JAXPORT

2012 ANNUAL REPORT

JAXPORT
JACKSONVILLE PORT AUTHORITY

About JAXPORT

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

Our Vision

The vision of the Jacksonville Port Authority is to be a major economic engine in Northeast Florida by continuing to be a premier diversified port in the Southeastern United States, with connections to all major trade lanes throughout the world.

Our Mission

The mission of the Jacksonville Port Authority is to contribute to the economic growth and vitality of Northeast Florida by fostering and stimulating commerce through the Port of Jacksonville. The mission will be accomplished through the effective and fiscally-responsible planning, development, management and marketing of the port's assets and facilities.

- 10 of the world’s top 15 global carriers now serving JAXPORT
- Now serving the Asian trade through the Panama & Suez Canals
- Record setting container volume at JAXPORT
- Record setting number of vessel calls
- Record setting number of cruise passengers
- #1 container port complex in Florida
- 4th year of container volume growth
- 12th consecutive year of record revenues
- Now offering the fastest all-water service from Central America
- Foreign Trade Zone #64 named one of the best in the world
- #1 U.S. port handling trade to Puerto Rico
- #1 U.S. vehicle export port
- One of 15 U.S.Strategic Ports on-call to move military cargo for national defense

A MESSAGE FROM JAXPORT

We are pleased to present you with the information in this report as it shows continued growth for the port and positive impact for the region. Coming out of the worst of the global economic downturn, Northeast Florida benefits greatly from the diversity of cargo coming through JAXPORT and the new business attracted by our outstanding connections and customer service. These factors---along with careful expense side management---have resulted in a smoother ride for the port and the community through the recent difficult times. Here's just a sampling of the highlights from this year's annual report:

• JAXPORT earned $52 million in operating revenues, the port's 12th consecutive year of operating revenue growth.

• JAXPORT reduced operating expenses by three percent and saw operating income grow 10 percent over last year.

• JAXPORT moved a total of 8.2 million tons of cargo and set records in total vessel calls and container volume.

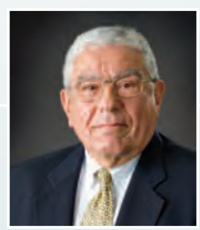
• JAXPORT saw a steady rebound in vehicle numbers to near pre-recession levels.

And yet more good news as our single home-ported cruise ship, the Carnival Fascination, attracted a record-setting number of passengers in FY 2012. More than 195,000 passengers embarked aboard Fascination at JAXPORT's North Jacksonville cruise terminal. 2013 is on track to be another record year for our cruise business.

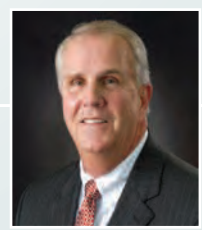
All of this means we are fulfilling our mission to be a powerful generator of economic benefit for the region. But we cannot stop here: International shipping trends and shifts in global manufacturing mean there are both incredible opportunities as well as very real challenges on the horizon.

Just ahead is a critical project to deepen our harbor. Along with all U.S. seaports, we must focus on investing in our infrastructure to remain competitive on the global stage. We have just begun a comprehensive strategic planning process that will offer valuable insights and options based on the future realities of our rapidly changing industry. With your support, we stand ready to maximize the use of these public assets to create quality employment and promote private sector prosperity.

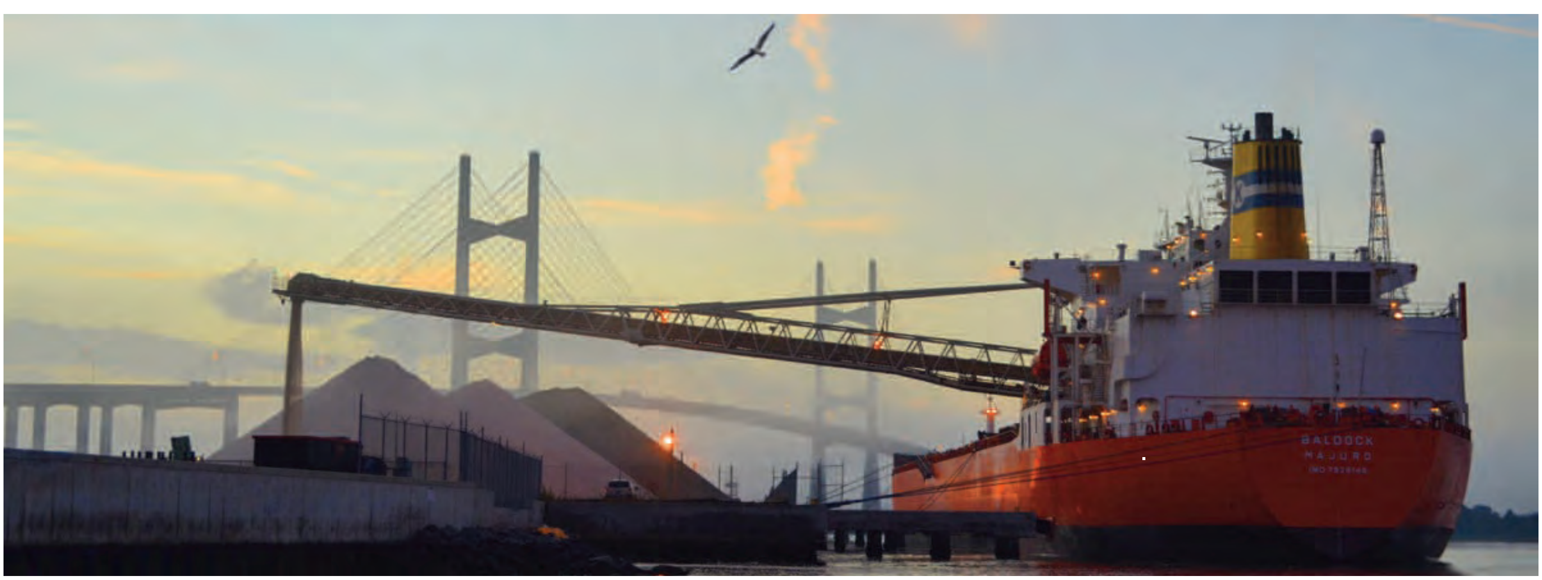
Again, we are pleased to present you with the information in these pages and proud to represent an organization that means so much to the present and future success of our community, our region, our state and our nation.



