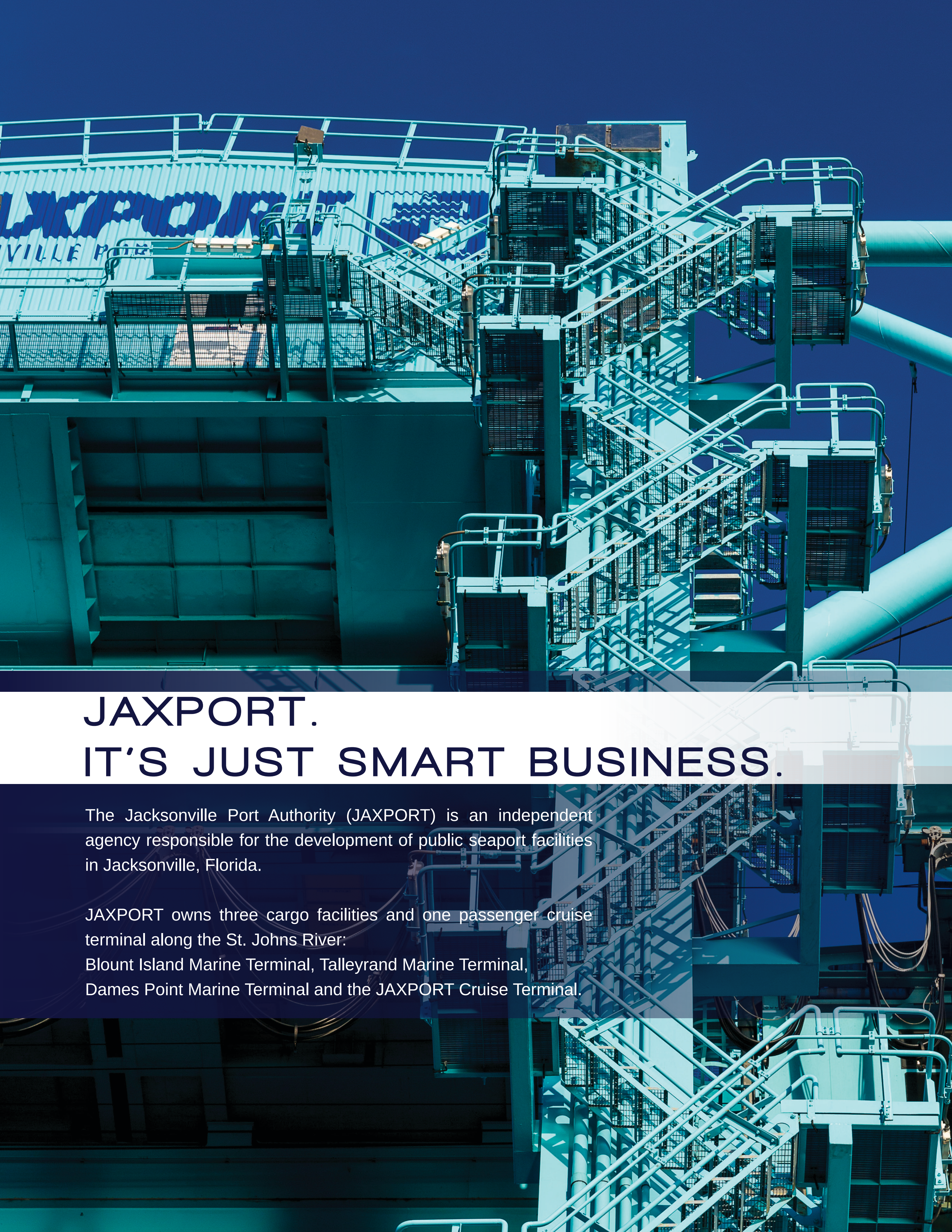
JAXPORT
ANNUAL REPORT 2016



JAXPORT.
IT'S JUST SMART BUSINESS.

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.

STRATEGIC PLAN

VISION

Northeast Florida will be a principle 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

PLEDGE

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

A MESSAGE FROM JAXPORT

2016 was indeed a milestone year for JAXPORT with records set in important financial and cargo categories and several major growth projects reaching completion.

During the last fiscal year, JAXPORT moved a record 8.7 million tons of cargo and marked the port's 16th consecutive year of operating revenue growth, earning $58.4 million. JAXPORT's container business reached record volumes as well, with the Asian container segment growing the fastest and increasing 19 percent over 2015. Auto imports were also up 19 percent last year, solidifying JAXPORT's place as one of the busiest vehicle handling ports in the nation.

In 2016, we celebrated the official opening of the JAXPORT Intermodal Container Transfer Facility, the arrival and beginning of operations for three, new post-Panamax cranes at Blount Island Marine Terminal, the continued modernization of docks and berths throughout the port, and the removal of the Mile Point navigational restriction. All of these projects set the stage for the successful execution of the federal deepening project to take the St. Johns River shipping channel to 47 feet.

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

In a year of incredible milestones, we remain perhaps most personally proud of one: the naming of JAXPORT as the No. 1 seaport for customer service in the Southeast, an honor bestowed upon us by the readers of Logistics Management magazine with highest number of points of any port in the nation. It is this award-winning customer service, along with our relentless focus on cargo diversity, business development and cost containment, as well as our unsurpassed connectivity and premiere geographical location that give the port and our customers such a significant competitive edge.

James Citrano, Board Chairman

Eric Green, Chief Executive Officer, Interim


MAERSK
MAERSK
S.W.L. Under Spreader Single Container
S.W.L. Under Spreader Twin Twenty 65 LT
S.W.L. Under Cargo Beam 75 LT
seaco

NO.1 IN CUSTOMER SERVICE

JAXPORT has been voted No. 1 in customer service in the Southeast by readers of Logistics Management magazine. The port earned the highest score in the nation in the publication's annual survey, as readers rated U.S. ports on ease of doing business, value, ocean carrier/intermodal network and quality of equipment and operations.


QUEST FOR
Logistics
MANAGEMENT
QUALITY

FINANCIAL

JAXPORT earned $58.4 million in operating revenues in FY 2016, up 5.8 percent over last year, the port's 16th consecutive year of operating revenue growth. In addition, strong expense side management allowed JAXPORT to hold operating expenses steady at $30 million in FY16. The port earned $28.1 million in operating income during the same period, an 11 percent increase over FY15.

Successes include record-setting tonnage; record-setting container volumes due in large part to significant Asian container growth; impressive gains in both imported vehicle and breakbulk cargo volumes and the continued diversification of JAXPORT trade lanes and commodities. These advances have helped prompt well-known brands and international industry leaders to establish and consolidate operations in Jacksonville.

The past year's financial results reflect JAXPORT's positive year operationally. JAXPORT facilities moved a record 968,279 containers or twenty-foot equivalent units (TEU) in FY16. Container volume has grown 37 percent since 2008, making JAXPORT one of the few U.S. seaports to experience year over year growth during the same period.

When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's number one container port. JAXPORT recorded 19 percent growth in Asian container shipments in FY16, moving 336,791 TEU compared to 283,164 the previous year. The Asian container trade is the fastest growing segment of JAXPORT's container cargo business, accounting for 34 percent of the port's total container business in 2016. The port has recorded an average of 21 percent annual growth in Asian container volumes during the past five years.

A record total of 8.7 million tons of cargo shipped through JAXPORT facilities in FY16 and the port saw 1,782 vessels call in the same period.

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 2017, much of it funded through state and federal grants. These projects include wharf rehabilitation projects at both Blount Island and Talleyrand Marine Terminals, improvements to tenant leaseholds at Talleyrand, new business development projects, final touches on Blount Island's three new container cranes and the first stages of deepening the Jacksonville Harbor to 47 feet.


