,969, flat year-to-year. As a result of positive revenue growth and reduced expenses year-to-year, operating income improved \$2,001 in 2012.

Net non-operating revenue and expenses were (\$9,784) in 2012, compared to (\$8,376) a year ago. This category contains interest on debt which declined to (\$10,883) from (\$11,511), or 5.5% decline from last year – primarily from refinancing / debt management and a favorable rate environment. Shared revenue from primary government declined to \$5,712 from \$7,110 a year ago, mainly from increased debt service of \$1,152 on the two remaining debt obligations serviced by these revenues. Other significant, but unrelated comparisons on a year-to-year basis were the 2012 contribution of ferry assets to the City of (\$4,384), and the 2011 contribution of highway improvements peripheral to terminal operations to the FDOT for (\$3,885).

Capital contributions recorded in 2012 were \$14,956, compared to \$5,113 in 2011, an increase of \$9,843. Significant contributions in 2012 related to berth reconstruction (\$4.4 million) and a new terminal rail system (\$4.6 million).

At the close of fiscal year 2012, the Authority had a net position of \$303,840, an increase of \$2,928 (1%), compared to prior year net position of \$300,912.

## Jacksonville Port Authority

### Management's Discussion and Analysis (unaudited)

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#### Cash Flows

##### 2013 vs. 2012

Cash flows from operating activities were \$26,047, compared to \$22,276 in 2012, a \$3,771 increase. Receipts from customers were up \$2,004, consistent with revenue growth, while payments for services and supplies declined \$1,890 – reflective of expense savings in 2013.

Cash flows from non-capital financing activities, increased to \$6,649 from \$5,959 in 2012, largely attributable to increased receipts from primary government of \$789, resulting from reduced debt service obligations (refunding in 2013) serviced by this revenue source.

Net cash flows from capital and related financing activities showed net outflows of (\$36,569) in 2013, compared to (\$13,400) in 2012. Significant outflows of funds in 2013 included capital spending of \$16,985, and total debt service payments of \$18,512. Additional outflows in 2013 included \$18,324 for pay downs on a line of credit, with no offsetting advances occurring during the year. Outflows also include a refunding of a customer deposit of \$2,651. Significant inflows in 2013 include contributions-in-aid of construction of \$19,214 and note receipts of \$1,650 from a land sale transaction from 2010. Total debt service payments in 2013 were reduced to \$18,512 in 2013 from \$26,018 in 2012, partly due to timing of conversion of two debt notes to monthly amortization in 2012, whereby an additional \$4,289 in payments were accelerated into 2012. Also, the refunding of the series 2008 bonds in late 2012 accelerated certain 2013 scheduled interest payments into 2012. Fiscal year 2013 interest payments were reduced by approximately \$1,398 related to the timing of the series 2008 refunding and series 2012 bond issue. Acquisition and construction of capital assets declined to \$16,985, down \$25,281 from \$42,266, primarily as 2012 had heavy expenditures for dredge spoil sites, a new rail track system, wharf rehab and final payments on two new cranes.

Cash flows from investing activities were \$87 in 2013, compared to \$103 in the prior year.

Cash and cash equivalents at the end of 2013 were \$53,400, compared to \$57,186 in 2012. The cash balance of \$53,400 at September 30, 2013 is comprised of \$14,823 in unrestricted cash, \$12,558 in construction cash, \$23,360 in restricted debt service and reserve funds, and \$2,659 for renewal and replacement funds

##### 2012 vs. 2011

Net cash provided from operating activities in 2012 was \$22,276 compared to \$18,566 in 2011, an increase of \$3,710. This amount reflects increased receipts from customers of \$1,639, consistent with revenue growth trends in 2012. Also positive to cash flow was payments for services and suppliers, down \$1,250 (primarily security costs savings), and payments to employees which declined \$821.

Net cash from noncapital financing activities in 2012 was \$5,959, a decline of \$1,492 from prior year receipts of \$7,451. Shared revenue from primary government receipts were \$5,712, down \$1,550 from \$7,262 in 2011. The decrease is attributable to increase of \$1,152 in debt service payments serviced by this funding source, and the reduced communication service tax revenue receipts of approximately \$398. Operating grant receipts were \$247 in 2012 compared to \$189 in the prior year.

## **Jacksonville Port Authority**

### **Management's Discussion and Analysis (unaudited)**

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Net cash flows from capital and related financing activities showed net outflows of (\$13,400) in 2012, compared to (\$29,334) in 2011. Significant outflows of funds in 2012 included capital spending of \$42,266, and total debt service payments of \$26,018. Debt service in 2012 included \$4,289 of additional debt payments resulting from conversion of two debt obligations to monthly amortization payments versus annual payments. Proceeds of \$92,193 on a 2012 bond issue were used to partially refund (\$65,020) of the 2008 Bonds. Included in the proceeds was \$6,789, used to establish related debt reserves. The remaining funds are being used to fund construction projects in process. Net line of credit borrowings increased \$7,750, all designated for capital projects. Capital contributions totalled \$14,692. Other inflows of funds included final proceeds from an insurance claim of \$4,456 (cranes), and scheduled proceeds (installment) from a 2010 land sale of \$1,650.

Cash flows from investing activities were \$103 in 2012, compared to \$99 in the prior year.

Cash and equivalents at the end of 2012 were \$57,186, compared to \$42,248 in 2011. The cash balance of \$57,186 at September 30, 2012 is comprised of \$11,897 in unrestricted cash, \$21,727 in construction cash, \$21,015 in restricted bond service and reserve funds, and \$2,547 for renewal and replacement funds.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

Capital assets include land, land improvements, channel improvements, buildings and building improvements, and equipment. At September 30, 2013, the Authority had commitments for future construction work of approximately \$18.9 million. Additional information can be found in the accompanying notes to the financial statements.

#### 2013 vs. 2012

At September 30, 2013 the Authority had \$603,260, net of depreciation, invested in capital assets, a net decrease of \$7,863 over prior year net assets of \$611,123. Significant additions for 2013 include \$7,658 for wharf rehabilitation, and \$3,393 for security enhancements. Depreciation expense for 2013 was \$24,033, compared to \$23,969 in 2012.