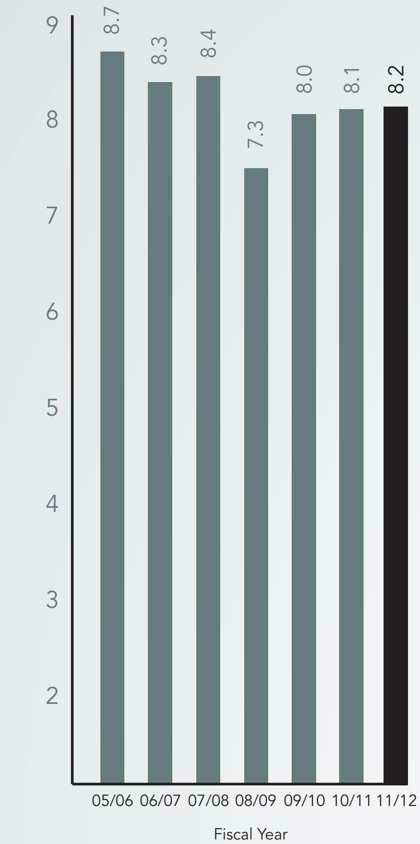
James P. Citrano
Chairman of the Board



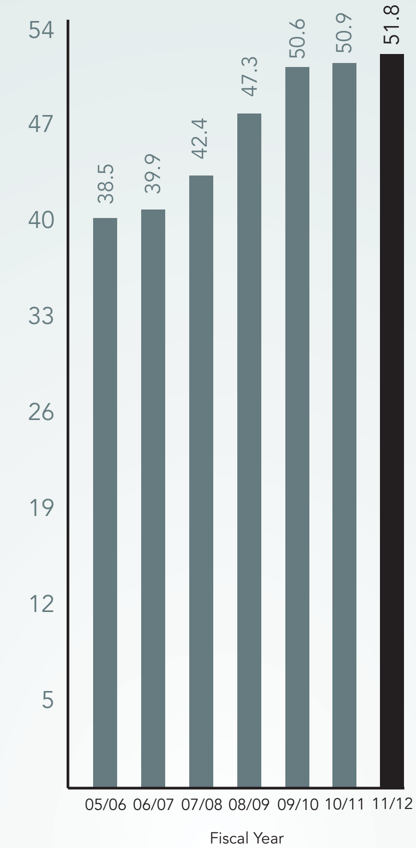
Roy Schleicher
Interim Chief Executive Officer



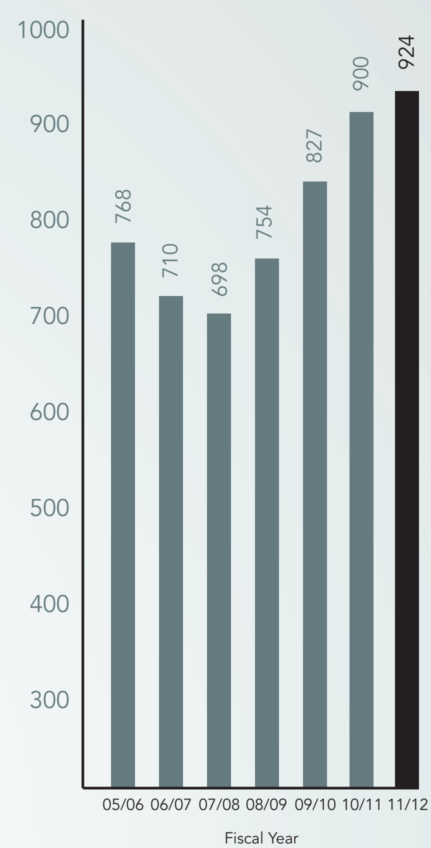
Total Tonnage (in millions)



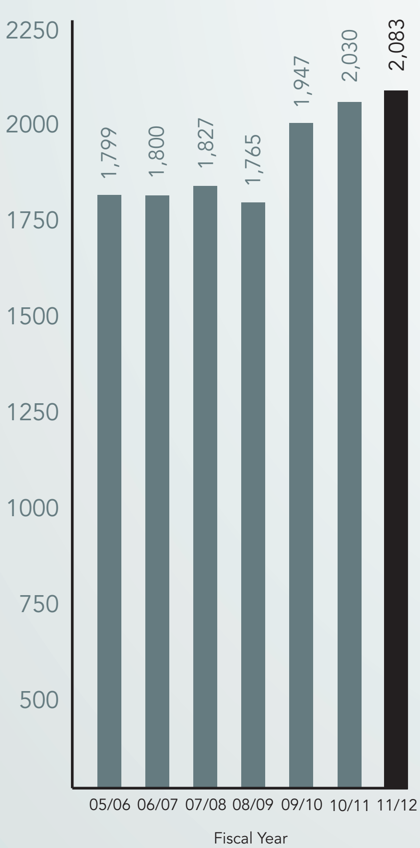
Revenue (in millions)



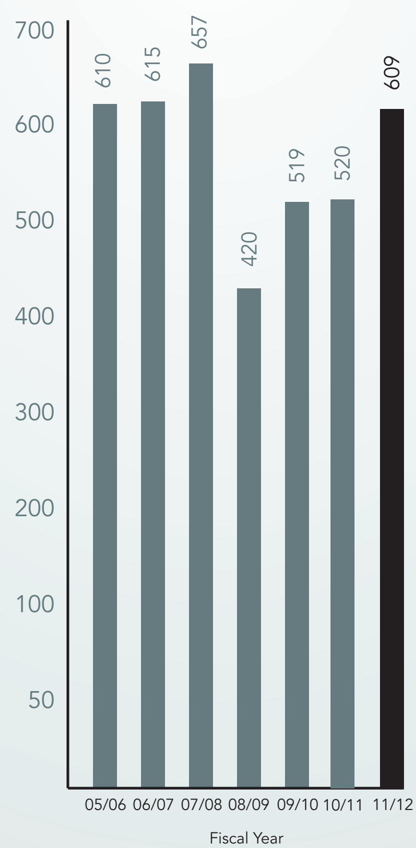
TEUs (in thousands)