HARD HAT AREA

JAXPORT FY16 VITAL STATISTICS

TOTAL TONNAGE
IN MILLIONS

FY 11/12	8.2
FY 12/13	8.2
FY 13/14	8.3
FY 14/15	8.2
FY 15/16	8.7

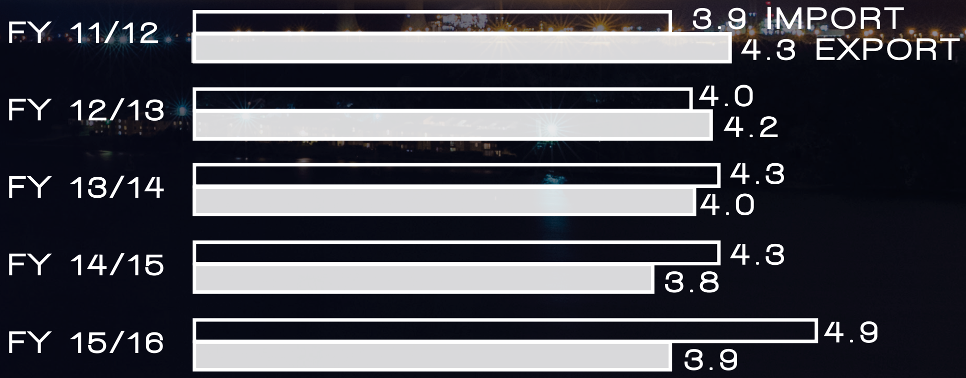
REVENUE
IN MILLIONS OF DOLLARS

FY 11/12	51.8
FY 12/13	53.1
FY 13/14	53.2
FY 14/15	55.2
FY 15/16	59.7

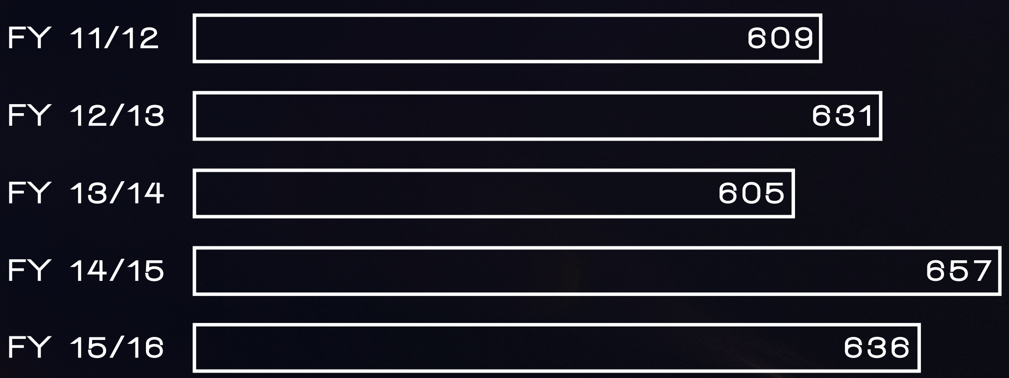
TEU
IN THOUSANDS

FY 11/12	924
FY 12/13	927
FY 13/14	937
FY 14/15	915
FY 15/16	968

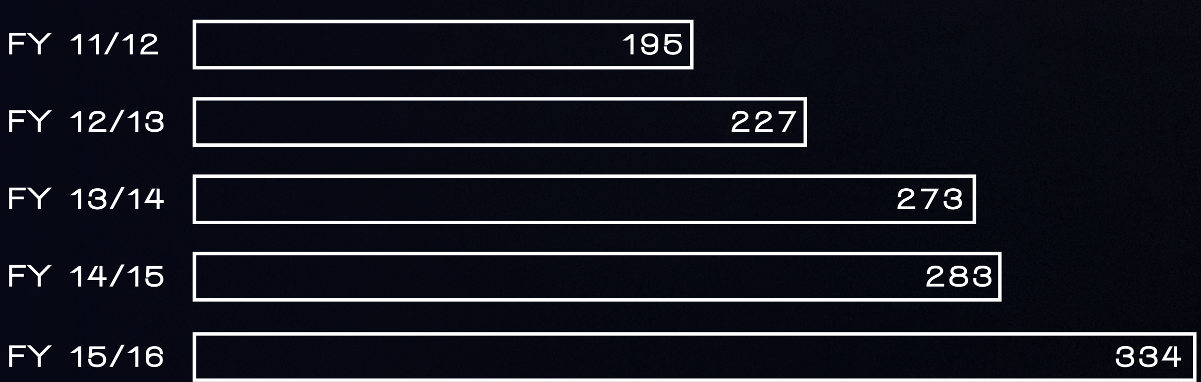
IMPORT/EXPORT
IN MILLIONS OF TONS



AUTO UNITS
IN THOUSANDS



ASIAN CONTAINER TEU
IN THOUSANDS



ECONOMIC ENGINE

JAXPORT is a crucial component of Northeast Florida's present economic vitality and future growth. According to figures released in 2014 by the Pennsylvania-based consulting firm Martin Associates, Jacksonville's seaport generates the following impact:

Nearly 133,000 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, more than 24,000 people are employed in port-dependent positions, jobs directly relying on the port. An additional 108,000 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 that is 34 percent higher than the Jacksonville Metropolitan Statistical Area (MSA) average.

The port accounts for $26.9 billion in total economic output annually, including $1.8 billion of personal income and consumption, $727 million in state and local taxes related to cargo activity and $169 million in taxes directly generated by cargo operations.

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 national companies have opened warehousing and distribution center facilities in Jacksonville and/or relocated corporate offices to the region.


NISSAN

BERTH 35 IMPROVEMENTS COMPLETE

A multi-faceted rehabilitation project of Berth 35 at JAXPORT's Blount Island Marine Terminal is now complete with the installation of a high-voltage electrical system to support the new 100-gauge cranes that arrived at JAXPORT in August 2016.

The berth's improvements increase energy efficiencies, reduce emissions from diesel-powered cranes and enhance night-time operations through new high-powered LED lighting. Berth 35's new electrical system includes an on-site transformer substation and $1 million switchgear building to feed each crane's power needs. The 100-gauge cranes work on regenerative power, consuming power during the lifting of containers and creating energy as they lower.

"Berth 35 will offer JAXPORT's current and future customers even more efficient operations and increased capabilities," said Roy Schleicher, JAXPORT Executive Vice President and Chief Commercial Officer. "The rehabilitation project is a major step forward in our $100 million investment in building the port of the future."


JAXPORT

NEW 100-GAUGE CRANES

JAXPORT's ongoing investment in building the port of the future was on display as three state-of-the-art 100-gauge electric container cranes cruised in on the St. Johns River.

The cranes arrived at the Blount Island Marine Terminal on August 19 aboard the specialty vessel Zhen Hua 14, which departed from Shanghai, China in early June. They were offloaded at the newly reconstructed Berth 35 and have been fully operational since December.

The new container cranes are equipped to service wider, post-Panamax vessels with the ability to reach across 22 containers, a significant increase from the 16 container capabilities of the terminal's current cranes. Each electric crane works on regenerative power, consuming power during the lifting of containers and creating energy as they lower. The use of electricity will increase energy efficiencies and reduce emissions.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KUBOTA

$30 MILLION RAIL FACILITY OPENS

JAXPORT's new $30 million Intermodal Container Transfer Facility is now officially open for business.

The ICTF provides on-dock rail service to JAXPORT's North Jacksonville seaport terminals: the Blount Island Marine Terminal and the TraPac Container Terminal at Dames Point. The direct transfer of containers between vessels and trains speeds up the shipment process, offering shippers greater options and efficiencies.

The facility was constructed with $20 million in funding from the State of Florida and $10 million in federal TIGER-grant funds.

Rail that connects to CSX Transportation's main line allows for two unit trains each day. Ceres Rail Services is responsible for managing the day-to-day operations.

Along with the deepening of Jacksonville's harbor to 47 feet, the ICTF is one of several major capital projects at JAXPORT aimed at serving global cargo customers, increasing efficiency and contributing to the economic vitality of Northeast Florida.


SEA STAR
JAXPORT
MAERSK SEALAND
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RECORD ASIAN TRADE NUMBERS

The Asian container trade continues to be the fastest growing segment of JAXPORT's container cargo business, achieving 19 percent growth in FY16 with 336,791 containers moved compared to 283,164 the previous year.

The growth of existing and new services calling on JAXPORT's Blount Island Marine Terminal, including the recently added 2M Alliance (Maersk Line/Mediterranean Shipping Co., the two largest container carriers in the world) contributed to this growth. The Asian sector has grown steadily since JAXPORT first entered the trade lane in 2009, now accounting for 35 percent of JAXPORT's total cargo container business in 2016.

JAXPORT offers direct trade with Asian ports through both the Panama and Suez Canals and currently 13 of the 17 global ocean carriers serving the Asia-U.S. trade lane offer service through JAXPORT.

When combined with the containers moving through its private terminals, the Port of Jacksonville moves more than 1.2 million containers annually, making it the largest port complex in Florida.

MILE POINT IMPROVEMENTS COMPLETE

JAXPORT and the U.S. Army Corps of Engineers recently completed a project to remove a navigational restriction in the St. Johns River harbor.

As the Intracoastal Waterway and St. Johns River converge at Mile Point, the largest, deep-draft container vessels calling JAXPORT's terminals can only enter the harbor twice daily at high tide. Phase I of the Mile Point project was completed at the end of 2016, significantly reducing this restriction, allowing carriers and shippers to use the channel during ebb tide.

Phase II is scheduled to begin in late 2017 and will focus on restoring marshlands. The State of Florida has advanced $43.5 million for design and construction of the Mile Point harbor improvement project.

MOL MAJESTY

The MOL Majesty made history at JAXPORT as the first containership to arrive at the port through the new, expanded locks of the Panama Canal. The ship docked at TraPac Container Terminal at Dames Point.

The 991-foot Majesty has a maximum capacity of 6,724 TEU (containers) requiring 46.5 feet of water when fully laden.

NYK IRIS LEADER

JAXPORT welcomed the NYK Iris Leader on July 11, 2016, marking two important milestones. Jacksonville is the Iris Leader's first ever port of call in the United States and it is also the first roll-on/roll-off (Ro/Ro) ship to call on JAXPORT after passing through the new, expanded locks of the Panama Canal.

The Iris Leader, newly built, is 15 feet wider than previous NYK Ro/Ro ships. The vessel's extra width required the width of the new Panama Canal locks for safe passage. The extra width also increases the ship's capacity by 1,500 cars.


ISLA BELLA
SAN JUAN
IMO 9680841


CROWLEY | CLEAN LNG POWERED
CROWLEY
EL COQUI

LIQUEFIED NATURAL GAS

EMERGING LNG LEADER

JAXPORT tenants TOTE Maritime Puerto Rico and Crowley Maritime Corp. are leaders in the emergence of LNG as a preferred, environmentally-friendly fuel source for the maritime industry.

LNG-POWERED SHIPS AT JAXPORT

TOTE Maritime operates two 3,100 TEU LNG-powered containerships out of JAXPORT's Blount Island Marine Terminal. Isla Bella and Perla Del Caribe are the world's first LNG-powered containerships.

Crowley Maritime will soon homeport two LNG-powered, combination container-roll-on/roll-off ships at JAXPORT's Talleyrand Marine Terminal. The ships, El Coquí and Taíno, will each have capacity for 2,400 TEU with additional space for nearly 400 vehicles.

LNG LIQUEFACTION FACILITIES

Eagle LNG is building a liquefaction plant in West Jacksonville able to produce 200,000 gallons a day. This plant will serve Crowley Maritime. Eagle is also building an LNG production and storage facility near the Blount Island Terminal and a holding facility at Talleyrand Marine Terminal.

JAX LNG is building a liquefaction and storage facility at Dames Point to fuel TOTE Maritime's ships, with capacity to produce in excess of 120,000 gallons of LNG per day. The company is also building North America's first LNG bunker barge, Clean Jacksonville, which will enter service in mid-2017 and provide LNG for vessels calling at Blount Island.

EXPORT OPPORTUNITIES

Crowley-owned Carib Energy has already begun small scale exports of LNG to Puerto Rico and has plans for expansion to a number of countries in the Caribbean and Latin America.

CARGO

In FY 2016, JAXPORT facilities moved a record 8.7 million tons of cargo, a 6.5 percent increase over the previous year. JAXPORT continued to grow overall containerized cargo volumes, most notably within the Asian container trade and achieved notable increases in auto imports and breakbulk cargoes.

The port handled a record-setting 968,279 TEU in FY16. The continued addition of new container business through both the Panama and Suez Canals resulted in a nearly 20 percent increase in TEU in JAXPORT's Asian container volumes in FY15, reflecting the port's growing importance in this trade lane. JAXPORT's Asian container cargo volumes have increased 78 percent since 2009 as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location.

The overall shipment of vehicles and other Ro/Ro cargoes through JAXPORT — primarily passenger cars, trucks and heavy equipment — remained fairly steady at 636,134 units in FY16. However, JAXPORT recorded double digit growth in auto imports in 2016, moving 467,898 imported vehicles, up 19 percent over last year.

In addition, breakbulk cargoes (non-containerized cargo such as fertilizers, metals, forest products and perishables) increased 22 percent during FY16, with nearly 888,000 tons shipped. A large portion of the growth was due to paper imports from Finland and wood pulp imports from Brazil.