#### 2012 vs. 2011

At September 30, 2012 the Authority had \$611,123, net of depreciation, invested in capital assets, a net increase of \$10,214 over prior year net assets of \$600,909. Significant additions for 2012 include \$12,288 for spoil sites, \$11,244 for wharf rehabilitation, and \$6,207 for a rail track project. The remainder includes various port infrastructure projects. Ferry Assets of \$4,384 were transferred to the City of Jacksonville in 2012. Depreciation expense for 2012 was \$23,969, a slight increase compared to \$24,016 in 2011.

## **Jacksonville Port Authority**

### **Management's Discussion and Analysis (unaudited)**

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#### **Long-Term Debt**

##### 2013 vs. 2012

At September 30, 2013 the Authority had outstanding bonds and notes payable of \$194,984, a decrease of \$8,441 compared to \$203,425 at the end of 2012 (both net of unamortized bond discounts and premiums, and deferred loss on refundings). The Authority had no refunding or new debt issue activity during 2013. Capital lease obligations outstanding at September 30, 2013 were \$1,032. The line of credit balance outstanding at September 30, 2013 was \$19,370.

##### 2012 vs. 2011

At September 30, 2012 the Authority had outstanding bonds and notes payable of \$203,425, an increase of \$12,467 compared to \$190,958 at prior year end (both net of unamortized bond discounts and premiums, and deferred loss on refundings). In September 2012, the Authority issued Revenue and Refunding Bonds, Series 2012 in the amount of \$87,410, of which \$65,020 was used to partially refund the Series 2008 bonds. Additionally, \$6,789 of these proceeds was used to fund a related reserve account. Net proceeds of approximately \$19 million will be used to fund ongoing construction projects. Capital lease obligations outstanding at September 30, 2012 were \$2,155. The line of credit balance outstanding at September 30, 2012 was \$37,694.

The Authority's credit ratings with Moody's Investors Service and Fitch remained at "A2" and "A", respectively.

The Authority exceeded its required minimum debt service coverage ratio for the 2013 fiscal year.

#### **Budgetary Highlights**

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2013 and 2012.

#### **REQUESTS FOR INFORMATION**

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

**Jacksonville Port Authority**

**Statements of Net Position**  
**September 30, 2013 and 2012**

*(In thousands of dollars)*

	2013	2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 14,823	\$ 11,897
Restricted cash and cash equivalents	8,602	6,253
Accounts receivable, net	4,506	5,273
Notes and other receivables	788	1,784
Grants receivable	7,072	5,870
Inventories and other assets	1,542	1,562
Total current assets	<u>37,333</u>	<u>32,639</u>
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	17,417	17,309
Restricted for capital projects:		
Cash and cash equivalents	12,558	21,727
Note receivable	-	380
Grants receivable	-	800
Deferred charges, net	2,456	2,707
Capital assets, net, primarily held for lease	603,260	611,123
Total noncurrent assets	<u>635,691</u>	<u>654,046</u>
Total assets	<u>673,024</u>	<u>686,685</u>
Deferred outflow of resources:		
Interest rate exchange agreement	1,985	3,146
Total deferred outflow of resources	<u>1,985</u>	<u>3,146</u>

**Jacksonville Port Authority**

**Statements of Net Position**  
**September 30, 2013 and 2012**

*(In thousands of dollars)*

	2013	2012
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 1,868	\$ 2,563
Accrued expenses	491	479
Accrued interest payable	3,740	2,677
Construction contracts payable	2,160	2,334
Retainage payable	1,114	590
Unearned revenue	6,224	6,212
Deposits	-	2,802
Capital lease obligations	1,032	1,124
Bonds and notes payable	9,817	9,141
Total current liabilities	<u>26,446</u>	<u>27,922</u>
Noncurrent liabilities		
Unearned revenue	111,639	110,653
Derivative instrument liability	1,985	3,146
Accrued expenses	4,199	2,724
Other obligations	8,537	8,537
Line of credit	19,370	37,694
Bonds and notes payable	185,167	194,284
Capital lease obligations	-	1,031
Total noncurrent liabilities	<u>330,897</u>	<u>358,069</u>
Total liabilities	<u>357,343</u>	<u>385,991</u>
<b>Net Position</b>		
Net Investment in Capital Assets	273,214	261,312
Restricted for		
Debt service	18,494	18,203
Repair and replacement	2,659	2,547
Unrestricted	23,299	21,778
Net position	<u>\$ 317,666</u>	<u>\$ 303,840</u>

See Notes to the Financial Statements.

**Jacksonville Port Authority**

**Statements of Revenue, Expenses, and Changes in Net Positions  
For the Years Ended September 30, 2013 and 2012**

*(In thousands of dollars)*

	2013	2012
<b>Operating revenue</b>	\$ 53,077	\$ 51,825
<b>Operating expenses</b>		
Salaries and benefits	13,629	13,213
Services and supplies	4,630	6,525
Security services	3,635	4,055
Business travel and training	382	359
Promotions, advertising, dues and memberships	1,121	841
Utility services	1,093	1,207
Repairs and maintenance	1,718	1,750
Dredging	1,976	2,080
Miscellaneous	(118)	70
Total operating expenses	<u>28,066</u>	<u>30,100</u>
Operating income before depreciation and	25,011	21,725
<b>Depreciation and amortization expense</b>	<u>24,033</u>	<u>23,969</u>
Operating income / (loss)	<u>978</u>	<u>(2,244)</u>
<b>Non-operating revenues (expenses)</b>		
Interest expense	(10,086)	(10,883)
Investment income	216	232
Shared revenue from primary government	6,501	5,712
Intergovernmental revenue	517	253
Loss on sale/disposition of assets	(1,128)	(709)
Capital contributions to other government agencies	(438)	(4,384)
Other non-operating	(1,994)	(5)
Total non-operating revenues (expenses)	<u>(6,412)</u>	<u>(9,784)</u>
Loss before capital contributions	(5,434)	(12,028)
<b>Capital contributions</b>	<u>19,260</u>	<u>14,956</u>
Change in net positions	13,826	2,928
<b>Net position</b>		
Beginning of year	303,840	300,912
End of year	<u>\$ 317,666</u>	<u>\$ 303,840</u>

See Notes to the Financial Statements.