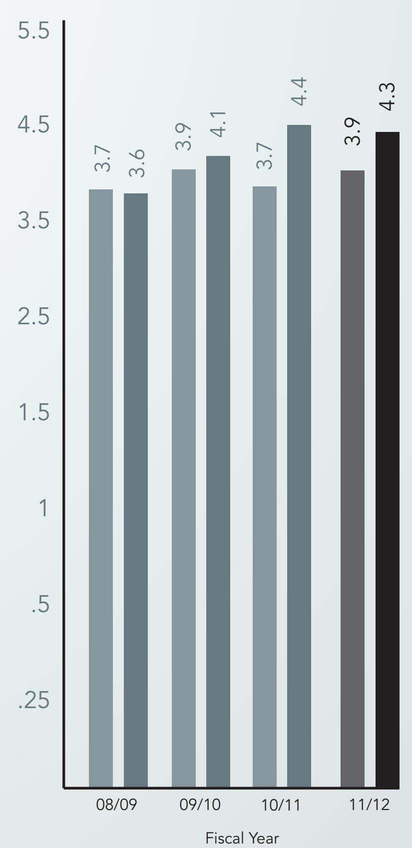
Vessel Calls



Auto Units (in thousands)



Import/Export (in millions of tons)



YANG MING MILESTONE ARRIVES AT TRAPAC

On Jan. 31, 2012, JAXPORT's TraPac Container Terminal at Dames Point welcomed the largest vessel to ever call on Jacksonville's seaport. The 6,600 TEU Yang Ming Milestone traveled from Southeast Asia through the Suez Canal and called on other U.S. East Coast ports before arriving at TraPac. The Milestone is more than 1,000 feet in length and at a breadth of 131 feet is too large to fit through the current Panama Canal locks.

FINANCIAL HEALTH

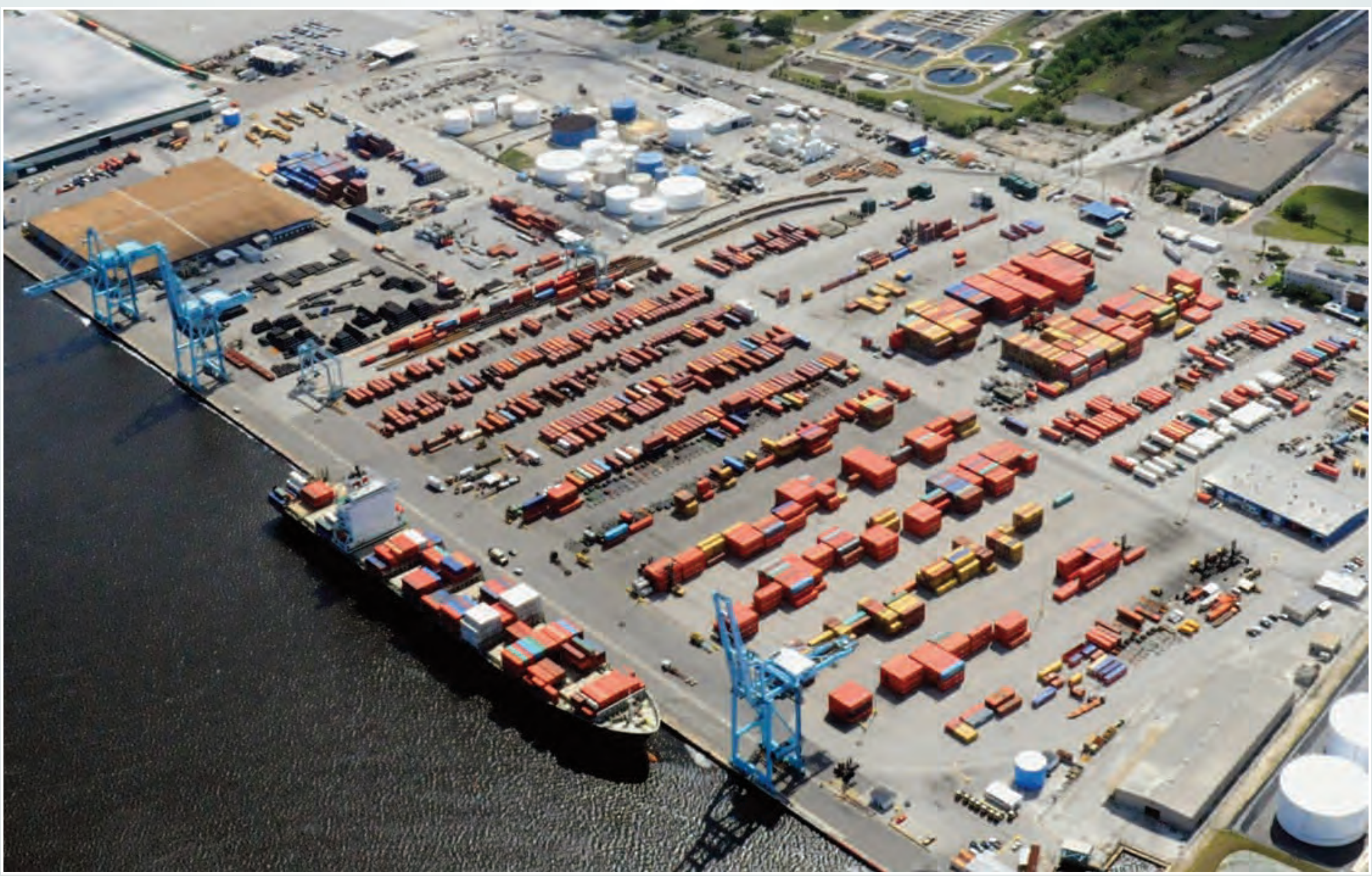
JAXPORT earned $52 million in operating revenues in FY 2012, a two percent increase over FY 2011 and the port's 12th consecutive year of operating revenue growth. Strong expense side management and savings in security costs and salaries/benefits allowed JAXPORT to reduce operating expenses to $30 million in FY 2012 from $31 million in FY 2011, a three percent decrease. At the same time, operating income in FY 2012 rose 10 percent to $21.7 million from $19.8 million in FY 2011 thanks to increases in container and vehicle volumes and expense controls.

