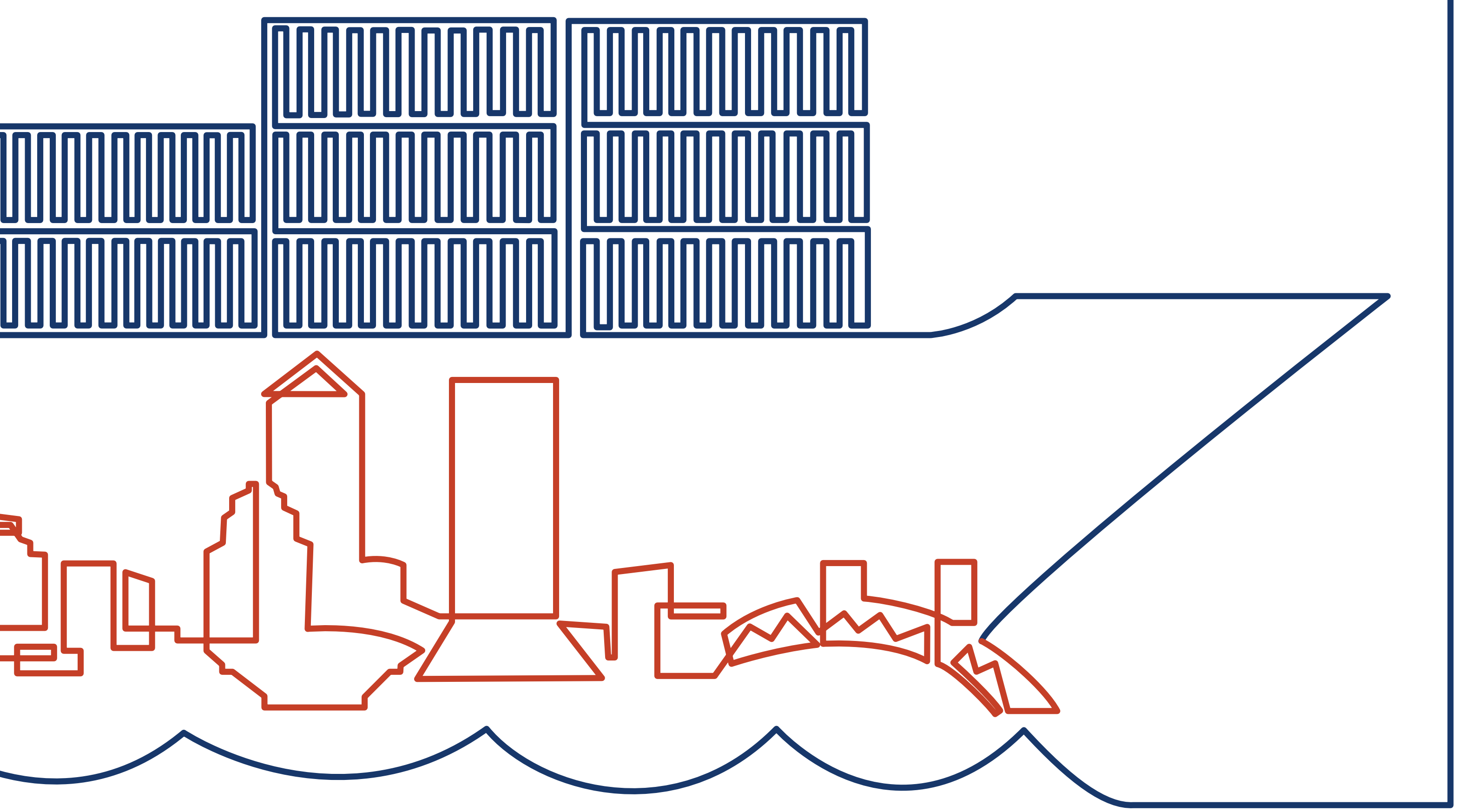
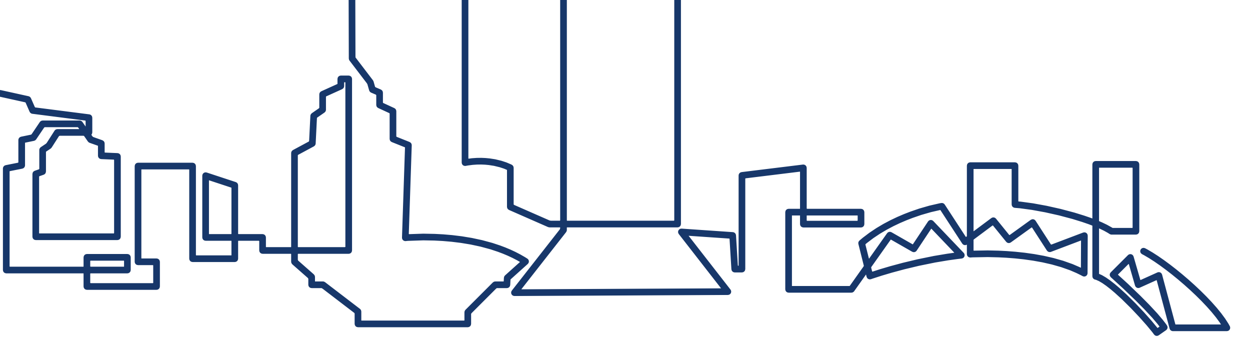
JAXPORT

Jacksonville Port Authority
2014 Annual Report





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.

JAXPORT

Vision

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

Mission

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

Guiding Principles

Innovation • Teamwork • Accountability • Leadership • Integrity

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

The information presented in the pages ahead highlights another year of financial stability, cargo diversity, intense focus on business development and superior customer service at JAXPORT.

These factors – along with careful expense-side management – enable us to fulfill our chartered mission to deliver sound economic impact for Northeast Florida and create an environment for individuals and private enterprise to prosper.

JAXPORT moved 8.3 million tons of cargo last year and earned $53.2 million in operating revenues marking the port's 14th consecutive year of operating revenue growth. 2014 was also another year of record container growth and an especially noteworthy period for JAXPORT's Asian container business, which increased by 20 percent.

Significant progress has also been made on all of our major growth projects. JAXPORT's Intermodal Container Transfer Facility is on track for completion this year thanks to federal and state funding; the modernization of docks, berths and cranes continues; federal construction to remove a navigational hazard in the St. Johns River is underway; and pre-construction, engineering and design of the Jacksonville Harbor Deepening project to take the shipping channel to 47 feet is set to be complete in 2015.

During the first few months of our new fiscal year, we have already marked significant developments boding well for our financial performance. Among them, the announcement that Volkswagen of America Group has selected JAXPORT as its Southeastern U.S. hub for vehicle imports and exports; an agreement with Crowley Maritime to consolidate all of the company's Jacksonville operations, including those previously housed on a private terminal, at JAXPORT's Talleyrand Marine Terminal; and the imminent arrival of the world's first LNG-powered container ships, which TOTE/Sea Star will operate to Puerto Rico out of JAXPORT.

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

John Falconetti
Chairman of the Board

Brian Taylor
Chief Executive Officer

Year in Review
February 2014

JAXPORT welcomes largest ship to date

The 6,700 TEU (containers) MOL Maxim traveled from Southeast Asia through the Suez Canal to JAXPORT's TraPac Container Terminal. The Maxim is nearly 1,000 feet in length and at a breadth of 138 feet is too large to fit through the current Panama Canal locks. The Maxim and other even larger ships now calling on Jacksonville through the Suez Canal clearly illustrate the opportunities ahead. Less than one year later, JAXPORT welcomed the significantly larger 8,100 TEU MOL Competence to TraPac.

Finances

JAXPORT earned $53.2 million in operating revenues in FY 2014, and recorded the port's 14th consecutive year of operating revenue growth. Strong expense side management allowed JAXPORT to hold operating expenses to $30 million in FY 14. The port earned $23.2 million in operating income during the same period.

Successes include impressive gains in Asian container growth as well as record-setting tonnage and twenty-foot equivalent units (TEUs) statistics. JAXPORT also continues to maintain its diversification and nearly equal balance of imported to exported cargo.

