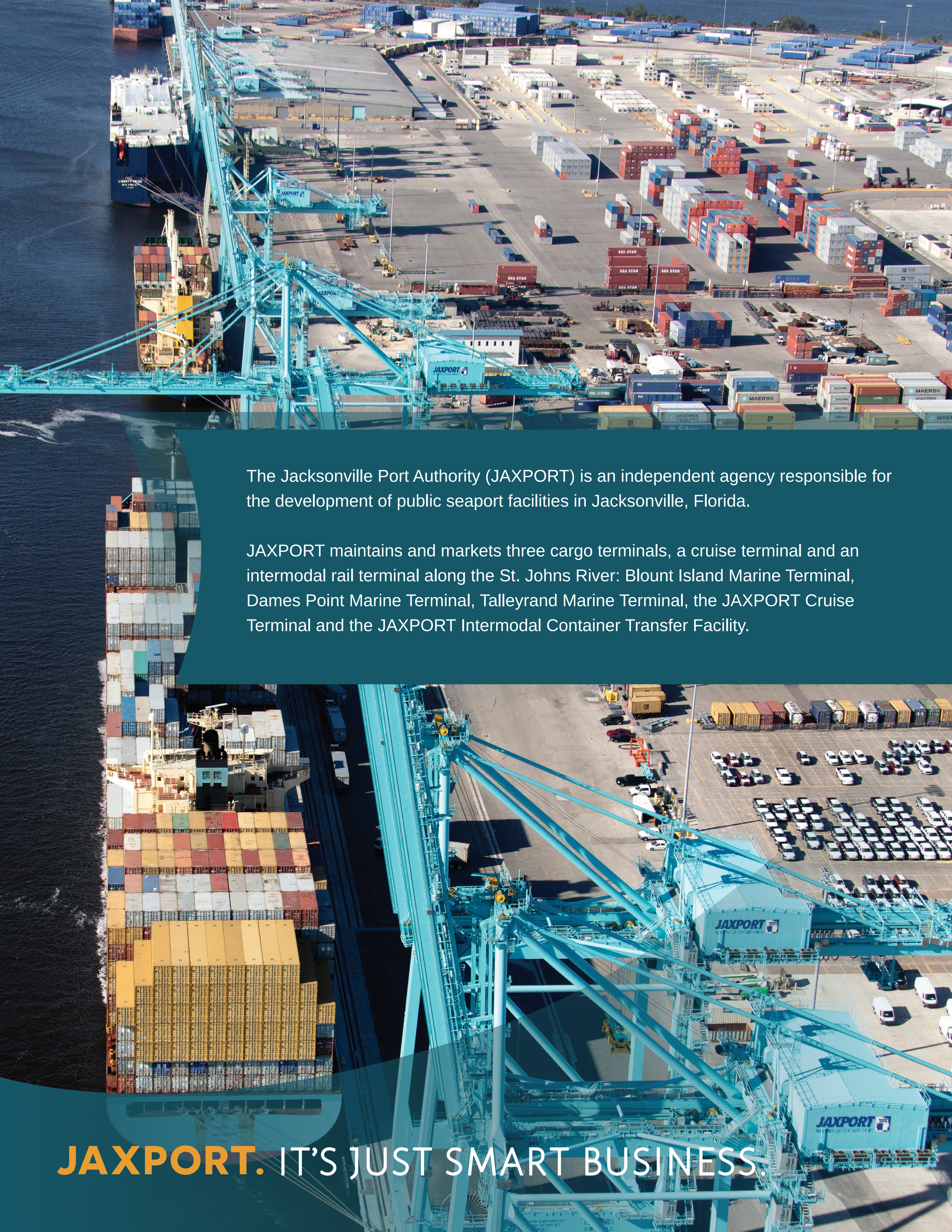
JAXPORT

ANNUAL REPORT 2017

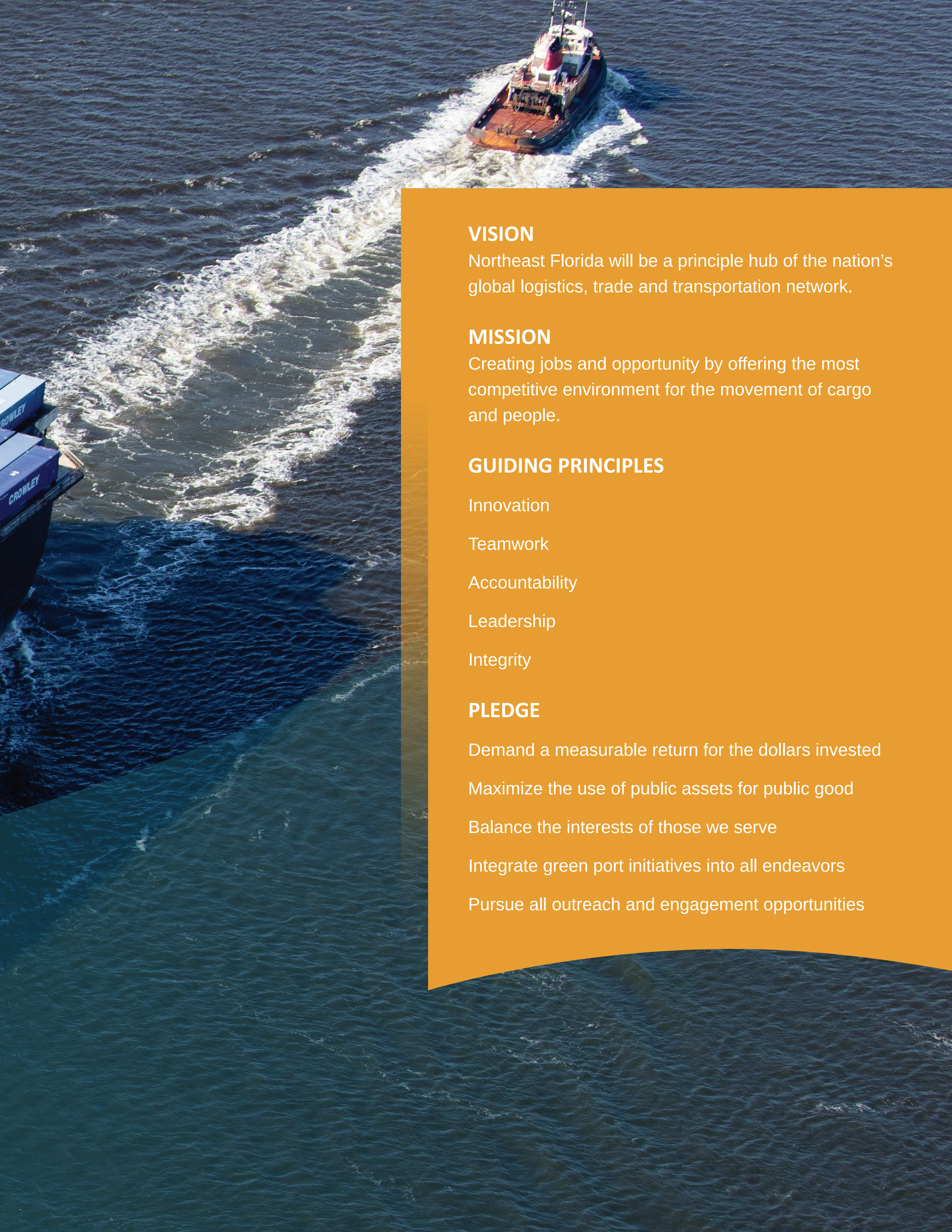


The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida.

JAXPORT maintains and markets three cargo terminals, a cruise terminal and an intermodal rail terminal along the St. Johns River: Blount Island Marine Terminal, Dames Point Marine Terminal, Talleyrand Marine Terminal, the JAXPORT Cruise Terminal and the JAXPORT Intermodal Container Transfer Facility.

JAXPORT. IT'S JUST SMART BUSINESS.

STRATEGIC
PLAN



VISION

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

MISSION

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

GUIDING PRINCIPLES

Innovation

Teamwork

Accountability

Leadership

Integrity

PLEDGE

Demand a measurable return for the dollars invested

Maximize the use of public assets for public good

Balance the interests of those we serve

Integrate green port initiatives into all endeavors

Pursue all outreach and engagement opportunities

A MESSAGE FROM JAXPORT

With the deepening of the Jacksonville harbor now well underway, JAXPORT is in the midst of a historic period of progress. In the pages of this 2017 Annual Report, you will read about records set in containers, vehicles and tonnage, a successful inaugural year for our new rail terminal, plus the continued, significant growth of our services and volumes to and from Asia.

During the last fiscal year, JAXPORT moved a record 9.3 million tons of cargo and earned $58.1 million in operating revenues. JAXPORT's container business reached record volumes, with new services and options helping the Asian container segment to grow the fastest, increasing 19 percent over 2016. JAXPORT also further solidified its place as the second busiest vehicle-handling port in the nation by moving a record 693,248 vehicles.

We recently celebrated the first anniversary of operations at our JAXPORT Intermodal Container Transfer Facility, which surpassed projected volumes. Our three, new post-Panamax cranes at the Blount Island Marine Terminal have been hard at work during their first year in service, and we continue the modernization of docks and berths throughout the port. All of these projects set the stage for the successful construction of the federal deepening project to take the St. Johns River shipping channel to 47 feet. When combined with the roadmap to success outlined in our Strategic Master Plan and the unwavering support of federal, state and regional leaders, these investments—and returns they bring—will allow us to continue to be a powerful generator of economic benefit for decades to come.

We are proud of our award-winning customer service, our relentless focus on cargo diversity, business development and cost containment, as well as our unsurpassed connectivity and premiere geographical location, all of which continue to give the port and our customers a significant competitive edge that will serve us all well into the future.

Ed Fleming
Board Chairman

Eric Green
Chief Executive Officer


JAXPORT
SEA STAR
MAERSK

FINANCIAL REPORTS

JAXPORT earned $58 million in operating revenues in FY 2017, holding steady with the previous year. JAXPORT held operating expenses to $32 million in FY17 and earned $25.5 million in operating income during the same period.

Successes include record-setting tonnage; record-setting container volumes, due in large part to significant Asian container growth; recording-setting vehicle volumes and increased dry bulk cargo volumes. These advances have helped continue to prompt well-known brands and international industry leaders to establish and consolidate operations in Jacksonville.

The past year's financial results reflect JAXPORT's positive year operationally. JAXPORT facilities moved a record 1 million containers or twenty-foot equivalent units (TEUs) in FY 2017. When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's number one container port.

JAXPORT recorded 19 percent growth in Asian container shipments in FY17, moving nearly 400,000 TEUs. The Asian container trade is the fastest growing segment of JAXPORT's container cargo business, accounting for 39 percent of the port's total container business in 2017, up from just 24 percent in 2013. The federal project to deepen the Jacksonville harbor to accommodate increased cargo aboard the largest ships successfully got underway in February 2018.

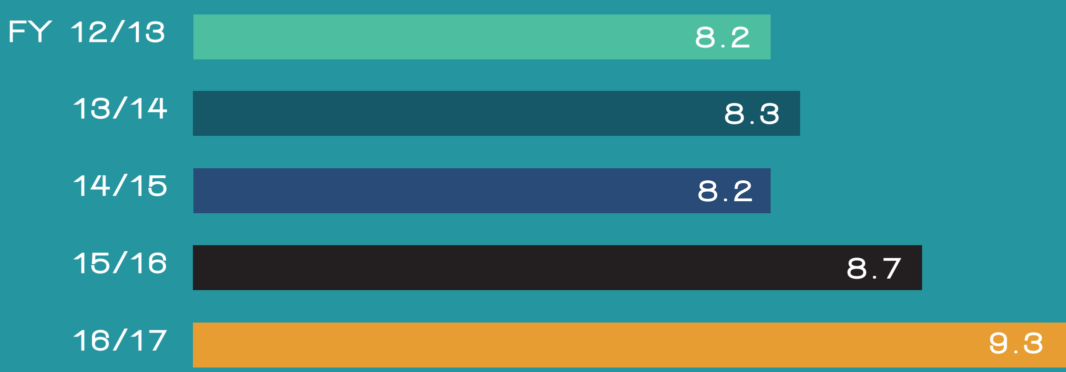
A record total of 9.3 million tons of cargo shipped through JAXPORT facilities in FY17, an increase of 7 percent over FY16, and the port saw 1,656 vessels call in the same period. Moody's Investors Service has assigned JAXPORT a financial rating of "A2" while Fitch Ratings assigned JAXPORT a rating of "A." Both agencies noted that despite challenging economic conditions, JAXPORT maintained its competitive position as a strategically located container port, its status as one of the nation's largest vehicle processing centers, and its diverse revenue streams supported by long-term contracts with private tenants.