**Jacksonville Port Authority**

**Statements of Cash Flows**

**For the Years Ended September 30, 2013 and 2012**

*(In thousands of dollars)*

	2013	2012
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 54,809	\$ 52,805
Payments for services and supplies	(15,288)	(17,178)
Payments to/for employees	(13,474)	(13,351)
Net cash provided by operating activities	<u>26,047</u>	<u>22,276</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating grants	148	247
Receipts from primary government	6,501	5,712
Net cash provided by noncapital financing activities	<u>6,649</u>	<u>5,959</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from capital debt	-	92,193
Principal paid on debt refunding	-	(65,020)
Line of credit activity	(18,324)	7,750
Contributions from/(to) customers	(2,651)	-
Contributions-in-aid of construction (grants)	19,214	14,693
Acquisition and construction of capital assets	(16,985)	(42,266)
Principal paid on capital debt	(10,506)	(14,110)
Interest paid on capital debt	(8,006)	(11,908)
Net proceeds from insurance claim	-	4,456
Proceeds from sale of assets	1,656	1,652
Other	(967)	(840)
Net cash used in capital and related financing activities	<u>(36,569)</u>	<u>(13,400)</u>
<b>Cash flows provided from investing activities:</b>		
Interest on investments	87	103
Net cash provided by investing activities	<u>87</u>	<u>103</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,786)</u>	<u>14,938</u>
<b>Cash and cash equivalents</b>		
Beginning of year	57,186	42,248
End of year	<u>\$ 53,400</u>	<u>\$ 57,186</u>

(continued)

(In thousands of dollars)

	2013	2012
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income / (loss)	\$ 978	\$ (2,244)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	24,033	23,912
Amortization of dredged soil replacement rights	-	57
(Increase) decrease in accounts receivable and other current assets	761	(158)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(723)	(262)
Unearned revenue	998	971
Total adjustments	25,069	24,520
Net cash provided by operating activities	<u>\$ 26,047</u>	<u>\$ 22,276</u>
<b>Noncash investing, capital and financing activities:</b>		
Construction costs paid on account	<u>\$ 3,274</u>	<u>\$ 2,924</u>
Grants receivable / contributed capital / unearned revenue	<u>7,072</u>	<u>6,670</u>
Note receivable resulting from land sale	<u>413</u>	<u>2,030</u>
Amortization of deferred charges / unamortized discounts	<u>1,172</u>	<u>1,304</u>
Change in value of derivative instrument	<u>1,161</u>	<u>124</u>
Deferred charges paid from debt proceeds	<u>-</u>	<u>737</u>
Constructed assets contributed to other government	<u>238</u>	<u>4,384</u>

See Notes to the Financial Statements.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note A – Summary of Significant Accounting Policies

##### 1. Reporting entity

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

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

##### 2. Basic financial statements

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

##### 3. Fund structure

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

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### 4. Basis of accounting

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

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

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

##### 5. Budgeting procedures

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

- Prior to July 1 of each year, the Authority shall prepare and submit its budget to the City Council for the ensuing fiscal year.
- The City Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis; however, the appropriation from the City Council for construction, reconstruction, enlargement, expansion, improvement or development of any marine project or projects authorized to be undertaken by the Authority, shall not be reduced below \$800,000.
- Once adopted, the total budget may only be increased through action of the City Council.

## Jacksonville Port Authority

### Notes to Financial Statements

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

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

All appropriations lapse at the end of each fiscal year and must be re-appropriated.

#### 6. Cash and cash equivalents

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

#### 7. Investments

Investments are stated at fair value, with the exception of investments in the Florida State Board of Administration Local Government Pooled Investment Fund ("SBA"), an external 2a7-like investment pool which is presented at share price. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA's underlying portfolio.

#### 8. Restricted Assets

Certain proceeds of revenue bonds and notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, as their use is limited by applicable debt agreements. Restricted cash for capital projects represent bond issuance proceeds that are specifically restricted for capital projects. Restricted cash and cash equivalents represent resources set aside for repayment of bond debt obligations in accordance with the terms of the debt obligation. Restricted cash also includes renewal and replacement funds restricted for capital improvements, and other funds as specifically designated by contributors or by grant agreement.

#### 9. Capital assets

Capital assets are carried at cost, including capitalized interest, less accumulated depreciation. Capital assets are defined by the Authority as assets with an individual cost of \$2,500 or greater and an estimated useful life of more than one year.

## Jacksonville Port Authority

### Notes to Financial Statements

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

Capital assets, including assets acquired by issuance of capitalized lease obligations, are depreciated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Asset Class	Estimated Service Life (Years)
Buildings	20 – 30
Other improvements	10 – 50
Equipment	3 – 25

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

Costs for targeted land expansion, such as appraisals, legal costs, and feasibility studies associated with potential land purchases are capitalized initially, and subsequently included in the costs of the land asset when acquired. If determination is made that the land purchase is unsuccessful, not feasible, or determination is made not to proceed with the land purchase, any associated capitalized cost is expensed at the time the Authority determines or opts not to proceed.

#### 10. Inventories and prepaid items

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

#### 11. Dredged soil replacement rights

In 1988, the Authority paid approximately \$8,400,000 for Buck Island in order to use the land as a dredging soil site. Subsequently, the property was deeded to the State of Florida and, in turn, the Authority began leasing the property under a renewable lease for \$1.00 per year. This lease gives the Authority the right to allow removal of borrow material from the property to be used on public projects for a maintenance fee of \$.25 per cubic yard. The Authority recorded this transaction as an intangible asset, now fully amortized, based upon a 25 year amortization. The current lease with the State of Florida expires at 12/31/2016, with a 30 year renewal option available to the Authority.