These financial results reflect JAXPORT's positive year operationally with additional records set in container volume and vessel calls. JAXPORT facilities moved a record 923,660 containers or twenty-foot equivalent units (TEUs) in FY 2012. Container volume has grown more than 32 percent since 2008. When combined with the volumes from private users of the harbor, Jacksonville is now Florida's number one container port.

A total of 8.2 million tons of cargo shipped through JAXPORT facilities in FY 2012 and vessel calls rose to a record 2,083. In addition, JAXPORT continued to see a rebound in vehicle volumes (608,726) to near pre-recession levels.

In 2012, Moody's Investors Service 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 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 budgeted $117.5 million for capital projects in FY 2013. This includes Wharf Rehabilitation projects at Blount Island and Talleyrand Terminals, Mile Point Improvements, the Intermodal Container Transfer Facility at Dames Point, and Spoil Site Improvements at Bartram Island.



ECONOMIC ENGINE

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

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

The latest research concludes these positions provide an average annual salary of $43,980, well above the Jacksonville average.

The port accounts for $19 billion in economic impact annually, including $1.8 billion of personal wages paid by port-related companies and re-spending by workers; $1.9 billion in business revenue generated by port-related companies; $320 million generated in U.S. Customs revenue; $385 million in local purchases made by port-related businesses; and $130 million paid in state and local taxes by port businesses.

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

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

AMPORTS TO HANDLE NEW HONDA CR-V

On April 2, 2012, JAXPORT announced that the all-new 2012 Honda CR-Vs manufactured in East Liberty, Ohio will be exported through Jacksonville as a result of Honda's expanding export business and the company's confidence that JAXPORT is the ideal departure port for these vehicles en route to the Middle East, Africa and Puerto Rico. JAXPORT is the #1 port in the U.S. for vehicle exports.

PROJECT DESIGN AGREEMENT SIGNED FOR MILE POINT PROJECT

The U.S. Army Corps of Engineers and JAXPORT signed the Mile Point Project Design Agreement on May 23, 2012 during a ceremony at JAXPORT's Talleyrand Marine Terminal. Completing the Mile Point project will ease a navigational restriction in the federal channel, increasing JAXPORT’s competitiveness. Completing the project is expected to support thousands of jobs throughout the region.

EVERGREEN MAKES FIRST REGULAR CALL AT JAXPORT

On August 4, 2012, JAXPORT and the TraPac Container Terminal at Dames Point marked a major milestone with the first regular liner call of international shipping giant Evergreen, one of the largest carriers in the world. The Ever Unique, which can carry more than 5,300 TEU is part of a new service jointly operated by Evergreen and MOL of Japan. The new service expedites the movement of cargo directly from major ports in Asia (Vietnam, South China and Singapore) through the Suez Canal to Jacksonville and other key destinations on the U.S. East Coast.

CARGO HIGHLIGHTS

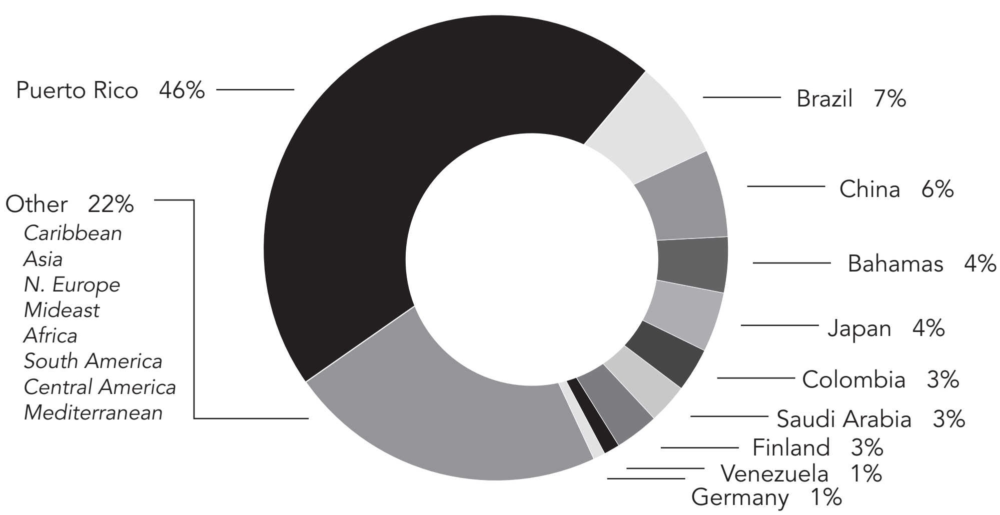
In FY 2012, JAXPORT facilities handled 8.2 million tons of cargo, a slight increase over the prior year, and reached a significant milestone in container volume, moving a record number of twenty-foot equivalent units (TEUs) for the fourth consecutive year. The port surpassed the 923,660 TEU mark, up 2.6 percent from the previous year. When combined with the containers moved by private users of the St. Johns River harbor, these volumes make Jacksonville the largest container port in Florida.

JAXPORT was one of a handful of U.S. container ports to experience increases in volumes from FY 2009 through FY 2012, reflecting the continued addition of new business. In 2012, JAXPORT welcomed the largest container ship to ever visit Jacksonville: the 6,600 TEU Yang Ming Milestone, which travelled through the Suez Canal to reach the East Coast of the U.S.

In addition, JAXPORT logged a record 2,083 vessel calls in 2012, a 2.6 percent increase over the previous fiscal year and the third consecutive year of growth in vessel calls.

The shipment of vehicles and other Ro/Ro cargoes---primarily passenger cars, trucks and heavy equipment---continued to show a significant rebound in 2012, with the port moving 608,726 units, up 17 percent from 2011.