JAXPORT has a significant capital program planned for FY 2018, much of it funded through state and federal grants. These projects include wharf rehabilitation projects and improvements to tenant leaseholds at Talleyrand Marine Terminal, the initial stages of construction of a new auto terminal to expand capacity and continuing on to the next stages of deepening the Jacksonville Harbor to 47 feet.


VEGA AZURIT
MONROVIA

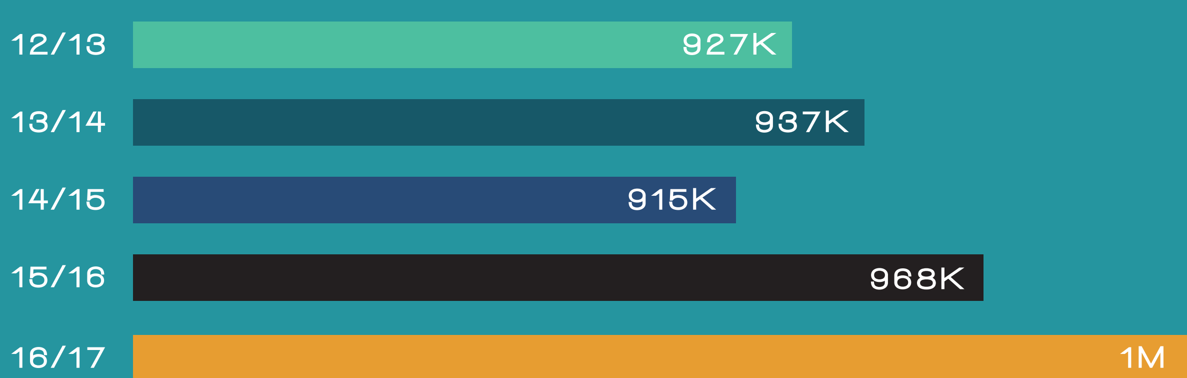
JAXPORT
VITAL STATISTICS

TOTAL TONNAGE
IN MILLIONS

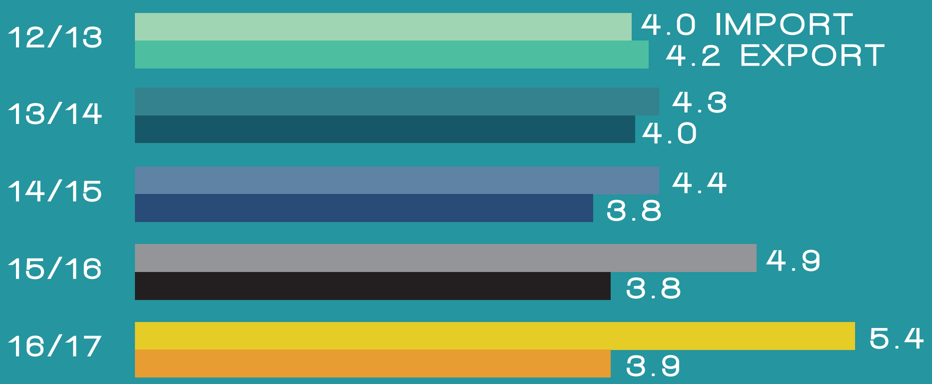


REVENUE
IN MILLIONS OF DOLLARS

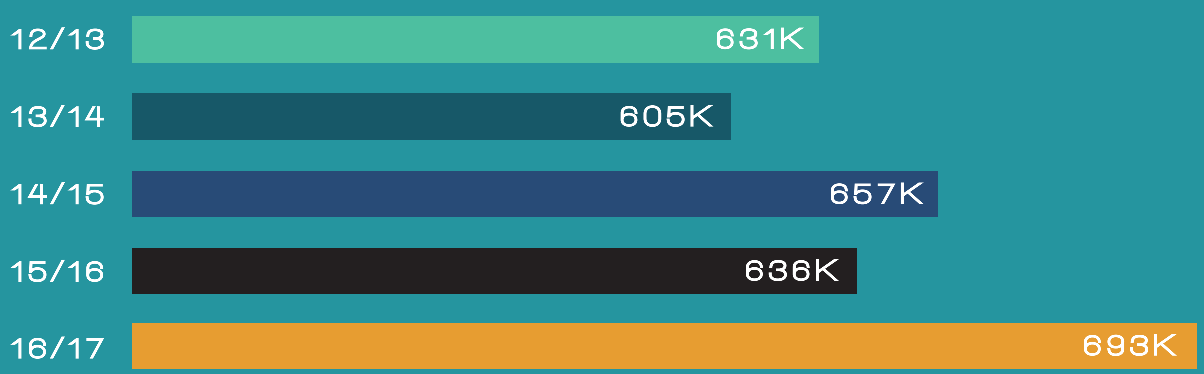
TEU



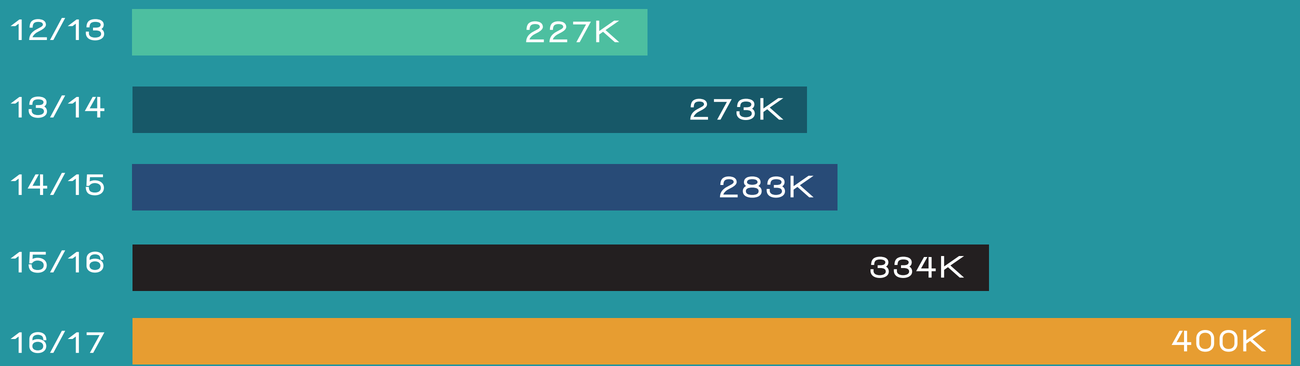
IMPORT/EXPORT
IN MILLIONS OF TONS



AUTO UNITS



ASIAN CONTAINER TEU



ECONOMIC
ENGINE

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

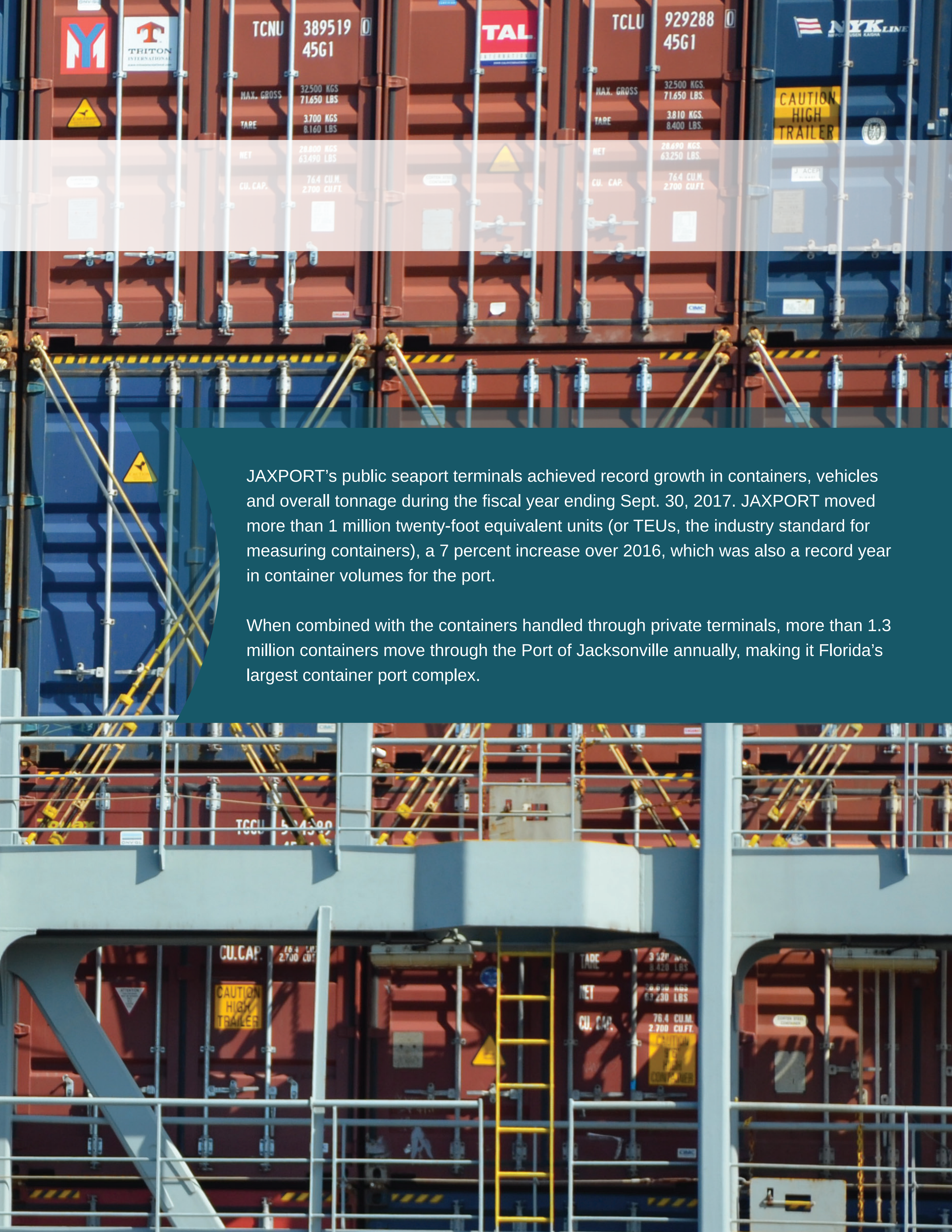
Nearly 133,000 direct and indirect area jobs are supported by port activity: everything from longshoremen, truck drivers and warehouse workers to engineering specialists, legal consultants, maintenance workers and hundreds of similar support positions. In Jacksonville alone, more than 24,000 people are 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.

RECORD YEAR CONTAINERS



JAXPORT's public seaport terminals achieved record growth in containers, vehicles and overall tonnage during the fiscal year ending Sept. 30, 2017. JAXPORT moved more than 1 million twenty-foot equivalent units (or TEUs, the industry standard for measuring containers), a 7 percent increase over 2016, which was also a record year in container volumes for the port.