The past year's financial results reflect JAXPORT's positive year operationally with another record set in container volume. JAXPORT facilities moved a record 936,972 containers or TEUs in FY 2014. Container volume has grown 34 percent since 2008, making JAXPORT one of the few U.S. seaports to experience year over year growth during a period marked by a severe global economic downtown.

When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's number one container port.

JAXPORT achieved 20 percent growth in Asian container shipments over fiscal year 2013, moving 272,524 TEUs compared to 226,938 last year. The Asian container trade is the fastest growing segment of JAXPORT's container cargo business, accounting for nearly 30 percent in 2014, up from 24 percent the previous fiscal year. The port has recorded an average of 28.5 percent annual growth in Asian container volumes during the past five years.

A total of 8.3 million tons of cargo shipped through JAXPORT facilities in FY 14 and the port saw 1,846 vessel calls 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 2015, much of it funded through state and federal grants. These projects include wharf rehabilitation projects at Blount Island and Talleyrand Marine Terminals, improvements at Mile Point, enhancements to tenant leaseholds at Blount Island, the Intermodal Container Transfer Facility at Dames Point, and three state-of-the-art container cranes.

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

-Florida Governor Rick Scott

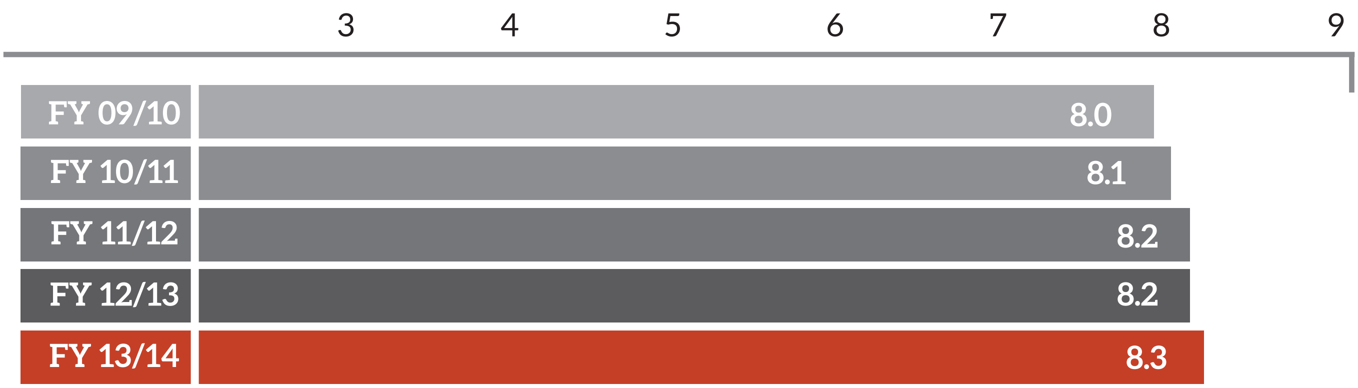
March 2014

Governor Scott and Mayor Brown pledge investment and support

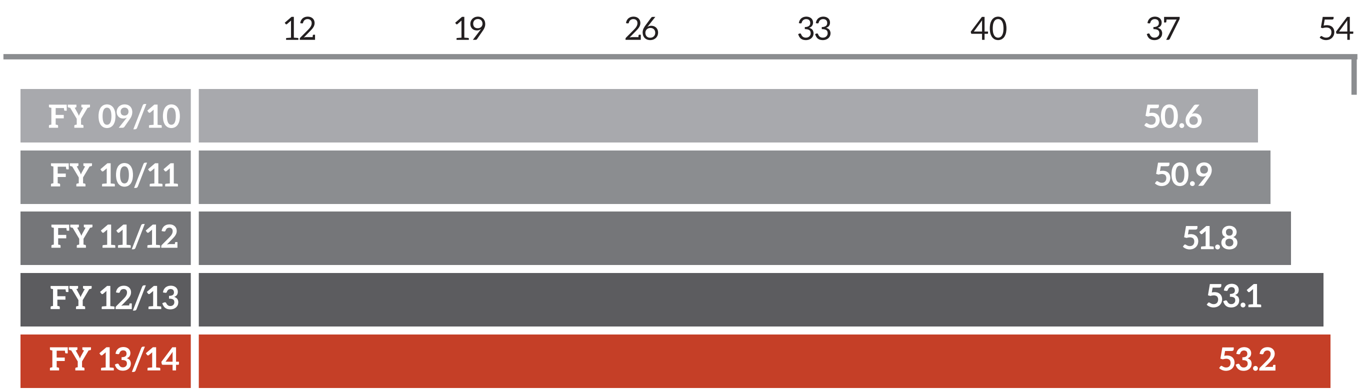
During their March 2014 visit to JAXPORT, Florida Governor Rick Scott and Jacksonville Mayor Alvin Brown reiterated their strong support for the port's growth and development projects.

JAXPORT at a glance

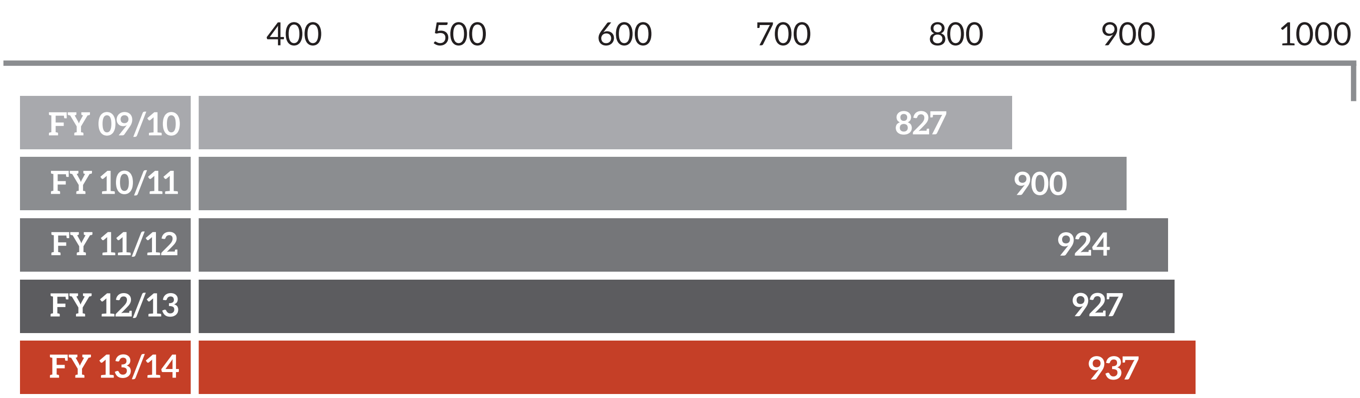
Total Tonnage (in millions)



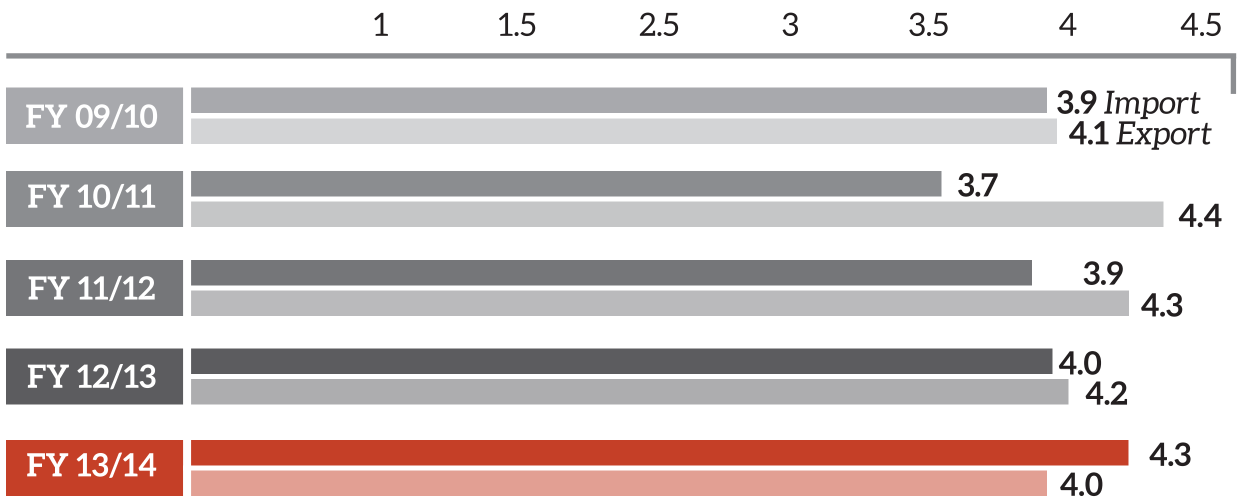
Revenue (in millions)