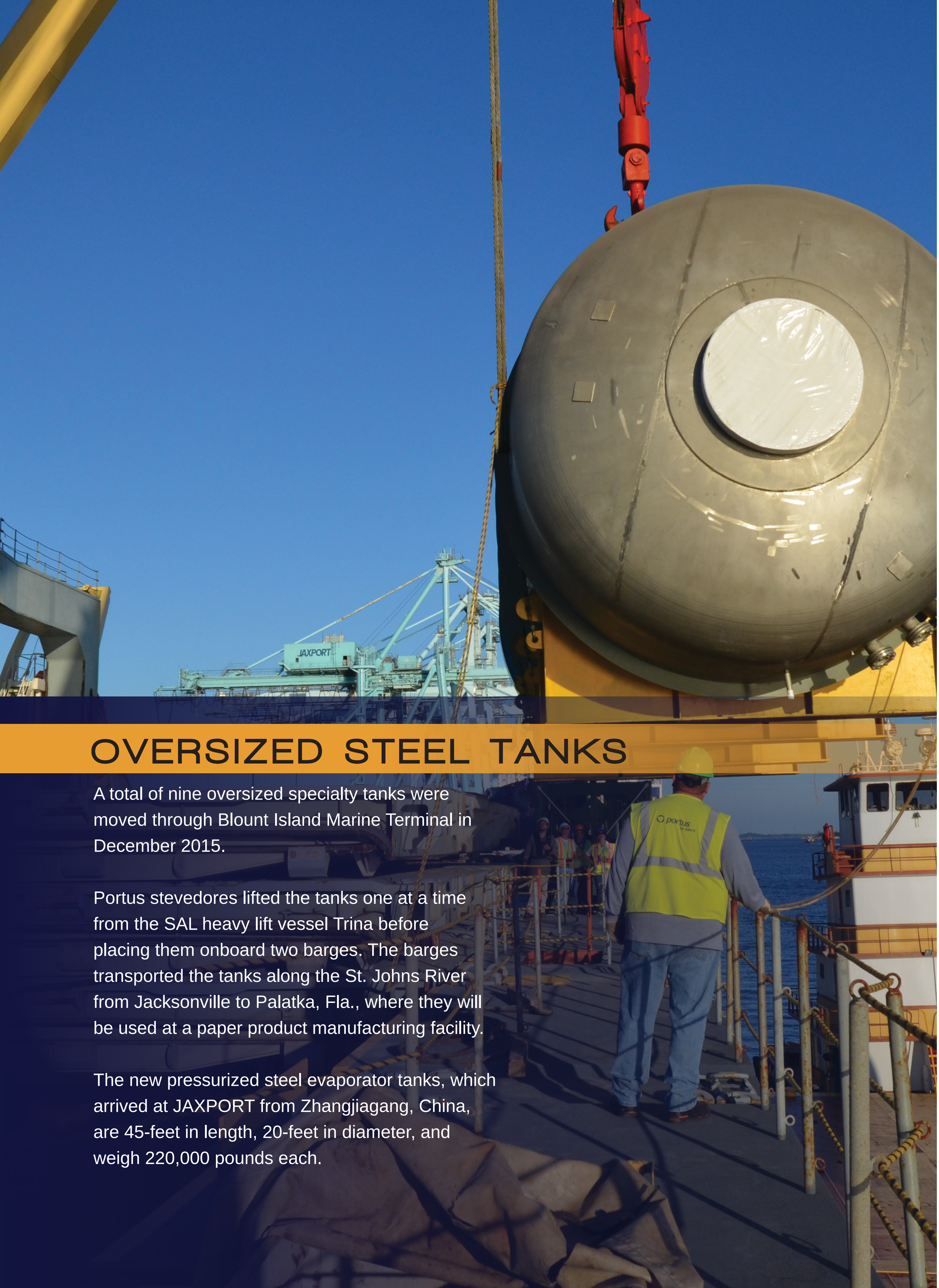

NYK LINE
CMA CGM
CHINA SHIPPING
HORIZON
GESeaco

MULTI-MILLION DOLLAR HELICOPTERS

Highly trained master riggers moved three multi-million dollar helicopters and 10 ambulances through JAXPORT's heavy lift and project cargo berth at Blount Island Marine Terminal, one of the nation's highest weight-bearing capacity docks.

Workers employed by stevedoring company Portus used specialty lift and lashing gear to load the helicopters one at a time aboard the U.S.-flagged Intermarine general cargo vessel Ocean Freedom. The helicopters are 55-feet in length, weigh up to 10,000 pounds each, and are worth between $35-40 million each. The ambulances were loaded onto a platform lift before being placed aboard the ship two at a time.

The refurbished helicopters and new vehicles are being shipped to northern Africa through the U.S. government's Foreign Military Sales (FMS) program, which promotes stability and peace through the sale of equipment to U.S. allies overseas.



OVERSIZED STEEL TANKS

A total of nine oversized specialty tanks were moved through Blount Island Marine Terminal in December 2015.

Portus stevedores lifted the tanks one at a time from the SAL heavy lift vessel Trina before placing them onboard two barges. The barges transported the tanks along the St. Johns River from Jacksonville to Palatka, Fla., where they will be used at a paper product manufacturing facility.

The new pressurized steel evaporator tanks, which arrived at JAXPORT from Zhangjiagang, China, are 45-feet in length, 20-feet in diameter, and weigh 220,000 pounds each.

ENTIRE WAREHOUSE SHIPMENT HANDLED

More than 40 large steel pieces that will ultimately form a Northeast Florida manufacturing facility moved through JAXPORT's heavy lift and specialty cargo berth in April 2016.

Portus master riggers lifted the pieces one at a time from the Thorco Shipping general cargo vessel Genius Star XI before placing them on individual chassis to be trucked to Starke, Fla., where they will be assembled together to create a freestanding manufacturing facility.

The pieces, which arrived at JAXPORT from Shanghai, China, each weigh up to 111,000 pounds and are up to 50 feet in length.
A second shipment containing the remainder of the components for the project arrived through JAXPORT in June.

FIRST U.S. PORT TO MOVE INFINITI QX30

Wallenius Wilhelmsen Logistics (WWL) has moved the first shipment of all-new 2017 Infiniti QX30 premium active crossovers for distribution in the Southeast United States through Blount Island.

Approximately 1,000 QX30 vehicles arrived at JAXPORT via the MOL vehicle carrier Serenity Ace from Infiniti's manufacturing facility in Sunderland, England. The vehicles are being processed at WWL's on-terminal vehicle processing facility at Blount Island before being distributed to dealerships throughout the region.

According to Infiniti, the 208-horsepower QX30 line is powered by a 2.0-liter turbocharged 4-cylinder mated to a 7-speed dual clutch automatic transmission, and features advanced safety equipment such as Intelligent Cruise Control, Lane Departure Warning and Traffic Sign Recognition.


WARTSILA.COM
WÄRTSILÄ
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B END

SPECIALTY GENERATOR

JAXPORT's Talleyrand Marine Terminal served as the transportation hub for a 269,000-pound gas-fired, reciprocating engine en route to Gainesville, Fla. The 37-foot long Wärtsilä engine arrived aboard a Spliethoff vessel from Rauma, Finland and highly trained master riggers at Talleyrand transferred the cargo from the ship to a dock-side 12-axel railcar.

Freight forwarder deugro (USA), Inc., oversaw the process as Seaonus workers used the ship's onboard cranes to lift and position the engine onto the railcar. The use of Talleyrand's on-dock rail facilities provided the shortest distance to the engine's final destination at the Gainesville Regional Utilities South Energy Center.

"The Wärtsilä engine will support the UF Health South Campus, which includes the Cancer Hospital and new UF Health Heart & Vascular and Neuromedicine Hospitals," said Chuck Heidt, Project Manager at Gainesville Regional Utilities. "I am very satisfied with the level of service provided to us from the port and its partners, as well as the professionalism of the staff and the safety conscious attitude."


HÖEGH TARGET

WORLD'S LARGEST PCTC CALLS

JAXPORT welcomed Höegh Target, the largest Pure Car and Truck Carrier (PCTC) ship in the world, to Blount Island in September 2016. The 8,500 CEU (car capacity) post-Panamax ship arrived at JAXPORT through the newly expanded Panama Canal locks. PCTCs are designed to accommodate all types of vehicles, from completed passenger cars to construction machinery.

To mark the occasion, JAXPORT Executive Vice President and Chief Commercial Officer Roy Schleicher presented Captain She Wei Jun with a plaque on the bridge of the ship.

Höegh Target is the first in a series of six larger, post-Panamax PCTCs Höegh is currently adding to its fleet. The vessel's extra width requires the larger Panama Canal locks for safe passage. The extra width increases the ship's capacity by 700 cars.

CRUISE

During FY 2016, 197,295 passengers embarked aboard two Carnival Cruise Line ships, the Fascination and Elation, at JAXPORT's Cruise Terminal at Dames Point.

The 2,052 passenger Fascination sailed out of JAXPORT's North Jacksonville cruise terminal in the first half of FY16 before being replaced with the newer Elation in the spring of 2016. The ships took a combined 82 voyages from JAXPORT last year. Elation currently offers cruises to the Bahamas year-round.

Passengers enjoy their cruise experience at JAXPORT 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.


Elation
ELATION

CARNIVAL ELATION

JAXPORT welcomed the Carnival Elation to Jacksonville in May 2016. Carnival Elation, which carries 2,054 passengers, is now sailing year-round out of JAXPORT's cruise terminal. Elation is a newer ship than the previous home-ported ship, offering four and five-day cruises to the Bahamas.

2 MILLIONTH PASSENGER

Amidst a flurry of leis and excitement, Carina Alejandro became the two-millionth passenger to sail from the JAXPORT Cruise Terminal.

JAXPORT officials along with Carnival Elation Captain Gaetano Gigliotti were on hand to present Alejandro with gifts and a commemorative plaque.

Alejandro, her young son and fiancé enjoyed VIP treatment on their four-day cruise to the Bahamas.

COMMUNITY OUTREACH

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.

ENVIRONMENT

JAXPORT is committed to promoting environmental protection and/or stewardship through educational projects and initiatives aimed at pollution prevention, waste reduction, storm-water management, marine animal and plant species protection, and preserving natural resources.

JOBS / WORKFORCE / EDUCATION

JAXPORT focuses on educating people of all ages about career opportunities at the port and with all companies associated with the movement of cargo while supporting economic growth through jobs in the region.

SMALL BUSINESS

JAXPORT is committed to promoting equal opportunities in all capital and procurement contracts, with the inclusion of small businesses and minority-owned firms in contract awards and projects whenever feasible.

COMMUNITY

JAXPORT is dedicated to community outreach efforts or programs that promote the general welfare of our community and provide opportunities for JAXPORT employee volunteerism.