#### 12. Unearned revenue

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

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### 13. Compensated absences (accrued leave plan)

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. Individual leave accrual rates vary based upon position and years of service criteria. The Authority's accrued leave plan liability at the end of fiscal years 2013 and 2012 was \$1,264,000 and \$1,212,000, respectively. Maximum leave accrual balances cap at 480 hours for all employees. Additionally, non-union employees are required to take 40 consecutive hours of leave on an annual basis.

##### 14. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2013, total conduit debt was \$87,480,000. The original amount was \$100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

##### 15. Long-term obligations

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

##### 16. Net position

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

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

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

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

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### 17. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville ("City") and millage payments from the Jacksonville Electric Authority ("JEA") pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement was amended on December 12, 2007 to allow the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. It also concurrently modified payment of pledged revenues to be allocated on a monthly basis, no later than the last business day of each month following the month in which the city receives the pledged revenues. The Authority's share of the communications service tax was \$6,501,000 and \$5,712,000 in 2013 and 2012, respectively.

##### 18. Use of estimates

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

##### 19. Reclassifications

Certain reclassifications were made to the 2012 financial statement presentation in order to conform to the 2013 financial statement presentation.

#### Note B – Deposits and Investments

##### Cash and Deposits

At September 30, 2013 and 2012, the carrying amount of the Authority's cash deposit accounts was \$33,246,000 and \$34,706,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

##### Investments

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

## Jacksonville Port Authority

### Notes to Financial Statements

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

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

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

As of September 30, 2013, all investments are maintained in highly liquid money market funds, which are presented as cash and cash equivalents in the Authority's financial statements.

#### Interest Rate Risk

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

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

2013 <i>(in thousands)</i> Investment Type	Investment Maturities (in Years)	
	Fair Value	Less Than 1
Investments Subject to Rate Risk:		
Money market funds	\$ 20,154	\$ 20,154
<b>Total investments</b>	<b>\$ 20,154</b>	<b>\$ 20,154</b>
<hr/>		
2012 <i>(in thousands)</i> Investment Type	Investment Maturities (in Years)	
	Fair Value	Less Than 1
Investments Subject to Rate Risk:		
Money market funds	\$ 22,480	\$ 22,480
<b>Total investments</b>	<b>\$ 22,480</b>	<b>\$ 22,480</b>

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### Credit Risk

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

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

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

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

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

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

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

##### **2013**

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of Portfolio</u>
Money market funds	AAAm	<u><u>100%</u></u>

##### **2012**

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of Portfolio</u>
Money market funds	AAAm	<u><u>100%</u></u>

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### Custodial Credit Risk

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

As of September 30, 2013, and 2012, the Authority's investment portfolio held only money market funds which are not subject to custodial credit risk.

##### Concentration of Credit Risk

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

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

As of September 30, 2013 and 2012, the Authority had no concentrations of credit risk.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note C – Capital Assets

Capital asset activity for the years ended September 30, 2013 and 2012 was as follows:

<b>2013</b> <i>(in thousands)</i>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land and improvements	\$ 230,687	\$ 723	\$ -	\$ 231,410
Construction in progress	29,296	14,258	(6,183)	37,371
Total capital assets not being	<u>259,983</u>	<u>14,981</u>	<u>(6,183)</u>	<u>268,781</u>
Other capital assets				
Buildings	98,084	-	-	98,084
Improvements	430,578	3,359	(6,030)	427,907
Equipment	112,731	4,023	(340)	116,414
Total other capital assets at historical cost	<u>641,393</u>	<u>7,382</u>	<u>(6,370)</u>	<u>642,405</u>
Less accumulated depreciation for:				
Buildings	40,706	3,660	-	44,366
Improvements	186,715	15,000	(6,020)	195,695
Equipment	62,832	5,373	(340)	67,865
Total accumulated depreciation	<u>290,253</u>	<u>24,033</u>	<u>(6,360)</u>	<u>307,926</u>
Other capital assets, net	<u>351,140</u>	<u>(16,651)</u>	<u>(10)</u>	<u>334,479</u>
Capital assets, net	<u>\$ 611,123</u>	<u>\$ (1,670)</u>	<u>\$ (6,193)</u>	<u>\$ 603,260</u>

**Jacksonville Port Authority**

**Notes to Financial Statements**

**Note C – Capital Assets (Continued)**

<b>2012</b> <i>(in thousands)</i>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land and improvements	\$ 231,297	\$ -	\$ (610)	\$ 230,687
Construction in progress	33,503	38,475	(42,682)	29,296
Total capital assets not being depreciated	<u>264,800</u>	<u>38,475</u>	<u>(43,292)</u>	<u>259,983</u>
Other capital assets				
Buildings	103,220	-	(5,136)	98,084
Improvements	411,594	19,064	(80)	430,578
Equipment	95,002	24,356	(6,627)	112,731
Total other capital assets at historical cost	<u>609,816</u>	<u>43,420</u>	<u>(11,843)</u>	<u>641,393</u>
Less accumulated depreciation for:				
Buildings	41,547	3,661	(4,502)	40,706
Improvements	172,558	14,236	(79)	186,715
Equipment	59,602	6,015	(2,785)	62,832
Total accumulated depreciation	<u>273,707</u>	<u>23,912</u>	<u>(7,366)</u>	<u>290,253</u>
Other capital assets, net	<u>336,109</u>	<u>19,508</u>	<u>(4,477)</u>	<u>351,140</u>
Capital assets, net	<u>\$ 600,909</u>	<u>\$ 57,983</u>	<u>\$ (47,769)</u>	<u>\$ 611,123</u>

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately \$57.1 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as depreciable land improvements, with a 20 year life. To date, the Authority's share of these costs total, net of depreciation is approximately \$17.2 million.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note D – Capitalization of Interest

The Authority capitalizes interest expense on construction in progress in accordance with capitalization accounting guidance.

