JAXPORT 2015 ANNUAL REPORT

JAXPORT. IT'S JUST SMART BUSINESS.

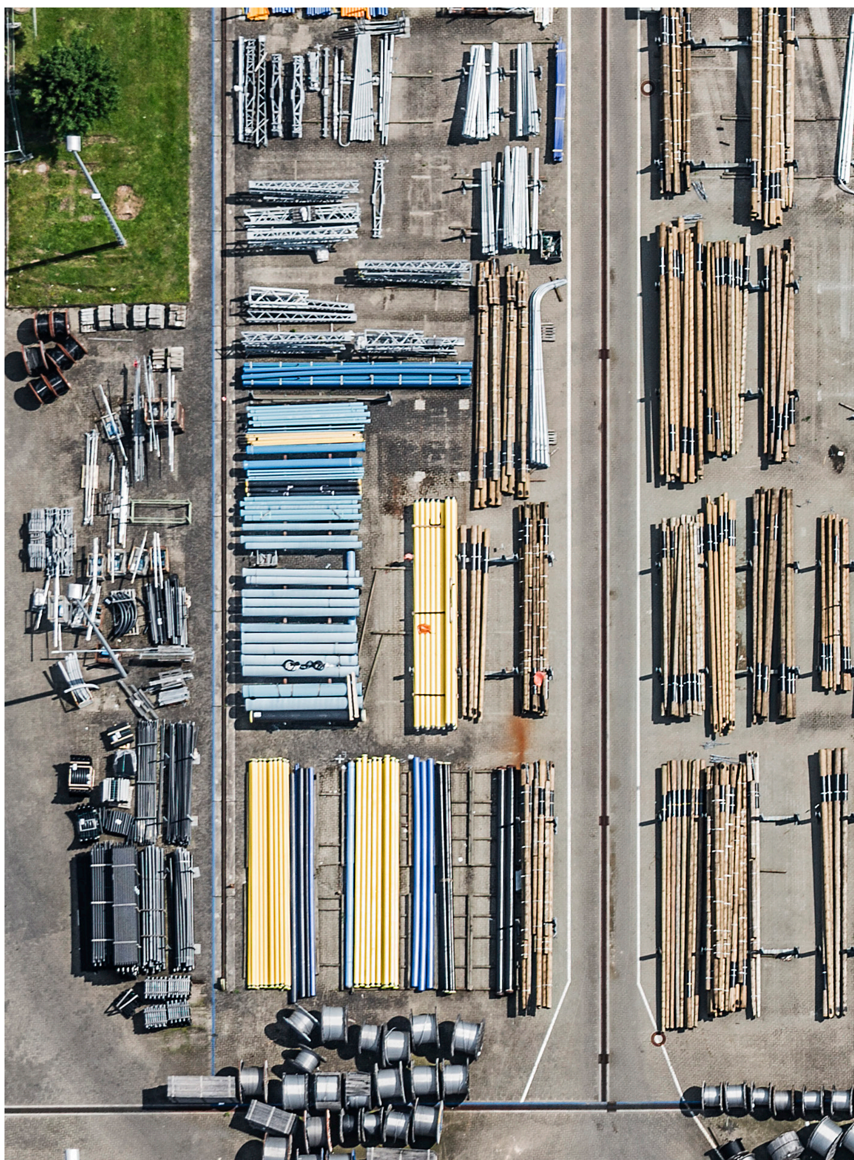
The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida. JAXPORT owns three cargo facilities and one passenger cruise terminal along the St. Johns River: Blount Island Marine Terminal, Talleyrand Marine Terminal,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

A MESSAGE FROM JAXPORT

Welcome to the JAXPORT 2015 Annual Report.
Every day and in every way, the JAXPORT team remains intensely focused on supporting our tenants, customers and the communities we serve. Our varied and extensive experience, superior efficiency, dedication to operational excellence and partnerships throughout the supply chain allow us to consistently deliver on our commitments.

Thanks to all of this and more, JAXPORT moved 8.2 million tons of cargo last year and marked the port's 15th consecutive year of operating revenue growth. 2015 was also another year of Asian container growth and an especially noteworthy period for JAXPORT's auto business, which grew back to pre-recessionary volume. In addition, with major investments by two of our long-time businesses in the maritime fuel of the future, JAXPORT and Jacksonville took center stage as pioneers in the use of liquefied natural gas (LNG).

Looking ahead, 2016 will be a milestone year for many of JAXPORT's significant infrastructure projects, all designed for maximum return on investment by allowing our customers to capitalize on the many growth opportunities in international trade that are before us. JAXPORT's Intermodal Container Transfer Facility begins operations this year; several newly built, state-of-the-art container cranes will arrive and be put into immediate use; the removal of a navigational hazard in the St. Johns River will be complete; the modernization of docks and berths progresses; and the game-changing project to deepen the Jacksonville shipping channel to 47 feet will enter the construction phase.



In addition, planning experts are focused on increasing the efficiency of the region's rail system, Florida's leadership continues to invest heavily in the port and connecting transportation network, and a growing population in the Southeast U.S. means JAXPORT puts a burgeoning consumer market within easy reach.

The information provided in these pages highlights another year of financial stability, expense side management, cargo diversity and intense focus on business development. These components will continue to be the foundation of our future growth and success in the current fiscal year and the years ahead.

Dr. John Newman, JAXPORT Board Chairman
Brian Taylor, JAXPORT CEO

OUR STRATEGIC PLAN

VISION

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

MISSION

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

GUIDING PRINCIPLES

Innovation • Teamwork • Accountability • Leadership • Integrity

PLEDGE

Demand a measurable return for the dollars invested

Maximize the use of public assets for public good

Balance the interests of those we serve

Integrate green port initiatives into all endeavors

Pursue all outreach and engagement opportunities

FINANCIAL

JAXPORT earned $55.2 million in operating revenues in FY 2015, up 4 percent over last year, the port's 15th consecutive year of operating revenue growth. In addition, strong expense side management allowed JAXPORT to hold operating expenses steady at $30 million in FY15. The port earned $25.1 million in operating income during the same period, an 8.5 percent increase over FY14.

Successes include impressive gains in Asian container growth and the rebound of vehicle volumes to pre-recession levels. JAXPORT also continues to maintain its diversification, attracting well-known brands and international industry leaders to establish operations through Jacksonville in 2015.

The past year's financial results reflect JAXPORT's positive year operationally. JAXPORT facilities moved 915,292 containers or twenty-foot equivalent units (TEUs) in FY 2015. 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 downturn.
When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's number one container port.

JAXPORT recorded four percent growth in Asian container shipments in FY15, moving 283,164 twenty foot equivalent units (containers) compared to 272,524 the previous year. The Asian container trade is the fastest growing segment of JAXPORT's container cargo business, accounting for nearly 31 percent in 2015. The port has recorded an average of 28.5 percent annual growth in Asian container volumes during the past five years.

A total of 8.2 million tons of cargo shipped through JAXPORT facilities in FY15 and the port saw 1,826 vessels call in the same period.

APRIL 2015 – JAXPORT began service as Volkswagen's Southeastern U.S. distribution hub on April 29, 2015 as nearly 1,000 new VW Jettas, Beetles and Golfs rolled off the auto ship Chesapeake Highway, at JAXPORT's Blount Island Marine Terminal

JAXPORT 2015 KEY STATISTICS

TONNAGE BY COMMODITY

CONTAINERS - 62%
5,035,085 tons

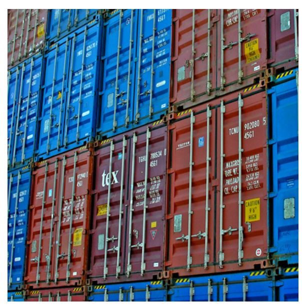
AUTOS - 16%
1,325,366 tons

BULK - 13%
1,095,195 tons

BREAKBULK - 9%
726,242 tons

TOTAL UNITS

AUTOS
656,599 UNITS



CONTAINERS
915,292 TEUs
(Twenty-foot equivalent units)