BIG BROTHERS BIG SISTERS

JAXPORT has partnered with Big Brothers Big Sisters of Northeast Florida since 2012.

Through the “Beyond School Walls” program, a workplace mentoring partnership with Big Brothers Big Sisters of Northeast Florida, JAXPORT employees mentor local area high school students. During monthly meetings throughout the school year at JAXPORT’s main offices, mentors and students enjoy lunch together, discuss industry-related topics, career goals and build relationships. Students are exposed to the transportation and logistics industry through monthly activities and one-on-one discussions with their JAXPORT mentor.

“Beyond School Walls” is an extension of the school-based version of the Big Brothers Big Sisters mentoring program, but offers a twist on the traditional situation as students travel from school to the business partner’s offices to meet with mentors. This partnership provides the students a steady mentor and also brings them in to a positive work environment, where they can learn first-hand about new career paths and life goals.

MAYPORT ELEMENTARY

Young coastal scientists and instructors at Mayport Elementary School's Coastal Sciences Academy could breathe easier during Hurricane Matthew knowing that a JAXPORT-sponsored power generator was keeping the filtration system going on the fish tank holding their small Rainbow Trout.

Fifth grade students at Mayport Elementary spend the school year learning about the St. Johns River and its wildlife in the JAXPORT-sponsored Aquaculture 'Labitat'. Much of the time is spent nurturing the thousands of small fry trout until the fish are ready to be released into the river.

Following a lengthy 2015 power outage at the school which resulted in the loss of more than 3,000 fish, JAXPORT purchased the backup generator as part of its community outreach efforts aimed at promoting environmental education and research.

LOOKING AHEAD

FURTHER IMPROVE THE FEDERAL CHANNEL

JAXPORT and the U.S. Army Corps of Engineers recently completed a project to remove a navigational restriction at Mile Point, allowing larger container ships to visit port terminals for more hours each day. The Jacksonville Harbor Deepening project to take the channel to 47 feet continues to move forward. Together, these projects will allow JAXPORT to become a first/last port of call for the industry's larger ships.

GROW VOLUMES THROUGH DAMES POINT ON-DOCK RAIL TERMINAL

JAXPORT's $30 million Intermodal Container Transfer Facility at Dames Point is now serving the adjacent Blount Island Marine Terminal and TraPac Container Terminal. The ICTF, funded through federal and state transportation grants, offers the increased level of efficiency shippers require in today's demanding marketplace.

REVITALIZE INFRASTRUCTURE

JAXPORT continues a comprehensive infrastructure program revitalizing docks and rail at both the Blount Island and Talleyrand Marine Terminals. The reconstruction allows for regular operations while fortifying the facilities for future growth.

ENHANCE PORT SECURITY

JAXPORT continues to use innovative methods for mitigating risk at seaport facilities while achieving the highest level of operational efficiency, undertaking significant physical security, safety and emergency preparedness upgrades to reduce risk for a stakeholder population in excess of 20,000.

LEAD THE LNG REVOLUTION

With Jacksonville-based TOTE Maritime and Crowley Maritime pioneering the use of liquefied natural gas 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 export commodity.


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

Annual Financial Report
For the Year Ended September 30, 2016

Table of Contents

March 31, 2017

To the Board of Directors of the
Jacksonville Port Authority:

We present the Annual Financial Report of the Jacksonville Port Authority (the Authority or JAXPORT) for the fiscal year ended September 30, 2016. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information about the financial position of the Authority.

Reporting Entity and Governance

The Jacksonville Port Authority, a public body corporate and politic, was created in 1963 by Chapter 63-1447 of the Laws of Florida to own and operate marine facilities in Duval County, Florida.

JAXPORT is comprised of three separate terminal locations in Jacksonville, with a diverse mix of cargo including containers, automobiles, bulk, and cruise operations. Approximately two-thirds of revenues are generated by containers and autos. The remaining lines of business include breakbulk, drybulk, liquid cargo, and cruise.

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

The Executive Director/CEO of the Authority plans and directs all the programs and activities of the Authority, focusing on the future and the development of long-term business strategies.

2016 Financial Highlights and looking ahead

Operating revenues were up six percent for fiscal year 2016, and reflect record container volumes, while continuing a diversification in trade lanes and cargo mix, and other accomplishments as noted below:

- A record volume of 968,279 twenty-foot equivalent units (TEUs), up six percent over prior year. The previous JAXPORT record was 936,972 TEUs set in 2014.

- Overall, vehicle volumes remained steady with more than 636,000 total units moved; maintaining JAXPORT's ranking as one of the nation's busiest ports for total vehicle handling.\The Asian container trade continues to be the fastest growing segment of JAXPORT's container cargo business. In 2016, Asian volumes (TEUs) accounted for 34% of overall volumes compared to 11% in 2009. The growth of existing and new services calling on JAXPORT's Blount Island Marine Terminal, including the recently added 2M Alliance (Maersk Line/Mediterranean Shipping Co., the two largest container carriers in the world) contributed to this growth. Breakbulk cargoes (non-containerized cargo such as fertilizer, metals, forest products and perishables) increased 22 percent over the previous year, with nearly 888,000 tons shipped. A large portion of the growth is due to paper imports from Finland and wood pulp imports from Brazil.
- JAXPORT achieved its 16th consecutive year of operating revenue growth, earning $58.4 million, up 6 percent over 2015.

Additionally, Northeast Florida continues to lead the nation in the maritime use of Liquefied Natural Gas (LNG). Two of our long time tenants are successfully introducing the world's first LNG powered container vessels and making additional investments in terminal assets.

JAXPORT remains the nation's No. 1 vehicle export port, the No. 1 port for trade with Puerto Rico. and the 11th largest U.S. container port. In 2016, readers of an international logistics trade publication scored JAXPORT the highest in the nation for customer service.

JAXPORT is committed to recapitalizing its infrastructure which in the current year resulted in several projects nearing completion which included -

- JAXPORT's new on-dock rail facility (ICTF)
- Three new 100-gauge container cranes
- Ongoing upgrades to terminal berths, docks and rail

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

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended. The Authority selected the firm of RSM US LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. Each year, the independent certified public accountants meet with the Audit Committee of the Board of Directors to review the results of the audit.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB).

Acknowledgement

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

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

Respectfully submitted,

Eric Green, Interim CEO

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Jacksonville Port Authority, (the Authority), as of and for the year ended September 30, 2016 and 2015, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2016 and 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The revenue recognition – GAAP to budgetary basis reconciliation 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 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.

RSM US LLP

Jacksonville, Florida
March 31, 2017

This section of the Jacksonville Port Authority's (the 'Authority' or 'JAXPORT') annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year which ended September 30, 2016 and for fiscal year 2015. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL STATEMENTS PRESENTATION

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

The 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. 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. Collectively, these financial statements provide an assessment of the overall financial condition of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY

A condensed overview of the Authority's net position is provided below. The statement of net position serves as a useful indicator of assessing the entity's financial position and relative components of assets and liabilities. It identifies these assets and liabilities for their expected use both for current operations and long-term purposes, and identifies trends and allocation of resources.

As the Authority operates in a capital intensive environment, capital assets are by far the largest component. They are primary to seaport operations, providing land assets, buildings and equipment, and other capital assets to its tenants and customers. These capital assets are largely funded by bonds and notes outstanding (debt). Repayment of this debt is provided annually from operations, as well as funds maintained by the Authority restricted for ongoing scheduled and certain future debt payments. The Authority's capital spending program is also supported by funding from its primary government, the City of Jacksonville, as well as state and federal grants. In addition to long-term assets and liabilities, the Authority holds current assets, including operating cash balances, to meet current liabilities.

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

Net Position

At September 30, 2016 the Authority's net position grew to $385 million, supported by strong revenue growth of 6% over prior year, while maintaining level operating expenses year to year. Operating income before depreciation was $27.3 million, up $1.9 million over fiscal year 2015. The Authority's operations are also supported by funding from both the primary government (the city) of $4.8 million, and state and federal grants in aid of construction of $33 million in fiscal year 2016. Additionally, outstanding debt obligations were reduced by $23 million (bonds and notes of $12 million, and line of credit/noncurrent liabilities of $11 million), while operating cash balances on hand also improved year to year.

(In thousands of dollars)	2016	2015	2014
NET POSITION			
Current assets	$ 31,901	$ 50,234	$ 39,835
Noncurrent assets (excluding capital assets)	29,007	42,040	50,921
Capital assets	675,581	646,339	604,290
Deferred outflows	11,541	9,897	8,950
Total assets and deferred outflows	748,030	748,510	703,996
Current liabilities	27,604	33,414	28,678
Bonds and notes outstanding (net of current portion)	182,478	194,928	206,838
Other noncurrent liabilities and deferred inflows	152,479	158,934	148,292
Total liabilities and deferred inflows	362,561	387,276	383,808
Net position			
Net investment in capital assets	346,753	304,571	278,220
Restricted for capital projects	7,775	6,428	-
Restricted for debt service	18,993	18,930	18,178
Restricted – other	2,770	2,709	2,705
Unrestricted	9,178	28,596	17,570
Total net position	$ 385,469	$ 361,234	$ 316,673

Total assets and deferred outflows at year end 2016 were $748,030, a slight decrease from prior year. Noteworthy is capital assets net increases of $29,242 ($57,337 additions less depreciation of $28,095). Current assets decreased $18,333 and include the collections of notes receivable of $9,650 (litigation claim recovery), as well as, net grants receivables collections of $8,461 in 2016. Also within current assets, cash and cash equivalents increased $243 to $15,901. Noncurrent assets (excluding capital assets) declined $13,033, primarily the utilization of bond and notes cash proceeds from prior years, used for cranes and berth rehabilitation projects.

Total liabilities and deferred inflows declined $24,715 in 2016, most significantly impacted by reductions in overall long term debt of $23,350, comprised of both bonds and notes payable reductions of $11,910 and pay downs on the line of credit of $10,900 (within other noncurrent liabilities). Current liabilities declined $5,810, primarily attributable to reductions in construction contracts payables.

Total net position at year end 2016 was $385,469, most significant was net investment in capital assets of $346,753, up $42,182 over prior year, reflective of continued investment in port infrastructure, and related reduced debt outstandings from scheduled debt service payments. Reductions in 2016 unrestricted balances were attributable to balances related to 2015 litigation settlement receivables and large grant receivables at 2015 year end, both collected in 2016 and used for debt pay downs and grant programs.