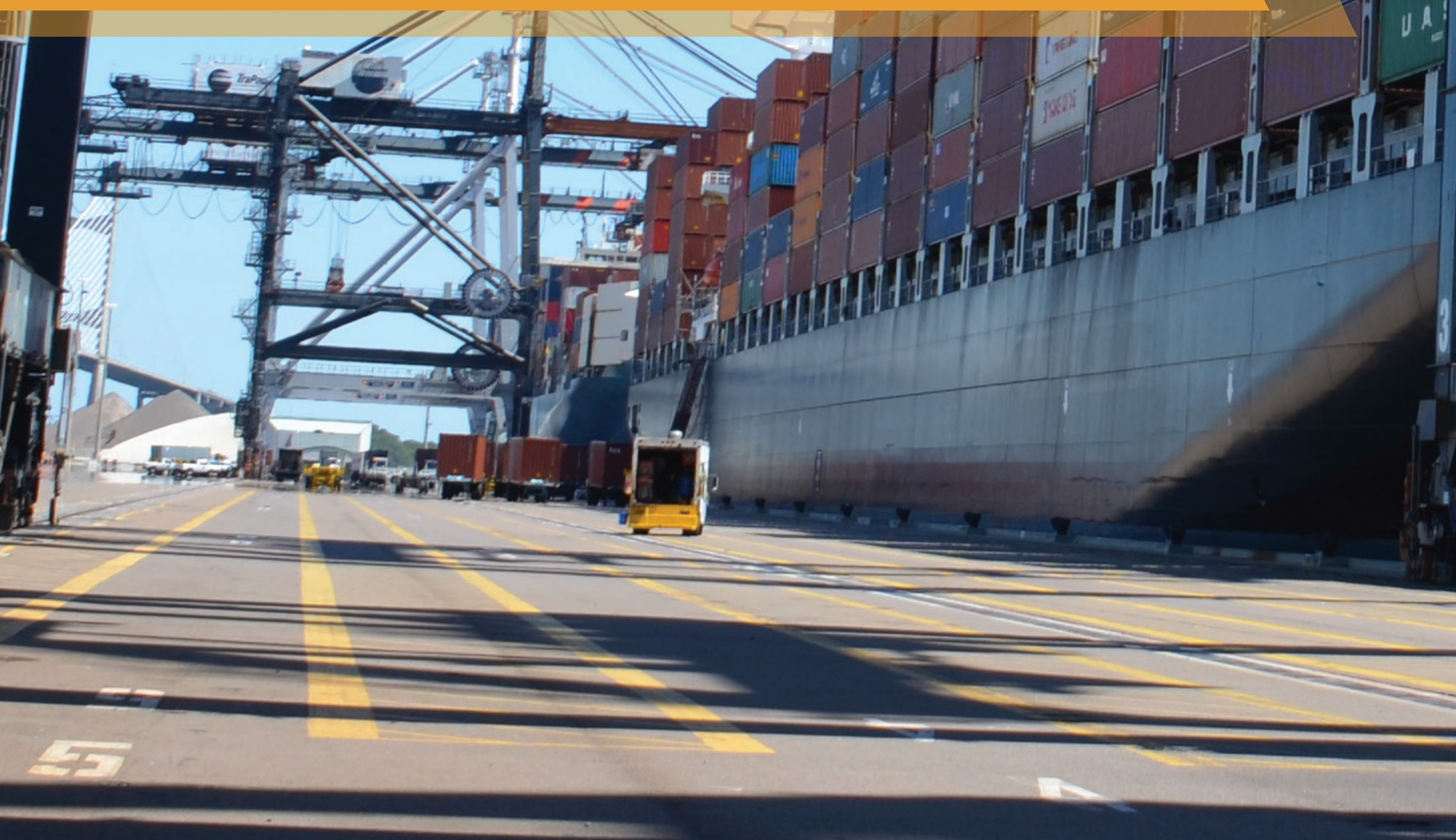
When combined with the containers handled through private terminals, more than 1.3 million containers move through the Port of Jacksonville annually, making it Florida's largest container port complex.

ECONOMIC ENGINE

ASIAN TRADE GROWTH

The Asian container trade continues to be the fastest growing segment of JAXPORT's container cargo business, achieving 19 percent growth in the past year, with nearly 400,000 Asian containers moved.

The Asian sector now accounts for nearly 40 percent of JAXPORT's total cargo container business, up from just 24 percent in 2013.




NORTHERN
PITER
7
HARD HAT AREA
UASC
tex

ECONOMIC ENGINE

MOL BRAVO

JUNE 24, 2017

JAXPORT and the TraPac Container Terminal at Dames Point welcomed the 10,100-TEU (container) MOL Bravo, the largest containership to ever visit a Florida port. The MOL Bravo transited the Suez Canal from Asia before reaching the U.S. East Coast.

Although the ship moved a significant amount of cargo during its Jacksonville stop, it wasn't able to operate at full capacity due to the 40-foot depth of the St. Johns River shipping channel. The federal project to deepen the channel to 47 feet to accommodate more cargo aboard the largest ships began construction in February 2018.

ECONOMIC ENGINE

NEW CRANES MOVE FIRST CONTAINERS

DECEMBER 9, 2016

JAXPORT's new state-of-the-art 100-gauge cranes began operations at the newly rebuilt Berth 35 at JAXPORT'S Blount Island Marine Terminal. The electric cranes are equipped to service the wider, post-Panamax vessels currently calling on JAXPORT through the expanded Panama and Suez canals.

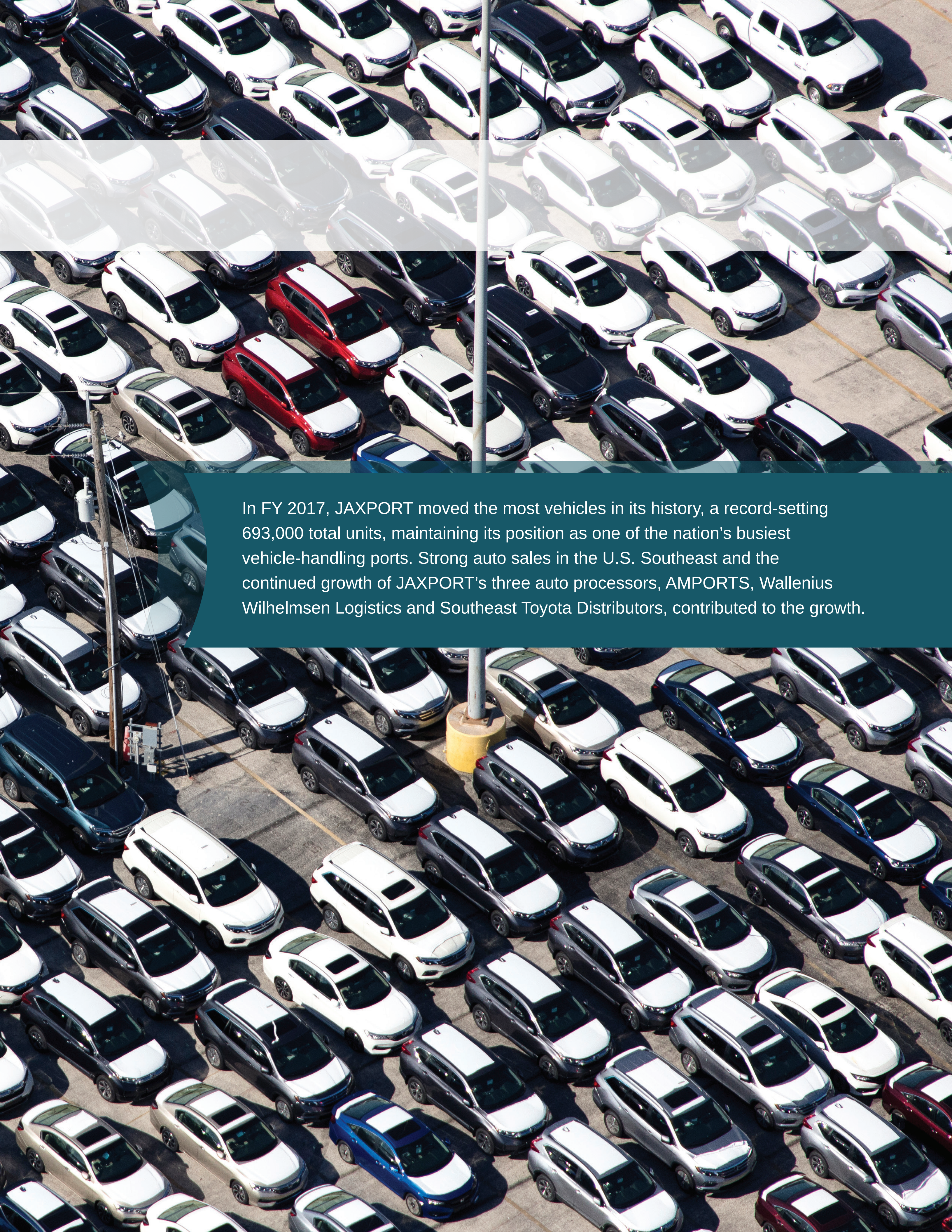
Each of the three cranes can lift up to 65-tons and reach 22 containers across a ship's deck, significantly broadening the port's cargo-handling abilities.

The cranes were manufactured by Shanghai Zhenhua Heavy Industries, Co. Ltd. (ZPMC). JAXPORT invested $37.9 million in the purchase and installation of the three cranes, including a $15 million grant from the Florida Department of Transportation.


JAXPORT
JAXPORT
MAERSK
MAERSK SEALAND
MAERSK
S.W.L. Under Spreader Single Container 50 LT
S.W.L. Under Spreader Twin Twenty 65 LT
S.W.L. Under Cargo Beam 75 LT
ZPMC
上海振华重工
MAERSK LINE
MAERSK

ECONOMIC ENGINE

RECORD YEAR AUTOS



In FY 2017, JAXPORT moved the most vehicles in its history, a record-setting 693,000 total units, maintaining its position as one of the nation's busiest vehicle-handling ports. Strong auto sales in the U.S. Southeast and the continued growth of JAXPORT's three auto processors, AMPORTS, Wallenius Wilhelmsen Logistics and Southeast Toyota Distributors, contributed to the growth.

JAXPORT EXPANDS VEHICLE-HANDLING CAPACITY

JAXPORT has begun construction of a new automobile processing terminal, the first phase of a multi-year project which will increase the port's vehicle-handling capacity by 25 percent.

Once completed, the facility will add more than 100 acres of processing and storage space on JAXPORT's Dames Point Marine Terminal and offers vessels direct waterside access for loading and unloading with major interstates less than one mile away plus the potential for rail capabilities.

"The steady growth of our auto business speaks volumes about our efficiencies," said Roy Schleicher, JAXPORT Executive Vice President and Chief Commercial Officer. "We are committed to supporting our auto partners with the tools they require to continue to expand their businesses in Jacksonville."

ECONOMIC ENGINE

RECORD YEAR OVERALL TONNAGE

The growth in general cargo volumes fueled yet another record for the port: 9.3 million tons of cargo moved through JAXPORT last year, up 7 percent over 2016. Dry bulk cargoes (which include non-containerized commodities such as limestone and gravel) increased 21 percent over 2016, with 862,338 tons shipped.

RAIL TERMINAL SURPASSES FIRST YEAR GOALS

JAXPORT's Intermodal Container Transfer Facility at Dames Point provides on-dock rail service to JAXPORT's North Jacksonville seaport terminals: the Blount Island Marine Terminal and the TraPac Container Terminal at Dames Point. The direct transfer of containers between vessels and trains speeds up the shipment process and reduces the number of trucks on the road. Ceres Rail Services manages the day-to-day operations and maintenance of the facility.

Rail that connects to CSX's main line allows for two unit trains each day (one inbound and one outbound) carrying up to 200 containers each. Two truck lanes allow vehicles to transport containers to and from the adjacent shipping terminals.


HAMBURG SÜD
Sea Land

ECONOMIC ENGINE

RECORD YEAR SMALL BUSINESS PAYMENTS

JAXPORT payments for work by certified Jacksonville Small and Emerging Businesses (JSEB) topped nearly $5.8 million in FY 2017, accounting for more than half of the port's overall contract payments for the year, the highest annual percentage since JAXPORT's Small and Emerging Business (SEB) Program began more than a decade ago.

During the past three years, JAXPORT has awarded more than $16.4 million to small businesses in the community. The continued growth of the port's cargo volumes offer the prospects for further JSEB opportunities.

"Helping businesses outgrow the program is our ultimate goal," says JAXPORT Board Chairman Ed Fleming. "When these businesses thrive they create more jobs for our neighbors and opportunity for our region."