Top Trade Lanes FY 11/12



*Source: Compiled from PIERS/Journal of Commerce Data. Includes all harbor facilities. *Coal and Petroleum not included*

JAXPORT WELCOMES DISNEY

JAXPORT, Mitsui O.S.K. Lines (MOL) and TraPac announced on June 19, 2012 that Walt Disney Parks and Resorts has started importing most of the merchandise headed to its Central Florida parks through JAXPORT's TraPac Container Terminal at Dames Point, a shift that underscores the port's growing attractiveness to shippers while also supporting statewide efforts to move Florida cargo through Florida seaports.

CRUISE HIGHLIGHTS

In FY 2012, a record 195,397 passengers embarked aboard Carnival Cruise Line's Fascination at JAXPORT's North Jacksonville cruise terminal, a nearly 3.3 percent increase over FY 2011.

The 2,052 passenger Fascination took a total of 79 voyages out of JAXPORT's cruise terminal at Dames Point in FY 2012. The Fascination currently offers cruises to Key West and the Bahamas year-round.

JAXPORT continues to work toward capitalizing further on its growing cruise business.

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

COMMUNITY

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

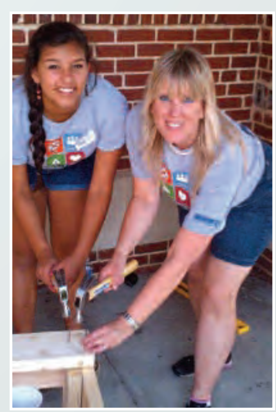
Here are just some of the programs JAXPORT recently sponsored or participated in:

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

Jobs / Workforce / Education
- The jaxportjobs.com website serving 125K+ registered users and 250 companies
- Duval, Baker, Clay, Columbia and St. John's County Public Schools "Career Academies"
- Support of UNF, FSCJ and SJRSTATE logistics degrees and certifications
- Big Brothers Big Sisters mentoring programs: R.L. Brown Elementary, William M. Raines and Jean Ribault High Schools
- Military veterans, trade, college career showcases

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

Community
- JAXPORT employees contributed more than $31,000 to the United Way of Northeast Florida and the Community Health Charities' 2012 Campaign
- American Heart Association, American Cancer Society, Leukemia Lymphoma Society fundraising walks
- Community Angel Tree of Giving and food drives
- The JAXPORT Gallery hosts free exhibitions highlighting local artists and their original works
- Safe Harbor Boys Home
- Port tours for community organizations, schools, business and industry



FUTURE

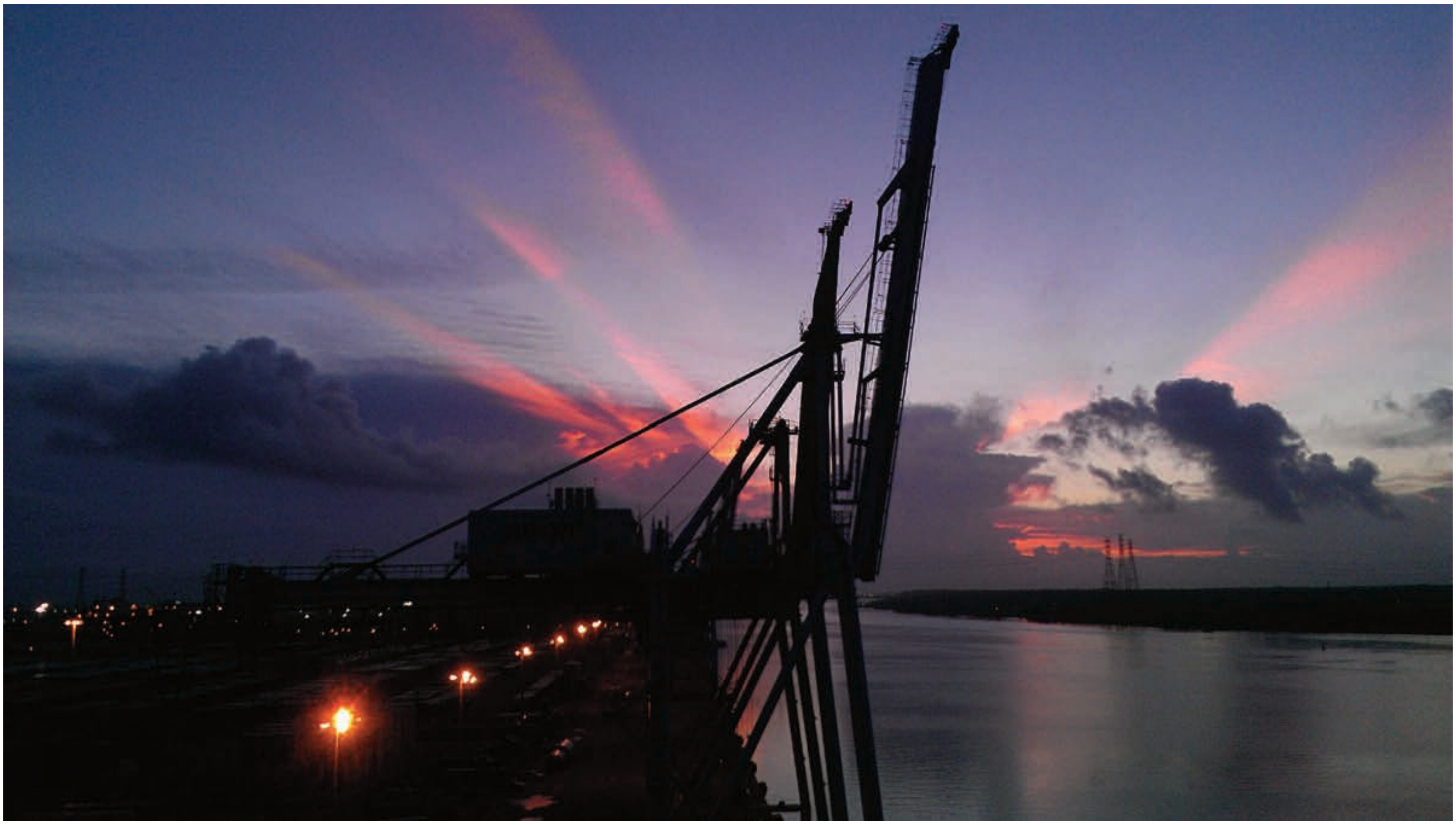
ENHANCE INFRASTRUCTURE
JAXPORT is in the midst of a comprehensive construction program to rebuild docks and rail at both the Blount Island and Talleyrand Marine Terminals. A well-designed, phased reconstruction over several years is allowing operations to continue while fortifying the facilities for future growth.