Revenue, Expenses and Changes in Net Position *(in thousands of dollars)*

	2016	2015	2014
CHANGES IN NET POSITION			
Operating revenue	$ 58,439	$ 55,231	$ 53,191
Operating expenses			
Salaries and benefits	16,762	15,171	14,566
Services and supplies	3,709	4,152	4,677
Security services	4,142	3,754	3,733
Business travel and training	400	398	434
Promotion, advertising, dues and memberships	977	1,044	1,134
Utility services	904	1,040	1,121
Repairs and maintenance	1,581	1,461	1,619
Dredging	2,548	2,674	2,266
Miscellaneous	155	198	200
Total operating expenses	31,178	29,892	29,750
Operating income before depreciation and amortization	27,261	25,339	23,441
Depreciation	28,095	26,393	24,400
Operating gain / (loss)	(834)	(1,054)	(959)
Non-operating revenue (expense)			
Interest expense	(9,145)	(9,339)	(9,738)
Shared revenue from primary government	4,829	5,335	5,623
Intergovernmental revenue	-	18	274
Loss on sale/disposition of assets	(365)	(2,335)	(303)
Capital contributions to other government agencies	(2,000)	(42,981)	(1,000)
Contribution to tenants	(1,699)	(977)	-
Net claims and recoveries	(65)	7,662	(1,168)
Other non-operating	55	1,063	(519)
Total non-operating revenue (expense)	(8,390)	(41,554)	(6,831)
Loss before capital contributions	(9,224)	(42,608)	(7,790)
Capital contributions	33,459	87,169	16,915
Changes in net positions	24,235	44,561	9,125
NET POSITION			
Beginning of year, as restated	361,234	316,673	307,548
End of year	$ 385,469	$ 361,234	$ 316,673

Revenue, Expenses and Changes in Net Position – 2016 vs. 2015

Total operating revenues for 2016 were $58,439, a 5.8% increase over prior year revenues of $55,231. Most significant was container revenue of $25,620, up 9% over 2015, container TEUs (twenty foot equivalents) totaled 968,279 TEU compared to 915,292 TEU a year ago. Auto revenue was $17,299, up 2.7% from prior year. Containers and autos account for almost 75% of the Authority's revenues. Additionally, Break Bulk (i.e. paper, steel, wood pulp) revenues grew to $4,279, an 8.5% increase, and reflect an increase in tonnage of 887,878 tons from 726,242 tons in 2015. Cruise business also exceeded prior year revenues by 11%, at $5,068, with total cruise passengers of 197,295 compared to 183,192 a year ago.

Total operating expenses for 2016 were $31,178, an increase of $1,286 over prior year expenses of $29,892. A large portion of this increase relates to increased pension expense of $1,056 is directly related to the increase in the net pension liability. Without the GASB 68 pension accounting impacts, overall operating expenses were essentially flat year to year, as increases in personnel costs and contract security costs were offset by savings in services and supplies (primarily fuel savings) and utility services.

Net non-operating expenses for 2016 totaled $8,390. Expenses were comprised of debt service interest cost of $9,145, and ongoing tenant contributions of $1,699 (whereby certain capital grant commitments are intended as indirect offsets to these expenditures). Partly offsetting these expenses was investment income of $139, and shared revenue from primary government of $4,829. Also in 2016, the Authority incurred an additional $2,000 final contribution to the US Army Corps of Engineers (a project specific state grant-funded project) for improvements at the Jacksonville Harbor; this is in addition to the $42,981 transferred in 2015.

Capital contributions (state and federal grants) in 2016 were $33,459, compared to $87,169 in 2015. Significant capital contributions in 2016 were for wharf reconstruction $14 million, an intermodal container transfer facility $8 million, and $7.4 million for new cranes.

At the close of fiscal year 2016, the Authority had a net position of $385,469, an increase of $24,235 compared to prior year net position of $361,234.

Revenue, Expenses and Changes in Net Position – 2015 vs. 2014

Revenues for 2015 were $55,231, up 3.8%, or $2,040 over prior year revenues of $53,191. Auto revenues were up 7%, or $1,093, mainly due to new lines of business added in 2015. Total auto units improved to 656,599 units compared to 615,170 units in 2014, and accounting for the largest cargo growth item. All other revenue categories collectively totaled $947, with notable increases in both cruise and break bulk, both up 4% year to year.

Total operating expenses in 2015 were relatively unchanged at $29,892, compared to $29,750 in 2014. Increases in personnel costs and dredging expenses, were offset by savings in service and supplies (fuel costs) and repair and maintenance costs, to reflect flat expenses in the current year.

Net non-operating expenses for 2015 were $41,544, and include a one-time capital grant contribution (a state grant-funded project) in the amount of $42,981, which was project-specific state funded and concurrently transferred to the US Army Corps of Engineers (USACE) to administer, manage and operate. The project is for harbor improvements at the Jacksonville harbor. Other non-operating items of note in 2015 include a litigation claim settlement of $10,250, net of $2,588 legal and other claims costs. At year-end 2015, this claim reached resolution by way of settlement and will close out this claim. Amounts shown as 'Contributions to tenants' in the amount of $977 are amounts paid by the Authority in the fiscal year 2015, with future capital grant funding commitments intended as indirect offsets to these expenditures. Loss on sale of assets include assets disposed and/or deemed obsolete, including terminal equipment and computer equipment write-offs totaling $2,153 during the year. Other, net of $957, includes insurance rebates of $654 and other one-time items.

Capital contributions (state and federal grants) recorded in 2015 were $87,169, compared to $16,915 in 2014. Included in 2015 was the above noted non-operating item 'project-specific funding' of $42,981 which was 95% grant funded. Significant capital contributions in 2015 were for wharf reconstruction $23 million, an intermodal container transfer facility $16 million, and $6.4 million for new cranes.

At the close of fiscal year 2015, the Authority had a net position of $361,234 and an increase of $44,561, compared to prior year net position of $316,673.

Cash Flows

2016 vs. 2015

Cash flows from operating activities in 2016 were $30,801, compared to $25,109 in 2015, an increase of $5,692. Receipts from customers were up $4,240, consistent with revenue growth year to year, payment for services and supplies declined $2,015, and payments to employees increased $563.

Cash flows from noncapital financing activities were $5,038 compared to $4,877 in 2015. Most of the increase is attributable to operating grants receipts in 2016 of $209.

Cash flows from capital and related financing activities in 2016 were ($49,997), and reflect no new debt issues in 2016. Acquisition and construction of capital assets of ($67,003) accounted for the largest outlay in a year of heavy construction activity. Partly offsetting and supporting these capital outlays were contributions-in-aid of constructions of $40,364. In 2016, the Authority received final settlement amounts (claims against contractor) for $9,650 ($9,228 after final legal costs), largely used to reduce the line of credit in amount of ($10,900) along with other cash available for pay down on the line. Principal and interest payments on capital debt in 2016 were $20,289, compared to $19,734 in 2015. Other capital and financing and related financing activities include ($1,962) for contributions to tenants and proceeds from sales of assets of net $655.

Cash flows from investing activities include the purchase of investment securities of ($5,961) and investment income of $208.

The overall net decrease in cash and cash equivalents of ($19,911) reflects the reduction of cash restricted for capital projects (bond funds) in the amount of ($14,412), and the purchase of investment securities of ($5,892).

Cash and cash equivalents at the end of 2016 were $38,785, compared to $58,696 in 2015. The cash balance of $38,785 at September 30, 2016 is comprised of $15,901 in unrestricted cash, $3,516 in construction cash, $16,598 in restricted debt service and reserve funds, and $2,770 for renewal and replacement funds. Investment balances of $5,892 are also restricted for debt service.

2015 vs. 2014

Cash flows from operating activities in 2015 were $25,109, compared to $25,200 in 2014, a $91 decrease. Receipts from customers were up $2,284, payments for services and supplies increased $1,830 and payments to employees increased $545.

Cash flows from noncapital financing activities declined $1,275, as 2014 included a special operating grant not recurring in 2015. Receipts from primary government declined $746, primarily from timing of these receipts.

Cash flows from capital and related financing activities in 2015 were ($44,744), and reflect no new debt issues in 2015. Net advances on the line of credit were $3,828, and relate to two capital projects in 2015, partly funded by this line of credit. Capital asset spending totaled ($108,772), and were funded by $81,036 in Capital Grants, prior year proceeds of $25,000 from capital debt, and the above mentioned line of credit projects. As mentioned, in the discussion on the statement of revenues and expenses and changes in net position, a harbor improvement project in the amount of $42,981 was included in both capital spending and contributions-in-aid of construction on the statement of cash flows. The entire project asset was subsequently contributed to the USACE, as grant funding was project specific and intended for the purposes of the USACE, essentially a pass through project for cash flow purposes.

Principal and Interest payments on capital debt in 2015 was $19,734, compared to $19,966 in 2014. Interest on investments was $124 in 2015 compared to $84 in 2014, primarily from increased balances.

Cash and cash equivalents at the end of 2015 were $58,696, compared to $73,330 in 2014. The cash balance of $58,696 at September 30, 2015 is comprised of $15,658 in unrestricted cash, $17,928 in construction cash, $22,402 in restricted debt service and reserve funds, and $2,708 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, 2016, the Authority had commitments for future construction work of approximately $13,905. Additional information can be found in the accompanying notes to the financial statements.

2016 vs. 2015

At September 30, 2016 the Authority's capital assets, net of depreciation, grew to $675,581, compared to prior year net capital assets of $646,339. Capital spending for 2016 was $57,337, major projects in process or completed include wharf rehabilitation $28,101, progress payments on three new cranes nearing completion $15,387, and progress payments for a new intermodal container transfer facility also nearing completion at the end of 2016, of $7,484. Additionally in 2016, capital assets of $2,000 were added and concurrently contributed to other government agencies for harbor improvements. Depreciation expense for 2016 was $28,095, compared to $26,393 in 2015.

2015 vs. 2014

At September 30, 2015 the Authority had $646,339, net of depreciation, invested in capital assets, a net increase of $42,049 over prior year net capital assets of $604,290. Capital spending for 2015 was $68,442, and includes payments towards wharf rehabilitation $29,100, an intermodal container transfer facility in process $16,100, three new cranes under construction $13,300, and paving and other tenant improvements $9,800. Additionally in 2015, capital assets of $42,584 were added and concurrently contributed to other government agencies for harbor improvements. Depreciation expense for 2015 was $26,393, compared to $24,400 in 2014.

Long-Term Debt

2016 vs. 2015

At September 30, 2016, the Authority had outstanding bonds and notes payable of $194,719, a decrease of $11,910 from $206,629 at end of fiscal year 2015 (both net of unamortized bond discounts and premiums). Additionally, the Authority reduced its outstanding line of credit balance $10,900 in fiscal year 2016. The line of credit balance outstanding at September 30, 2016 was $8,675, compared to $19,575 at prior year end. There was no long-term debt issuance activity in 2016.