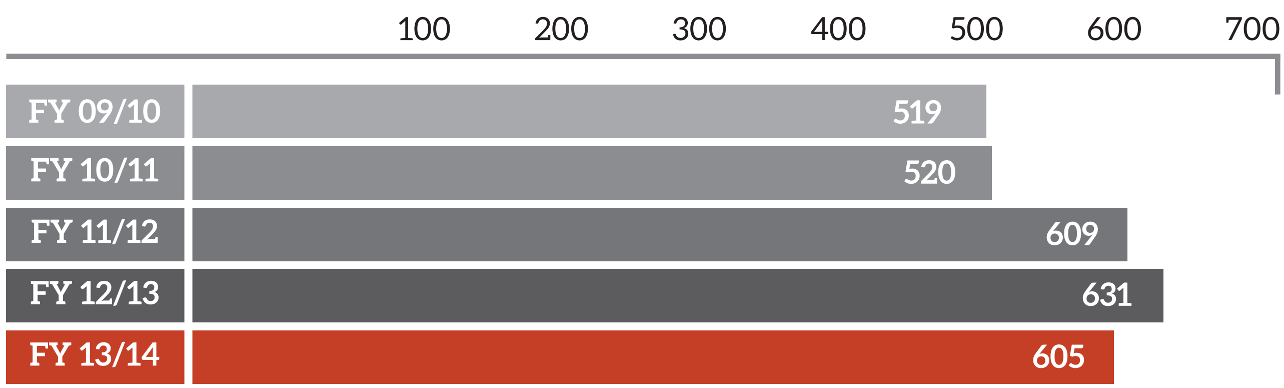
TEUs (in thousands)



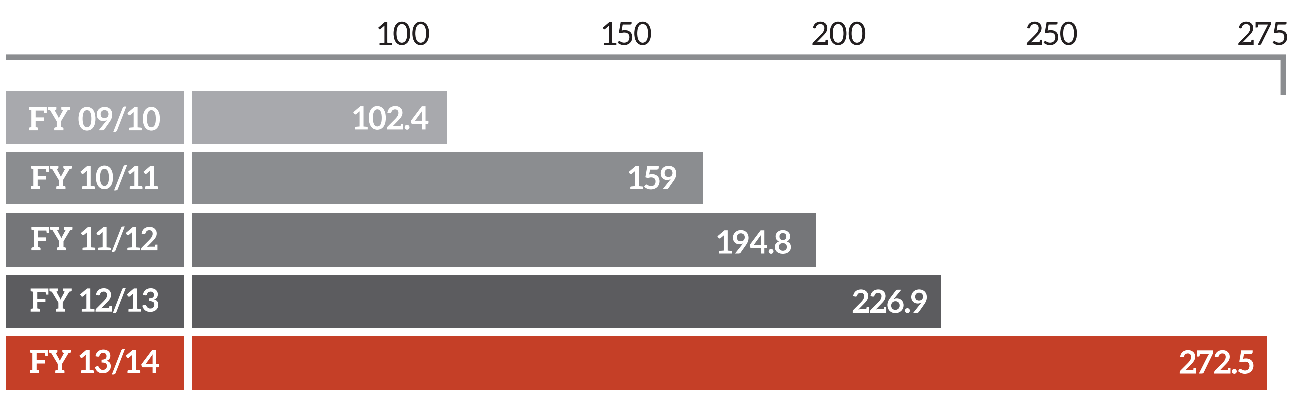
Import/Export (in millions of tons)



Auto Units (in thousands)



Asian Container Growth (in thousands)



JAXPORT TRADE LANES FY 2014


#17 DENMARK
#10 FINLAND
#8 JAPAN
#4 CHINA
#11 SAUDI ARABIA
#16 UNITED ARAB EMIRATES
#15 VIETNAM

Economic Engine

There is no denying that JAXPORT is a crucial component of the area's present economic vitality and future growth. According to figures released in 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 MSA average.

> "Our seaports and transportation infrastructure are critical to our goal of facilitating job creation in order to strengthen our country's working and middle class."
>
> *-U.S. Representative Corrine Brown*

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 companies have opened warehousing and distribution center facilities in Jacksonville and/or have relocated corporate offices to Northeast Florida.

May 2014

Golden Spike Ceremony marks start of rail terminal construction

A host of federal, state and local leaders, including Congresswoman Corrine Brown and Jacksonville Mayor Alvin Brown, gathered to mark the start of construction on the JAXPORT Intermodal Container Transfer Facility (ICTF) at Dames Point. Once operating in the year, the new rail terminal will complement existing on-dock rail and will further enhance the competitiveness of both the Blount Island Marine Terminal and the TraPac Container Terminal by allowing the direct transfer of containers between vessels and trains.

Cargo

In FY 2014, JAXPORT facilities handled 8.3 million tons of cargo and continued adding container volume, moving a record number of twenty-foot equivalent units (TEUs) for the sixth consecutive year. The port handled 936,972 TEU in FY 14 up from 926,810 the previous year. When combined with the containers moved by private users of the St. Johns River harbor, these volumes make Jacksonville the largest container port in Florida.

JAXPORT was one of a handful of U.S. container ports to experience an increase in volumes from FY 2009 through FY 2014, reflecting the continued addition of new business through both the Panama and Suez Canals.

In addition, JAXPORT logged 1,846 vessel calls in 2014.

The shipment of vehicles and other Ro/Ro cargoes, primarily passenger cars, trucks and heavy equipment, continued to display strength in 2014, with the port moving 605,150 units.

Liquid and dry bulk cargoes rebounded significantly in FY 2014 with the port moving 1.2 million tons, up 15 percent over the previous year.

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

Design of Jacksonville Harbor Deepening project begins

Dignitaries gathered along the St. Johns River in downtown Jacksonville to mark the start of the pre-construction, engineering and design of the Jacksonville Harbor Deepening Project. Jacksonville Mayor Alvin Brown proclaimed Harbor Deepening Launch Day saying, "This project will modernize and expand our port and strengthen our competitive position in the global economy."

Cruise

In FY 2014, 181,580 passengers sailed aboard Carnival Cruise Line's Fascination out of JAXPORT's North Jacksonville cruise terminal.

The 2,052 passenger Fascination took a total of 78 voyages out of the JAXPORT Cruise Terminal at Dames Point in FY 2014. The Fascination currently offers cruises to Key West and 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.

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

-U.S. Representative Ander Crenshaw

JAXPORT keeps on cruising with Carnival

JAXPORT and Carnival Cruise Lines celebrated 10 years together in May. Carnival Cruise Lines inaugurated service from Jacksonville on Feb. 27, 2004 with service aboard Carnival Miracle. In August 2004, Carnival began year-round service with the Celebration and upgraded to the larger, newer Fascination in September 2008. "We are pleased to continue this valuable partnership with Carnival Cruise Lines and usher it into a second successful decade," said JAXPORT CEO Brian Taylor.

Community

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

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

ENVIRONMENT

Mayport Elementary School's hands-on, outdoor marine laboratory
Tree Hill Nature Center's environmental programs, including the Butterfly Festival
Annual Right Whale Festival
Community and school tree plantings

JOBS | WORKFORCE | EDUCATION

The jaxportjobs.com website with job listings from hundreds of local companies
Duval, Baker, Clay, Columbia and St. Johns County Public Schools "Career Academies"
Support of college level logistics degrees and certifications
Big Brothers Big Sisters mentoring programs
Military veterans, trade, college career showcases

SMALL BUSINESS

International Trade Certificate Programs and Education
Florida Black Expo and Minority Business Outreach
Minority Enterprise Development Week
Asian, Puerto Rican, Indian, Hispanic and African American Chambers and Alliances
JAXChamber Mentorships
Small and emerging business training seminars

COMMUNITY

Annual giving campaign benefitting the United Way of NE Florida and Community Health Charities of Florida
American Heart Association fundraising walk
Community Angel Tree of Giving and food drives
Safe Harbor Boys Home
Port tours for community organizations, schools, business and civic groups

JAXPORT welcomes the Höegh Jacksonville to… Jacksonville!