TOP 5 EXPORT/IMPORT TRADE LANES

EXPORT COUNTRIES

Puerto Rico
China
Brazil
Turkey
Saudi Arabia

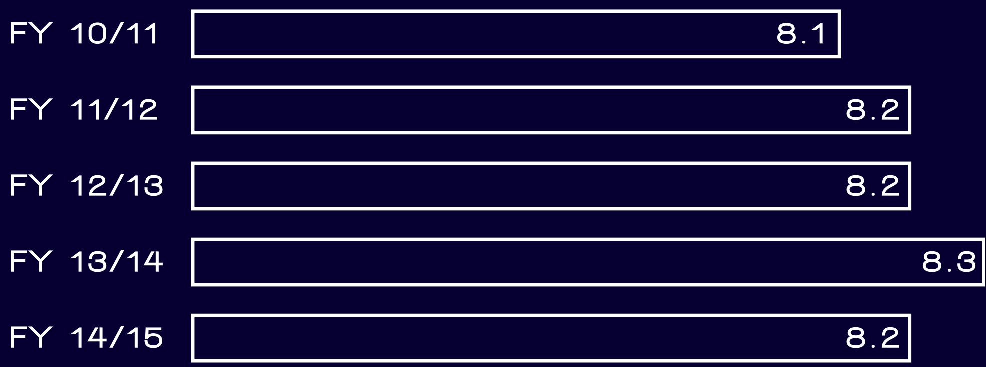
IMPORT COUNTRIES

Colombia
Canada
Mexico
Bahamas
Puerto Rico

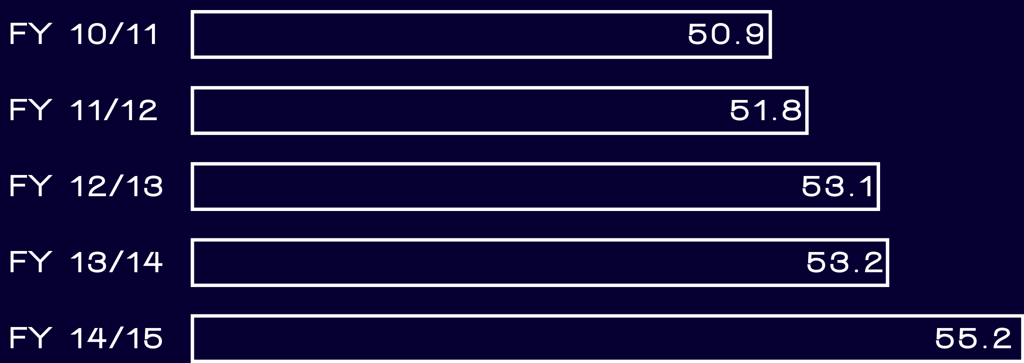
OUR GLOBAL CONNECTIONS

JAXPORT FY15 VITAL STATISTICS

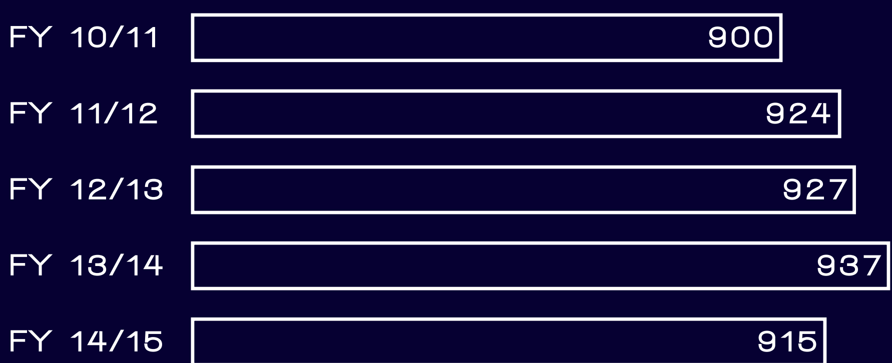
TOTAL TONNAGE
IN MILLIONS



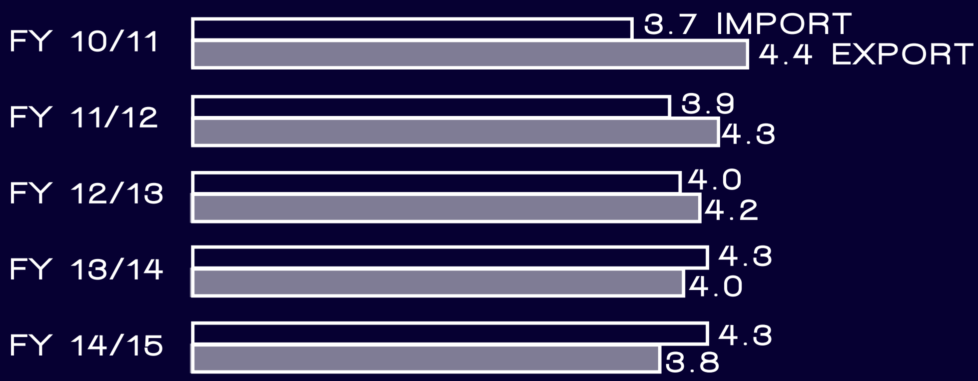
REVENUE
IN MILLIONS



TEUs
IN THOUSANDS

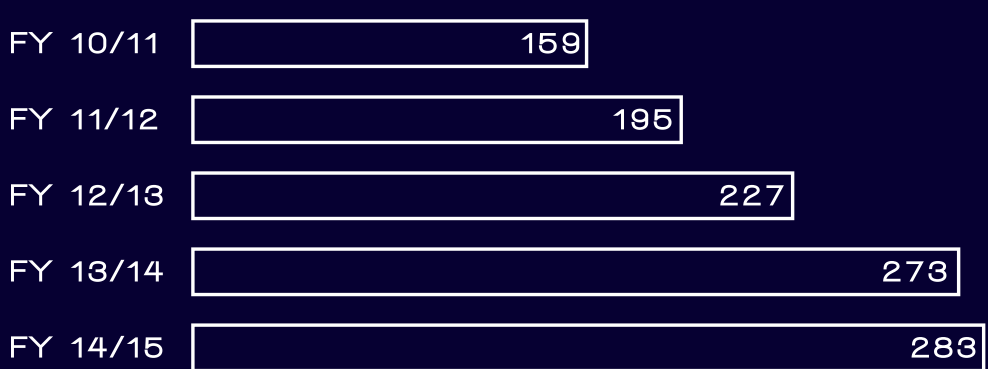


IMPORT/EXPORT
IN MILLIONS OF TONS



AUTO UNITS
IN THOUSANDS

ASIAN CONTAINER TEUs
IN THOUSANDS



ECONOMIC ENGINE

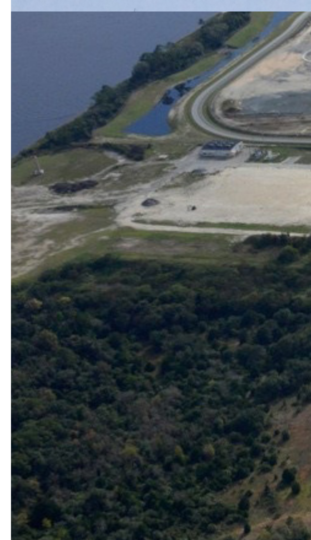
JAXPORT is a crucial component of Northeast Florida's present economic vitality and future growth. According to figures released in 2014 by the Pennsylvania-based consulting firm Martin Associates, Jacksonville's seaport generates the following impact:

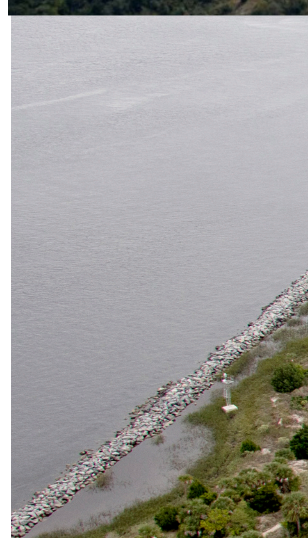
Nearly 133,000 direct and indirect area jobs are supported by port activity: everything from longshoremen, truck drivers and warehouse workers to engineering specialists, legal consultants, maintenance workers and hundreds of similar support positions. In Jacksonville alone, more than 24,000 people are employed in port-dependent positions, jobs directly relying on the port. An additional 108,000 positions are related to cargo activity in the Port of Jacksonville; these are jobs within the manufacturing, retail, wholesale and distribution industries.