<u>2015 vs. 2014</u>

At September 30, 2015, the Authority had outstanding bonds and notes payable of $206,629, a decrease of $10,476 compared to $217,105 at the end of 2014 (both net of unamortized bond discounts and premiums). In 2015 (August), the Authority renegotiated a rate decrease on the 2010 Tax Exempt Revenue note from 4.03% to 2.69%. There was no long-term debt issuance activity in 2015. The line of credit balance outstanding at September 30, 2015 was $19,575, compared to $15,748 at prior year end.

The Authority exceeded its required minimum debt service coverage ratio for the 2016 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, 2016 and 2015.

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, 2016 and 2015
(In thousands of dollars)

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 15,901	$ 15,658
Restricted cash and cash equivalents	7,708	7,614
Accounts receivable, net	4,658	5,122
Notes and other receivables	89	9,822
Grants receivable	1,888	10,349
Inventories and other assets	1,657	1,669
Total current assets	31,901	50,234
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	11,660	17,496
Investments	5,892	-
Restricted for capital projects		
Cash and cash equivalents	3,516	17,928
Notes receivable	164	188
Grants receivable	7,775	6,428
Capital assets, net, primarily held for lease	675,581	646,339
Total noncurrent assets	704,588	688,379
Total assets	736,489	738,613
Deferred outflow of resources	11,541	9,897
Total assets and deferred outflow of resources	$ 748,030	$ 748,510

Jacksonville Port Authority

Statements of Net Position
September 30, 2016 and 2015
(In thousands of dollars)

	2016	2015
Liabilities		
Current liabilities		
Accounts payable	$ 2,036	$ 1,866
Accrued expenses	887	536
Accrued interest payable	3,368	3,338
Construction contracts payable	1,524	6,980
Retainage payable	1,276	2,739
Unearned revenue	6,272	6,254
Bonds and notes payable	12,241	11,701
Total current liabilities	27,604	33,414
Noncurrent liabilities		
Unearned revenue	115,036	113,827
Derivative instrument liability	638	1,102
Accrued expenses	4,323	4,748
Other obligations	8,537	8,537
Net pension liability	13,379	8,352
Line of credit	8,675	19,575
Bonds and notes payable	182,478	194,928
Total noncurrent liabilities	333,066	351,069
Total liabilities	360,670	384,483
Deferred inflow of resources	1,891	2,793
Net Position		
Net investment in capital assets	346,753	304,571
Restricted for		
Capital projects	7,775	6,428
Debt service	18,993	18,930
Repair and replacement	2,770	2,709
Unrestricted	9,178	28,596
Total net position	$ 385,469	$ 361,234

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended September 30, 2016 and 2015
(In thousands of dollars)

	2016	2015
Operating revenue	$ 58,439	$ 55,231
Operating expenses		
Salaries and benefits	16,762	15,171
Services and supplies	3,709	4,152
Security services	4,142	3,754
Business travel and training	400	398
Promotions, advertising, dues and memberships	977	1,044
Utility services	904	1,040
Repairs and maintenance	1,581	1,461
Dredging	2,548	2,674
Miscellaneous	155	198
Total operating expenses	31,178	29,892
Operating income before depreciation	27,261	25,339
Depreciation expense	28,095	26,393
Operating income (loss)	(834)	(1,054)
Non-operating revenues (expenses)		
Interest expense	(9,145)	(9,339)
Investment income	139	124
Shared revenue from primary government	4,829	5,335
Contributions to tenants	(1,699)	(977)
Loss on sale/disposition of assets	(365)	(2,335)
Capital contributions to other government agencies	(2,000)	(42,981)
Net claims against contractors (expense) / recovery	(65)	7,662
Other non-operating (expense) / revenue	(84)	957
Total non-operating (expenses)	(8,390)	(41,554)
Loss before capital contributions	(9,224)	(42,608)
Capital contributions	33,459	87,169
Change in net position	24,235	44,561
Net position		
Beginning of year	361,234	316,673
End of year	$ 385,469	$ 361,234

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015
(In thousands of dollars)

	2016	2015
Cash flows from operating activities		
Receipts from customers	$ 60,433	$ 56,193
Payments for services and supplies	(13,988)	(16,003)
Payments to/for employees	(15,644)	(15,081)
Net cash provided by operating activities	30,801	25,109
Cash flows from noncapital financing activities		
Operating grants	209	-
Receipts from primary government	4,829	4,877
Net cash provided by noncapital financing activities	5,038	4,877
Cash flows from capital and related financing activities		
Line of credit activity	(10,900)	3,828
Contributions to tenants	(1,962)	(518)
Contributions-in-aid of construction (grants)	40,364	81,036
Acquisition and construction of capital assets	(67,003)	(108,772)
Principal paid on capital debt	(11,701)	(10,268)
Interest paid on capital debt	(8,588)	(9,466)
Proceeds from sale of assets	655	425
Claims against contractor	9,228	(1,920)
Other	(90)	911
Net cash used in capital and related financing activities	(49,997)	(44,744)
Cash flows provided from investing activities		
Interest on investments	208	124
Purchase of investment securities	(5,961)	-
Net cash provided by (used in) investing activities	(5,753)	124
Net decrease in cash and cash equivalents	(19,911)	(14,634)
Cash and cash equivalents		
Beginning of year	58,696	73,330
End of year	$ 38,785	$ 58,696

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015
(In thousands of dollars)

	2016	2015
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (834)	$ (1,054)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	28,095	26,393
(Increase) decrease in accounts receivable and other current assets	768	(152)
Increase in Deferred Outflow of Resources -Pension	(3,260)	(2,318)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	680	(999)
Unearned revenue	1,227	1,114
Pension	5,027	2,847
Decrease in Deferred Inflows (Pension)	(902)	(722)
Total adjustments	31,635	26,163
Net cash provided by operating activities	$ 30,801	$ 25,109
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 2,800	$ 9,719
Decrease in fair value of investments	(69)	-
Grants receivable	9,663	16,777
Change in value of derivative instrument	464	220
Constructed assets contributed to other government	(2,000)	(42,981)

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

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

4. Basis of accounting

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

5. New Pronouncements – Adopted and Unadopted

Adopted

The GASB issued Statement No. 72, *Fair Value Measurement and* Application in February 2015. This statement is effective for fiscal years beginning after June 15, 2015. See Note M for the Authority's presentation of fair value measurement, under GASB 72, disclosure requirements.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015. The requirements of this statement are effective for reporting periods beginning after June 15, 2015.

Unadopted

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions* in June 2015. This statement is effective for fiscal years beginning after June 15, 2017.

The implementation of GASB Statement No.75 will require the Authority to record net OPEB liability where we currently record the net OPEB obligation. Management believes that this change in accounting principle is not expected to result in a significant change to the Authority's financial position.

6. Budgeting procedures

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

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

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

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

7. Cash and cash equivalents

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

8. Investments

The Authority's investments are reported at fair value using quoted market price or other fair value techniques as required by FASB Statement No.72, *Fair Value Measurements.* Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. Categorizes within the fair value hierarchy include: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are unobservable inputs.

9. Restricted assets

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

10. Capital assets

Capital assets are carried at cost, including capitalized interest, less accumulated depreciation. Capital assets are defined by the Authority as assets with an individual cost of $5,000 or greater and an estimated useful life of more than one year.

Capital assets, 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 legal and design costs, 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.

Note A – Summary of Significant Accounting Policies (Continued)

Costs incurred for Harbor Deepening are accounted for as non-depreciable land improvements. Costs incurred for the development of dredge spoil sites are recorded as land improvements and amortized over 20 years. Maintenance dredging is expensed as incurred.

11. Inventories and prepaid items

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

12. Deferred outflows/inflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The Authority currently reports accumulated decrease in fair value of hedging derivatives (see note K), the net deferred loss on refunding of debt, as well as deferred outflows related to pensions in this category.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently reports deferred inflows related to pensions in this category.

13. Unearned revenue

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

14. Compensated absences (accrued leave plan)

Compensated absences consist of paid time off, which employees accrue each pay period. Individual leave accrual rates vary based upon position and years of service criteria. A liability is accrued as the benefits are earned by the employee for services already rendered, and to the extent it is probable the employer will compensate the employees for the benefits. The Authority's accrued leave plan liability at the end of fiscal years 2016 and 2015 was $1,616,000 and $1,688,000, 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.

15. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2016, total conduit debt was $78,600,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (Continued)

16. Long-term obligations

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

17. 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 and regulations.

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

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville ('City') and millage payments from the Jacksonville Electric Authority ('JEA') pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement 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 shared revenue from primary government was $4,829,000 and $5,335,000 in 2016 and 2015, respectively.

19. 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, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. Reclassifications

Certain reclassifications were made to the 2015 financial statement presentation in order to conform to the 2016 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2016 and 2015, the carrying amount of the Authority's cash deposit accounts was $23,023,000 and $26,356,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

Investments

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

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

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

Interest Rate Risk

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

Note B – Deposits and Investments (Continued)

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

2016		Investment Maturities (in Years)	
(in thousands of dollars)	Fair	Less	
Investment Type	Value	Than 1	1-5
Investments Subject to Interest Rate Risk:			
U.S. Government Bonds	$ 2,287	$ -	$ 2,287
Corporate Bonds	3,605	-	3,605
Money market funds	15,762	15,762	-
Total investments	$ 21,654	$ 15,762	$ 5,892

2015		Investment Maturities (in Years)	
(in thousands of dollars)	Fair	Less	
Investment Type	Value	Than 1	1-5
Investments Subject to Interest Rate Risk:			
Money market funds	$ 32,340	$ 32,340	$ -
Total investments	$ 32,340	$ 32,340	$ -

Credit Risk

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

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

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

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.

Note B – Deposits and Investments (Continued)

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

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

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

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

2016

Security Type	Credit Rating	% of Portfolio
U.S. Government Bonds	AAA	10.56%
Corporate Bonds	AA3 - A3	16.65%
Money market funds	AAAm	72.79%
Total		100.00%

2015

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

Custodial Credit Risk

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

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.

Note B – Deposits and Investments (Continued)

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

As of September 30, 2016, the Authority held government and corporate bonds that exceeded 5% of the total portfolio, however the concentrations fall within the Authority's investment policy.