With the help of the Jacksonville Jaguars' mascot and other VIPs, JAXPORT welcomed the company's newest auto ship, Höegh Jacksonville, for its inaugural visit to the city. The ship, named in tribute to the company's busiest U.S. port, is the first of two sister vessels delivered to Höegh, each able to carry up to 6,500 vehicles. JAXPORT remains one of the nation's top vehicle handling ports.

Future

IMPROVE THE FEDERAL CHANNEL

JAXPORT and the U.S. Army Corps of Engineers have two projects underway to improve the commercial viability and economic competitiveness of the St. Johns River harbor: Mile Point: a project removing a navigational restriction and the Jacksonville Harbor Deepening Project, a federal program aimed at deepening the harbor allowing JAXPORT to become a first/last port of call for the industry's larger ships.

OPENING OF DAMES POINT ON-DOCK RAIL

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

REVITALIZE INFRASTRUCTURE

JAXPORT continues a comprehensive infrastructure revitalization program to rebuild/construct docks and rail at both the Blount Island and Talleyrand Marine Terminals. This well-designed, phased reconstruction allows operations to continue while fortifying the facilities for future growth. JAXPORT has also purchased three new state-of-the-art container cranes for the Blount Island Marine Terminal. The cranes are currently under construction and will be operational in 2016.

ENHANCE PORT SAFETY, SECURITY AND EMERGENCY PREPAREDNESS

JAXPORT continues to assess threat and vulnerabilities in an all-hazards environment finding innovative ways to mitigate risk while achieving the highest level of operational efficiency. JAXPORT is undertaking significant physical security, safety and emergency preparedness upgrades that continue to reduce risk for a stakeholder population in excess of 20,000.

CONTINUE TO LEAD THE LNG REVOLUTION

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

> "We've got to create more jobs today doing what you're doing right here at JAXPORT, and that's building this country's future."
>
> *-President Barack Obama*

September 2014

JAXPORT supports the Arts…in a really big way!

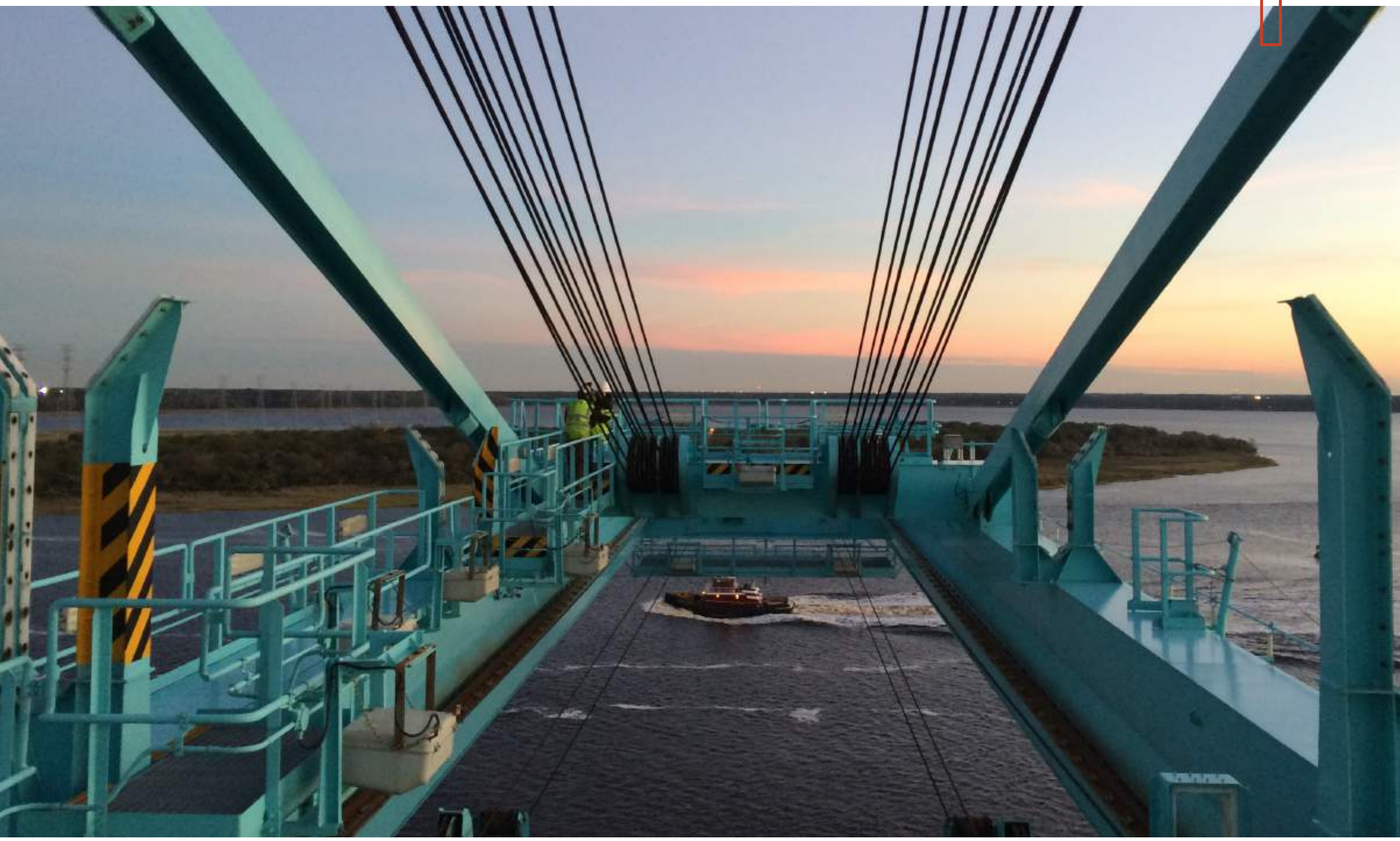
A one-of-a-kind cargo shipment moved across JAXPORT's newly rebuilt heavy lift cargo berth: Eight plates of curved steel that make up a massive sculpture, "Passage of Time", by world-renowned American minimalist sculptor Richard Serra. A recent multi-million dollar upgrade increased the capability of JAXPORT's specialty ship's berth dedicated to moving heavy and oversized cargo which now ranks as one of the nation's highest weight-bearing capacity docks.

November 2014

U.S. Army moves military equipment for humanitarian aid through JAXPORT

Nearly 800 pieces of U.S. military equipment to be used for humanitarian aid aimed at stopping the spread of Ebola in West Africa were loaded at JAXPORT by the U.S. Army 832nd Transportation Battalion. The equipment was dedicated to Operation United Assistance, the U.S. government's efforts to contain the spread of the disease. JAXPORT is one of 17 U.S. Strategic Seaports on-call to move military cargo for national defense, foreign humanitarian assistance and disaster relief, and the only port in Florida with this designation.

Financial Report



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, Florida (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note P to the financial statements, the Authority restated its net position balances as of September 30, 2012, when adopting the requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 15, 2015 and January 22, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McGladrey LLP

Jacksonville, Florida
January 15, 2015

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, 2014 and for fiscal year 2013. 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.

OVERVIEW

The Jacksonville Port Authority (the "Authority" or "JAXPORT") 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 port 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. 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.

During fiscal year 2014, JAXPORT met several targeted goals including the continued pay down of debt, focused capital infrastructure spending (new capital spending of $25 million in 2014), including the continued refurbishing of berths at Blount Island and Talleyrand locations, and development of a new rail transfer facility, while increasing unrestricted cash balances over prior year. In late 2014, JAXPORT awarded a contract to build three new cranes funded by both state grant funds and $25 million of new debt.

Cargo highlights in fiscal year 2014 included the movement of 8.3 million tons of cargo and the continued growth of container traffic. JAXPORT facilities moved 936,972 twenty-foot equivalent units (TEUs), setting a record for the sixth consecutive year. JAXPORT also experienced a 20 percent increase in Asian container shipments. Between 2008 and 2014, JAXPORT's container cargo volumes have increased 34 percent as global shippers have shifted rotations to take advantage of the efficiencies of JAXPORT's facilities and location. When including the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's No. 1 container port. In addition, liquid and dry bulk cargo volumes increased 15 percent over the previous year, to 159,642 tons.