IMPROVE THE FEDERAL CHANNEL
There are currently two projects underway to improve commercial use of the St. Johns River harbor: a project solving a navigational hazard at Mile Point and a federal study on additional deepening, both crucial components in the plan to attract future seaport business.

EXPAND DREDGE DISPOSAL CAPABILITIES
JAXPORT is working with the Jacksonville District of the U.S. Army Corps of Engineers on a step-by-step plan to increase spoil site capacity in order to accommodate the needs of a rapidly growing seaport during the next decades.

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

DEVELOP DAMES POINT ON-DOCK RAIL
JAXPORT is proceeding on the design of a $30 million Intermodal Container Transfer Facility at Dames Point, home to the MOL/TraPac Container Terminal. This ICTF, paid through federal and state transportation grants, will increase the competitiveness of the entire JAXPORT terminal network, offering the level of efficiency shippers require in today's demanding marketplace.



FINANCIALS

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, Florida (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2012 and 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in financial position and the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying revenue recognition – GAAP to budgetary basis reconciliation, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

McGladrey LLP

Jacksonville, Florida
January 22, 2013

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

In fiscal year 2012, the Jacksonville Port Authority moved a record number of containers for a second consecutive year, passing 920,000 TEUs and maintaining Jacksonville's ranking as the No. 1 container port complex in the state of Florida. Additionally, after remaining one of the very few ports in the nation to record consecutive years of container growth through the economic downturn (29 percent growth in TEUs FY09-11), JAXPORT again posted a gain of 3 percent year-over-year growth in TEUs. FY12 also ended with a strong rebound in vehicle volumes (17 percent growth), an increase in vessel calls (2,083; up 3 percent over the previous year) and another record year in the number of cruise passengers served (195,397). Break bulk continued to be impacted by the sluggish construction market although dry bulk held steady this year and liquid bulk volumes were up.

Revenues for the port grew slightly over fiscal 2011 to finish at $51.8 million, the 12th consecutive year-over-year revenue growth for JAXPORT. A reduction in dredging costs and continued strong expense side management in FY12, allowed the port to record nearly a $1 million reduction in operating expenses and a 10 percent increase in operating income ($21.7 million) compared to the previous fiscal year.

JAXPORT remains at the center of a shift in international trade to the U.S. East Coast and ideally suited to attract opportunity through expansion and new lines of business. It continues to be the nation's No. 1 vehicle export port; the No. 1 port for trade with Puerto Rico by tonnage and value and ranks among the top 15 U.S. container ports. Twelve of the world's top 15 shippers call on Jacksonville and JAXPORT now offers service to all major European and Asian ports, including services through the Suez Canal. Some of the nation's most well-known and beloved brands (Disney, Maxwell House, Rooms to Go, and more) have shifted cargo to JAXPORT in the past few years, as word spreads of the port's efficiencies.

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

(All dollar amounts presented below are in thousands)

2012 vs. 2011

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

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

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

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

2011 vs. 2010

Operating Revenues for 2011 were $50,871, up .5% over last year. Most significant was an increase in Auto revenues of $1,556, or 12%, partly offset by a decline in Military related revenues of $1,079, or 51%. Cruise revenue was up a modest $140, or 4%. Break bulk, dry bulk, and liquid bulk revenues were flat, positively impacted by contract guarantees. Other miscellaneous revenue categories, including miscellaneous docking fees and dredge spoil fees, declined $309.

Operating expenses for 2011, less depreciation and amortization, were $31,100, a decrease of $890 (3%) from prior year. Salaries and benefits were up $401, or 3%, services and supplies were up $291, or 5% primarily from increased fuel costs. More than offsetting these increases were decreases in dredging expenses of $1,299, or 40%, reductions in repairs and maintenance of $172, and reduced promotion and advertising expense of $132. Year to year operating income before depreciation and amortization was $19,771, an increase of $1,125 over prior year.

Net non-operating (expenses) were ($8,376) compared to revenues of $3,178 in prior year. In 2011, the Authority recorded a contribution of $3,885 of previously constructed peripheral highway improvements (interchange) to the Florida Department of Transportation. 2010 included a one-time $6.8 million gain on sale of land transaction. Shared revenue from primary government declined $1,053, or 13%, a result of increased debt principal payments serviced by these revenues, and an approximate 7% reduction in the communication service tax revenue component. The 7% decline is attributable to usage trends and other economic factors. 2011 interest expenses declined $471, or 4% as a result of a debt refunding in a favorable rate environment.

Capital contributions recorded in 2011 were $5,113, compared to $9,606 in prior year. At the close of fiscal year 2011, the Authority had net assets of $300,912, a decrease of $7,508 (2.4%), compared to prior year net assets of $308,420.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Notes to the financial statements

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

At September 30, 2012, the Authority's net assets were $303,840, an increase of $2,928 from prior year net assets of $300,912. The increase in 2012 was primarily attributable to operating income before depreciation and amortization of $21,725 and capital contributions of $14,956, less depreciation and amortization of $23,969, and less net non-operating expenses of $9,784. Non-operating items include interest expense of $10,883, a one-time contribution of assets (ferry operation) to the City $4,384, and shared revenue from primary government of $5,712.