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2013 and 2012:

<i>(In thousands of dollars)</i>	2013	2012
Total interest expense incurred	\$ 10,241	\$ 11,062
Interest expense associated with construction	155	179
Net interest capitalized	155	179
Net interest expense incurred	\$ 10,086	\$ 10,883

#### Note E – Leasing Operations – Lessor

The Authority is the lessor on agreements with various tenants for their use of port facilities. Capital assets held for lease have a cost of \$703,394,000 and accumulated depreciation of \$237,097,000 as of September 30, 2013. Revenues recognized for facility leases for the fiscal year ended September 30, 2013 and 2012 were \$18.4 million and \$19 million, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2013, are as follows:

<i>(Amounts in thousands)</i>	MOL	All Other	Total
2014	\$ 6,957	\$ 10,766	\$ 17,723
2015	7,020	8,597	15,617
2016	7,083	7,817	14,900
2017	7,155	5,975	13,130
2018	7,225	5,081	12,306
Thereafter	3,855	20,666	24,521
	\$ 39,295	\$ 58,902	\$ 98,197

## Jacksonville Port Authority

### Notes to Financial Statements

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

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

#### Financing

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

\$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the Mitsui O.S.K. Lines, Ltd. Project. The debt proceeds were remitted to the Authority for project construction and reported as unearned revenue. The Authority has no obligation to pay the Series 2007 bonds, which is payable by MOL and supported by an irrevocable direct-pay Letter of Credit by Sumitomo Mitsui Banking Corporation. See Note A.14 for additional information on conduit debt.

A Florida State Infrastructure Bank (SIB) Loan of \$50 million issued in 2007 to the Authority, and Port Authority Bonds for the remaining \$45 million, part of the \$90 million, Series 2008 Revenue Bonds.

#### Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2038. In addition to the \$100 million of prepaid lease revenue, MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2023. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2013 and 2012 totaled approximately \$118 million and \$117 million, respectively.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note G – Pension Plans

##### Plan description

The majority of the full-time employees of the Authority participate in the Pension Plan of the Florida State Retirement System (the “System”), a cost sharing multiple-employer defined benefit public retirement system. Certain “special risk” employees who retire at or after age 55, with six years of creditable service and all other employees who retire at or after age 62, with six years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to the product of: 1) average monthly compensation in the highest five years of creditable service; 2) years of creditable service; and 3) the appropriate benefit percentage. Benefits fully vest upon reaching six years of creditable service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits.

The System also provides death and disability benefits. Benefits are established by Florida Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Florida Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, attention Research and Education, or by calling (850) 488-5706.

Some of the Authority’s employees elect to participate in the System’s Investment Plan instead of the Pension Plan. The Investment Plan is a defined contribution plan with shorter vesting requirements (one-year). Funding of the Investment Plan is identical to the Pension Plan.

##### Funding policy

Regardless of which System plan an employee selects, the Authority is required by Florida Statute to contribute 18.31% of senior management, 12.84% of deferred retirement option participants (DROP) and 6.95% of all other employee earnings. As of July 1, 2011, covered employees, excluding DROP participants, are now required to make a 3% contribution to the System.

The total contribution requirement for both plans in the accompanying financial statements, contributed in accordance with actuarially required amounts, was \$658,000, \$541,000, and \$997,000 for the years ended September 30, 2013, 2012 and 2011, respectively.

#### Note H – Deferred Compensation Plan

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

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note H – Deferred Compensation Plan (continued)

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. The Authority's 401(a) matching contributions were \$143,000 and \$142,000 for the years ended September 30, 2013 and 2012, respectively.

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

##### Plan Description

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 121 active participants in the group medical plan, and one participating retiree.

Prior to implementation of GASB 45 (implemented September 30, 2008), the Authority had previously not recorded a liability for these benefits. However, under GASB 45, an implicit rate subsidy (an age adjusted premium benefit), is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligation at September 30, 2013:

##### Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost (ARC)	\$	41,000
Interest on Plan Obligation		10,000
Adjustment to ARC		(9,000)
Annual Plan Retiree Costs		<u>42,000</u>
Less: Contributions Made (estimated premium paid by Authority)		<u>10,000</u>
Change in Plan Obligation		32,000
Plan Obligation – Beginning of Year		<u>290,906</u>
Plan Obligation – End of Year	\$	<u><u>322,906</u></u>

## Jacksonville Port Authority

### Notes to Financial Statements

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

The Authority has elected to calculate the ARC and related information using the Entry Age Normal Actuarial Cost Method. The ARC represents a level of normal funding projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, based on the assumptions that the plan will be unfunded. The valuation uses a health care costs trend rate assumption of 11% in the year ending September 30, 2011, grading down by .5% each year until an ultimate health care costs trend rate is reached in 2023 of 5%. Non-claim costs are assumed to increase at 5% per year, and a salary increase assumption of 3.5% per Annum.

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	32,000	23.8%	258,906
9/30/2012	32,000	23.8%	290,906
9/30/2013	32,000	23.8%	322,906

#### OPEB Funding Status

The following data presents the GASB 45 funding status as of September 30, 2013:

Actuarial Valuation Date	October 1, 2010
1. Actuarial Accrued Liability	\$ 452,000
2. Actuarial Value of Assets	-
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 452,000
4. Funded Ratio	0.0%
5. Annual Covered Payroll	\$ 7,942,414
6. UAAL as a percentage of payroll	5.7%

The required schedule of funding progress presented immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. .

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to \$1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above \$1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan and the changes in estimated liability for claims incurred but not reported. Workers' Compensation and General Liability insurance premiums amounted to \$154,000, \$125,000, and \$149,000 for the years ended September 30, 2013, 2012 and 2011, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. This allows the Authority to receive the best available property insurance rates. Premium expense amounted to \$569,000, \$502,000, and \$514,000, for the years ended September 30, 2013, 2012 and 2011, respectively.

As a part of the Authority's risk management program, the Authority purchases certain additional commercial insurance policies to cover designated exposures and potential loss situations. The Authority does not retain any risk on their policies and settlements have not exceeded insurance coverage for each of the last three fiscal years.

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

##### Capital Leases

In 1999, the Authority entered into a lease-purchase agreement for the acquisition of six cranes in the amount of \$24,277,000. The agreement has a fixed term rate of 3.88% and calls for semi-annual payments of \$598,265. Outstanding balances payable to SunTrust Equipment Finance and Leasing Corporation at September 30, 2013 were \$1,032,000.