JAXPORT remains at the center of a shift in international trade to the U.S. East Coast and has attracted significant federal and state support in fiscal year 2014. The federal government authorized two Jacksonville harbor improvements projects which will add significantly to JAXPORT's competitive position. In May 2014, construction began on the JAXPORT Intermodal Container Transfer Facility (ICTF) at Dames Point, which will provide on-dock rail service to the North Jacksonville marine terminals. The $30 million ICTF is totally funded through state and federal grants and is part of a regional initiative to improve the movement of all rail freight, another competitive advantage.

Throughout 2014, Northeast Florida emerged as a leader in the use of LNG fuel for the maritime industry as two long-time tenants invested in LNG powered ships and several companies announced plans for supplying LNG fuel. JAXPORT is also at the forefront of export opportunities as the use of LNG grows.

Several important business announcements rounded out a noteworthy year. JAXPORT celebrated 10 years of cruise service from Carnival Cruise Lines and reached an agreement to extend Carnival Cruise service from Jacksonville; Mitsui O.S.K. Lines Ltd. (MOL) launched a new service route that established Jacksonville as a transshipment hub for refrigerated cargo originating from the western coast of South America and headed to Europe and international energy giant, GE Oil & Gas recently announced its move to Jacksonville, citing the strong seaport as a major driver in its relocation.

JAXPORT continues to be the nation's No. 1 vehicle export port; the No. 1 port for trade with Puerto Rico by tonnage and value and the 11th largest U.S. container port. In addition, JAXPORT remains 1 of only 17 U.S. strategic ports (and the only one in Florida) on-call to move military cargo for national defense.

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 Jacksonville Port 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, 2014, the Authority's net position continued to grow in the current year from $315.2 million to $324.1 million. The increase in net position is a product of operating and non-operating activities, depreciation expense, shared revenue from primary government, and capital grants. The Authority's operations and net position is supported by funding from both primary government, and state and federal grants, collectively totaling $22.5 million in 2014. The Authority has a strategic capital improvement program in process, and was able to increase its capital assets base (primarily infrastructure) in 2014, while paying down $14 million of existing debt, and improving operating cash balances on hand.

Of note, the Authority added new debt in 2014 (August) in the amount of $25 million, with a corresponding increase in noncurrent cash designated for the purchase of three new cranes. All other debt was reduced over $14 million. Additionally, capital assets, net of depreciation, outpaced depreciation expense by over $1 million (new capital spending of over $25 million less depreciation of approximately $24 million).

(In thousands of dollars)	2014	2013	2012
NET POSITION			
Current assets	$ 39,835	$ 37,333	$ 32,639
Noncurrent assets (excluding capital assets)	50,921	29,975	40,216
Capital assets	604,290	603,260	611,123
Deferred outflows	7,318	9,130	11,442
Total assets and deferred outflows	702,364	679,698	695,420
Current liabilities	28,678	26,446	27,922
Bonds and notes outstanding (net of current portion)	206,838	192,312	202,580
Other noncurrent liabilities	142,787	145,730	163,785
Total liabilities	378,303	364,488	394,287
Net position			
Net investment in capital assets	278,220	270,758	258,605
Restricted for debt service	18,178	18,494	18,203
Restricted – other	2,705	2,659	2,547
Unrestricted	24,958	23,299	21,778
Total net position	$ 324,061	$ 315,210	$ 301,133

Total assets and deferred outflows at year end 2014 were $702,364, an increase of $22,666. Current assets increased $2,502, and include increased operating cash of $487 and increased grant receivables. Noncurrent assets increases of $20,496, includes $25,000 of unspent bank note proceeds related to three new cranes to be purchased in 2015. Net Capital asset additions of $1,030 reflect capital spending of $25,430 (major wharf reconstruction projects, an intermodal container transfer facility and numerous other projects) net of depreciation of $24,400.

Total liabilities increased $13,815 in 2014, primarily from $25,000 for new debt (bank notes) for three new cranes purchases in process, less bonds and notes debt service payments. Other non-current liabilities declined $2,943, primarily pay downs on the line-of-credit. Current liabilities increased $2,232, reflecting increased construction accounts payable balances at 2014 year end.

Components of Net Position show continued improvement in investment in capital assets (net of debt), required funding for debt service obligations, and an overall improvement in its unrestricted allocation.

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

	2014	2013	2012
CHANGES IN NET POSITION			
Operating revenue	$ 53,191	$ 53,077	$ 51,825
Operating expenses			
Salaries and benefits	14,840	13,629	13,213
Services and supplies	4,677	4,630	6,525
Security services	3,733	3,635	4,055
Business travel and training	434	382	359
Promotion, advertising, dues and memberships	1,134	1,121	841
Utility services	1,121	1,093	1,207
Repairs and maintenance	1,619	1,718	1,750
Dredging	2,266	1,976	2,080
Miscellaneous	200	(118)	70
Total operating expenses	30,024	28,066	30,100
Operating income before depreciation and amortization	23,167	25,011	21,725
Depreciation and amortization	24,400	24,033	23,969
Operating gain / (loss)	(1,233)	978	(2,244)
Non-operating revenue (expense)			
Interest expense	(9,738)	(9,835)	(11,482)
Shared revenue from primary government	5,623	6,501	5,712
Intergovernmental revenue	274	517	253
Loss on sale/disposition of assets	(303)	(1,128)	(709)
Capital contributions to other government agencies	(1,000)	(438)	(4,384)
Other claims and recoveries	(1,168)	(520)	-
Other non-operating	(519)	(1,258)	227
Total non-operating revenue (expense)	(6,831)	(6,161)	(10,383)
Loss before capital contributions	(8,064)	(5,183)	(12,627)
Capital contributions	16,915	19,260	14,956
Changes in net positions	8,851	14,077	2,329
NET POSITION			
Beginning of year	315,210	301,133	298,804
End of year	$ 324,061	$ 315,210	$ 301,133

Revenue, Expenses and Changes in Net Position – 2014 vs. 2013

Fiscal year 2014 revenues were $53,191, up $114 over prior year revenues of $53,077. Container revenue was up $794 (3.5%), and liquid bulk improved $200 (19%) over prior year. Offsetting were declines in military revenue of $321 and other revenues of $414 (primarily spoil site usage fees).

Total operating expenses in 2014 were $30,024, compared to $28,066 in 2013, reflecting higher personnel costs (including wages, pension contributions, and health insurance costs), and dredging costs.

Net non-operating expenses for 2014 were $6,831, compared to $6,161 in 2013, an increase of net expenses of $870. The net increase is primarily a result of reduced shared revenue from primary government which declined $878, as prior year results benefited from a one-time debt restructure of approximately $1 million related to debt serviced by this revenue source. Fiscal year 2014 includes a $1 million non-recurring contribution to the City (ferry), designed to be 100% funded by FDOT in the form of corresponding capital grant to the Authority, a zero impact to cash flows. Fiscal 2013 reflected a one-time charge of $1.4 million related to a FEMA grant which was de-obligated, pending resolution. Other claims and recoveries (claims against contractor) were $1,168 in 2014, compared to $520 in 2013. The Authority believes these costs will be fully recovered upon resolution of this claim.

Capital contributions (state and federal grants) recorded in 2014 were $16,915, compared to $19,260 in 2013, a decrease of $2,345. Significant capital contributions in 2014 were for wharf/berth reconstruction $7.3 million, intermodal container transfer facility $5.6 million, and $1.5 million for port security capital related projects.

At the close of fiscal year 2014, the Authority had a net position of $324,061, an increase of $8,851, compared to prior year net position of $315,210.

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

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

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

Net non-operating expenses declined to $6,161 in 2013, compared to $10,383 in 2012. Interest expense declined $1,647 due to a bond refunding in late 2012, and a favorable variable rate interest environment. Shared revenue from primary government was up $789 in 2013, resulting from the refunding of one of two debt obligations serviced by this interlocal agreement revenue source. Two one-time transactions in 2013 include a write off of $1,100 in terminal design and other costs (Hanjin) – determined not to proceed, and a $1,377 charge for a de-obligation of dredging grant funds received in prior years. In 2013, the Authority contributed additional ferry assets of $438 to the City of Jacksonville, in addition to amounts transferred in 2012 of $4,384.