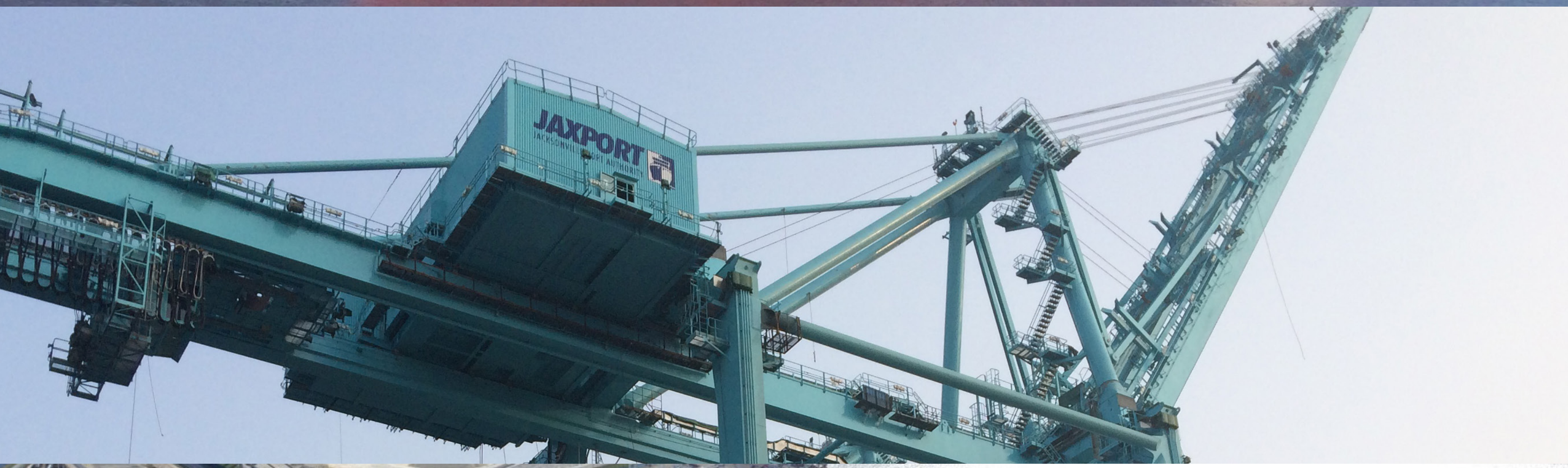
The latest research concludes these positions provide an average annual salary that is 34 percent higher than the Jacksonville MSA average.

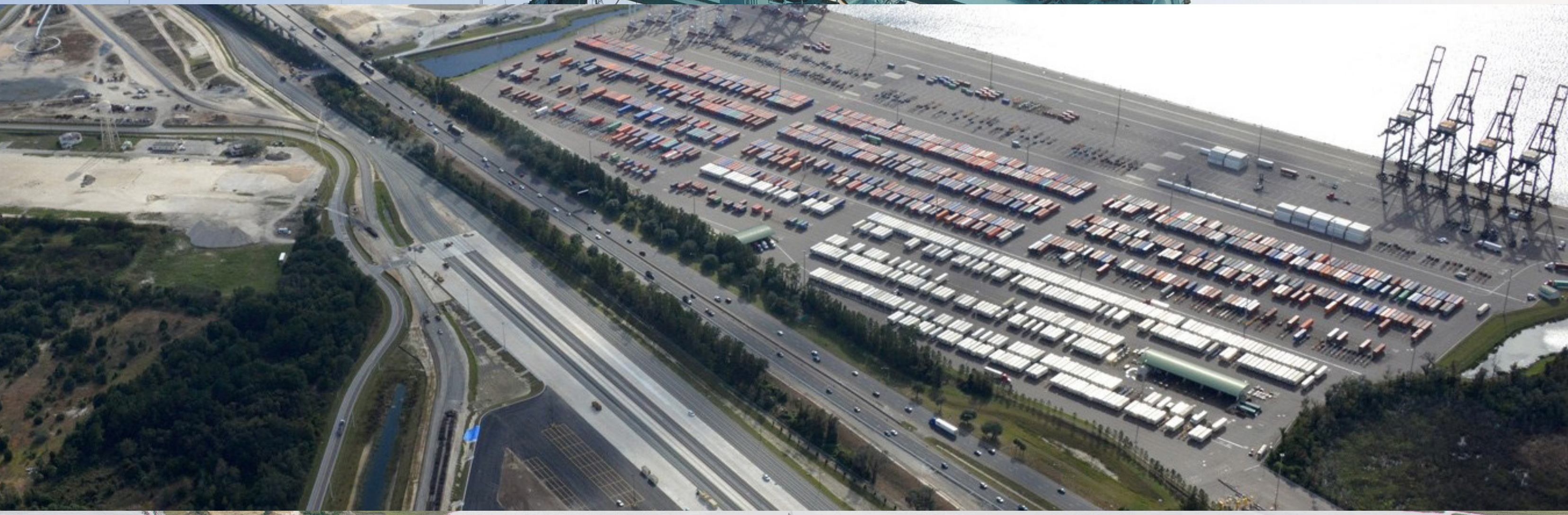
The port accounts for $26.9 billion in total economic output annually, including $1.8 billion of personal income and consumption $727 million in state and local taxes related to cargo activity and $169 million in taxes directly generated by cargo operations.

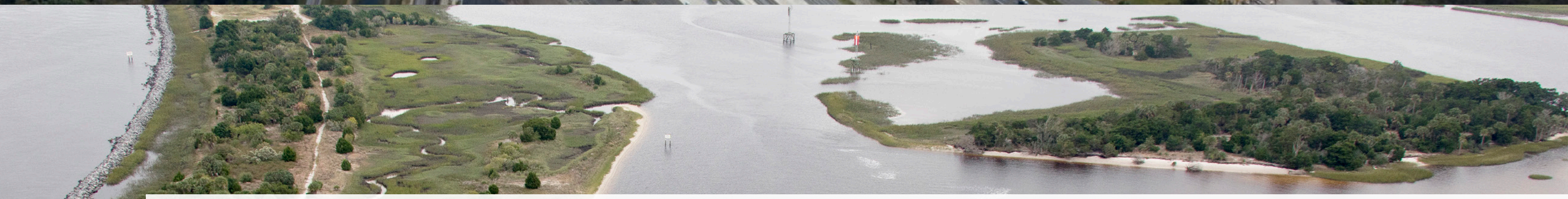
In addition, growth at the port has spurred demand for commercial real estate and warehouse space. Citing Jacksonville's outstanding intermodal connections and worldwide ocean carrier services, several companies have opened warehousing and distribution center facilities in Jacksonville and/or have relocated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











Major projects to improve the commercial viability and economic competitiveness of the St. Johns River harbor continue to move forward: Mile Point, a project removing a navigational restriction, and the Jacksonville Harbor Deepening Project, the federal project to take Jacksonville's harbor to 47 feet. Finishing touches were also placed on JAXPORT's three new 100-gauge container cranes and the new on-dock rail facility serving Blount Island and Dames Point Marine Terminals.