LIQUEFIED NATURAL GAS

Northeast Florida is on the cutting edge of something truly remarkable—the implementation of cleaner, safer Liquefied Natural Gas (LNG) as a maritime fuel.

From multimillion-dollar investments in LNG-powered vessels to the development of landside bunkering and liquefaction plants, JAXPORT and partners are leading the nation in the emergence of LNG as a preferred, environmentally-friendly fuel source for the maritime industry.

Although LNG is relatively new to the maritime space, it's been safely used for decades to provide power to homes, businesses and industries worldwide.

The benefits of LNG over traditional fuel include a significant reduction in carbon dioxide and other greenhouse gas emissions, helping preserve the environments where we live and work.

JAXPORT is the only East Coast port to serve vessels powered by LNG with on-dock and near dock fueling capabilities.

TOTE Maritime Puerto Rico operates the world's first LNG-powered containerships out of JAXPORT's Blount Island Marine Terminal and Crowley Maritime Corporation's two, new LNG-powered, combination container-roll-on/roll-off (ConRo) ships call JAXPORT's Talleyrand Marine Terminal home.

CARGO

In FY 2017, JAXPORT facilities moved a record 9.3 million tons of cargo, a 7 percent increase over the previous year. JAXPORT continued to grow overall containerized cargo volumes, most notably within the Asian container trade, and achieved significant increases in vehicle and dry bulk cargoes.

The port handled a record-setting 1,033,068 TEUs in FY17. The continued addition of new container business from Asia resulted in a 19 percent increase in TEUs in JAXPORT's Asian container volumes over FY16, reflecting the port's growing importance in this trade lane. JAXPORT's Asian container cargo volumes have grown from 48,000 TEUs in 2009 to nearly 400,000 TEUs in 2017 as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location.

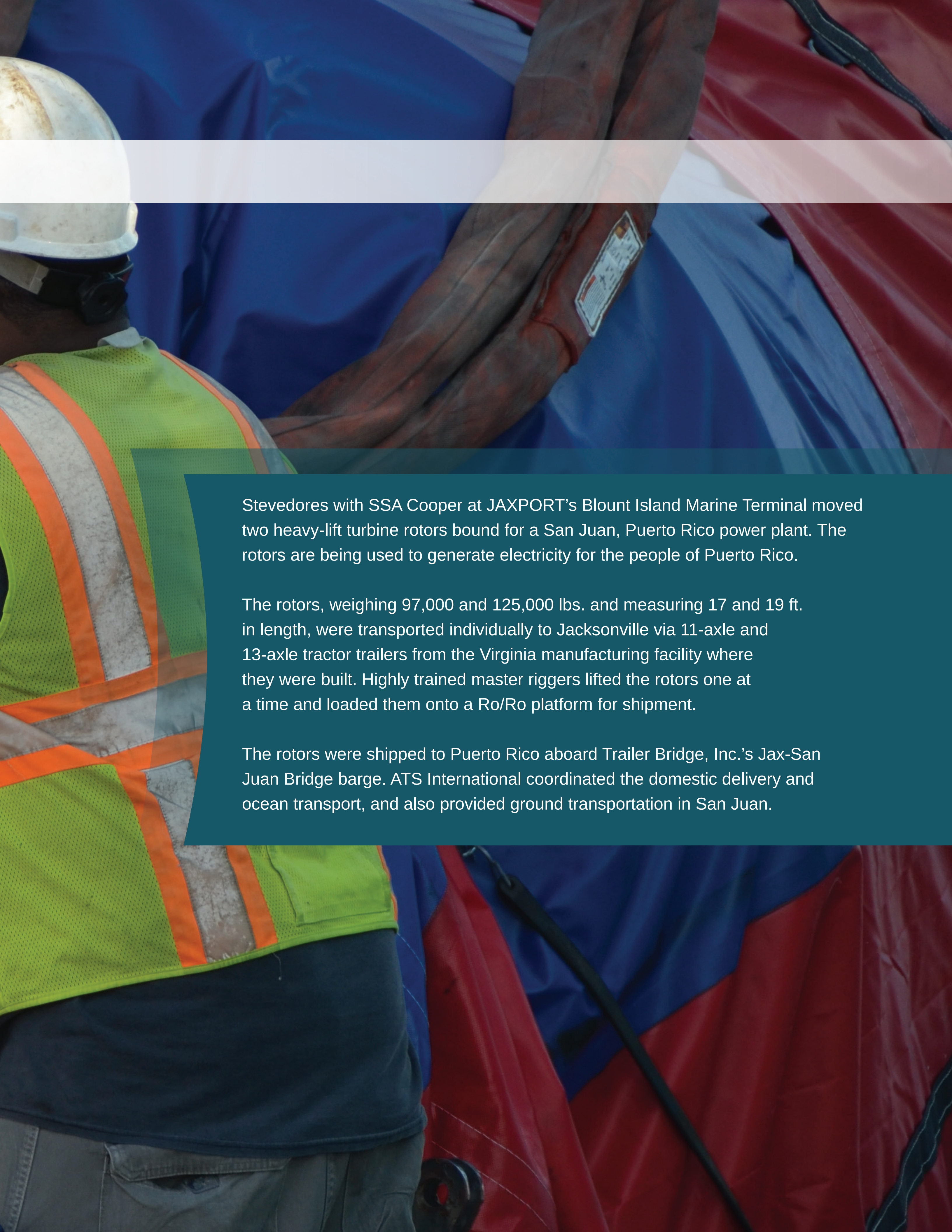
JAXPORT also moved the most vehicles in its history, a record-setting 693,248 total units, maintaining its position as the second busiest vehicle-handling port in the nation. Strong auto sales in the U.S. Southeast and the continued growth of JAXPORT's three auto processors, AMPORTS, Wallenius Wilhelmsen Logistics and Southeast Toyota Distributors, contributed to the overall 9 percent growth in volume. Both imports and export vehicles recorded increases, with imports up 13 percent over FY16.

In addition, in FY17 bulk cargoes increased 14 percent over the previous year with JAXPORT moving 1.2 million tons of bulk, predominantly aggregate materials used in building and roadway construction.

CARGO

TURBINE PARTS TO PUERTO RICO

OCTOBER 18, 2016



Stevedores with SSA Cooper at JAXPORT's Blount Island Marine Terminal moved two heavy-lift turbine rotors bound for a San Juan, Puerto Rico power plant. The rotors are being used to generate electricity for the people of Puerto Rico.

The rotors, weighing 97,000 and 125,000 lbs. and measuring 17 and 19 ft. in length, were transported individually to Jacksonville via 11-axle and 13-axle tractor trailers from the Virginia manufacturing facility where they were built. Highly trained master riggers lifted the rotors one at a time and loaded them onto a Ro/Ro platform for shipment.

The rotors were shipped to Puerto Rico aboard Trailer Bridge, Inc.'s Jax-San Juan Bridge barge. ATS International coordinated the domestic delivery and ocean transport, and also provided ground transportation in San Juan.

SPECIALTY DUMP TRUCKS

DECEMBER 30, 2016

Four massive Caterpillar 770 specialty dump trucks were loaded onto a roll-on, roll-off cargo ship bound for a Morton Salt facility in the southern Bahamas at JAXPORT's Talleyrand terminal. The trucks are being used to haul salt harvested for water softening and road de-icing.

JAXPORT's 100-ton multi-purpose whirly crane was used to lift the vehicles — each weighing 35 tons, standing 14 feet tall and measuring 30 feet in length — onto the chartered vessel VI-NAIS. The four trucks were transported to Jacksonville via individual flatbed tractor trailers from a heavy equipment dealer in St. Augustine, Fla., where they had been refurbished.

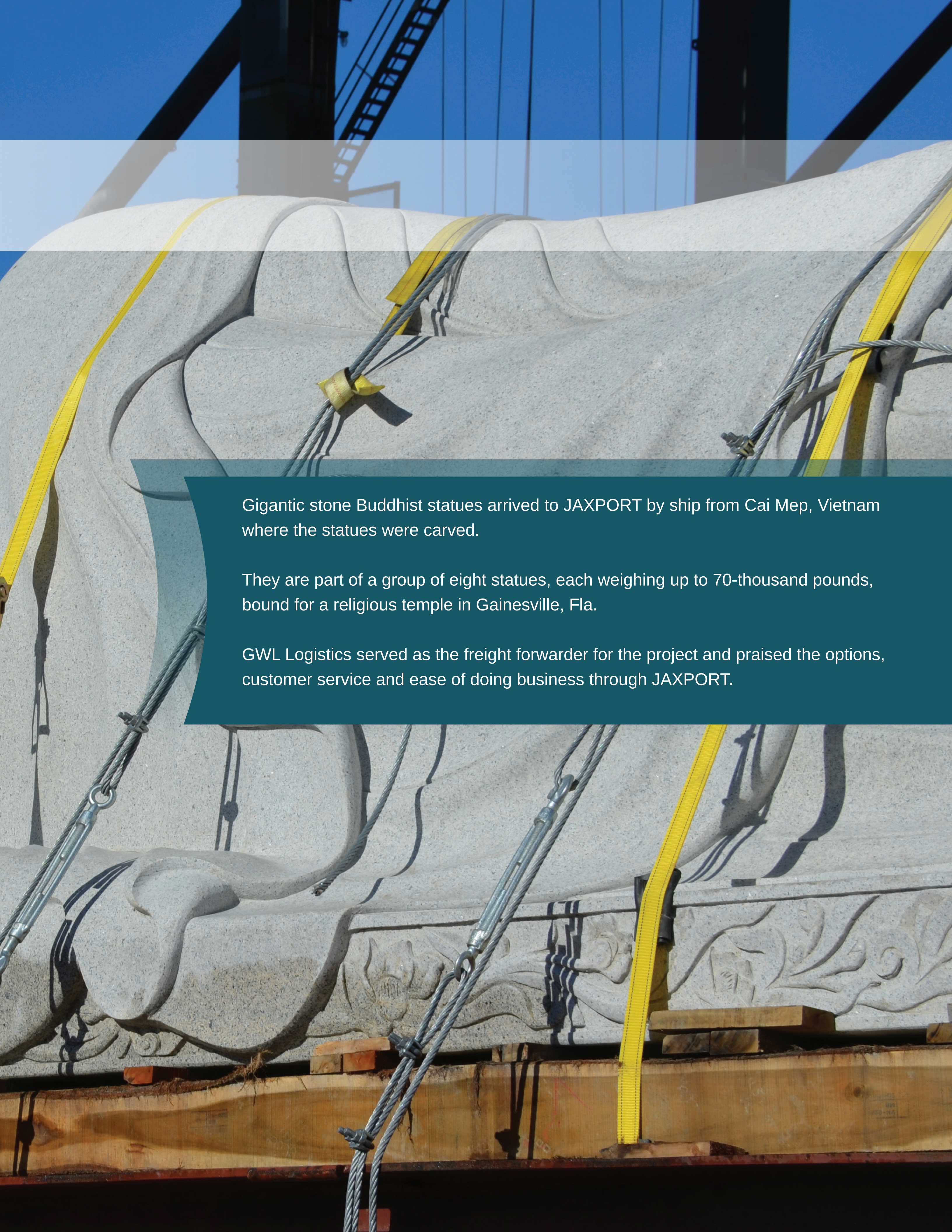
The stevedores involved in the operation are experienced in the movement of specialty, heavy-lift cargo and are employed by JAXPORT tenant Seaonus.


TARE WT: 2100 LBS
SAFETY FIRST
CATERPILLAR
770
34
CAT
CATERPILLAR

CARGO

70,000-POUND BUDDHIST STATUES

JANUARY 10, 2017



Gigantic stone Buddhist statues arrived to JAXPORT by ship from Cai Mep, Vietnam where the statues were carved.

They are part of a group of eight statues, each weighing up to 70-thousand pounds, bound for a religious temple in Gainesville, Fla.

GWL Logistics served as the freight forwarder for the project and praised the options, customer service and ease of doing business through JAXPORT.