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

At the close of fiscal year 2013, the Authority had a net position of $315,210, an increase of $14,077, compared to prior year net position of $301,133.

Cash Flows

2014 vs. 2013

Cash flows from operating activities on 2014 were $25,200, compared to $26,047 in 2013, an $847 decrease. Receipts from customers were down $900, payments for services and supplies declined $1,115, and payments to employees increased $1,062.

Cash flows from non-capital financing activities decreased to $6,152 from $6,649 in 2013, largely attributable to decreased receipts from primary government of $878. Fiscal year 2013 benefited from refinance savings of approximately $1 million on debt serviced by this revenue source.

Cash Flows (Continued)
2014 vs. 2013

Total net cash outflows from capital and financing related activities for 2014 were ($11,506). Significant outflows include debt service payments of $19,966, line of credit pay downs of $3,622, acquisition and construction of capital assets of $23,599, and a contribution to the City of $1,000. Significant inflows included new crane debt of $25,000, and capital grant contributions of $13,106.

Cash flows from investing activities were $84 in 2014, compared to $87 in the prior year.

Cash and cash equivalents at the end of 2014 were $73,330, compared to $53,400 in 2013. The cash balance of $73,330 at September 30, 2014 is comprised of $15,310 in unrestricted cash, $33,435 in construction cash, $21,879 in restricted debt service and reserve funds, and $2,706 for renewal and replacement funds

2013 vs. 2012

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

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, channel improvements, buildings and building improvements, and equipment. At September 30, 2014, the Authority had commitments for future construction work of approximately $35.9 million. Additional information can be found in the accompanying notes to the financial statements.

<u>2014 vs. 2013</u>

At September 30, 2014 the Authority had $604,290, net of depreciation, invested in capital assets, a net increase of $1,030 over prior year net assets of $603,260. Capital spending for 2014 was $25,430, and includes $11,387 for wharf rehabilitation, $4,658 for the intermodal container transfer facility, and numerous other projects. Depreciation expense for 2014 was $24,400, compared to $24,033 in 2013.

<u>2013 vs. 2012</u>

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

Long-Term Debt

<u>2014 vs. 2013</u>

At September 30, 2014, the Authority had outstanding bonds and notes payable of $217,105, an increase of $14,976 compared to $202,129 at the end of 2013 (both net of unamortized bond discounts and premiums). In 2014 (August), the Authority entered into a bank note agreement in the amount of $25 million for the purpose of purchasing three new cranes. The line of credit balance outstanding at September 30, 2014 was $15,748.

<u>2013 vs. 2012</u>

At September 30, 2013 the Authority had outstanding bonds and notes payable of $202,129, a decrease of $9,592 compared to $211,721 at the end of 2012 (both net of unamortized bond discounts and premiums). The Authority had no refunding or new debt issue activity during 2013. Capital lease obligations outstanding at September 30, 2013 were $1,032. The line of credit balance outstanding at September 30, 2013 was $19,370.

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

The Authority exceeded its required minimum debt service coverage ratio for the 2014 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, 2014 and 2013.

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, 2014 and 2013
(In thousands of dollars)

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 15,310	$ 14,823
Restricted cash and cash equivalents	7,099	8,602
Accounts receivable, net	4,892	4,506
Notes and other receivables	333	788
Grants receivable	10,626	7,072
Inventories and other assets	1,575	1,542
Total current assets	39,835	37,333
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	17,486	17,417
Restricted for capital projects		
Cash and cash equivalents	33,435	12,558
Capital assets, net, primarily held for lease	604,290	603,260
Total noncurrent assets	655,211	633,235
Total assets	695,046	670,568
Deferred outflow of resources	7,318	9,130

Jacksonville Port Authority

Statements of Net Position
September 30, 2014 and 2013
(In thousands of dollars)

	2014	2013
Liabilities		
Current liabilities		
Accounts payable	$ 2,912	$ 1,868
Accrued expenses	549	491
Accrued interest payable	3,568	3,740
Construction contracts payable	3,658	2,160
Retainage payable	1,485	1,114
Unearned revenue	6,239	6,224
Capital lease obligations	-	1,032
Bonds and notes payable	10,267	9,817
Total current liabilities	28,678	26,446
Noncurrent liabilities		
Unearned revenue	112,728	111,639
Derivative instrument liability	1,322	1,985
Accrued expenses	4,452	4,199
Other obligations	8,537	8,537
Line of credit	15,748	19,370
Bonds and notes payable	206,838	192,312
Total noncurrent liabilities	349,625	338,042
Total liabilities	378,303	364,488
Net Position		
Net investment in capital assets	278,220	270,758
Restricted for		
Debt service	18,178	18,494
Repair and replacement	2,705	2,659
Unrestricted	24,958	23,299
Total net position	$ 324,061	$ 315,210

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended September 30, 2014 and 2013
(In thousands of dollars)

	2014	2013
Operating revenue	$ 53,191	$ 53,077
Operating expenses		
Salaries and benefits	14,840	13,629
Services and supplies	4,677	4,630
Security services	3,733	3,635
Business travel and training	434	382
Promotions, advertising, dues and memberships	1,134	1,121
Utility services	1,121	1,093
Repairs and maintenance	1,619	1,718
Dredging	2,266	1,976
Miscellaneous	200	(118)
Total operating expenses	30,024	28,066
Operating income before depreciation and amortization	23,167	25,011
Depreciation and amortization expense	24,400	24,033
Operating (loss) / income	(1,233)	978
Non-operating revenues (expenses)		
Interest expense	(9,738)	(9,835)
Investment income	116	216
Shared revenue from primary government	5,623	6,501
Intergovernmental revenue	274	517
Loss on sale/disposition of assets	(303)	(1,128)
Capital contributions to other government agencies	(1,000)	(438)
Claims against contractors (expense) / recovery	(1,168)	(520)
Other non-operating	(635)	(1,474)
Total non-operating revenues (expenses)	(6,831)	(6,161)
Loss before capital contributions	(8,064)	(5,183)
Capital contributions	16,915	19,260
Change in net position	8,851	14,077
Net position		
Beginning of year	315,210	301,133
End of year	$ 324,061	$ 315,210

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2014 and 2013
(In thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 53,909	$ 54,809
Payments for services and supplies	(14,173)	(15,288)
Payments to/for employees	(14,536)	(13,474)
Net cash provided by operating activities	25,200	26,047
Cash flows from noncapital financing activities:		
Operating grants	529	148
Receipts from primary government	5,623	6,501
Net cash provided by noncapital financing activities	6,152	6,649
Cash flows from capital and related financing activities:		
Proceeds from capital debt	25,000	-
Line of credit activity	(3,622)	(18,324)
Contributions from/(to) customers	-	(2,651)
Contributions-in-aid of construction (grants)	13,106	19,214
Acquisition and construction of capital assets	(23,599)	(16,985)
Principal paid on capital debt	(10,848)	(10,506)
Interest paid on capital debt	(9,118)	(8,006)
Contributions to other agencies	(1,000)	(200)
Proceeds from sale of assets	415	1,656
Other	(1,840)	(767)
Net cash used in capital and related financing activities	(11,506)	(36,569)
Cash flows provided from investing activities:		
Interest on investments	84	87
Net cash provided by investing activities	84	87
Net increase (decrease) in cash and cash equivalents	19,930	(3,786)
Cash and cash equivalents		
Beginning of year	53,400	57,186
End of year	$ 73,330	$ 53,400

(continued)

(In thousands of dollars)	2014	2013
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) / income	$ (1,233)	$ 978
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	24,400	24,033
(Increase) decrease in accounts receivable and other current assets	(419)	761
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,348	(723)
Unearned revenue	1,104	998
Total adjustments	26,433	25,069
Net cash provided by operating activities	$ 25,200	$ 26,047
Noncash investing, capital and financing activities:		
Construction costs paid on account	$ 5,143	$ 3,274
Grants receivable	10,626	7,072
Note receivable resulting from land sale	-	413
Change in value of derivative instrument	663	1,161
Constructed assets contributed to other government	-	238

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

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

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. 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.