(In thousands of dollars)	2012	2011	2010
NET ASSETS			
Current assets	$ 32,639	$ 38,069	$ 38,390
Noncurrent assets (excluding capital assets)	46,069	33,216	63,408
Capital assets	611,123	600,909	589,912
Total assets	689,831	672,194	691,710
Current liabilities	27,922	32,987	31,596
Revenue bonds outstanding (net of current portion)	194,284	182,218	188,550
Other noncurrent liabilities	163,785	156,077	163,144
Total liabilities	385,991	371,282	383,290
Net assets			
Invested in capital assets, net of related debt	261,312	252,599	248,863
Restricted for capital projects	-	4,396	14,621
Restricted for debt service	18,203	15,453	13,303
Restricted – other	2,547	2,595	2,582
Unrestricted	21,778	25,869	29,051
Total net assets	$ 303,840	$ 300,912	$ 308,420

Total assets at year end 2012 were $689,831, an increase of $17,637. Capital assets increased $10,214, primarily wharf reconstruction and spoil sites development. Additionally, non-current assets (excluding capital assets) increased $12,853, reflecting increased construction cash balances of $14,268, mainly proceeds from a new bond issue/refunding in 2012. Partly offset by a decrease in current assets of $5,430, primarily the result of the conversion of two debt instruments to monthly amortization in FY 2012. This created a timing impact of $4,289 in principal payments accelerated into FY 2012, but eliminated the need for sinking fund reserves on this debt, and also results in reduced interest over time.

Total liabilities increased $14,709 in FY 2012. Revenue bonds increased net $12,066, reflecting $22,390 of new debt borrowings, partly offset by scheduled debt payments on other long term debt. The other non-current liabilities category includes a $7,750 increase in line of credit borrowings. Current liabilities declined $5,065, primarily from final crane payments on two cranes accrued for in 2011 - but paid in 2012, in the amount of $4,641.

The Authority is engaged in a capital-intensive industry, and as such its largest portion of net assets is invested in capital assets, net of debt. The next largest components of net assets are unrestricted net assets and restricted for future debt service. The restricted for capital projects, zero at year end 2012, relates to insurance claim balances (cranes) fully collected and expended in 2012.

Revenue, Expenses and Changes in Net Assets

	2012	2011	2010
CHANGES IN NET ASSETS			
Operating revenue	$ 51,825	$ 50,871	$ 50,636
Operating expenses			
Salaries and benefits	13,213	13,802	13,401
Services and supplies	6,525	6,318	6,027
Security services	4,055	5,027	4,973
Business travel and training	359	303	360
Promotion, advertising, dues and memberships	841	605	737
Utility services	1,207	1,282	1,173
Repairs and maintenance	1,750	1,686	1,858
Dredging	2,080	1,966	3,265
Miscellaneous	70	111	196
Total operating expenses	30,100	31,100	31,990
Operating income before depreciation/amortization	21,725	19,771	18,646
Depreciation and amortization	23,969	24,016	24,448
Operating loss	(2,244)	(4,245)	(5,802)
Non-operating revenue (expense)			
Interest expense	(10,883)	(11,511)	(11,982)
Shared revenue from primary government	5,712	7,110	8,163
Gain (loss) on sale of assets	(709)	(359)	6,808
Insurance recovery, net	(323)	-	297
Capital contributions to other government agencies	(4,384)	(3,885)	-
Other non-operating	803	269	(108)
Total non-operating revenue (expense)	(9,784)	(8,376)	3,178
Income (loss) before capital contributions	(12,028)	(12,621)	(2,624)
Capital contributions	14,956	5,113	9,606
Changes in net assets	2,928	(7,508)	6,982
NET ASSETS			
Beginning of year	300,912	308,420	301,438
End of year	$ 303,840	$ 300,912	$ 308,420

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

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

Total operating expenses before depreciation and amortization were $30,100 declining $1,000 (3%), from prior year expenses of $31,100. Accounting for the decline was reduced salaries and benefits costs of $589 (4%), primarily from reduced pension costs and curtailment of incentive pay. Additionally, security costs declined $972 (19%), a factor of cost containment, regulatory environment, and a shift to in-house staffing. Categories noting increases were services and supplies, up $207 (3%), primarily fuel costs, and increased promotional and advertising costs, up $236 (39%). Depreciation expense was $23,939, flat year-to-year. As a result of positive revenue growth and reduced expenses year-to-year, operating income improved $2,001 in FY 2012.

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

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

At the close of fiscal year 2012, the Authority had net assets of $303,840, an increase of $2,928 (1%), compared to prior year net assets of $300,012.

Revenue, Expenses and Changes in Net Assets – 2011 vs. 2010

Operating revenue for 2011 was $50,871, a .5% increase over prior year revenues of $50,636. Auto revenues were up $1,556 (12%), partly offset by a decline in Military related revenues of ($1,079), a non-core line of business. Other miscellaneous revenues, including miscellaneous docking fees and dredge spoil fees declined ($309), or 16%. Cruise revenue was up $140, or 4.1%.

Operating expenses, before depreciation and amortization, were $31,100 compared to $31,990 in 2010, a $890 decline (3%). Dredging expenses declined $1,299 year to year (due to favorable weather conditions) and accounted for a net reduction in overall expenses in 2011. Repairs and maintenance and promotion and advertising expenses also reflected savings in 2011. Salaries and benefits increased $401, or 3%, and services and supplies were up $291, or 4.8%, mainly attributable to higher fuel costs. Depreciation and amortization was $24,016, a 1.8% reduction compared to prior year.

Net non-operating (loss) was ($8,376) in 2011, compared to $3,178 revenue in 2010. Contributing to the year to year variance were two significant one-time items, a highway improvement projection contribution in 2011, in the amount of ($3,885), while 2010 included a large land sale gain of $6,844. Fiscal year 2011 reflects a ($359) loss on sale/retirement of assets. Shared revenue from primary government declined to $7,110 in 2011 from $8,163 in 2010, reflecting an approximate 7% decline in tax receipts (communications service tax) and an increase in debt service obligations serviced by this funding source. Interest expense declined to $11,511 from $11,982 in prior year (4%), reflecting a significant bond refunding and a favorable interest rate environment.

Capital contributions in 2011 were $5,113, compared to $9,606 in 2010. Fiscal year 2010 included $6,288 in contributions related to a harbour deepening project.

As a result of the above, the Authority recorded a decrease in net assets of $7,508 in 2011 compared to a net increase in net assets of $6,982 in 2010.