CARGO

NEWEST U.S.- FLAGGED PCTC CALLS JAXPORT

MARCH 15, 2017

JAXPORT welcomed Liberty Passion, the nation's newest U.S.-flagged pure car and truck carrier (PCTC), to Blount Island Marine Terminal during the vessel's maiden voyage. PCTCs are designed to accommodate all types of vehicles, from completed passenger cars to construction machinery.

The 6,450-car-capacity Liberty Passion, operated by Liberty Global Logistics of Lake Success, New York, loaded military and commercial cargo at Blount Island and other U.S. ports for delivery to the Mediterranean and Middle East before continuing to the Far East.


LIBERTY PASSION
NEW YORK, NY
IMO 9777888

CARGO

JAXPORT RECOGNIZED FOR AUTO EXCELLENCE

APRIL 16, 2017

JAXPORT received the 2017 Terminals and Ports Operator award from Automotive Global Awards North America.

The award recognized JAXPORT for maintaining an outstanding collaboration with the port’s auto processors and ocean carriers, as well as its labor, rail and trucking partners.

Automotive Global Awards recognizes outstanding contributions to the automotive supply chain, purchasing and logistics sector.

CARGO

SOUTHEAST U.S. ENTRY POINT FOR ALFA ROMEO GIULIA

MAY 1, 2017

JAXPORT is proud to be the Southeast distribution point for the Alfa Romeo Giulia, the FCA US LLC new premium mid-size sedan manufactured in Italy.

The line-up includes the 280-horsepower Giulia and Giulia Ti as well as the 505-horsepower Giulia Quadrifoglio. The vehicles are transported to JAXPORT via Grimaldi Lines. APS Stevedoring handles the offloading and the vehicles are processed at JAXPORT by AMPORTS.

The first shipments of Giulia sedans began arriving in early 2017 and were processed for immediate delivery to dealerships. JAXPORT has a long-standing partnership with FCA US, serving as a major import/export port for many of the company's well-known brands and models.


MOTOR TREND
CAR OF THE YEAR

CARGO

U.S. MILITARY FIGHTER JETS

MAY 19, 2017

Seventeen military fighter jets moved through JAXPORT's Blount Island Marine Terminal, taking advantage of the port's expertise in the movement of specialty and oversized cargoes.

The F-5s are 50 feet in length and worth $1 million each. After arriving at JAXPORT, the aircraft were trucked to destinations in North and Central Florida for use by a government contractor providing flight training and other services to the U.S. military. The contractor purchased the jets from a U.S. ally in the Middle East.

JAXPORT is one of 17 U.S. Strategic Seaports on-call to move military cargo for national defense, foreign humanitarian assistance and disaster relief, and the only port in Florida with this designation.

CARGO

108,000-POUND GENERATOR

JULY 21, 2017

Highly trained stevedores at JAXPORT moved a 108,000-pound generator bound for a manufacturing plant in the Midwest through the port’s Talleyrand Marine Terminal.

The machinery, which is worth more than $2 million, was made in Germany and shipped from Belgium to JAXPORT in a wooden crate aboard the Spliethoff general cargo vessel Dynamogracht.

The stevedores involved in the operation are experienced in the movement of specialty, heavy lift cargo and are employed by JAXPORT tenant Seaonus. The equipment was trucked to the Midwest aboard an 11-axle tractor trailer.


25
27
29
1672

CRUISE

In FY17, 177,417 passengers embarked aboard the Carnival Cruise Line ship, Carnival Elation, at JAXPORT's North Jacksonville cruise terminal.

The 2,130-passenger Carnival Elation sailed out of JAXPORT's cruise terminal at Dames Point on 74 voyages in FY17. Carnival Elation currently offers year-round cruises to the Bahamas from JAXPORT.

The 2,056-passenger Carnival Ecstasy will assume Carnival Elation's popular year-round four- and five-day cruise program beginning May 2019.

Passengers enjoy their cruise experience at JAXPORT with 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.

CRUISE

CARNIVAL ELATION UPGRADES

SEPTEMBER 2017

Mouthwatering burgers by Food Network star Guy Fieri and a 300-foot-long Twister water slide are two of the new additions Carnival Cruise Line is now offering cruise passengers aboard the Carnival Elation following a multimillion-dollar renovation.

The Carnival Elation offers year-round sailing to the Bahamas from JAXPORT’s North Jacksonville cruise terminal.

Upgrades to the ship include 38 new cabins, 98 new balconies, additional poolside food and drink options and a mini-golf course.

Elation offers four- and five-day cruises to the Bahamas from JAXPORT featuring stops at Freeport, Nassau and the private Bahamian islands of Half Moon Cay and Princess Cays.

PUERTO RICO **RELIEF**

OCTOBER 2, 2017

OCTOBER 7, 2017

As the No. 1 U.S. port for commercial trade with Puerto Rico, JAXPORT, its Jones Act carriers and the Jacksonville community were on the front lines of speeding supplies and equipment to assist residents of the island following Hurricane Maria's landfall in September 2017.

JAXPORT's facilities, the Talleyrand Marine Terminal, Intermodal Container Transfer Facility and Blount Island Marine Terminal were all utilized because of the port's strong supply chain to Puerto Rico through Crowley Maritime Corp., TOTE Maritime Puerto Rico and Trailer Bridge.

Thanks to generous donors from Jacksonville's business community, JAXPORT's relief partners distributed 500,000 pounds of goods to more than 20 towns and municipalities throughout Puerto Rico.

The donations funded the significant transportation costs for sending 13 full-sized shipping containers full of basics such as food, water, batteries and hygiene items from Jacksonville to San Juan.

JAXPORT team members worked alongside others from Jacksonville's maritime community at an Aqua Gulf facility to pack the donated supplies into shipping containers for delivery to the island.

JAXPORT's strong commitment to aid the people of Puerto Rico continues as the island rebuilds.

OCTOBER 4, 2017

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.

COMMUNITY

CITY KIDS ART FACTORY

AUGUST 28, 2017

The Board President of City Kids Art Factory, an after school art program in Durkeeville near JAXPORT's Talleyrand Marine Terminal, presented the port's Board of Directors with a handmade JAXPORT mosaic created by student campers.

The artwork was presented in recognition of the port's support of the non-profit organization. In addition to a monetary contribution, JAXPORT has donated outdated publications for use by the campers, 7-14 years old, to create various paper crafts including birdhouses, sea creatures, hats and even a replica of the White House.

"Our neighborhood students are Jacksonville's future leaders and engaged citizens," said Eric Green, JAXPORT CEO. "Anything we can do today to encourage confidence and foster creativity is an investment in a brighter tomorrow."

BIG BROTHERS BIG SISTERS

MAY 11, 2017

JAXPORT's Carnival Elation welcomed students from First Coast High School's Global Logistics and Supply Chain Technology Academy aboard the cruise ship for a celebration marking the end of the school year. JAXPORT employee mentors joined the students for a tour of the ship, question-and-answer session with the crew, and lunch in one of Carnival Elation's dining rooms.

Students who participated in the event have been mentored by JAXPORT employees through the Beyond School Walls program, a partnership with JAXPORT, Big Brothers Big Sisters of Northeast Florida and Duval County Public Schools.

LOOKING AHEAD

FURTHER IMPROVE THE FEDERAL CHANNEL

JAXPORT and the U.S. Army Corps of Engineers recently began construction of the historic project to deepen the Jacksonville Harbor. Once completed, the 47-foot project will allow JAXPORT to serve the largest container ships calling the U.S. East Coast more heavily loaded, increasing the port's role in Asian trade even further.

GROW VOLUMES THROUGH DAMES POINT ON-DOCK RAIL TERMINAL

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

EXPAND AUTO-HANDLING CAPABILITY

JAXPORT has begun construction of a new automobile processing terminal, the first phase of a multi-year project to increase the port's vehicle-handling capacity by 25 percent. Once completed, the facility will add more than 100 acres of processing and storage space at JAXPORT's Dames Point Marine terminal.

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 Corp. 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.

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

Annual Financial Report
For the Year Ended September 30, 2017

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February 28, 2018

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, 2017. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information about the financial position of the Authority.

Reporting Entity and Governance

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

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

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

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

2017 Financial Highlights and looking ahead

JAXPORT moved a record 1,033,068 twenty-foot equivalent units (TEUs), exceeding the previous record of 968,279 TEUs set last year. Total tonnage was up 7% to 9,330,266 tons, also record volumes. When combined with containers handled through private users of the harbor, these volumes make Jacksonville the largest container port complex in the State of Florida.

JAXPORT also moved 693,248 vehicles in FY17. This record-setting volume maintains JAXPORT's ranking as the nation's second busiest vehicle-handling port.

The Asian container trade continues to be the fastest growing segment of JAXPORT's container cargo business, now accounting for nearly 40 percent of JAXPORT's total container cargo volume up from just 24 percent in 2013. The growth of existing cargo volumes, as well as, additions of new shipping lines contributed to this growth.

Significant areas of growth included:

Dry bulk cargoes (non-containerized commodities such as limestone and gravel) increased 21 percent over 2016, with 862,338 tons shipped through JAXPORT.

JAXPORT's Puerto Rican business grew 10 percent in the fiscal year ending Sept. 30, 2017. As the primary U.S. port for trade with Puerto Rico, JAXPORT has been on the front lines of relief aid supply to the island following the devastation of Hurricane Maria in late September.

Northeast Florida continued to be a leader in the use of Liquefied Natural Gas (LNG) as fuel for the maritime industry with the successful fueling and operations of the world's first LNG-powered container ships and the growing investments in new LNG manufacturing facilities in the region. These investments position JAXPORT to take advantage of export opportunities as the use of LNG expands.

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

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended and Chapter 10.550, Rules of the Florida Auditor General. The Authority selected the firm of RSM US LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. Each year, the independent certified public accountants meet with the Audit Committee of the Board of Directors to review the results of the audit.

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

Acknowledgement

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

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

Respectfully submitted,

Eric Green, CEO

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Jacksonville Port Authority, (the Authority), as of and for the year ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2017 and 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary and Other Information

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

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

RSM US LLP

Jacksonville, Florida
February 28, 2018

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, 2017 and for fiscal year 2016. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL STATEMENTS PRESENTATION

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

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

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

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

Net Position

At September 30, 2017, the Authority's net position grew to $396 million. Revenues of $58.1 million were essentially level year over year, partly attributable to a planned shifting and realignment of tenants and cargo in 2017. While revenues were level, both tonnage and container TEU volumes were up 7% year over year, and auto units were up 9%. All of which reflected record volumes for the Authority. Operating expenses before depreciation in 2017 were $32.5 million, compared to $31.1 million in prior year. Included in 2017 operating expenses was pension expense of $2.6 million compared to $2.0 million in 2016. Included in this amount is $1.4 million accrued in accordance with governmental accounting standards (see note G), compared to $.9 million in 2016. As a result of the above, net operating income before depreciation was $25.5 million, compared to $27.3 million in 2016. Depreciation expense in 2017 was $30.4 million, up $2.3 million, as impacted by recent berth rehabilitations and new cranes added in 2017. The Authority's operations are also supported by funding from both the primary government (City of Jacksonville) of $2.6 million, and state and federal grants in aid of construction of $31 million in fiscal year 2017. Operating cash balances on hand improved to $16 million at year end.

(In thousands of dollars)	2017	2016	2015
NET POSITION			
Current assets	$ 32,355	$ 31,901	$ 50,234
Noncurrent assets (excluding capital assets)	20,024	29,007	42,040
Capital assets	699,347	675,581	646,339
Deferred outflows	9,348	11,541	9,897
Total assets and deferred outflows	761,074	748,030	748,510
Current liabilities	28,545	27,604	33,414
Bonds and notes outstanding (net of current portion)	169,470	182,478	194,928
Other noncurrent liabilities and deferred inflows	166,656	152,479	158,934
Total liabilities and deferred inflows	364,671	362,561	387,276
Net position			
Net investment in capital assets	366,820	346,753	304,571
Restricted for capital projects	-	7,775	6,428
Restricted for debt service	19,145	18,993	18,930
Restricted – other	2,948	2,770	2,709
Unrestricted	7,490	9,178	28,596
Total net position	$ 396,403	$ 385,469	$ 361,234

Total assets and deferred outflows at year end 2017 were $761,074. Noteworthy is capital assets net increases of $23,766 which was due to work on significant projects as further explained under Capital Assets in this letter. Current assets, primarily comprised of cash, trade and grants receivables were fairly constant year over year. Noncurrent assets (excluding capital assets) declined $8,983, primarily from collection of grants receivables of $7,775 and the utilization of cash restricted for capital projects.