6. Cash and cash equivalents

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

7. Investments

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

8. Restricted Assets

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

Note A – Summary of Significant Accounting Policies (Continued)

9. Capital assets

Capital assets are carried at cost, including capitalized interest, less accumulated depreciation. Capital assets are defined by the Authority as assets with an individual cost of $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.

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.

10. Inventories and prepaid items

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

11. Dredged soil replacement rights

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

Note A – Summary of Significant Accounting Policies (Continued)

12. Deferred outflows

Deferred outflows include amounts associated with the Authority's recording of its interest rate exchange agreement, accounted for as an effective hedging transaction (see Note K for more information), and Deferred loss on refundings of debt, which is amortized over time as an adjustment (charge) to interest expense (effective with GASB 63).

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 2014 and 2013 was $1,469,000 and $1,264,000, 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, 2014, total conduit debt was $84,645,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

16. Long-term obligations

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

Note A – Summary of Significant Accounting Policies (Continued)

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 or regulations of other governments or through constitutional provisions or enabling legislation.

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

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 the communications service tax was $5,623,000 and $6,501,000 in 2014 and 2013, 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. Reclassifications

Certain reclassifications were made to the 2013 financial statement presentation in order to conform to the 2014 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2014 and 2013, the carrying amount of the Authority's cash deposit accounts was $32,796,000 and $33,246,000, 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 Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds) and Intergovernmental Investment Pool.
In instances where unspent bond proceeds, scheduled bond payments held by a third party trustee, or other bond reserves as prescribed by bond covenants are held, the Authority will look first to the Authority's Bond Resolution for guidance on qualified investments and then to the Authority's investment policy.

As of September 30, 2014, all investments are maintained in highly liquid money market funds, which are presented as cash and cash equivalents in the Authority's financial statements.

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

Note B – Deposits and Investments (Continued)

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

2014		Investment Maturities (in Years)
(in thousands of dollars)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 40,534	$ 40,534
Total investments	$ 40,534	$ 40,534

2013		Investment Maturities (in Years)
(in thousands of dollars)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 20,154	$ 20,154
Total investments	$ 20,154	$ 20,154

Credit Risk

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

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

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

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

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

Note B – Deposits and Investments (Continued)

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

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

2014		
Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100%
2013		
Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100%

Custodial Credit Risk

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

As of September 30, 2014, and 2013, the Authority’s investment portfolio held only money market funds which are not subject to custodial credit risk.

Concentration of Credit Risk

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

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 Notes with a 5% limit on individual issuers; 20% of available funds may be directly invested in Bankers Acceptances with a 10% limit on individual issuers; 20% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt; 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a 25% limit of individual funds; and 25% of available funds may be invested in intergovernmental investment pools.

As of September 30, 2014 and 2013, the Authority had no concentrations of credit risk.

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2014 and 2013 was as follows:

2014 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 231,410	$ 248	$ -	$ 231,658
Construction in progress	37,371	24,115	(5,206)	56,280
Total capital assets not being depreciated	268,781	24,363	(5,206)	287,938
Other capital assets				
Buildings	98,084	82	-	98,166
Improvements	427,907	4,543	(8)	432,442
Equipment	116,414	1,838	(3,861)	114,391
Total other capital assets at historical cost	642,405	6,463	(3,869)	644,999
Less accumulated depreciation for:				
Buildings	44,366	3,525	-	47,891
Improvements	195,695	15,443	(8)	211,130
Equipment	67,865	5,432	(3,671)	69,626
Total accumulated depreciation	307,926	24,400	(3,679)	328,647
Other capital assets, net	334,479	(17,937)	(190)	316,352
Capital assets, net	$ 603,260	$ 6,426	$ (5,396)	$ 604,290

Note C – Capital Assets (Continued)

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

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 $58.1 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as 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 $18.3 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, 2014 and 2013:

(In thousands of dollars)	2014	2013
Total interest expense incurred	$ 9,888	$ 10,241
Interest expense associated with construction	151	155
Net interest capitalized	151	155
Net interest expense incurred	$ 9,737	$ 10,086

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 $708,083,000 and accumulated depreciation of $255,722,000 as of September 30, 2014. Revenues recognized for facility leases for the fiscal year ended September 30, 2014 and 2013 were $18.2 million and $18.4 million, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2014, are as follows:

(in thousands of dollars)	MOL	All Other	Total
2015	$ 7,020	$ 11,724	$ 18,744
2016	7,083	11,088	18,171
2017	7,155	9,035	16,190
2018	7,225	8,268	15,493
2019	2,654	6,563	9,217
Thereafter	1,201	33,378	34,579
	$ 32,338	$ 80,056	$ 112,394

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

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

Financing

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

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

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2038. In addition to the $100 million of prepaid lease revenue, MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2023. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2014 and 2013 totaled approximately $119 million and $118 million, respectively.

Note G – Pension Plans

Plan description

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

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

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

Funding policy

Regardless of which System plan an employee selects, the Authority is required by Florida Statute to contribute 21.14% of senior management, 12.28% of deferred retirement option participants (DROP) and 7.37% of all other employee earnings. All employees, excluding DROP participants, are now required to make a 3% contribution to the System.

The total contribution requirement for both plans in the accompanying financial statements, contributed in accordance with actuarially required amounts was $1,005,000, $658,000, and $541,000, for the years ended September 30, 2014, 2013 and 2012, respectively.

Note H – Deferred Compensation Plan

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

Note H – Deferred Compensation Plan (continued)

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. 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 $148,000 and $143,000 for the years ended September 30, 2014 and 2013, respectively.

Note I – Other Post Employment Benefits (OPEB)

<u>Plan Description</u>

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 118 active participants in the group medical plan, and two participating retirees.

Under GASB 45, the Authority recognizes an implicit rate subsidy (an 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, 2014:

<u>Annual OPEB / GASB 45 Cost and Net OPEB Obligation</u>

Annual Required Retiree Cost (ARC)	$	39,000
Interest on Plan Obligation		15,000
Adjustment to ARC		(12,000)
Annual Plan Retiree Costs		42,000
Less: Contributions Made (estimated premium paid by Authority)		1,000
Change in Plan Obligation		41,000
Plan Obligation – Beginning of Year		323,000
Plan Obligation – End of Year	$	364,000

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

The Authority has elected to calculate the ARC and related information using the Entry Age Normal Actuarial Cost Method. The ARC represents a level of normal funding projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, based on the assumptions that the plan will be unfunded. The valuation uses a health care costs trend rate assumption of 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
9/30/2012	32,000	2.38%	291,000
9/30/2013	32,000	2.38%	323,000
9/30/2014	42,000	2.38%	364,000

OPEB Funding Status

The following data presents the funding status as of September 30, 2014:

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	$	8,231,763
6. UAAL as a percentage of payroll		4.8%

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 $159,000, $154,000, and $125,000 for the years ended September 30, 2014, 2013, and 2012, 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 $542,000, $569,000, and $502,000, for the years ended September 30, 2014, 2013, and 2012, 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, 2014 and 2013 was as follows:

	2014				
(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	54,032	25,000	(5,073)	73,959	5,365
Revenue Note – Taxable	4,326	-	(628)	3,698	663
State Infrastructure Bank Loan	26,152	-	(4,115)	22,037	4,239
Unamortized original issue premium amounts	5,229	-	(208)	5,021	-
Total bonds and notes payable	202,129	25,000	(10,024)	217,105	10,267
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	1,985	-	(663)	1,322	-
Capital leases	1,032	-	(1,032)	-	-
Compensated absences and other	1,587	303	(57)	1,833	326
Line of credit	19,370	-	(3,622)	15,748	-
Reserve for grants assessment	1,377	-	-	1,377	
Other obligation	8,537	-	-	8,537	-
	$ 237,585	$ 25,303	$ (15,398)	$ 247,490	$ 10,593

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

Long-term Liabilities (continued)

	2013				
(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	58,829	-	(4,797)	54,032	5,073
Revenue Note – Taxable	4,916	-	(590)	4,326	628
State Infrastructure Bank Loan	30,148	-	(3,996)	26,152	4,116
Unamortized original issue premium amounts	5,438	-	(209)	5,229	-
Total bonds and notes payable	211,721	-	(9,592)	202,129	9,817
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	3,146	-	(1,161)	1,985	-
Capital leases	2,155	-	(1,123)	1,032	1,032
Compensated absences and other	1,503	222	(138)	1,587	334
Line of credit	37,694	-	(18,324)	19,370	-
Reserve for grants assessment	-	1,377	-	1,377	
Other obligation	8,537	-	-	8,537	-
	$ 266,324	$ 1,599	$ (30,338)	$ 237,585	$ 11,183

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

Long-term liabilities at September 30, 2014 and 2013 consisted of the following:

(in thousands of dollars)	2014	2013
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.	29,983	35,056
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 4.03%.	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%.	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.	3,698	4,326
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	22,037	26,152
$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due November 2017. Interest rates range from 1.41% to 1.44% in 2014.	15,748	19,370
	227,832	216,270
Less current portion	10,267	9,817
	$ 217,565	$ 206,453

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, 2014 was $22,037,000.