The following is a schedule of future minimum lease payments:

*(In thousands of dollars)*

Years ending	
2014	\$ 1,060
Total minimum lease payments	1,060
Less: Amount representing interest	28
Present value of minimum lease payments	<u>\$ 1,032</u>

## Jacksonville Port Authority

### Notes to Financial Statements

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

Assets acquired through capital leases are as follows:

<i>(In thousands of dollars)</i>	2013	2012
Assets:		
Equipment	\$ 24,277	\$ 24,277
Less: accumulated depreciation	(13,435)	(12,439)
	\$ 10,842	\$ 11,838

#### Long-term Liabilities

Long-term debt activity for the years ended September 30, 2013 and 2012 was as follows:

<i>(In thousands of dollars)</i>	2013				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Bonds and notes payable:					
Revenue bonds	\$ 24,980	-	-	\$ 24,980	\$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	58,829	-	(4,797)	54,032	5,073
Revenue Note – Taxable	4,916	-	(590)	4,326	628
State Infrastructure Bank Loan	30,148	-	(3,996)	26,152	4,116
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(2,858)	-	942	(1,916)	-
Total bonds and notes payable	203,425	-	(8,441)	194,984	9,817
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	3,146	-	(1,161)	1,985	-
Capital leases	2,155	-	(1,123)	1,032	1,032
Compensated absences & other	1,503	222	(138)	1,587	334
Line of credit	37,694	-	(18,324)	19,370	-
Other liabilities	8,537	-	-	8,537	-
	\$ 258,028	\$ 222	\$ (29,187)	\$ 229,063	\$ 11,183

**Jacksonville Port Authority**

**Notes to Financial Statements**

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

Long-term Liabilities (continued)

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<i>(In thousands of dollars)</i>					
Bonds and notes payable:					
Revenue bonds	\$ 90,000	\$ -	\$ (65,020)	\$ 24,980	\$ -
Revenue and Refunding bonds	-	87,410	-	87,410	-
Revenue Notes – Tax Exempt	66,976	-	(8,147)	58,829	4,580
Revenue Note – Taxable	5,919	-	(1,003)	4,916	566
State Infrastructure Bank Loan	34,027	-	(3,879)	30,148	3,995
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(5,964)	(2,789)	5,895	(2,858)	-
Total bonds and notes payable	190,958	84,621	(72,154)	203,425	9,141
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	3,022	124	-	3,146	-
Capital leases	3,236	-	(1,081)	2,155	1,124
Compensated absences & other	1,609	299	(405)	1,503	347
Line of credit	29,944	13,000	(5,250)	37,694	-
Other liabilities	8,537	-	-	8,537	-
	<u>\$ 238,874</u>	<u>\$ 98,044</u>	<u>\$ (78,890)</u>	<u>\$ 258,028</u>	<u>\$ 10,612</u>

**Jacksonville Port Authority**

**Notes to Financial Statements**

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

Long-term liabilities at September 30, 2013 and 2012 consisted of the following:

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>2012</u>
Florida State Infrastructure Bank Loan – 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	\$ 26,152	\$ 30,148
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2028. Interest rates are fixed at 5.75%	24,980	24,980
\$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due January 21, 2015. Interest rates range from 1.44% to 1.47% in 2013.	19,370	37,694
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%. See following note on related interest rate swap agreement.	35,056	39,853
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.680%. See following note on related interest rate swap agreement.	4,326	4,916
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 4.03%.	18,976	18,976
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	<u>87,410</u>	<u>87,410</u>
	216,270	243,977
Less current portion	<u>9,817</u>	<u>9,141</u>
	<u><u>\$ 206,453</u></u>	<u><u>\$ 234,836</u></u>

## Jacksonville Port Authority

### Notes to Financial Statements

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

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to \$50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2013 was \$26,152,000.

In May 2008, the Authority issued \$90,000,000 in Revenue Bonds, Series 2008. The proceeds of the bonds were used in part (\$45 million), for the construction of the MOL terminal, and (\$45 million) designated for other port projects, including the Authority's contribution to the MOL project. In September 2012, \$65,020,000 of the Series 2008 bonds was refunded from proceeds of the Revenue and Refunding Bonds, Series 2012. Outstanding balances of the Series 2008 bonds as of September 30, 2013 were \$24,980,000.

On January 28, 2009, the Authority established a \$50 million multi-year Line of Credit with Regions Bank, due and payable on January 21, 2015. It is the intention of the Authority to use the line for a revolving medium term or longer term funding source. The line was established originally to liquidate an existing commercial paper program together with unspent commercial paper proceeds. The additional balance on the line is designated for the Authority capital spending program. The outstanding balance on the Line of Credit at September 30, 2013 was \$19,370,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2006 bonds were originally issued with an interest rate hedge agreement (swap). The Series 2009 Revenue Note (Tax-Exempt) for \$52,090,000 and Series 2009 (Taxable) Revenue Note for \$6,420,000 were issued to refund the outstanding Series 2006 bonds and related swap agreement, respectively. The outstanding balance at September 30, 2013 on the Tax Exempt Revenue Note was \$35,056,000. The outstanding balance at September 30, 2013 on the Taxable Note was \$4,326,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2013 was \$18,976,000.

In September 2012, the Authority issued \$87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds will be used to: (i) finance or refinance expenditures relating to the cost of portions of the Authority's FY 2013 capital program, (ii) refund \$65,020,000 of the Authority's outstanding Series 2008 Bonds to generate debt service savings, and (iii) fund a reserve. The refunding resulted in a net present value savings of \$12,308,470 or 18.93%. The Series 2012 issue has a final maturity of 2038, consistent with the maturity of the Series 2008 bonds. The outstanding balance as of September 30, 2013 was \$87,410,000.

## Jacksonville Port Authority

### Notes to Financial Statements

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

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

##### Interest Rate Swap Agreements on Series 2009 Notes

In December 2009, the Authority executed two variable rate note agreements, the Series 2009 Revenue Note (Tax-Exempt) for \$52,090,000 and the Series 2009 Revenue Note (Taxable) for \$6,420,000. Concurrent with the issue of the notes, the Authority entered into an interest rate swap agreement whereby the Authority swaps both variable rate debt notes for fixed rate debt. The synthetically fixed rate on the Tax-Exempt note is 3.77%, and the synthetically fixed rate on the Taxable note is 5.68%. Both respective swaps cover the entire principal amounts for the notes, and the term of the swaps are equal to the terms of the notes.