Total liabilities and deferred inflows were $364,671 at year end 2017, which includes unearned revenue and debt outstandings, and was relatively flat year to year.

Total net position at year end 2017 was $396,403; most significant was net investment in capital assets of $366,820, up $20,067 over prior year, reflective of continued investment in port infrastructure. All other components of net position were relatively constant year over year.

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

	2017	2016	2015
CHANGES IN NET POSITION			
Operating revenue	$ 58,052	$ 58,439	$ 55,231
Operating expenses			
Salaries and benefits	17,596	16,762	15,171
Services and supplies	4,366	3,709	4,152
Security services	4,177	4,142	3,754
Business travel and training	316	400	398
Promotion, advertising, dues and memberships	874	977	1,044
Utility services	967	904	1,040
Repairs and maintenance	1,643	1,581	1,461
Maintenance dredging	2,266	2,548	2,674
Miscellaneous	308	155	198
Total operating expenses	32,513	31,178	29,892
Operating income before depreciation	25,539	27,261	25,339
Depreciation	30,395	28,095	26,393
Operating gain / (loss)	(4,856)	(834)	(1,054)
Non-operating revenue (expense)			
Interest expense	(8,781)	(9,145)	(9,339)
Shared revenue from primary government	2,626	4,829	5,335
Loss on sale/disposition of assets	(5,755)	(365)	(2,335)
Capital contributions to other government agencies	-	(2,000)	(42,981)
Contribution to tenants	(2,866)	(1,699)	(977)
Net claims and recoveries	-	(65)	7,662
Other non-operating	(135)	55	1,081
Total non-operating revenue (expense)	(14,911)	(8,390)	(41,554)
Loss before capital contributions	(19,767)	(9,224)	(42,608)
Capital contributions	30,701	33,459	87,169
Changes in net positions	10,934	24,235	44,561
NET POSITION			
Beginning of year, as restated	385,469	361,234	316,673
End of year	$ 396,403	$ 385,469	$ 361,234

<u>Revenue, Expenses and Changes in Net Position – 2017 vs. 2016</u>

Total operating revenues for 2017 were $58,052, compared to $58,439 in 2016. All cargo revenue line items experienced increased tonnage, recording total record volumes of 9,330,266 tons, up 7% compared to 8,716,805 tons in 2016. Container revenues in dollars in 2017 were flat (down .6%), impacted by a planned shifting of tenants and cargo between terminal locations, designed to positively benefit total cargo volumes in future periods. The Authority continues to diversify its trade lanes, with 39% of container volumes attributable to Asian business, up from 35% in 2016. Total TEU units in 2017 were 1,033,068 compared to 968,279 in 2016. Auto volumes were up 9% in 2017, to a record 693,248 units. Total Auto revenues were up 2%. Other cargo revenues were up year over year, including Breakbulk up 4%, and Dry Bulk up 8%. Cruise operations were negatively impacted by a one-month dry dock (out of service) event in 2017, however the cruise business is strong with average occupancy per cruise rate of 120% in 2017, and added $4,764 to total revenues in 2017, compared to $5,068 a year ago.

Total operating expenses before depreciation for 2017 were $32,513, an increase of $1,335 over prior year expenses before depreciation of $31,178. Salaries and benefits were up $835, and include 2017 pension accruals of $1,371 recorded in accordance with governmental accounting standards (GASB 68), compared to $865 in 2016. Increases in services and supplies expense of $657 were related to expenses associated with a new railyard terminal operation in 2017 of $523. Maintenance dredging costs declined $282 year over year to $2,266.

Net non-operating expenses for 2017 totaled $14,911. Significant non-operating expenses included debt service interest cost of $8,781, and tenant contributions of $2,866 (whereby certain capital grant commitments are utilized as indirect offsets to some of these expenditures). Additionally, loss on sale/disposition of assets included $4,948 in asset write-offs for aged berth improvements disposed of in conjunction with new berth rehabilitation. Shared revenue from primary government in 2017 was $2,626 compared to $4,829 in 2016, a result of timing of debt service obligations first applied to this shared revenue source. Additionally, one time reductions (for prior year corrections to the tax revenue source) impacted the Authority's share of these governmental revenues.

Capital contributions (state and federal grants) in 2017 were $30,701, compared to $33,459 in 2016. Significant capital contributions in 2017 were for $20.6 million for harbor deepening, and $6 million for wharf reconstruction.

At the close of fiscal year 2017, the Authority had a net position of $396,403, an increase of $10,934 compared to prior year net position of $385,469.

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

Total operating revenues for 2016 were $58,439, a 5.8% increase over prior year revenues of $55,231. Most significant was container revenue of $25,620, up 9% over 2015, container TEUs (20 foot equivalents) totaled 968,279 TEU compared to 915,292 TEU a year ago. Auto revenue was $17,299, up 2.7% from prior year. Containers and autos account for almost 75% of the Authority's revenues. Additionally, Break Bulk (i.e. paper, steel, wood pulp) revenues grew to $4,279, an 8.5% increase, and reflect an increase in tonnage of 887,878 tons from 726,242 tons in 2015. Cruise business also exceeded prior year revenues by 11%, at $5,068, with total cruise passengers of 197,295 compared to 183,192 a year ago.

Total operating expenses for 2016 were $31,178, an increase of $1,286 over prior year expenses of $29,892. A large portion of this increase relates to increased pension expense of $1,056 is directly related to the increase in the net pension liability. Without the GASB 68 pension accounting impacts, overall operating expenses were essentially flat year to year, as increases in personnel costs and contract security costs were offset by savings in services and supplies (primarily fuel savings) and utility services. Net non-operating expenses for 2016 totaled $8,390. Expenses were comprised of debt service interest cost of $9,145, and ongoing tenant contributions of $1,699 (whereby certain capital grant commitments are intended as indirect offsets to these expenditures). Partly offsetting these expenses was investment income of $139, and shared revenue from primary government of $4,829. Also in 2016, the Authority incurred an additional $2,000 final contribution to the US Army Corps of Engineers (a project specific state grant-funded project) for improvements at the Jacksonville Harbor; this is in addition to the $42,981 transferred in 2015.

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

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

Cash Flows

2017 vs. 2016

Cash flows from operating activities in 2017 were $28,828, compared to $30,801 in 2016, a decrease of $1,973. Receipts from customers were down $1,168, payment for services and supplies increased $176, and payments to employees increased $629.

Cash flows from noncapital financing activities were $2,626 compared to $5,038 in 2016. Receipts from primary government declined $2,203, attributable to increased debt service amortization payments (timing) and a one-time (prior years) adjustment to the communication service tax revenue inflows.

Cash flows from capital and related financing activities in 2017 were ($32,726). Acquisition and construction of capital assets of ($59,137) accounted for the largest outlay in a year of heavy construction activity. Partly offsetting and supporting these capital outlays were contributions-in-aid of constructions of $38,114. Principal and interest payments on capital debt in 2017 were ($20,494), compared to ($20,289) in 2016. Other capital and financing and related financing activities include ($3,159) for contributions to tenants and crane relocation costs of ($681).

Cash flows from investing activities totaled $238.

The overall net decrease in cash and cash equivalents of ($1,034) reflects the reduction of cash restricted for capital projects in the amount of ($1,433), partly offset by increases on other non-current restricted cash of $328.

Cash and cash equivalents at the end of 2017 were $37,751, compared to $38,785 in 2016. The cash balance of $37,751 at September 30, 2017 is comprised of $15,963 in unrestricted cash, $2,083 in construction funds, $9,040 in restricted debt service and reserve funds, and $2,948 for renewal and replacement funds. Investment balances of $5,813 are also restricted for debt service.

2016 vs. 2015

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

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

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, port dredging and related costs, buildings and building improvements and equipment. At September 30, 2017, the Authority had commitments for future construction work of approximately $6,104. Additional information can be found in the accompanying notes to the financial statements.

2017 vs. 2016

At September 30, 2017, the Authority's capital assets, net of depreciation, grew to $699,347, compared to prior year net capital assets of $675,581. Capital project additions for 2017 were $59,784; major projects included harbor deepening and related land purchases $32,284, wharf rehabilitation $6,878, and several large projects related to tenant improvements totaling $5,053. Capital spending was partly funded by state and federal grants totaling $30,701 in 2017. Depreciation expense for 2017 was $30,395, compared to $28,095 in 2016.

2016 vs. 2015

At September 30, 2016, the Authority's capital assets, net of depreciation, grew to $675,581, compared to prior year net capital assets of $646,339. Capital spending for 2016 was $57,337, major projects in process or completed include wharf rehabilitation $28,101, progress payments on three new cranes nearing completion $15,387, and progress payments for a new intermodal container transfer facility also nearing completion at the end of 2016, of $7,484. Capital spending was partly funded by state and federal grants totaling $33,459 in 2016. Additionally in 2016, capital assets of $2,000 were added and concurrently contributed to other government agencies for harbor improvements. Depreciation expense for 2016 was $28,095, compared to $26,393 in 2015.

Long-Term Debt

2017 vs. 2016

At September 30, 2017, the Authority had outstanding bonds and notes payable of $182,269, a decrease of $12,450 from $194,719 at end of fiscal year 2016 (both net of unamortized bond discounts and premiums). Additionally, the Authority added $12,896 to its line of credit note balance in 2017, primarily for harbor deepening and other land acquisition. The line of credit balance outstanding at September 30, 2017 was $21,571, compared to $8,675 at prior year end. The line of credit note (5-year term) is primarily used for funding certain capital projects to be paid down by future grant funding or long-term port financing.

2016 vs. 2015

At September 30, 2016, the Authority had outstanding bonds and notes payable of $194,719, a decrease of $11,910 from $206,629 at end of fiscal year 2015 (both net of unamortized bond discounts and premiums). Additionally, the Authority reduced its outstanding line of credit balance $10,900 in fiscal year 2016. The line of credit balance outstanding at September 30, 2016 was $8,675, compared to $19,575 at prior year end.

The Authority exceeded its required minimum debt service coverage ratio for the 2017 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, 2017 and 2016.