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, 2014 were $24,980,000.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, due and payable 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, 2014 was $15,747,000.

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, 2014 on the Tax Exempt Revenue Note was $29,983,000. The outstanding balance at September 30, 2014 on the Taxable Note was $3,698,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2014 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, 2014 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 $37.6 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, 2014 was $25,000,000.

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, 2014 were $34,250,000 for the Tax-Exempt Note and $4,226,504 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of BBB by Standard & Poors, and Baa2 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2014, a termination fee of $1,121,729 and $200,421 for the two notes would have been payable by the Authority based upon the current market conditions at that time.

In accordance with accounting standard GASB 53, Accounting and Financial Reporting for Derivative Instruments, the Authority has recorded the above interest rate swap transaction as an effective hedging transaction. The result for the years ended 2014 and 2013, respectively, were an aggregate $1,322,150 and $1,985,398, a decrease of $663,248. 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, Capital Leases 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)	2014	2013
Deferred loss on debt refundings	$ 5,996	$ 7,145
Interest rate exchange agreement	1,322	1,985
Total deferred outflow of resources	$ 7,318	$ 9,130

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, 2014 was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2015	$ 9,183	$ 10,268
2016	8,981	11,701
2017	8,579	12,241
2018	8,157	28,547
2019	7,706	12,186
2020 – 2024	32,602	27,298
2025 – 2029	25,118	35,142
2030 – 2034	16,418	43,842
2035 – 2039	5,962	46,607
	$ 122,706	$ 227,832

Original Issue Discount and Deferred Loss on Refundings (*in 000's)*

Unamortized premiums on Bonds were ($5,021) and ($5,229) in 2014 and 2013, respectively. Unamortized deferred loss on refundings was $5,996 and $7,145 in 2014 and 2013, respectively.

Other Noncurrent Liabilities

- Unearned revenue balances were $118,967,000 and $117,863,000 for years ended September 30, 2014 and 2013, respectively. The current portion was $6,239,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

- The Authority has accrued reserves in the amount of $1,568,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.

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

- Other post-employment benefits ("OPEB") liabilities for retiree medical benefits were $364,000 and $323,000 at September 30, 2014, and 2013, 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 obligation of $8,536,749 was recorded in 2011. As of September 30, 2014, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2014, the Authority had commitments for future construction work of approximately $35.9 million. Significant projects include an Intermodal Container Transfer Facility $21.5 million and $14.9 for a Terminal Wharf reconstruction project in progress.

Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging, and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority has developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment design, allowing for the groundwater to be captured by wells and discharged to a nearby publically owned treatment works facility (POTW). In 2014, the FDEP approved the Authority's proposed IRAP, and it is currently scheduled for construction in early 2015. The Authority has previously recognized a $1.5 million liability for related construction 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. Tenant cleanup efforts are in process on this property, as well as separate adjacent property owned by the tenant. The remediation project is complete at September 30, 2014, 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.

Note M – Commitments and Contingencies (Continued)

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 153 employees. Union employees represent about 43% of the total. The current union contract was renewed in September 2013 for a three-year term, expiring on September 30, 2016.

Grant Program Compliance Requirements

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

Claim Against Contractor

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

Note N – Significant Customers

For the fiscal year ended September 30, 2014, 14% of operating revenues resulted from sales to a single significant customer. At September 30, 2014 and 2013, accounts receivable balances from this same customer were $129,000 and $23,000, respectively.

Note O – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $3,189,932 and $4,256,467 were recorded for the years ended September 30, 2014 and 2013, respectively.

State Contributions

Amounts from state funding awards totaled $13,724,991 and $15,003,620 and for the years ended September 30, 2014 and 2013, respectively.

Note P – Prior Period Restatement

In 2014, the Authority adopted Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, whereby restatement of prior periods is preferred if amounts are known and quantifiable. As a result of this implementation, the Authority has eliminated deferred debt issuance costs (deferred charges) and reduced net position, and concurrently net investment in capital assets in the amount of $2,456,000.

The effects of these restatements on the financial statements are as follows:

(in thousands)	Net Position	Deferred Charges, Net	Net Investment in Capital Assets
As of September 30, 2012:			
Balance as previously reported	$ 303,840	$ 2,707	$ 261,312
Adjustment – implement GASB 65	(2,707)	(2,707)	(2,707)
Balance, as restated	$ 301,133	$ -	$ 258,605
As of September 30, 2013:			
Balance as previously reported	$ 317,666	$ 2,456	$ 273,214
Adjustment – implement GASB 65	(2,456)	(2,456)	(2,456)
Balance, as restated	$ 315,210	$ -	$ 270,758

Prior to the implementation of GASB 65, and because debt issuance costs was previously amortized, interest expense was previously reported in FY 2013 as $10,086, and change in net position as $13,826, on the statement of revenues, expenses and changes in net position. After the restatement for GASB 65 interest expense for FY 2013 was $9,835, and change in net position of $14,077.

Note Q – New Accounting Pronouncements

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

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

Note Q – New Accounting Pronouncements (Continued)

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

The Authority's management has not yet determined the effect these statements will have on the Authority's financial statements, upon implementation of GASB 69 and GASB 70.

The Authority's unfunded actuarial liability portion of the FRS pension, relative to GASB 68 and 71 is not yet known, but the Authority will have to accrue a liability for its proportionate share.

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2014

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%

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2014

GAAP Revenue – per Financial Statements	$	53,191,020
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		1,103,948
Budgetary Basis Revenues	$	54,294,968

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

Leadership

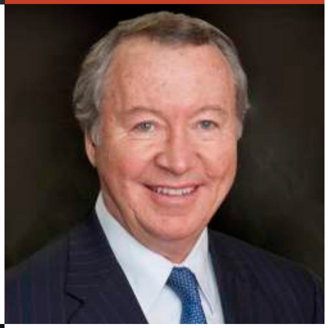
JAXPORT BOARD OF DIRECTORS

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

John Falconetti
CHAIRMAN

Dr. John Newman
VICE - CHAIRMAN

James Citrano
SECRETARY



Robert Spohrer
TREASURER

Nancy Soderberg
MEMBER

Joe York
IMMEDIATE PAST CHAIRMAN

Ed Fleming
MEMBER

Ray Holt
CITY COUNCIL LIAISON

JAXPORT MANAGEMENT

Chief Executive Officer
Brian Taylor

Executive Vice President/ Chief Commercial Officer
Roy Schleicher

Chief Operating Officer
Chris Kauffmann

Chief Financial Officer
Michael Poole

Annual Report Production

EDITOR: *Nancy Rubin, Senior Director, Communications*

FINANCIAL ANALYSIS: *Michael Poole, Chief Financial Officer*
Mike McClung, Controller

DESIGN: *Amy Hamaty, Coordinator, Graphic Services*

PHOTOGRAPHY: *JAXPORT Library, Amy Hamaty,*
Ryan Ketterman Photography

CONNECT WITH US

Twitter: *@jaxport*

Instagram: *@jax_port*

Flickr: *flickr.com/jaxport*

YouTube: *youtube.com/jaxport*

LinkedIn: *The Jacksonville Port Authority*

Facebook: *facebook.com/JacksonvillePortAuthority*