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2016 and 2015, was as follows:

2016 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 207,462	$ 644	$ (630)	$ 207,476
Construction in progress	81,550	58,857	(51,240)	89,167
Total capital assets not being depreciated	289,012	59,501	(51,870)	296,643
Depreciable capital assets				
Buildings	97,826	-	(532)	97,294
Improvements	498,734	48,480	(7,071)	540,143
Equipment	112,180	1,226	(284)	113,122
Total other capital assets at historical cost	708,740	49,706	(7,887)	750,559
Less accumulated depreciation for:				
Buildings	50,917	3,264	(532)	53,649
Improvements	228,912	20,098	(7,071)	241,939
Equipment	71,584	4,733	(284)	76,033
Total accumulated depreciation	351,413	28,095	(7,887)	371,621
Other capital assets, net	357,327	21,611	-	378,938
Capital assets, net	$ 646,339	$ 81,112	$ (51,870)	$ 675,581

Note C – Capital Assets (Continued)

2015 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 231,658	$ 10	$ (24,206)	$ 207,462
Construction in progress	56,280	112,815	(87,545)	81,550
Total capital assets not being depreciated	287,938	112,825	(111,751)	289,012
Other capital assets				
Buildings	98,166	-	(340)	97,826
Improvements	432,442	68,420	(2,128)	498,734
Equipment	114,391	1,692	(3,903)	112,180
Total other capital assets at historical cost	644,999	70,112	(6,371)	708,740
Less accumulated depreciation for:				
Buildings	47,891	3,482	(456)	50,917
Improvements	211,130	18,190	(408)	228,912
Equipment	69,626	4,721	(2,763)	71,584
Total accumulated depreciation	328,647	26,393	(3,627)	351,413
Other capital assets, net	316,352	43,719	(2,744)	357,327
Capital assets, net	$ 604,290	$ 156,544	$ (114,495)	$ 646,339

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 $55 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets, and amortized over a 20 year life. To date, the Authority's share of these costs total, net of depreciation is approximately $19.8 million. Costs incurred and paid by the USACE for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

Note D – Capitalization of Interest

The Authority capitalizes interest expense on construction in progress in accordance with capitalization accounting guidance, which excludes grant funded capital improvements.

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2016 and 2015:

(In thousands of dollars)	2016	2015
Total interest expense incurred	$ 9,559	$ 10,158
Interest expense associated with construction	414	819
Net interest capitalized	414	819
Net interest expense incurred	$ 9,145	$ 9,339

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 $791,000,000 and accumulated depreciation of $292,000,000 as of September 30, 2016. Revenues recognized for facility leases for the fiscal year ended September 30, 2016 and 2015, were $18,489,000 and $18,470,000, 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, 2016, are as follows:

(in thousands of dollars)	Total
2017	$ 19,463
2018	18,098
2019	12,379
2020	8,783
2021	7,933
Therafter	22,777
	$ 89,433

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.15 for additional information on conduit debt.

A State of Florida 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 2039. 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, 2016 and 2015 totaled approximately $121 million and $120 million, respectively.

Note G – Pension Plan

Retirement Benefits

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

Governmental Accounting Standards Board Statement No. 68

As a participating employer, the Authority follows accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* , which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans.

General Information about the FRS

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

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

The Authority's pension expense for FRS and HIS totaled $2,014,465 and $909,243 for the fiscal years ended September 30, 2016 and 2015, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

Florida Retirement System (FRS) Pension Plan

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

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

Note G – Pension Plan (Continued)

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

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

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

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

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

Note G – Pension Plan (Continued)

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2016 and 2015 were as follows:

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

	Percent of Gross Salary		
		2016	2015
Class	**Employee**	**Employer**	**Employers**
FRS, Regular	3.00	7.52	7.26
FRS, Senior Management Service	3.00	21.77	21.14
DROP – Applicable to Members from all above classes	0.00	12.99	12.28

The Authority's contributions, for FRS and HIS totaled $1,145,590, and employee contributions totaled $325,437 for the fiscal year ended September 30, 2016. The Authority's contributions, for FRS and HIS totaled $1,105,613 and employee contributions totaled $321,935 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the Authority reported a liability of $8,917,567 for its proportionate share of the FRS Plan's net pension liability, compared to $4,546,261 at September 30, 2015. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .0353%, which was an increase of .0001% from its proportionate share measured as of June 30, 2015, of .0352%.

Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2016, the Authority recognized the Plan pension expense of $1,643,721. Fiscal year 2015 showed pension expense of $779,949, which. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2016 and 2015 as shown:

2016 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 682,798	$ 83,029
Change of assumptions	539,486	-
Net difference between projected and actual earnings on FRS pension plan investments	4,102,411	1,797,328
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	742,734	-
Authority FRS contributions subsequent to the measurement date	266,659	
Total	$ 6,334,088	$ 1,880,357

2015 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 479,951	$ 107,823
Change of assumptions	301,751	-
Net difference between projected and actual earnings on FRS pension plan investments	1,601,319	2,686,890
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	935,114	-
Authority FRS contributions subsequent to the measurement date	227,809	-
Total	$ 3,545,944	$ 2,794,713

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $266,659 for 2016 and $227,809 for 2015, resulting from Authority contributions to the Plan subsequent to the measurement date, are recognized as a reduction of the net pension liability in the respective fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	Amount
2017	$ 555.8
2018	555.8
2019	555.8
2020	555.8
2021	1251.0
Thereafter	712.9

2015	Amount
2016	$ (27.9)
2017	(27.9)
2018	(27.9)
2019	(27.9)
2020	(27.9)
Thereafter	662.9

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%
Investment Rate of Return	7.60%

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

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the discount rate assumption as set by the 2016 FRS Actuarial Assumption Conference, the body responsible for establishing the actuarial assumptions, and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the Authority considered this information, other capital market related information as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of State of Florida as and for the year ended June 30, 2016, which both contained unmodified opinions and concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

Note G – Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following tables:

July 1, 2016 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			
Assumed inflation – Mean		2.6%		1.9%

July 1, 2015 Actuarial Assumptions:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (property)	10.0%	6.8%	6.2%	1.2%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	100.0%			
Assumed inflation – Mean		2.6%		1.9%

Note G – Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.6%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.6%) or 1 percentage-point higher (8.6%) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Authority's proportionate share of the net pension liability			
As of July 1, 2016	$ 16,417,845	$ 8,917,567	$ 2,674,576
As of July 1, 2015	$ 11,780,390	$ 4,546,261	$ (1,472,723)

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

The Retiree Health Insurance Subsidy Program (HIS)

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS Plan benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

Note G – Pension Plan (Continued)

The Authority's contributions to the HIS Plan totaled $197,706 for the fiscal year ended June 30, 2016, and $157,222 for June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the Authority reported a net pension liability of $4,461,658 for its proportionate share of the HIS Plan's net pension liability, compared to $3,806,082 at September 30, 2015. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .0383%, which was an increase of .001 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, the Authority recognized the HIS Plan pension expense of $370,744, and for fiscal year 2015 were $129,294. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ -	$ 10,162
Change of assumptions	700,148	-
Net difference between projected and actual earnings on HIS pension plan investments	2,256	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	119,572	-
Authority HIS contributions subsequent to the measurement date	52,440	-
Total	$ 874,416	$ 10,162

2015 **Description**		
Differences between expected and actual experience	$ -	$ -
Change of assumptions	299,439	-
Net difference between projected and actual earnings on HIS pension plan investments	2,060	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	51,176	-
Authority HIS contributions subsequent to the measurement date	51,835	-
Total	$ 404,510	$ -

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $52,440 for 2016 and $51,835 for 2015, resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016 and 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	Amount
2017	$ 136.4
2018	136.4
2019	136.4
2020	136.4
2021	153.4
Thereafter	112.8

2015	Amount
2016	$ 56.0
2017	56.0
2018	56.0
2019	56.0
2020	56.0
Thereafter	72.7

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%

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

Discount Rate. The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Note G – Pension Plan (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.85%) or 1 percentage-point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Authority's proportionate share of the net pension liability			
As of July 1, 2016	$ 5,118,536	$ 4,461,658	$ 3,916,486
As of July 1, 2015	$ 4,336,853	$ 3,806,082	$ 3,363,499

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

FRS – Defined Contribution Pension Plan

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

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

Note G – Pension Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority’s Investment Plan pension expense totaled $294,750 for the fiscal year ended September 30, 2016, and $287,213 for the fiscal year ended September 30, 2015.

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 position.

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) plan, are not reflected on the Authority’s statement of position. The Authority’s 401(a) matching contributions were $161,000 and $157,000 for the years ended September 30, 2016 and 2015, 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 129 active participants in the group medical plan, and one participating retiree.

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

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Under GASB 45, the Authority recognizes an implicit rate subsidy (age adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligation at September 30, 2016:

Annual Required Retiree Cost (ARC)	$ 10,000
Interest on Plan Obligation	16,000
Adjustment to ARC	(11,000)
Annual Plan Retiree Costs	15,000
Less: Contributions Made (estimated premium paid by Authority)	1,000
Change in Plan Obligation	14,000
Plan Obligation – Beginning of Year	378,000
Plan Obligation – End of Year	$ 392,000

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 8.5% in the year ending September 30, 2014, grading down by .5% each year until an ultimate health care costs trend rate of 5% is reached. Non-claim costs are assumed to be 15% of the premium rates.

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	$ 42,000	2.38%	$ 364,000
9/30/2015	15,000	7.14%	378,000
9/30/2016	15,000	7.14%	392,000

OPEB Funding Status

The following data presents the funding status as of September 30, 2016:

Actuarial Valuation Date	October 1, 2013
1. Actuarial Accrued Liability	$ 393,000
2. Actuarial Value of Assets	-
3. Unfunded Actuarial Accrued Liability (UAAL)	$ 393,000
4. Funded Ratio	0.0%
5. Annual Covered Payroll	$ 9,149,909
6. UAAL as a percentage of payroll	4.3%

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.

Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' Compensation and General Liability insurance premiums amounted to $156,000 and $192,000 for the years ended September 30, 2016, and 2015, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to $419,000 and $498,000 for the years ended September 30, 2016, and 2015, respectively.