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, 2017 and 2016
(In thousands of dollars)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 15,963	$ 15,901
Restricted cash and cash equivalents	7,717	7,708
Accounts receivable, net	4,088	4,658
Notes and other receivables	546	89
Grants receivable	2,250	1,888
Inventories and other assets	1,791	1,657
Total current assets	32,355	31,901
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	11,988	11,660
Investments	5,813	5,892
Restricted for capital projects		
Cash and cash equivalents	2,083	3,516
Notes receivable	140	164
Grants receivable	-	7,775
Capital assets, net, primarily held for lease	699,347	675,581
Total noncurrent assets	719,371	704,588
Total assets	751,726	736,489
Deferred outflow of resources	9,348	11,541
Total assets and deferred outflow of resources	$ 761,074	$ 748,030

(continued)

Jacksonville Port Authority

Statements of Net Position
September 30, 2017 and 2016
(In thousands of dollars)

	2017	2016
Liabilities		
Current liabilities		
Accounts payable	$ 2,739	$ 2,036
Accrued expenses	947	887
Accrued interest payable	3,287	3,368
Construction contracts payable	2,159	1,524
Retainage payable	338	1,276
Unearned revenue	6,276	6,272
Bonds and notes payable	12,799	12,241
Total current liabilities	28,545	27,604
Noncurrent liabilities		
Unearned revenue	116,005	115,036
Derivative instrument liability	202	638
Accrued expenses	4,307	4,323
Other obligations	8,537	8,537
Net pension liability	15,322	13,379
Line of credit note	21,571	8,675
Bonds and notes payable	169,470	182,478
Total noncurrent liabilities	335,414	333,066
Total liabilities	363,959	360,670
Deferred inflow of resources for pensions	712	1,891
Net Position		
Net investment in capital assets	366,820	346,753
Restricted for		
Capital projects	-	7,775
Debt service	19,145	18,993
Repair and replacement	2,948	2,770
Unrestricted	7,490	9,178
Total net position	$ 396,403	$ 385,469

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended September 30, 2017 and 2016
(In thousands of dollars)

	2017	2016
Operating revenue	$ 58,052	$ 58,439
Operating expenses		
Salaries and benefits	17,596	16,762
Services and supplies	4,366	3,709
Security services	4,177	4,142
Business travel and training	316	400
Promotions, advertising, dues and memberships	874	977
Utility services	967	904
Repairs and maintenance	1,643	1,581
Maintenance dredging	2,266	2,548
Miscellaneous	308	155
Total operating expenses	32,513	31,178
Operating income before depreciation	25,539	27,261
Depreciation expense	30,395	28,095
Operating (loss)	(4,856)	(834)
Non-operating revenues (expenses)		
Interest expense	(8,781)	(9,145)
Investment income	159	139
Shared revenue from primary government	2,626	4,829
Contributions to tenants	(2,866)	(1,699)
Capital contributions to other government agencies	-	(2,000)
Capital contributions from tenants	785	49
Loss on sale/disposition of assets	(5,755)	(365)
Cranes Relocation	(681)	(130)
Other non-operating expense	(398)	(68)
Total non-operating expenses	(14,911)	(8,390)
Loss before capital contributions	(19,767)	(9,224)
Capital contributions	30,701	33,459
Change in net position	10,934	24,235
Net position		
Beginning of year	385,469	361,234
End of year	$ 396,403	$ 385,469

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016
(In thousands of dollars)

	2017	2016
Cash flows from operating activities		
Receipts from customers	$ 59,265	$ 60,433
Payments for services and supplies	(14,164)	(13,988)
Payments to/for employees	(16,273)	(15,644)
Net cash provided by operating activities	28,828	30,801
Cash flows from noncapital financing activities		
Operating grants	-	209
Receipts from primary government	2,626	4,829
Net cash provided by noncapital financing activities	2,626	5,038
Cash flows from capital and related financing activities		
Line of credit advances	12,896	-
Line of credit payments	-	(10,900)
Contributions to tenants	(3,159)	(1,962)
Contributions-in-aid of construction (grants)	38,114	40,364
Acquisition and construction of capital assets	(59,137)	(67,003)
Principal paid on capital debt	(12,242)	(11,701)
Interest paid on capital debt	(8,252)	(8,588)
Proceeds from sale of assets	56	655
Claims against contractor	-	9,228
Cranes Relocation	(681)	(130)
Other	(321)	40
Net cash used in capital and related financing activities	(32,726)	(49,997)
Cash flows provided from investing activities		
Interest on investments	238	208
Purchase of investment securities	-	(5,961)
Net cash provided by (used in) investing activities	238	(5,753)
Net decrease in cash and cash equivalents	(1,034)	(19,911)
Cash and cash equivalents		
Beginning of year	38,785	58,696
End of year	$ 37,751	$ 38,785

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016
(In thousands of dollars)

	2017	2016
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	$ (4,856)	$ (834)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	30,395	28,095
Decrease in accounts receivable and other current assets	107	768
Increase in Deferred Outflow of Resources – Pension	607	(3,260)
Increase in liabilities:		
Accounts payable and accrued expenses	838	680
Unearned revenue	973	1,227
Pension	1,943	5,027
Decrease in Deferred Inflows (Pension)	(1,179)	(902)
Total adjustments	33,684	31,635
Net cash provided by operating activities	$ 28,828	$ 30,801
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 2,497	$ 2,800
Decrease in fair value of investments	(79)	(69)
Grants receivable	2,250	9,663
Change in value of derivative instrument	436	464
Capital assets contributed from tenants	949	49
Constructed assets contributed to other government	-	(2,000)

See Notes to 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 not yet adopted

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

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

GASB Statement No. 87, *Leases* was issued in June 2017, and will be effective for the Authority in fiscal year 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as inflows of resources or outflows of resources based upon payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement also includes an exception for short-term leases and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. Management has not yet determined the impact of GASB Statement No.87 on the Authority's financial statements.

6. Budgeting procedures

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

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

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

7. Cash and cash equivalents

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

8. Investments

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

9. Restricted assets

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

10. Capital assets

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

Capital assets 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 – 30

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.

<u>Note A – Summary of Significant Accounting Policies (Continued)</u>

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

11. <u>Inventories and prepaid items</u>

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

12. <u>Deferred outflows/inflows of resources</u>

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

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

13. <u>Unearned revenue</u>

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. <u>Compensated absences (accrued leave plan)</u>

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 2017 and 2016 was $1,661,000 and $1,616,000, respectively. Maximum leave accrual balances cap at 480 hours for all employees.

15. <u>Conduit debt</u>

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, 2017, total conduit debt was $75,375,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (Continued)

16. Long-term obligations

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

17. Net position

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

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

Restricted Net Position – This category represents the net position of the Authority which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations.

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

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville (City) and millage payments from the Jacksonville Electric Authority (JEA) pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement allows the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. The Authority's share of shared revenue from primary government was $2,626,000 and $4,829,000 in 2017 and 2016, respectively.

19. Use of estimates

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

20. Reclassifications

Certain reclassifications were made to the 2016 financial statement presentation in order to conform to the 2017 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2017 and 2016, the carrying amount of the Authority's cash deposit accounts was $21,460,000 and $23,023,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

Investments

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

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

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

Interest Rate Risk

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

2017		Investment Maturities (in Years)	
(in thousands of dollars)	Fair	Less	
Investment Type	Value	Than 1	1-5
Investments Subject to Interest Rate Risk:			
U.S. Government Bonds	$ 2,254	$ -	$ 2,254
Corporate Bonds	3,559	704	2,855
Money market funds	16,291	16,291	-
Total investments	$ 22,104	$ 16,995	$ 5,109

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

Total Investments amounts shown above are classified as Investments (U.S Government Bonds and Corporate Bonds), or within Restricted cash and cash equivalents, reflecting money market funds held for debt service obligations (and related proceeds), on the Statement of Net Position.

Credit Risk

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

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

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

Note B – Deposits and Investments (Continued)

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 'Aa' by Moody's and 'AA' by Standard & Poor's for long-term debt, or rated at least 'VMIG-2' by Moody's and 'A-2' by Standard & Poor's for short-term debt (one year or less), or equivalent as provided by two nationally recognized rating agencies.

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

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

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

2017

Security Type	Credit Rating	% of Portfolio
U.S. Government Bonds	AAA	10.20%
Corporate Bonds	AA3 - A3	16.10%
Money market funds	AAAm	73.70%
Total		100.00%

2016

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

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.

Note B – Deposits and Investments (Continued)

Concentration of Credit Risk

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

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

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority has the following recurring fair value measurements as of September 30, 2017 and 2016:

2017

	September 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investment by type:				
FNMA	$ 999	$ 999	$ -	$ -
FHLMC	1,255	1,255	-	-
Corporate bonds	3,559	3,559	-	-
Total investments	$ 5,813	$ 5,813	$ -	$ -
Derivative Instrument Liability	$ 202	$ -	$ 202	$ -

2016

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

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2017 and 2016 was as follows:

2017 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 158,448	$ 1,806	$ -	$ 160,254
Port dredging and related costs	55,039	32,284	-	87,323
Construction in progress	83,156	26,371	(95,438)	14,089
Total capital assets not being depreciated	296,643	60,461	(95,438)	261,666
Depreciable capital assets				
Buildings	96,986	-	-	96,986
Improvements	538,965	54,872	(20,547)	573,290
Equipment	114,608	39,888	(2,339)	152,157
Total other capital assets at historical cost	750,559	94,760	(22,886)	822,433
Less accumulated depreciation for:				
Buildings	49,807	3,295	-	53,102
Improvements	251,510	21,458	(15,506)	257,462
Equipment	70,304	5,642	(1,758)	74,188
Total accumulated depreciation	371,621	30,395	(17,264)	384,752
Other capital assets, net	378,938	64,365	(5,622)	437,681
Capital assets, net	$ 675,581	$ 124,826	$ (101,060)	$ 699,347

Note C – Capital Assets (Continued)

2016 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 158,433	$ 644	$ (630)	$ 158,447
Port dredging and related costs	54,769	270	-	55,039
Construction in progress	75,810	58,587	(51,240)	83,157
Total capital assets not being depreciated	289,012	59,501	(51,870)	296,643
Depreciable capital assets				
Buildings	97,518	-	(532)	96,986
Improvements	497,556	48,480	(7,071)	538,965
Equipment	113,666	1,226	(284)	114,608
Total other capital assets at historical cost	708,740	49,706	(7,887)	750,559
Less accumulated depreciation for:				
Buildings	47,075	3,264	(532)	49,807
Improvements	238,483	20,098	(7,071)	251,510
Equipment	65,855	4,733	(284)	70,304
Total accumulated depreciation	351,413	28,095	(7,887)	371,621
Other capital assets, net	357,327	21,611	-	378,938
Capital assets, net	$ 646,339	$ 81,112	$ (51,870)	$ 675,581

Note C – Capital Assets (continued)

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately $87 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets, and amortized over a 20 year life. To date, the Authority's share of these costs total, net of depreciation is approximately $18.7 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, 2017 and 2016:

(In thousands of dollars)	2017	2016
Total interest expense incurred	$ 9,113	$ 9,559
Interest expense associated with construction	332	414
Interest capitalized	332	414
Net interest expense	$ 8,781	$ 9,145

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 $834,000,000 and accumulated depreciation of $301,000,000 as of September 30, 2017. Revenues recognized for facility leases for the fiscal year ended September 30, 2017 and 2016, were $18,469,000 and $18,489,000, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2017, are as follows:

(in thousands of dollars)	Total
2018	$ 19,745
2019	12,538
2020	8,867
2021	7,995
2022	6,407
Therafter	19,172
	$ 74,724

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 are owned by and reported 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.

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

Financing

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

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

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2039. In addition to the $100 million of prepaid lease revenue, MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2023. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2017 and 2016 totaled approximately $122 million and $121 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.

Governmental Accounting Standards Board Statement No. 68

As a participating employer, the Authority follows accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* , which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The GASB 68 component of pension expense captures and records the Authority's proportionate share of Net Pension Liability of both the FRS Pension Plan, and Health Insurance Program (HIS), along with the Authority's related allocation of Deferred Outflows and Deferred Inflows and pension expense impacts. The GASB 68 pension expense accrual has no current year impact on pension funding. The employer share of FRS and HIS pension funding contributions are recorded as expense when contributed. The two elements (accrual and contributions) are combined to show total pension expense of the Authority.

Note G – Pension Plan (Continued)

General Information about the FRS

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

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

The Authority's pension expense for FRS and HIS totaled $2,581,669 and $2,014,465 for the fiscal years ended September 30, 2017 and 2016, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

Florida Retirement System (FRS) Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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.

Note G – Pension Plan (Continued)

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

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

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

Note G – Pension Plan (Continued)

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

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2017 and 2016, were as follows:

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

	Percent of Gross Salary		
		2017	**2016**
Class	**Employee**	**Employer**	**Employers**
FRS, Regular	3.00	7.52	7.52
FRS, Senior Management Service	3.00	21.77	21.77
DROP – Applicable to Members from all above classes	0.00	12.99	12.99

The Authority's contributions, for FRS and HIS totaled $1,248,753, and employee contributions totaled $333,348 for the fiscal year ended September 30, 2017. The Authority's contributions, for FRS and HIS totaled $1,145,590, and employee contributions totaled $325,437 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2017, the Authority reported a liability of $11,070,761 for its proportionate share of the FRS Plan's net pension liability, compared to $8,917,561 at September 30, 2016. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was .0374%, which was an increase of .0021% from its proportionate share measured as of June 30, 2016, of .0353%.

Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2017, the Authority recognized the Plan pension expense of $2,216,098. Fiscal year 2016 showed pension expense of $1,643,721, which. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2017 and 2016 as shown:

2017 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 1,016,029	$ 61,326
Change of assumptions	3,720,557	-
Net difference between projected and actual earnings on FRS pension plan investments	-	274,361
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	809,508	-
Authority FRS contributions subsequent to the measurement date	188,389	-
Total	$ 5,734,483	$ 335,687

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

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $188,388 for 2017 and $266,659 for 2016, 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 subsequent 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:

2017	Amount
2018	$ 848.7
2019	848.7
2020	848.7
2021	1,386.1
2022	958.5
Thereafter	319.7

2016	Amount
2017	$ 555.8
2018	555.8
2019	555.8
2020	555.8
2021	1,251.0
Thereafter	712.9

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%
Investment Rate of Return	7.10%

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

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

Note G – Pension Plan (Continued)

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

July 1, 2017 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
Assumed inflation – Mean		2.6%		1.9%

July 1, 2016 Actuarial Assumptions:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			
Assumed inflation – Mean		2.6%		1.9%

Note G – Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.1%. 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 7.1%, 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 (6.1%) or 1 percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
Authority's proportionate share of the net pension liability			
As of July 1, 2017	$ 20,037,409	$ 11,070,761	$ 3,626,389

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, 2017, 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, 2017, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

Note G – Pension Plan (Continued)

The Authority's contributions to the HIS Plan totaled $202,440 for the fiscal year ended June 30, 2017, and $197,706 for June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the Authority reported a net pension liability of $4,250,943 for its proportionate share of the HIS Plan's net pension liability, compared to $4,461,658 at September 30, 2016. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was .0398%, which was an increase of .0015 from its proportionate share measured as of June 30, 2016, of .0383%.

For the fiscal year ended June 30, 2017, the Authority recognized the HIS Plan pension expense of $365,571, and for fiscal year 2016 were $370,744. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017

Description	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ -	$ 8,851
Change of assumptions	597,536	367,584
Net difference between projected and actual earnings on HIS pension plan investments	2,357	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	222,598	-
Authority HIS contributions subsequent to the measurement date	44,352	-
Total	$ 866,843	$ 376,435

2016

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

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $44,352 for 2017 and $52,440 for 2016, 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, 2017 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:

2017	Amount
2018	$ 87.6
2019	87.6
2020	87.6
2021	87.6
2022	81.6
Thereafter	14.1

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

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

Inflation	2.60%
Salary Increase	3.25%

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58%. 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 3.58%, 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 (2.58%) or 1 percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Authority's proportionate share of the net pension liability			
As of July 1, 2017	$ 4,850,889	$ 4,250,943	$ 3,612,140

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

FRS – Defined Contribution Pension Plan

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

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

Note G – Pension Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, 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 $305,578 for the fiscal year ended September 30, 2017, and $294,750 for the fiscal year ended September 30, 2016.

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 $170,000 and $161,000 for the years ended September 30, 2017 and 2016, respectively.

Note I – Other Post-Employment Benefits (OPEB)

Plan Description

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

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

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Under GASB 45, the Authority recognizes an implicit rate subsidy (age adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligation at September 30, 2017:

Annual Required Retiree Cost (ARC)	$	26,688
Interest on Plan Obligation		14,269
Adjustment to ARC		(13,324)
Annual Plan Retiree Costs		27,633
Less: Contributions Made (estimated premium paid by Authority)		10,077
Change in Plan Obligation		17,556
Plan Obligation – Beginning of Year		392,000
Plan Obligation – End of Year	$	409,556

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 7.0% in the year ending September 30, 2017, grading down by .5% each year until an ultimate health care costs trend rate of 4.5% 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
9/30/2015	$	15,000	7.14%	$	378,000
9/30/2016		15,000	7.14%		392,000
9/30/2017		27,632	36.47%		409,556

OPEB Funding Status

The following data presents the funding status as of September 30, 2017:

Actuarial Valuation Date		October 1, 2016
1. Actuarial Accrued Liability	$	319,347
2. Actuarial Value of Assets		-
3. Unfunded Actuarial Accrued Liability (UAAL)	$	319,347
4. Funded Ratio		0.0%
5. Annual Covered Payroll	$	8,832,866
6. UAAL as a percentage of payroll		3.6%

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 $75,000 and $156,000 for the years ended September 30, 2017 and 2016, 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 $433,000 and $419,000 for the years ended September 30, 2017, and 2016, 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, 2017 and 2016, was as follows:

	2017				
(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	61,965	-	(6,995)	54,970	7,372
Revenue Note – Taxable	2,328	-	(750)	1,578	795
State Infrastructure Bank Loan	13,432	-	(4,497)	8,935	4,632
Unamortized original issue premium amounts	4,604	-	(208)	4,396	-
Total bonds and notes payable	194,719	-	(12,450)	182,269	12,799
Liability for pollution remediation	1,241	-	(77)	1,164	-
Derivative instrument liability	638	-	(436)	202	-
Compensated absences and other	2,008	367	(305)	2,070	304
Line of credit	8,675	12,896	-	21,571	-
Reserve for grants assessment	1,377	-	-	1,377	
Other obligation	8,537	-	-	8,537	-
	$ 217,195	$ 13,263	$ (13,268)	$ 217,190	$ 13,103

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

Long-term Liabilities (continued)

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

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

Long-term liabilities at September 30, 2017 and 2016, consisted of the following:

(in thousands of dollars)	2017	2016
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.	12,936	18,945
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%.	23,058	24,044
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.68%. See following note on related interest rate swap agreement.	1,578	2,328
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	8,935	13,432
$50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.65% to 2.11% in 2017. Principal due December 2022, five year renewal executed December 2017.	21,571	8,675
	199,444	198,790
Less current portion	12,799	12,241
	$ 186,645	$ 186,549

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, 2017 was $8,935,000.

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, 2017 were $24,980,000.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit Note with Regions Bank, due and payable December 2022 (five year renewal – executed December 2017). It is the intention of the Authority to use the line for a revolving medium term or longer term (five-year) funding source. 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, 2017 was $21,571,000.

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, 2017 on the Tax Exempt Revenue Note was $12,936,000. The outstanding balance at September 30, 2017 on the Taxable Note was $1,578,000.

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, 2017 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, 2017 was $87,410,000.

On September 12, 2014, the Authority executed a loan agreement (SunTrust Bank Note) in the amount of $25,000,000 to assist in the acquisition of three new cranes. Total costs of the cranes total approximately $39 million, the remaining balance funded by a grant from the State of Florida. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note has a final maturity of 2034. The outstanding balance as of September 30, 2017 was $23,058,000.

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, 2017 were $17,990,000 for the Tax-Exempt Note and $2,209,494 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, 2017, a termination fee of $171,741 and $30,174 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 2017 and 2016, respectively, were an aggregate $201,915 and $638,143, a decrease of $436,228. 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.

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)	2017	2016
Deferred loss on debt refundings	$ 2,545	$ 3,695
Interest rate exchange agreement	202	638
Deferred outflow pension (see Note G)	6,601	7,208
Total deferred outflow of resources	$ 9,348	$ 11,541

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, 2017, was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2018	$ 7,362	$ 12,799
2019	6,241	12,653
2020	5,323	4,038
2021	5,244	5,314
2022	5,135	5,560
2023 – 2027	23,810	53,579
2028 – 2032	19,455	40,242
2033 – 2037	10,419	45,569
2038 – 2042	997	19,690
	$ 83,986	$ 199,444

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

Unamortized premiums on Bonds were $(4,396) and $(4,604) in 2017 and 2016, respectively. Unamortized deferred loss on refundings was $2,545 and $3,695 in 2017 and 2016, respectively.

Other Noncurrent Liabilities

Unearned revenue balances were $122,281,000 and $121,308,000 for years ended September 30, 2017 and 2016, respectively. The current portion was $6,276,000 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 $1,164,000 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 $410,000 and $392,000 at September 30, 2017, and 2016, 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 N 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 30-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, 2017, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2017, the Authority had commitments for future construction work of approximately $6,104,000. Significant projects in process include rehabilitation of terminal wharfs in the amount of $3,916,000 and tenant parking improvements of $1,070,000.

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). The groundwater treatment system became fully operational 2017. The Authority had previously established a $1.5 million reserve for the project costs, of which $1.1 million remains at September 30, 2017 for ongoing operations 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. This tenant has been working with the FDEP for several years with contaminant clean up (IRAP) on this site. All costs associated with this remediation effort are being paid by the tenant. In 2017 the FDEP issued a Conditional Site Rehabilitation Completion Order (SRCO) on behalf of both the Authority owned and tenant owned property. The Authority has an agreement in place with the tenant to sell the tenant the leased property upon obtaining the SRCO, this land sale is expected to occur in 2018.

Note M – Commitments and Contingencies (Continued)

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 151 employees. Union employees represent about 40% of the total. The current union contract is a three- year contract expiring on September 30, 2019.

Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. In 2013, the Authority recorded a reserve in the amount of $1,377,000 for a specific de-obligated grant (FEMA) funding, related to a prior years' hurricane related dredging event. This determination made by FEMA was based upon time requirement guidelines available to complete the debris removal work. The Authority's position is that expenditures were proper, and will continue to pursue options regarding this determination.

Note N – Significant Customers

For the fiscal year ended September 30, 2017, the Authority had four customers with significant operating revenues (in excess of 10% of total revenues): Trapac (15%), Tote Marine (14%), APS East Coast (12%), and SSA Cooper (10%).

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 $951,569 and $2,392,861 were recorded for the years ended September 30, 2017 and 2016, respectively.

State Contributions

Amounts from state funding awards totaled $29,749,651 and $31,066,590 and for the years ended September 30, 2017 and 2016, respectively.

Note P – Subsequent Events

On November 1, 2017, the Authority issued a Series 2017 Revenue Note with Regions Bank for $23.1 million, which combined with $1.8 million in debt reserves, refunded the Series 2008 bonds of $24.98 million. The interest rate has been reduced to 2.25%, with the maturity schedule remaining the same as the Series 2008 Bonds.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2017

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
10/01/16	$ -	$ 319,347	$ 319,347	0.0%	$ 8,832,866	3.6%
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%

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, 2017 (amounts expressed in dollars)

	2017	2016	2015	2014
Authority's proportion of the FRS net pension liability	0.0374%	0.0353%	0.0352%	0.0330%
Authority's proportionate share of the FRS net pension liability	$ 11,070,761	$ 8,917,567	$ 4,546,261	$ 2,031,923
Authority's covered-employee payroll	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	90.78%	74.87%	39.58%	18.27%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015, 2016 and 2017 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)

	2017	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.0398%	0.0383%	0.0373%	0.0372%
Authority's proportionate share of the HIS net pension liability	$ 4,250,943	$ 4,461,658	$ 3,806,082	$ 3,472,586
Authority's covered-employee payroll	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.86%	37.46%	33.13%	31.22%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015, 2016 and 2017 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)

	2017	2016	2015	2014
Contractually required FRS contribution	$ 1,046,313	$ 947,884	$ 948,391	$ 872,101
FRS contributions in relation to the contractually required FRS	1,046,313	947,884	948,391	872,101
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
FRS contributions as a percentage of cover-employee payroll	8.6%	8.0%	8.3%	7.8%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015, 2016 and 2017 are available.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)

	2017	2016	2015	2014
Contractually required HIS contribution	$ 202,440	$ 197,706	$ 157,222	$ 135,253
HIS contributions in relation to the contractually required HIS	202,440	197,706	157,222	135,253
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
HIS contributions as a percentage of cover-employee payroll	1.7%	1.7%	1.4%	1.2%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015, 2016 and 2017 are available.

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2017

GAAP Revenue – per Financial Statements	$	58,052,034
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		973,210
Budgetary Basis Revenues	$	59,025,244

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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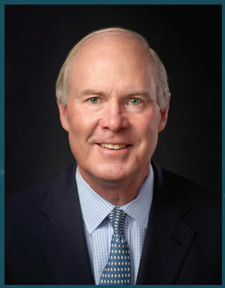

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