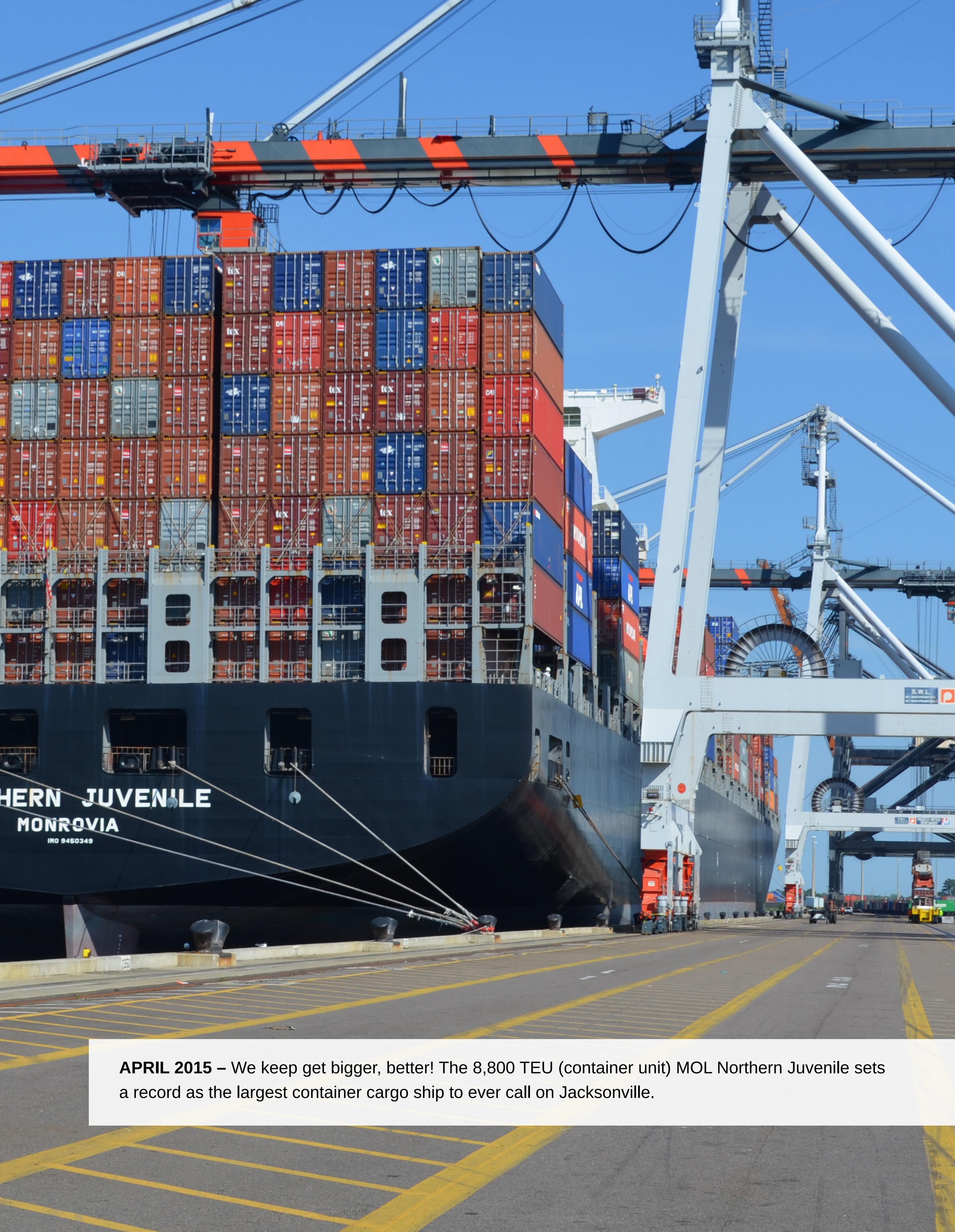
CARGO

In FY 2015, JAXPORT facilities handled 8.2 million tons of cargo, continued to grow Asian container volumes and moved vehicle volumes back to robust, pre-recession levels.

The port handled 915,292 TEUs in FY15. The continued addition of new container business through both the Panama and Suez Canals resulted in a nearly 4 percent increase in TEUs in JAXPORT's Asian container volumes in FY15, reflecting the port's growing importance in this trade lane. JAXPORT's Asian container cargo volumes have increased 78 percent since 2009 as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location.

The shipment of vehicles and other Ro/Ro cargoes —primarily passenger cars, trucks and heavy equipment—grew 8.5 percent over 2014 to 656,599 units just shy of the port record set in 2007.

JAXPORT vessel calls held steady at 1,826 in FY15.



APRIL 2015 – We keep get bigger, better! The 8,800 TEU (container unit) MOL Northern Juvenile sets a record as the largest container cargo ship to ever call on Jacksonville.

CRUISE

In FY 2015, 183,217 passengers embarked aboard Carnival Cruise Line's Fascination at JAXPORT's North Jacksonville cruise terminal.

The 2,052 passenger Fascination took a total of 79 voyages out of JAXPORT's cruise terminal at Dames Point in FY 2015. In spring 2016, the ship was replaced with the newer Carnival Elation. The Elation currently offers cruises to the Bahamas year-round.

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

MARCH 2015 – JAX cruise offerings go from fascinating to elated! Carnival announces that starting April 2016, the Elation will replace the Fascination and offer year-round four- and five-day cruises out of JAXPORT's cruise terminal.

COMMUNITY

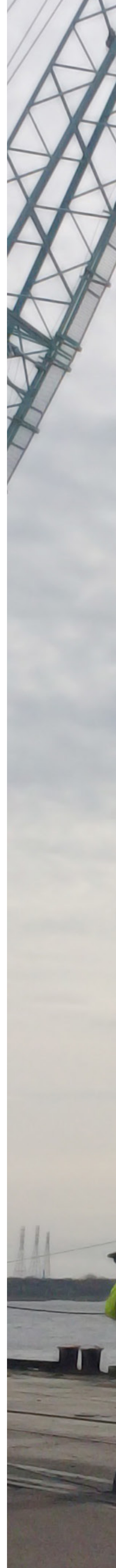
JAXPORT takes pride in being an involved corporate citizen of the region. Our chartered mission to create employment and economic activity means we have a special interest in educating the transportation and logistics leaders of tomorrow, taking care of those in need in our community, supporting environmental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

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

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

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

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



MARCH 2015 – Highly trained master riggers at Portus moved the first shipment of next generation patrol boats purchased by the U.S. Navy through the heavy lift and specialty cargo berth at JAXPORT's Blount Island Marine Terminal, one of the nation's highest weight-bearing capacity docks.

LOOKING AHEAD

IMPROVE THE FEDERAL CHANNEL
JAXPORT and the U.S. Army Corps of Engineers have two projects underway in 2016: the removal of a navigational restriction at Mile Point and the Jacksonville Harbor Deepening project taking the channel to 47 feet. Both will allow JAXPORT to become a first/last port of call for the industry's larger ships.

ACTIVATE DAMES POINT ON-DOCK RAIL
JAXPORT's $30 million Intermodal Container Transfer Facility at Dames Point serves the adjacent Blount Island Marine Terminal and TraPac Container Terminal. The ICTF, funded through federal and state transportation grants, offers the increased level of efficiency shippers require in today's demanding marketplace.

REVITALIZE INFRASTRUCTURE
JAXPORT continues a comprehensive infrastructure program revitalizing docks and rail at both the Blount Island and Talleyrand Marine Terminals. The reconstruction allows for regular operations while fortifying the facilities for future growth. Three new state-of-the-art container cranes will begin operations at the Blount Island Marine Terminal in 2016.

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

LEAD THE LNG REVOLUTION
With Jacksonville-based TOTE Maritime Puerto Rico and Crowley Maritime pioneering the use of liquefied natural gas to power a new generation of cargo ships, JAXPORT and the Northeast Florida region are taking a lead role in the emergence of LNG as a preferred environmentally friendly fuel source and export commodity.

JULY 2015 – Big, big news for JAXPORT as the world's No. 1 container shipping company, Maersk Line, began direct service from Blount Island to China and South Korea.


NYK

FINANCIAL REPORT

JAXPORT
JACKSONVILLE PORT AUTHORITY

May 4, 2016

To the Board of Directors of the
Jacksonville Port Authority:

We present the Annual Financial Report of the Jacksonville Port Authority (the Authority or JAXPORT) for the fiscal year ended September 30, 2015. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rest with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information of the financial position of the Authority.

Reporting Entity and Governance

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

JAXPORT is comprised of three separate 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.

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

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

Financial Highlights and looking ahead

During fiscal year 2015, JAXPORT continued to enhance capital infrastructure with projects to refurbish berths at Blount Island and Talleyrand locations, and development of the new Intermodal Container Transfer Facility (ICTF) at Dames Point neared completion. At the same time, construction of three new state-of-the-art container cranes funded by grants and $25 million of new debt progressed in China, with delivery to the Authority's Blount Island Marine Terminal expected in mid-2016.

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. Two federally authorized Jacksonville harbor improvements which will add significantly to the Authority's competitive position are progressing and the $30 million ICTF (totally funded through state and federal grants) is part of a regional initiative to improve the movement of all rail freight, another competitive advantage.

Northeast Florida continued emerging as a leader in the use of Liquefied Natural Gas (LNG) as fuel for the maritime industry with the arrival of the world's first LNG-powered container ship and the growing investments of two long time tenants and international companies in LNG vessels and facilities. These investments position JAXPORT to take advantage of export opportunities as the use of LNG expands.