Notional amounts at September 30, 2013 were \$39,090,000 for the Tax-Exempt Note and \$4,821,768 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of BBB by Standard & Poors, and Baa2 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2013, a termination fee of \$1,683,131 and \$302,267 for the two notes would have been payable by the Authority based upon the current market conditions at that time.

In accordance with accounting standard GASB 53, Accounting and Financial Reporting for Derivative Instruments, the Authority has recorded the above interest rate swap transaction as an effective hedging transaction. The result for the years ended 2013 and 2012, respectively, were an aggregate \$1,985,398 and \$3,145,786, a decrease of \$1,160,388. This transaction is recorded as both a Deferred Outflow of Resources and a corresponding Derivative Instrument Liability on the Statement of Net Position, in the same amount.

Total interest due in the following debt maturities table, as it relates to the swap, is based on fixed rate payments.

## Jacksonville Port Authority

### Notes to Financial Statements

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

##### Debt Maturities

Required debt service for the outstanding bonds and notes payable for the next five years and thereafter to maturity as of September 30, 2013 was as follows:

<i>(In thousands of dollars)</i>	<u>Interest</u>	<u>Principal</u>
Years ending		
2014	\$ 8,923	\$ 9,817
2015	8,584	29,638
2016	8,228	10,745
2017	7,855	11,256
2018	7,464	11,783
2019 – 2023	31,371	27,823
2024 – 2028	24,652	27,065
2029 – 2033	17,216	34,498
2034 – 2038	8,163	43,555
2039 – 2043	252	10,090
	<u>\$ 122,708</u>	<u>\$ 216,270</u>

##### Original Issue Discount, Premiums, and Deferred Loss on Refundings (in 000's)

Unamortized premiums on Bonds were (\$5,229) and (\$5,438) in 2013 and 2012, respectively. Unamortized deferred loss on refundings was \$7,145 and \$8,296 in 2013 and 2012, respectively.

##### Other Noncurrent Liabilities

- Unearned revenue balances were \$117,863,000 and \$116,865,000 for years ending September 30, 2013 and 2012, respectively. The current portion was \$6,224,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.
- The Authority has accrued reserves in the amount of \$1,568,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.
- Other post-employment benefits (“OPEB”) liabilities for retiree medical benefits were \$323,000 and \$291,000 at September 30, 2013, and 2012, respectively. See Note I for additional information.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note L – Other Obligation

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

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a thirty year amortization. As a result, an estimated obligation of \$8,536,749 was recorded in 2011. As of September 30, 2013, repayment terms had not been determined.

#### Note M – Commitments and Contingencies

##### Construction Related

At September 30, 2013, the Authority had commitments for future construction work of approximately \$18.9 million, of which \$14.9 million pertain to a terminal wharf reconstruction project in progress.

##### Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging, and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority has developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment design, allowing for the groundwater to be captured by wells and discharged to a nearby publically owned treatment works facility (POTW). In 2013, the Authority submitted the IRAP to the FDEP, and it is currently awaiting approval. The Authority has previously recognized a \$1.5 million liability for related construction costs, as well as estimates of future monitoring costs.

The Authority also owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. Tenant cleanup efforts are in process on this property, as well as separate adjacent property owned by the tenant. The remediation project is approximately 95% complete at September 30, 2013, with an anticipated completion date of early 2014. All costs associated with this remediation effort are being paid by the tenant. In addition, the Authority has an agreement in place with the tenant to sell the tenant the leased property after all environmental remediation obligations have been fulfilled, for a nominal amount. As of the date of the report, the remediation work is now complete, and awaits final inspection by the Florida Department of Environmental Protection.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note M – Commitments and Contingencies (Continued)

##### Collective Bargaining Agreement

The Authority's workforce is made up of approximately 152 employees. Union employees represent about 46% of the total. The current union contract was renewed in September 2013 for a three-year term, expiring on September 30, 2016.

##### Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. Assessments from such audits, if any, are recorded when the amounts of such assessments become reasonably determinable. In 2013, the Authority reserved for and incurred a non-operating charge of approximately \$ 1.4 million for de-obligated grant funding for prior year's hurricane related dredging (FEMA). This determination made by FEMA was based upon time requirement guidelines available to complete the debris removal work. The Authority's position is that expenditures were proper, and will continue to pursue options regarding this determination.

##### Claim Against Contractor

The Authority is the plaintiff in a lawsuit for certain design and construction defects associated with pavement construction at its Dames Point Terminal. Claims have been asserted against the primary contractor and subcontractors and related performance bonds. The Authority will continue to engage legal counsel and other costs to pursue this claim. It is anticipated that the parties will participate in an expanded mediation process. At the time of this report, the amount of the claim is not yet determinable.

#### Note N – Significant Customers

For the fiscal year ended September 30, 2013, 13% of operating revenues resulted from sales to a single significant customer. At September 30, 2013 and 2012, accounts receivable balances from this same customer were \$23,000 and \$835,000, respectively.

#### Note O – Capital Contributions

##### Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of \$4,256,467 and \$7,431,000 were recorded for the years ended September 30, 2013 and 2012, respectively.

##### State Contributions

Amounts from state funding awards totaled \$15,003,620 and \$7,525,000 for the years ended September 30, 2013 and 2012, respectively.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note O – Capital Contributions (Continued)

At September 30, 2013, the Authority has a remaining uncollected balance of \$800,000 of a \$10.5 million Florida Department of Transportation (FDOT) grant, used in part to construct highway infrastructure in proximity to new terminal operations. The project was completed and transferred to the FDOT in 2011. This remaining balance is scheduled to be received in full in early fiscal year 2014.

#### Note P – New Accounting Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement will be effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*, the objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement will be effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, the objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement will be effective for financial statements for periods beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for financial statements for periods beginning after June 15, 2014.