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

Note K – Long-Term Debt and Other Noncurrent Liabilities

Long-term Liabilities

Long-term debt activity for the years ended September 30, 2016 and 2015, was as follows:

	2016				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 24,980	$ -	$ -	$ 24,980	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	68,594	-	(6,629)	61,965	6,994
Revenue Note – Taxable	3,034	-	(706)	2,328	750
State Infrastructure Bank Loan	17,798	-	(4,366)	13,432	4,497
Unamortized original issue premium amounts	4,813	-	(209)	4,604	-
Total bonds and notes payable	206,629	-	(11,910)	194,719	12,241
Liability for pollution remediation	1,568	-	(327)	1,241	-
Derivative instrument liability	1,102	-	(464)	638	-
Compensated absences and other	2,067	356	(415)	2,008	303
Line of credit	19,575	-	(10,900)	8,675	-
Reserve for grants assessment	1,377	-	-	1,377	
Other obligation	8,537	-	-	8,537	-
	$ 240,855	$ 356	$ (24,016)	$ 217,195	$ 12,544

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

Long-term Liabilities (continued)

	2015				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 24,980	$ -	$ -	$ 24,980	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	73,959	-	(5,365)	68,594	6,629
Revenue Note – Taxable	3,698	-	(664)	3,034	706
State Infrastructure Bank Loan	22,037	-	(4,239)	17,798	4,366
Unamortized original issue premium amounts	5,021	-	(208)	4,813	-
Total bonds and notes payable	217,105	-	(10,476)	206,629	11,701
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	1,322	-	(220)	1,102	-
Compensated absences and other	1,833	286	(52)	2,067	264
Line of credit	15,748	6,327	(2,500)	19,575	-
Reserve for grants assessment	1,377	-	-	1,377	
Other obligation	8,537	-	-	8,537	-
	$ 247,490	$ 6,613	$ (13,248)	$ 240,855	$ 11,965

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

Long-term liabilities at September 30, 2016 and 2015, consisted of the following:

(in thousands of dollars)	2016	2015
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2028. Interest rates are fixed at 5.75%.	$ 24,980	$ 24,980
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	87,410	87,410
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%. See following note on related interest rate swap agreement.	18,945	24,618
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	18,976	18,976
Tax Exempt Bank Note Crane Purchase, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	24,044	25,000
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.	2,328	3,034
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	13,432	17,798
$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due November 2017. Interest rates range from 1.44% to 1.60% in 2016.	8,675	19,575
	198,790	221,391
Less current portion	12,241	11,701
	$ 186,549	$ 209,690

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

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to $50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2016 was $13,432,000.

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, 2016 were $24,980,000.

On January 28, 2009, the Authority established a $50,000,000 multi-year Line of Credit with Regions Bank, due and payable November 2017. 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's capital spending program. The outstanding balance on the Line of Credit at September 30, 2016 was $8,675,000.

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, 2016 on the Tax Exempt Revenue Note was $18,945,000. The outstanding balance at September 30, 2016 on the Taxable Note was $2,328,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank, Tax-Exempt Revenue Note Series 2010, for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2016 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 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 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, 2016 was $87,410,000.

On September 12, 2014, the Authority executed a loan agreement (SunTrust Bank Note) for the acquisition of three cranes in the amount of $25,000,000. Total cost of the three cranes are estimated at $39.6 million, however, due to the Authority receiving a grant from the State of Florida, only a portion was financed. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issue has a final maturity of 2034. The outstanding balance as of September 30, 2016 was $24,044,000.

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

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

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, 2016 were $23,715,000 for the Tax-Exempt Note and $2,922,827 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 Baa3 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2016, a termination fee of $540,869 and $97,274 for the two notes would have been payable by the Authority based upon the current market conditions at that time. The above termination fee amounts above include a credit value adjustment (Fair value adjustment under GASB 72), in the amount of $723 and $191, respectively.

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 2016 and 2015, respectively, were an aggregate $638,143 and $1,102,150, a decrease of $464,007. 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.

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

Deferred outflow of resources

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

(in thousands of dollars)	2016	2015
Deferred loss on debt refundings	$ 3,695	$ 4,845
Interest rate exchange agreement	638	1,102
Deferred outflow pension (see note G)	7,208	3,950
Total deferred outflow of resources	$ 11,541	$ 9,897

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, 2016, was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2017	$ 8,180	$ 12,241
2018	7,742	21,474
2019	7,098	12,653
2020	6,704	4,039
2021	6,514	5,314
2022 – 2026	28,861	30,555
2027 – 2031	21,445	38,506
2032 – 2036	12,509	45,188
2037 – 2041	2,209	28,820
	$ 101,262	$ 198,790

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

Unamortized premiums on Bonds were $(4,604) and ($4,813) in 2016 and 2015, respectively. Unamortized deferred loss on refundings was $3,695 and $4,845 in 2016 and 2015, respectively.

Other Noncurrent Liabilities

Unearned revenue balances were $121,308,000 and $120,081,000 for years ended September 30, 2016 and 2015, respectively. The current portion was $6,272,000 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 $1,241,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.

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

Other post-employment benefits ('OPEB') liabilities for retiree medical benefits were $392,000 and $378,000 at September 30, 2016, and 2015, respectively. See Note I for additional information.

The Authority has reserved $1,377,000 related to a de-obligation of FEMA Grant Funds for prior year's hurricane-related dredge funding. See Note M for additional information.

Note L – Other Obligation

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

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a thirty year amortization. As a result, an estimated liability amount of $8,536,749 is currently recorded as Other obligations by the Authority. As of September 30, 2016, repayment terms had not been determined.

Note M – Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2016 and 2015:

	September 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Investment by type:				
FNMA	$ 1,011	$ 1,011	-	-
FHLMC	1,276	1,276	-	-
Corporate bonds	3,605	3,605	-	-
Total Investments	$ 5,892	$ 5,892	$ -	$ -
Derivative Instrument Liability	$ 638	$ -	$ 638	$ -

2015

	September 30, 2015			
	Fair Value	Level 1	Level 2	Level 3
Investments	$ -	-	-	-
Derivative Instrument Liability	$ 1,102	$ -	$ 1,102	$ -

Note N – Commitments and Contingencies

Construction Related

At September 30, 2016, the Authority had commitments for future construction work of approximately $13,905,000. Significant projects in process include Terminal Wharf construction rebuild $2,838,000 and three new cranes nearing completion of $9,643,000.

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 2014, the FDEP approved the Authority's proposed IRAP design. Construction proceeded in fiscal year 2016 and is scheduled for completion in early 2017. The Authority has previously established a $1.5 million reserve (and has a current reserve balance of $1.2 million at fiscal year-end 2016) to cover final construction costs of the IRAP design, as well as ongoing maintenance and 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. The remediation project is complete as of September 30, 2016, awaiting final inspection by the FDEP. 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.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 154 employees. Union employees represent about 40% of the total. The current union contract was approved by the Board in June 2016 for a three-year term, expiring on September 30, 2019.

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 $1,377,000 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.

Note N – Commitments and Contingencies (Continued)

Claim Against Contractor

As of the close of prior year end 2015, the Authority, as plaintiff, reached a settlement agreement for defects associated with pavement construction at the Dames Point Container Terminal. The settlement was in the amount $10,250,000, and was recorded as a non-operating recovery in fiscal year 2015, net of claims costs incurred. Of this total settlement, $9,650,000 was recorded within current notes and other receivables at September 30, 2015, subsequently collected in the first quarter of fiscal year 2016. In fiscal year 2016, the Authority incurred approximately $65,000 in remaining legal costs to close out this claim.

Note O – Significant Customers

For the fiscal year ended September 30, 2016, three customers had significant operating revenues (in excess of 10%): Tote Marine (14%) with accounts receivable balances at September 30, 2016 and 2015 of $1,009,000 and $952,000; Trapac Jacksonville (13%) with accounts receivable balances at September 30, 2016 and 2015 of $174,000 and $286,000; and APS East Coast (12%) with accounts receivable balances at September 30, 2016 and 2015 of $87,000 and $102,000.

Note P – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $2,392,861 and $6,818,068 were recorded for the years ended September 30, 2016 and 2015, respectively.

State Contributions

Amounts from state funding awards totaled $31,066,590 and $80,351,263 and for the years ended September 30, 2016 and 2015, respectively.

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2016

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
10/01/13	$ -	$ 393,000	$ 393,000	0.0%	$ 8,231,763	4.8%
10/01/10	$ -	$ 452,000	$ 452,000	0.0%	$ 7,313,837	6.2%
10/01/07	$ -	$ 1,279,807	$ 1,279,807	0.0%	$ 4,720,000	27.1%

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2016
(amounts expressed in dollars)

	2016	2015	2015
Authority's proportion of the FRS net pension liability	0.0353%	0.0352%	0.0330%
Authority's proportionate share of the FRS net pension liability	$ 8,917,567	$ 4,546,261	$ 2,031,923
Authority's covered-employee payroll	$ 11,847,585	$ 11,486,853	$11,123,222
Authority's proportionate share of the FRS net pension liability as a a percentage of its covered-employee payroll	74.87%	39.58%	18.27%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015 and 2016 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2016
(amounts expressed in dollars)

	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.0383%	0.0373%	0.0372%
Authority's proportionate share of the HIS net pension liability	$ 4,461,658	$ 3,806,082	$ 3,472,586
Authority's covered-employee payroll	$ 11,847,585	$ 11,486,853	$ 11,123,222
Authority's proportionate share of the HIS net pension liability as a a percentage of its covered-employee payroll	37.50%	33.10%	31.20%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015 and 2016 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2016
(amounts expressed in dollars)

	2016	2015	2014
Contractually required FRS contribution	$ 947,884	$ 948,391	$ 872,101
FRS contributions in relation to the contractually required FRS	947,884	948,391	872,101
FRS contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered-employee payroll	$ 11,910,007	$ 11,486,853	$ 11,123,222
FRS contributions as a percentage of cover-employee payroll	8.0%	8.3%	7.8%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015 and 2016 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2016
(amounts expressed in dollars)

	2016	2015	2014
Contractually required HIS contribution	$ 197,706	$ 157,222	$ 135,253
HIS contributions in relation to the contractually required HIS	197,706	157,222	135,253
HIS contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered-employee payroll	$ 11,910,007	$ 11,486,853	$ 11,123,222
HIS contributions as a percentage of cover-employee payroll	1.7%	1.4%	1.2%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015 and 2016 are available.

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2016

GAAP Revenue – per Financial Statements	$	58,438,886
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		1,226,868
Budgetary Basis Revenues	$	59,665,754

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.

BOARD OF DIRECTORS

JAXPORT is governed by a seven-member Board of Directors. The Mayor of Jacksonville appoints four members, and the Florida Governor appoints three members.

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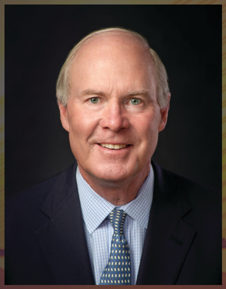

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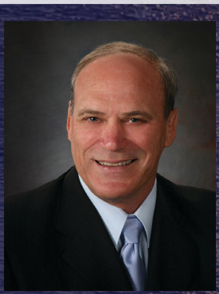

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