Several important business announcements rounded out a noteworthy year. Volkswagen, Porsche and Fiat-Chrysler all made significant commitments to JAXPORT as a Southeastern U.S. distribution hub for automobiles; the USDA granted JAXPORT permission to import select cold-treated produce from South America for the first time reducing transportation costs and boosting freshness for consumers; Maersk, the world's largest container shipping company, added a weekly service through JAXPORT's Blount Island Marine Terminal and a new shipping alliance in the South American trade between Hapag-Lloyd, CSAV Group, Hamburg Süd, Aliança, Yang Ming and NYK shipping lines, began bringing more big ships into JAXPORT.

Cargo highlights in fiscal year 2015 included the movement of 8.2 million tons of cargo, the continued growth of Asian container traffic and the rebound of vehicles volumes to healthy, pre-recession levels.

JAXPORT's Roll on/Roll off business---primarily passenger cars, trucks and heavy equipment grew 8.5 percent over 2014 to 656,599 units, just narrowly missing JAXPORT's auto volume record. In 2015, JAXPORT secured a new five-year contract with Volkswagen Group of America.

JAXPORT facilities moved 915,297 twenty-foot equivalent units (TEUs), and recorded a 4 percent increase in container shipments from Asia. It is important to note that during the past five years, JAXPORT's Asian container cargo volumes have increased 78 percent as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location.

JAXPORT remains the nation's No. 1 vehicle export port; the No. 1 port for trade with Puerto Rico and the 11th largest U.S. container port. In addition, JAXPORT is one of only 17 U.S. strategic ports (and the only one in Florida) on-call to move military cargo for national defense and continues to grow its reputation for the efficient and skilled handling of project, oversized and heavy lift cargo.

Independent Audit

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

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

Acknowledgement

I appreciate the commitment and effort of the Finance Department staff in the preparation of this report.

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

Respectfully submitted,

Brian Taylor, CEO

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Jacksonville Port Authority, Florida (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2015 and 2014, 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. 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, 2015 and 2014, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transactions for Contributions Made Subsequent to Measurement Date - an Amendment of GASB Statement No. 68.* Accordingly, the net position of the Authority has been restated as of October 1, 2013. Our opinion is not modified in respect to this matter.

Other Matters
Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The 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.

RSM US LLP

Jacksonville, Florida
May 4, 2016

Management's Discussion and Analysis (unaudited)

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, 2015 and for fiscal year 2014. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL STATEMENTS PRESENTATION

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

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. The statement of revenues, expenses, and changes in net position shows how the Authority's net position changed during the fiscal year. The statement of cash flows represents cash and cash equivalent activity for the fiscal year, resulting from operating, non-capital financing, capital financing and investing activities. Collectively, these financial statements provide an assessment of the overall financial condition of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY

A condensed overview of the 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, 2015 the Authority's net position grew to $361 million, reflective of solid revenue growth of 4%, flat expenses year to year, and continued strategic capital investment totaling $109 million before depreciation. (Note: Approximately $43 million of capital spending, specifically for harbor improvements, was concurrently contributed to other supporting government agencies). The Authority's operations and net position is supported by funding from both primary government (the city) of $5.3 million, and state and federal grants of $87 million in 2015. Total debt obligations in 2015 were reduced by $12 million, while operating cash balances on hand improved year to year.

(In thousands of dollars)	2015	2014	2013
NET POSITION			
Current assets	$ 50,234	$ 39,835	$ 37,333
Noncurrent assets (excluding capital assets)	42,040	50,921	29,975
Capital assets	646,339	604,290	603,260
Deferred outflows	9,897	8,950	9,377
Total assets and deferred outflows	748,510	703,996	679,945
Current liabilities	33,414	28,678	26,446
Bonds and notes outstanding (net of current portion)	194,928	206,838	192,312
Other noncurrent liabilities and deferred inflows	158,934	148,292	153,639
Total liabilities and deferred inflows	387,276	383,808	372,397
Net position			
Net investment in capital assets	304,571	278,220	270,758
Restricted for debt service	18,930	18,178	18,494
Restricted – other	2,709	2,705	2,659
Unrestricted	35,024	17,570	15,637
Total net position	$ 361,234	$ 316,673	$ 307,548

Total assets and deferred outflows at year end 2015 were $748,510, an increase of $44,514. Current assets increased $10,399, and includes increased operating cash of $348, and a (non-trade) other receivable for a litigation recovery of $9,650. Noncurrent assets activity is primarily utilization of construction cash (note proceeds) for capital projects $14,493, partly offset by non-current grants receivable of $6,428. Total capital asset additions were $68,442, and net of depreciation were $42,049, significant projects included major wharf reconstruction projects, an intermodal container transfer facility, and three new cranes under construction.

Total liabilities increased $3,468 in 2015. Current liabilities include an increase of $4,646, attributable to construction related payables at year end. Other noncurrent liabilities and deferred outflows increased $10,642, and include $3,827 of additional line of credit balances and an increased pension liability of $2,847. Partly offsetting was a reduction in bonds and notes payable of $11,910, primarily scheduled long term debt payments.

Net position increased $44,561 and includes increased net investment in capital assets of $26,351 and increased unrestricted balances of $17,454. The improvement in the unrestricted allocation is reflective of both scheduled debt reduction and improved cash and other total asset balances that will convert to cash (current notes receivables and grants receivables).

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

	2015	2014	2013
CHANGES IN NET POSITION			
Operating revenue	$ 55,231	$ 53,191	$ 53,077
Operating expenses			
Salaries and benefits	15,171	14,566	13,629
Services and supplies	4,152	4,677	4,630
Security services	3,754	3,733	3,635
Business travel and training	398	434	382
Promotion, advertising, dues and memberships	1,044	1,134	1,121
Utility services	1,040	1,121	1,093
Repairs and maintenance	1,461	1,619	1,718
Dredging	2,674	2,266	1,976
Miscellaneous	198	200	(118)
Total operating expenses	29,892	29,750	28,066
Operating income before depreciation and amortization	25,339	23,441	25,011
Depreciation and amortization	26,393	24,400	24,033
Operating gain / (loss)	(1,054)	(959)	978
Non-operating revenue (expense)			
Interest expense	(9,339)	(9,738)	(9,835)
Shared revenue from primary government	5,335	5,623	6,501
Intergovernmental revenue	18	274	517
Loss on sale/disposition of assets	(2,335)	(303)	(1,128)
Capital contributions to other government agencies	(42,981)	(1,000)	(438)
Contribution to tenants	(977)	-	-
Other claims and recoveries (net)	7,662	(1,168)	(520)
Other non-operating	1,063	(519)	(1,258)
Total non-operating revenue (expense)	(41,554)	(6,831)	(6,161)
Loss before capital contributions	(42,608)	(7,790)	(5,183)
Capital contributions	87,169	16,915	19,260
Changes in net positions	44,561	9,125	14,077
NET POSITION			
Beginning of year, as restated	316,673	307,548	293,471
End of year	$ 361,234	$ 316,673	$ 307,548

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

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

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

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

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

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

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 $29,750, 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 $316,673, an increase of $9,125, compared to prior year net position of $307,548.

Cash Flows

2015 vs. 2014

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

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

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

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

Cash and cash equivalents at the end of 2015 were $58,696, compared to $73,330 in 2014. The cash balance of $58,696 at September 30, 2015 is comprised of $15,658 in unrestricted cash, $17,928 in construction cash, $22,402 in restricted debt service and reserve funds, and $2,708 for renewal and replacement funds

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.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, channel improvements, buildings and building improvements, and equipment. At September 30, 2015, the Authority had commitments for future construction work of approximately $64.1 million. Additional information can be found in the accompanying notes to the financial statements.

2015 vs. 2014

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

2014 vs. 2013

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 payment of $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.

Long-Term Debt

2015 vs. 2014

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

2014 vs. 2013

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.

The Authority exceeded its required minimum debt service coverage ratio for the 2015 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, 2015 and 2014.