## Jacksonville Port Authority

### Notes to Financial Statements

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#### Note P – New Accounting Pronouncements (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will be effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement will be effective for reporting periods beginning after June 15, 2013

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the objective of this statement is to improve accounting and financial reporting by addressing an issue in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement by employers and nonemployer contributing entities. This Statement will be effective for reporting periods beginning after December 15, 2013.

The Authority's management has not yet determined the effect these statements will have on the Authority's financial statements.

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)  
 Schedule of Funding Progress  
 September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
09/30/13	\$ -	\$ 452,000	\$ 452,000	0.0%	\$ 7,942,414	5.7%
09/30/12	\$ -	\$ 452,000	\$ 452,000	0.0%	\$ 7,652,974	5.9%
09/30/11	\$ -	\$ 452,000	\$ 452,000	0.0%	\$ 7,313,837	6.2%
09/30/10	\$ -	\$ 1,279,807	\$ 1,279,807	0.0%	\$ 6,829,770	18.7%
09/30/09	\$ -	\$ 1,279,807	\$ 1,279,807	0.0%	\$ 7,295,000	17.5%

**SUPPLEMENTAL INFORMATION**

**Jacksonville Port Authority**

**Revenue Recognition  
GAAP to Budgetary Basis Reconciliation  
For the Fiscal Year Ending September 30, 2013**

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GAAP Revenue – per Financial Statements	\$ 53,076,725
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)	997,854
Budgetary Basis Revenues	<u>\$ 54,074,579</u>

Note 1. MOL rent payments are recognized on a straight-line basis over the 30 year lease term for GAAP, while MOL rent payments for budgetary basis are recognized as revenues when received.



# LEADERSHIP

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## JAXPORT Management

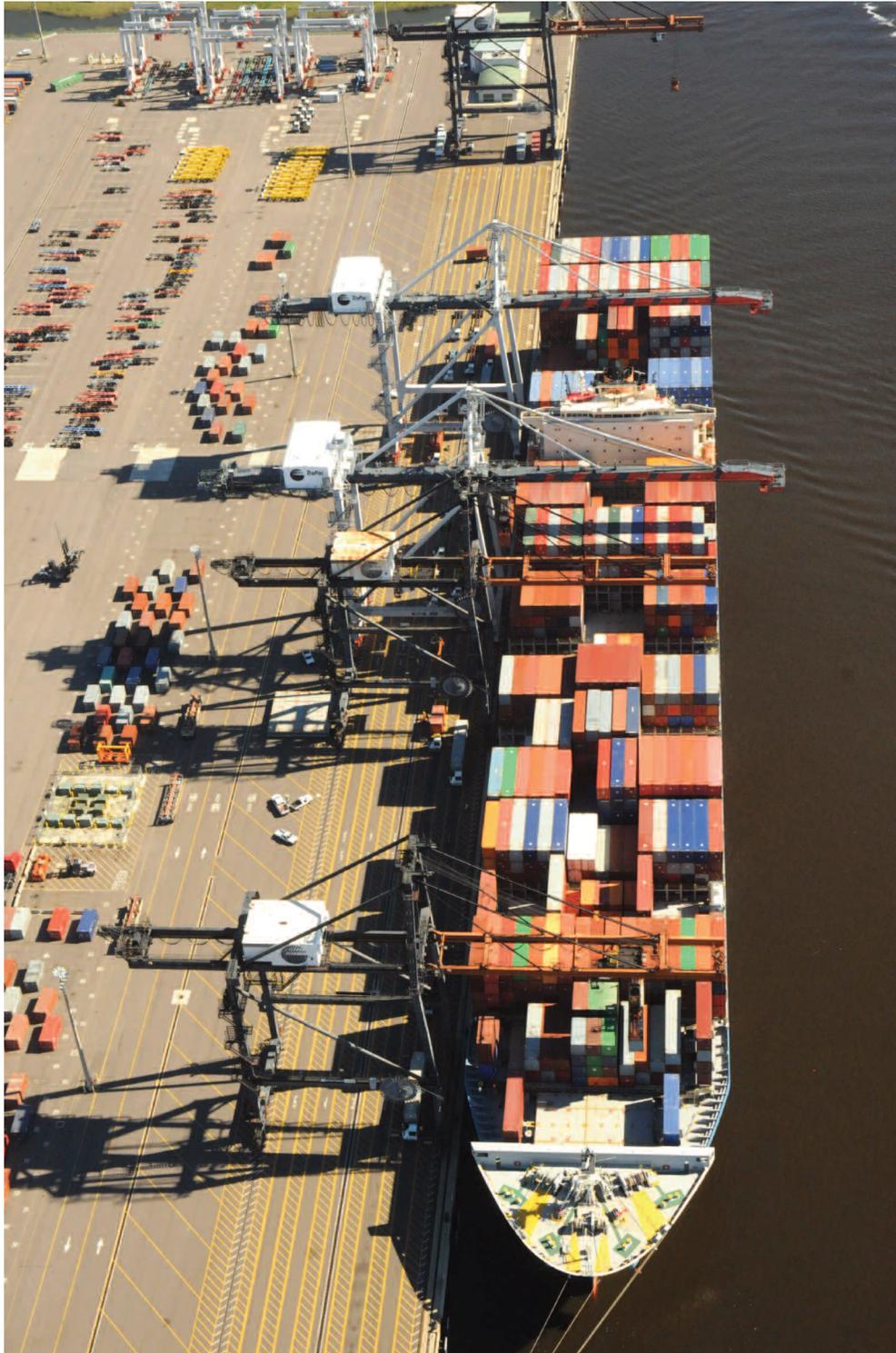
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Chief Financial Officer  
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## Annual Report Production

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Meredith Fordham Hughes, Manager, Creative Services

### Financial Analysis

Michael Poole, Chief Financial Officer  
and Mike McClung, Controller

### Photography

Meredith Fordham Hughes, JAXPORT Library,  
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# JAXPORT | JACKSONVILLE PORT AUTHORITY

## ANNUAL REPORT



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