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, 2015 and 2014
(In thousands of dollars)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 15,658	$ 15,310
Restricted cash and cash equivalents	7,614	7,099
Accounts receivable, net	5,122	4,892
Notes and other receivables	9,822	333
Grants receivable	10,349	10,626
Inventories and other assets	1,669	1,575
Total current assets	50,234	39,835
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	17,496	17,486
Restricted for capital projects		
Cash and cash equivalents	17,928	33,435
Notes receivable	188	-
Grants receivable	6,428	-
Capital assets, net, primarily held for lease	646,339	604,290
Total noncurrent assets	688,379	655,211
Total assets	738,613	695,046
Deferred outflow of resources	9,897	8,950
Total assets and deferred outflow of resources	$ 748,510	$ 703,996

Jacksonville Port Authority

Statements of Net Position
September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Liabilities		
Current liabilities		
Accounts payable	$ 1,866	$ 2,912
Accrued expenses	536	549
Accrued interest payable	3,338	3,568
Construction contracts payable	6,980	3,658
Retainage payable	2,739	1,485
Unearned revenue	6,254	6,239
Bonds and notes payable	11,701	10,267
Total current liabilities	33,414	28,678
Noncurrent liabilities		
Unearned revenue	113,827	112,728
Derivative instrument liability	1,102	1,322
Accrued expenses	4,748	4,452
Other obligations	8,537	8,537
Net pension liability	8,352	5,505
Line of credit	19,575	15,748
Bonds and notes payable	194,928	206,838
Total noncurrent liabilities	351,069	355,130
Total liabilities	384,483	383,808
Deferred inflow of resources	2,793	3,515
Net Position		
Net investment in capital assets	304,571	278,220
Restricted for		
Debt service	18,930	18,178
Repair and replacement	2,709	2,705
Unrestricted	35,024	17,570
Total net position	$ 361,234	$ 316,673

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Operating revenue	$ 55,231	$ 53,191
Operating expenses		
Salaries and benefits	15,171	14,566
Services and supplies	4,152	4,677
Security services	3,754	3,733
Business travel and training	398	434
Promotions, advertising, dues and memberships	1,044	1,134
Utility services	1,040	1,121
Repairs and maintenance	1,461	1,619
Dredging	2,674	2,266
Miscellaneous	198	200
Total operating expenses	29,892	29,750
Operating income before depreciation and amortization	25,339	23,441
Depreciation and amortization expense	26,393	24,400
Operating (loss)	(1,054)	(959)
Non-operating revenues (expenses)		
Interest expense	(9,339)	(9,738)
Investment income	124	116
Shared revenue from primary government	5,335	5,623
Intergovernmental revenue	18	274
Contributions to tenants	(977)	-
Loss on sale/disposition of assets	(2,335)	(303)
Capital contributions to other government agencies	(42,981)	(1,000)
Claims against contractors (expense) / recovery	7,662	(1,168)
Other non-operating (expense) / revenue	939	(635)
Total non-operating (expenses)	(41,554)	(6,831)
Loss before capital contributions	(42,608)	(7,790)
Capital contributions	87,169	16,915
Change in net position	44,561	9,125
Net position		
Beginning of year, as restated	316,673	307,548
End of year	$ 361,234	$ 316,673

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Cash flows from operating activities		
Receipts from customers	$ 56,193	$ 53,909
Payments for services and supplies	(16,003)	(14,173)
Payments to/for employees	(15,081)	(14,536)
Net cash provided by operating activities	25,109	25,200
Cash flows from noncapital financing activities		
Operating grants	-	529
Receipts from primary government	4,877	5,623
Net cash provided by noncapital financing activities	4,877	6,152
Cash flows from capital and related financing activities		
Proceeds from capital debt	-	25,000
Line of credit activity	3,828	(3,622)
Contributions to tenants	(518)	-
Contributions-in-aid of construction (grants)	81,036	13,106
Acquisition and construction of capital assets	(108,772)	(23,599)
Principal paid on capital debt	(10,268)	(10,848)
Interest paid on capital debt	(9,466)	(9,118)
Contributions to other agencies	-	(1,000)
Proceeds from sale of assets	425	415
Other	(1,009)	(1,840)
Net cash used in capital and related financing activities	(44,744)	(11,506)
Cash flows provided from investing activities		
Interest on investments	124	84
Net cash provided by investing activities	124	84
Net increase (decrease) in cash and cash equivalents	(14,634)	19,930
Cash and cash equivalents		
Beginning of year	73,330	53,400
End of year	$ 58,696	$ 73,330

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	$ (1,054)	$ (959)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	26,393	24,400
Increase in accounts receivable and other current assets	(152)	(419)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,192)	1,074
Unearned revenue	1,114	1,104
Total adjustments	26,163	26,159
Net cash provided by operating activities	$ 25,109	$ 25,200
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 9,719	$ 5,143
Grants receivable	16,777	10,626
Litigation Recovery in other receivables	9,650	-
Change in value of derivative instrument	220	663
Constructed assets contributed to other government	(42,981)	-

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

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

4. Basis of accounting

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

5. New Pronouncements – Adopted and Unadopted

Adopted

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* in June 2012. This Statement is effective for fiscal years beginning after June 15, 2014. The Authority adopted GASB 68 in the current fiscal year financial statements. The adoption of GASB 68 is reflected in the financial statements, in Note G to the Financial Statements, as well as in the Required Supplementary Information Section.

The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* in January 2013. The Authority adopted GASB 69 in the current fiscal year financial statements. The adoption of GASB 69 did not impact the Authority's financial position or results of operations.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* in November 2013. The Authority adopted GASB 71 in the current fiscal year financial statements. The adoption of GASB 71 is reflected in the government-wide financial statements, in Note G, to the Financial Statements, as well as in the Required Supplementary Information Section.

Unadopted

The GASB issued Statement No. 72, *Fair Value Measurement and* Application in February 2015. This statement is effective for fiscal years beginning after June 15, 2015.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. This statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

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

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

The impact on the Authority's financial position or results of operations has not yet been determined for the unadopted standards.

Note A – Summary of Significant Accounting Policies (Continued)

6. Budgeting procedures

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

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

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

Once adopted, 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.

7. Cash and cash equivalents

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

8. 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/inflows of resources

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

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

13. Unearned revenue

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

14. Compensated absences (accrued leave plan)

Compensated absences consist of paid time off, which employees accrue each pay period. Individual leave accrual rates vary based upon position and years of service criteria. A liability is accrued as the benefits are earned by the employee for services already rendered, and to the extent it is probable the employer will compensate the employees for the benefits. The Authority's accrued leave plan liability at the end of fiscal years 2015 and 2014 was $1,688,000 and $1,469,000, 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, 2015, total conduit debt was $81,685,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

16. Long-term obligations

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

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 shared revenue from primary government was $5,335,000 and $5,623,000 in 2015 and 2014, respectively.

19. Use of estimates

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

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2015 and 2014, the carrying amount of the Authority's cash deposit accounts was $33,154,000 and $32,796,000, 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, 2015, 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:

2015	Investment Maturities (in Years)	
(in thousands of dollars)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Interest Rate Risk:		
Money market funds	$ 25,542	$ 25,542
Total investments	$ 25,542	$ 25,542

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

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:

2015

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

2014

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, 2015, and 2014, 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, 2015 and 2014, the Authority had no concentrations of credit risk.

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2015 and 2014 was as follows:

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

Note C – Capital Assets (Continued)

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

<u>Land Improvements – Harbor Deepening and Dredge Spoil Sites</u>

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 $54.8 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 $17.9 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, 2015 and 2014:

(In thousands of dollars)	2015	2014
Total interest expense incurred	$ 10,158	$ 9,889
Interest expense associated with construction	819	151
Net interest capitalized	819	151
Net interest expense incurred	$ 9,339	$ 9,738

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 $750,000,000 and accumulated depreciation of $276,000,000 as of September 30, 2015. Revenues recognized for facility leases for the fiscal year ended September 30, 2015 and 2014 were $18.5 million and $18.2 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, 2015, are as follows:

(in thousands of dollars)	Total
2016	$ 18,739
2017	15,716
2018	15,011
2019	9,814
2020	6,590
Thereafter	29,881
	95,751

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

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

Financing

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

$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the Mitsui O.S.K. Lines, Ltd. Project. The debt proceeds were remitted to the Authority for project construction and reported as unearned revenue. The Authority has no obligation to pay the Series 2007 bonds, which is payable by MOL and supported by an irrevocable direct-pay Letter of Credit by Sumitomo Mitsui Banking Corporation. See Note A.15 for additional information on conduit debt.

A 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, 2015 and 2014 totaled approximately $120 million and $119 million, respectively.

Note G – Pension Plan

Retirement Benefits

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

Governmental Accounting Standards Board Statement No. 68

As a participating employer, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the Authority was decreased by $7,662,297, as of September 30, 2013, due to the adoption of this Statement.

See note P – Restatement – Implementation of GASB Statements Nos. 68 and 71 note for impacts to the Statements of Position for periods ending September 30, 2014 and 2013.

General Information about the FRS

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

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

The Authority's pension expense for FRS and HIS totaled $909,243 for the fiscal year ended September 30, 2015. Total FRS and HIS pension expense for fiscal year ended September 30, 2014 was $729,819, as year one implementation of GASB 68 reduced pension expense in the amount of $265,040 to record Deferred Outflows, Contributions made subsequent to the initial measurement date.

Note G – Pension Plan (Continued)

Florida Retirement System (FRS) Pension Plan

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

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

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

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

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

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

Note G – Pension Plan (Continued)

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

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

<u>*Contributions*</u>. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2015 and 2014 were as follows:

Notes: Employer rates include 1.26% for the postemployment health insurance subsidy program.

	Percent of Gross Salary		
		2015	2014
Class	**Employee**	**Employer**	**Employer**
FRS, Regular	3.00	7.26	7.37
FRS, Senior Management Service	3.00	21.43	21.14
DROP – Applicable to Members from all above classes	0.00	12.88	12.28

The Authority's contributions, for FRS and HIS totaled $1,105,613, and employee contributions totaled $321,935 for the fiscal year ended September 30, 2015. The Authority's contributions, for FRS and HIS totaled $1,007,355 and employee contributions totaled $320,371 for the fiscal year ended September 30, 2014.

Note G – Pension Plan (Continued)

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>. At September 30, 2015, the Authority reported a liability of $4,556,261 for its proportionate share of the Plan's net pension liability, compared to $2,031,923 at September 30, 2014. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Authority's proportionate share of the net pension liability was based on the Authority's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the Authority's proportionate share was .0352%, which was an increase of .002% from its proportionate share measured as of June 30, 2014, of .0333%. The previous year, June 30, 2013 proportionate share was .0275% and a net pension liability of $4,727,229.

For the fiscal year ended September 30, 2015, the Authority recognized the Plan pension expense of $779,949. Fiscal year 2014 showed pension expense of $576,896, which benefited 2014, as a year one implementation Deferred Outflow adjustment of $227,777. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2015 and 2014 as shown:

2015

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

2014

Description	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ -	$ 125,742
Change of assumptions	351,895	-
Net difference between projected and actual earnings on FRS pension plan investments	-	3,389,586
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	845,947	-
Authority FRS contributions subsequent to the measurement date	227,777	-
Total	$ 1,425,619	$ 3,515,328

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $227,809 for 2015, and $227,777 for 2014 resulting from Authority contributions to the Plan subsequent to the measurement date, are recognized as a reduction of the net pension liability in the respective fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Fiscal Year 2014	Amount
2016	$ 27.0
2017	27.0
2018	27.0
2019	27.0
2020	27.0
Thereafter	34.5

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	4.29%

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

The actuarial assumptions used in the July 1, 2015, and July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. In 2015, the municipal rate used for the HIS pension liability was decreased from 4.29% to 3.80%.

Note G – Pension Plan (Continued)

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

July 1, 2015 Actuarial Assumptions:

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

July 1, 2014 Actuarial Assumptions:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.0%	4.18%	4.05%	5.15%
High Yield Bonds	3.0%	6.79%	6.25%	10.95%
Broad US Equities	26.5%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.2%	8.66%	6.85%	20.40%
Emerging Market Equities	5.3%	11.58%	7.60%	31.15%
Private Equity	6.0%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.0%	5.81%	5.36%	10.00%
Real Estate (Property)	12.0%	7.11%	6.35%	13.00%
Total	100.0%			
Assumed inflation – Mean		2.6%		2.0%

Note: (1) As outlined in the Plan's investment policy.

Note G – Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Authority's proportionate share of the net pension liability			
As of July 1, 2015	$ 11,780,390	$ 4,546,261	$ (1,473,723)
As of July 1, 2014	$ 8,690,806	$ 2,031,923	$ (3,506,996)

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

The Retiree Health Insurance Subsidy Program (HIS)

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363,Florida Statutes. To be eligible to receive HIS Plan benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan totaled $157,222 for the fiscal year ended June 30, 2015, and $135,253 for June 30, 2014.

Note G – Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the Authority reported a net pension liability of $3,806,082 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Authority's proportionate share of the net pension liability was based on the Authority's 2014-15 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the Authority's proportionate share was .0373%, which was an increase of .0002 from its proportionate share measured as of June 30, 2013. The previous year proportionate share was .0371% and a net pension liability of $3,472,586.

For the fiscal year ended June 30, 2015, the Authority recognized the HIS Plan pension expense of $129,294, and for fiscal year 2014 were $152,923. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

2014 Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,667	$ -
Change of assumptions	123,568	-
Net difference between projected and actual earnings on HIS pension plan investments		
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	44,240	-
Authority contributions subsequent to the measurement date	37,263	-
Total	$ 206,738	$ -

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $51,835 for 2015, and $37,263 for 2014 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2015 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Fiscal Year 2014	Amount
2015	$ 27.0
2016	27.0
2017	27.0
2018	27.0
2019	27.0
Thereafter	34.5

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	4.29%

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Note G – Pension Plan (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.29%) or 1 percentage-point higher (5.29%) than the current rate:

	2015		
	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
Authority's proportionate share of the net pension liability	$ 4,336,853	$ 3,806,082	$ 3,363,499

	2014		
	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
Authority's proportionate share of the net pension liability	$ 3,949,785	$ 3,472,586	$ 3,074,261

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

FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Note G – Pension Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

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

The Authority's Investment Plan pension expense totaled $287,213 for the fiscal year ended June 30, 2015, and $248,496 for the fiscal year ended June 30, 2014.

Note H – Deferred Compensation Plan

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

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) plan, are not reflected on the Authority's statement of position. The Authority's 401(a) matching contributions were $157,000 and $148,000 for the years ended September 30, 2015 and 2014, respectively.

Note I – Other Post-Employment Benefits (OPEB)

Plan Description

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 122 active participants in the group medical plan, and one participating retiree.

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

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, 2015:

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost (ARC)	$	10,000
Interest on Plan Obligation		16,000
Adjustment to ARC		(11,000)
Annual Plan Retiree Costs		15,000
Less: Contributions Made (estimated premium paid by Authority)		1,000
Change in Plan Obligation		14,000
Plan Obligation – Beginning of Year		364,000
Plan Obligation – End of Year	$	378,000

The Authority has elected to calculate the ARC and related information using the Entry Age Normal Actuarial Cost Method. The ARC represents a level of normal funding projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, based on the assumptions that the plan will be unfunded. The valuation uses a health care costs trend rate assumption of 8.5% in the year ending September 30, 2014, grading down by .5% each year until an ultimate health care costs trend rate of 5% is reached. Non-claim costs are assumed to be 15% of the premium rates.

Fiscal Year Ended		Annual OPEB Cost	% of Annual OPEB Cost Contributed		Net OPEB Obligation
9/30/2013	$	32,000	2.38%	$	323,000
9/30/2014		42,000	2.38%		364,000
9/30/2015		15,000	7.14%		378,000

OPEB Funding Status

The following data presents the funding status as of September 30, 2015:

Actuarial Valuation Date		October 1, 2013
1. Actuarial Accrued Liability	$	393,000
2. Actuarial Value of Assets		-
3. Unfunded Actuarial Accrued Liability (UAAL)	$	393,000
4. Funded Ratio		0.0%
5. Annual Covered Payroll	$	9,074,112
6. UAAL as a percentage of payroll		4.3%

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

Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' Compensation and General Liability insurance premiums amounted to $192,000, $159,000 and $154,000 for the years ended September 30, 2015, 2014, and 2013, 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 $498,000, $542,000 and $569,000, for the years ended September 30, 2015, 2014, and 2013, 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, 2015 and 2014, was as follows:

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

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

Long-term Liabilities (continued)

	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 at September 30, 2015 and 2014, consisted of the following:

(in thousands of dollars)	2015	2014
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.	24,618	29,983
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	18,976	18,976
Tax Exempt Bank Note Crane Purchase, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	25,000	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.	3,034	3,698
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	17,798	22,037
$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 2015.	19,575	15,748
	221,391	227,832
Less current portion	11,701	10,267
	$ 209,690	$ 217,565

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, 2015 was $17,798,000.

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, 2015 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, 2015 was $19,575,000.

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, 2015 on the Tax Exempt Revenue Note was $24,618,000. The outstanding balance at September 30, 2015 on the Taxable Note was $3,034,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank, Tax-Exempt Revenue Note Series 2010, for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2015 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, 2015 was $87,410,000.

On September 12, 2014, the Authority executed a loan agreement (SunTrust Bank Note) for the acquisition of three cranes in the amount of $25,000,000. Total cost of the three cranes are estimated at $39.6 million, however, due to the Authority receiving a grant from the State of Florida, only a portion was financed. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issue has a final maturity of 2034. The outstanding balance as of September 30, 2015 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, 2015 were $29,130,000 for the Tax-Exempt Note and $3,591,884 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of BBB by Standard & Poors, and Baa3 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2015, a termination fee of $933,714 and $168,436 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 2015 and 2014, respectively, were an aggregate $1,102,150 and $1,322,150, a decrease of $220,000. This transaction is recorded as both a Deferred Outflow of Resources and a corresponding Derivative Instrument Liability on the Statement of Net Position, in the same amount.

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

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

Deferred outflow of resources

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

(in thousands of dollars)	2015	2014
Deferred loss on debt refundings	$ 4,845	$ 5,996
Interest rate exchange agreement	1,102	1,322
Total deferred outflow of resources	$ 5,947	$ 7,318

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, 2015, was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2016	$ 8,231	$ 11,701
2017	8,289	12,241
2018	7,848	32,374
2019	7,105	12,186
2020	6,708	4,505
2021 – 2025	30,143	29,176
2026 – 2030	23,028	36,809
2031 – 2035	14,500	44,894
2036 – 2040	3,868	37,505
	$ 109,720	$ 221,391

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

Unamortized premiums on Bonds were ($4,813) and ($5,021) in 2015 and 2014, respectively. Unamortized deferred loss on refundings was $4,845 and $5,996 in 2015 and 2014, respectively.

Other Noncurrent Liabilities

Unearned revenue balances were $120,081,000 and $118,967,000 for years ended September 30, 2015 and 2014, respectively. The current portion was $6,254,000 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 and Other Noncurrent Liabilities (Continued)

Other post-employment benefits ("OPEB") liabilities for retiree medical benefits were $378,000 and $364,000 at September 30, 2015, and 2014, respectively. See Note I for additional information.

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

Note L – Other Obligation

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

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a thirty year amortization. As a result, an estimated liability amount of $8,536,749 is currently recorded as Other obligations by the Authority. As of September 30, 2015, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2015, the Authority had commitments for future construction work of approximately $64,100,000. Significant projects in process include an Intermodal Container Transfer Facility $7,500,000, Terminal Wharf construction rebuild $29,000,000, and three new cranes $24,600,000.

Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging, and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority has developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment design, allowing for the groundwater to be captured by wells and discharged to a nearby publically owned treatment works facility (POTW). In 2014, the FDEP approved the Authority's proposed IRAP design. Construction proceeded in fiscal year 2015 and is scheduled for completion in December 2015. The Authority has previously established a $1.5 million reserve to cover construction costs of the IRAP design, as well as ongoing maintenance and monitoring costs.

The Authority also owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. The remediation project is complete at September 30, 2015, 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 152 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 $1,377,000 for de-obligated grant funding for prior year's hurricane related dredging (FEMA). This determination made by FEMA was based upon time requirement guidelines available to complete the debris removal work. The Authority's position is that expenditures were proper, and will continue to pursue options regarding this determination.

Claim Against Contractor

At the close of year end 2015, the Authority, as plaintiff, reached a settlement agreement for defects associated with pavement construction at the Dames Point Container Terminal. This total settlement was in the amount of $10,250,000 and has been recorded as a non-operating recovery in fiscal year 2015, net of claims costs incurred. Of this total amount, $600,000 was collected in fiscal year 2015; the balance of $9,650,000 was collected in the first quarter of fiscal year 2016, and is recorded within current notes and other receivables at year end 2015.

Note N – Significant Customers

For the fiscal year ended September 30, 2015, 13% of operating revenues resulted from sales to a single significant customer. At September 30, 2015 and 2014, accounts receivable balances from this same customer were $286,000 and $129,000, 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 $6,818,068 and $3,189,932 were recorded for the years ended September 30, 2015 and 2014, respectively.

State Contributions

Amounts from state funding awards totaled $80,351,263 and $13,724,991 and for the years ended September 30, 2015 and 2014, respectively.

Note P – Restatement – Implementation of GASB Statements Nos. 68 and 71

In 2015, the Authority adopted GASB Statements Nos. 68, *Accounting and Financial Reporting for Pensions,* which required the Authority to restate Net Position in the government-wide statements to report the Authority's net pension liability and related pension amounts for the defined benefit plans. Accordingly, Beginning Net Position has been restated as follows:

(in thousands)	Net Position	Pension Liability	Deferred Outflows	Deferred Inflows
As of September 30, 2013:				
Balance as previously reported	$ 315,210	$ -	$ -	$ -
Adjustment – implement GASB 68/71	(7,662)	(7,909)	247	-
Balance, as restated	$ 307,548	$ (7,909)	$ 247	$ -
As of September 30, 2014:				
Balance as previously reported	$ 324,061	$ -	$ -	$ -
Adjustment – implement GASB 68/71	(7,388)	(5,505)	1,632	(3,515)
Balance, as restated	$ 316,673	$ (5,505)	$ 1,632	$ (3,515)

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/13	$ -	$ 393,000	$ 393,000	0.0%	$ 8,231,763	4.8%
10/01/10	$ -	$ 452,000	$ 452,000	0.0%	$ 7,313,837	6.2%
10/01/07	$ -	$ 1,279,807	$ 1,279,807	0.0%	$ 4,720,000	27.1%

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2015
(amounts expressed in dollars)

	2015	2014
Authority's proportion of the FRS net pension liability	0.035%	0.033%
Authority's proportionate share of the FRS net pension liability	$ 4,546,261	$ 2,031,923
Authority's covered-employee payroll	$ 11,486,853	$ 11,123,222
Authority's proportionate share of the FRS net pension liability as a a percentage of its covered-employee payroll	39.58%	18.27%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2015 (amounts expressed in dollars)

	2015	2014
Authority's proportion of the HIS net pension liability	0.0373%	0.0372%
Authority's proportionate share of the HIS net pension liability	$ 3,806,082	$ 3,472,586
Authority's covered-employee payroll	$ 11,486,853	$ 1 1 ,123,222
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.1%	31.2%
HIS Plan fiduciary net position as a percentage of the total pension liability	.99%	1.78%

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

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AUTHORITY CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN SEPTEMBER 30, 2015 (amounts expressed in dollars)

	2015	2014
Contractually required FRS contribution	$ 948,391	$ 872,101
FRS contributions in relation to the contractually required contribution	948,391	872,101
FRS contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$11,486,853	$11,123,222
FRS contributions as a percentage of covered-employee payroll	1.4%	1.2%

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

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
"SEPTEMBER 30, 2015
(amounts expressed in dollars)

	2015	2014
Contractually required HIS contribution	$ 157,222	$ 135,253
HIS contributions in relation to the contractually required HIS contribuion	157,222	135,253
HIS contribution deficiency (excess)	$ -	$ -
Authoritys covered-employee payroll	$ 11,486,853	$ 11,123,222
HIS contributions as a percentage of cover-employee payroll	8.3%	7.8%

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

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2015

GAAP Revenue – per Financial Statements	$ 55,231,239
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)	1,114,243
Budgetary Basis Revenues	$ 56,345,482

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.

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

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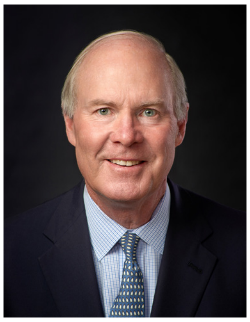

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