Cash Flows

2012 vs. 2011

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

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

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

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

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

2011 vs. 2010

Net cash provided from operating activities in 2011 was $18,566 compared to $17,932 in 2010, an increase of $634. This amount reflects increased receipts from customers of $1,339, partly offset by payments to suppliers – up $32, and payments to employees – up $673.

Net cash from noncapital financing activities in 2011 was $7,451, a decline of $600 from prior year receipts of $8,051. Shared revenue from primary government receipts declined $749, to $7,262 in 2011 from $8,011 in 2010. The decrease is attributable to increased debt service payments serviced by this funding source, and reduced communication service tax revenue receipts. Operating grant receipts increased $149 in 2011.

Net cash flows from capital and related financing activities showed net outflows of ($29,334) in 2011, compared to ($25,227) in 2010. Significant outflows of funds in 2011 included capital spending of $23,038, and total debt service payments of $19,895. Major inflows of funds included proceeds from an insurance claim of $7,704 used to purchase replacement cranes, and capital contributions in aid of construction of $3,988. Other activity included a debt refunding in 2011, which also included borrowings for a bond reserve funding, netting $2,036 of inflows. Remaining activities included proceeds on sales of fixed assets, concurrently used to pay down $1,650 on an existing line of credit.

Cash flows from investing activities were $99 in 2011, compared to ($185) in prior year.

Cash and equivalents at the end of 2011 were $42,248, compared to $45,466 in 2010. The cash balance of $42,248 at September 30, 2011 is comprised of $10,073 in unrestricted cash, $7,459 in construction cash, $2,212 in restricted crane insurance proceeds, $19,970 in restricted bond service and reserve funds, and $2,534 for renewal and replacement funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, channel improvements, buildings and building improvements, and equipment. At September 30, 2012, the Authority had commitments for future construction work of approximately $19 million. Additional information can be found in the accompanying notes to the financial statements.

2012 vs. 2011

At September 30, 2012 the Authority had $611,123, net of depreciation, invested in capital assets, a net increase of $10,214 over prior year net assets of $600,909. Significant additions for 2012 include $12,288 for spoil sites, $11,244 for wharf rehabilitation, and $6,207 for a rail track project. The remainder includes various port infrastructure projects. Ferry Assets of $4,384 were transferred to the City of Jacksonville in 2012. Depreciation expense for 2012 was $23,912, a slight increase compared to $23,678 in 2011.

2011 vs. 2010

At September 30, 2011 the Authority had $600,909, net of depreciation, invested in capital assets, a net increase of $10,997 over prior year net assets of $589,912. Significant additions for 2011 include $13,611 for two new cranes, $8,537 in harbor and harbor deepening costs, and the remainder includes various port infrastructure projects including dock improvements, dredge spoil site improvements and a rail track rehabilitation project. Depreciation expense for 2011 was approximately $23,678, a slight decrease from $24,110 in 2010.

Long-Term Debt

2012 vs. 2011

At September 30, 2012 the Authority had outstanding bonds and notes payable of $203,425, an increase of $12,647 compared to $190,958 at prior year end (both net of unamortized bond discounts and premiums, and deferred loss on refundings). In September 2012, the Authority issued Revenue and Refunding Bonds, Series 2012 in the amount of $87,410, of which $65,020 was used to partially refund the Series 2008 bonds. Additionally, $6,789 of these proceeds was used to fund a related reserve account. Net proceeds of approximately $19 million will be used to fund ongoing construction projects. Capital lease obligations outstanding at September 30, 2012 were $2,155. The line of credit balance outstanding at September 30, 2012 was $37,694.

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

The Authority exceeded its required minimum debt service coverage ratio for the 2012 fiscal year.

2011 vs. 2010

At September 30, 2011 the Authority had outstanding bonds and notes payable of $190,958, a decrease of $5,949 compared to prior year (both net of unamortized bond discounts and premiums, and deferred loss on refundings). The decline in outstanding balances result from scheduled debt service principal payments, partly offset by a Series 2010 Revenue note which refunded the Series 2000 Bonds. New borrowings include funding for note reserve funds of approximately $1,898 associated with the Series 2010 Revenue note. Capital lease obligations outstanding were $3,236 and $4,277 for 2011 and 2010, respectively. The total line of credit balance outstanding was $29,944 at September 30, 2011 compared to $31,458 at September 30, 2010.

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

The Authority exceeded its required minimum debt service coverage ratio for the 2011 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, 2012 and 2011.

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 Assets
September 30, 2012 and 2011

(In thousands of dollars)	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 11,897	$ 10,073
Restricted cash and cash equivalents	6,253	12,951
Accounts receivable, net	5,273	5,271
Notes and other receivables	1,784	1,758
Insurance claim receivable	-	2,595
Grants receivable	5,870	4,001
Inventories and other assets	1,562	1,420
Total current assets	32,639	38,069
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	17,309	11,765
Restricted for capital projects:		
Cash and cash equivalents	21,727	7,459
Insurance claim receivable	-	2,184
Deferred outflow of resources	3,146	3,022
Note receivable	380	1,900
Grants receivable	800	2,400
Dredged soil replacement rights, net	-	56
Deferred charges, net	2,707	4,430
Capital assets, net, primarily held for lease	611,123	600,909
Total noncurrent assets	657,192	634,125
Total assets	$ 689,831	$ 672,194

Jacksonville Port Authority

Statements of Net Assets
September 30, 2012 and 2011

(In thousands of dollars)	2012	2011
Liabilities		
Current liabilities		
Accounts payable	$ 2,563	$ 2,687
Accrued expenses	479	863
Accrued interest payable	2,677	4,455
Construction contracts payable	2,334	6,012
Retainage payable	590	144
Unearned revenue	6,212	6,203
Deposits	2,802	2,802
Capital lease obligations	1,124	1,081
Bonds and notes payable	9,141	8,740
Total current liabilities	27,922	32,987
Noncurrent liabilities		
Unearned revenue	110,653	109,691
Accrued expenses	2,724	2,728
Derivative instrument liability	3,146	3,022
Other Obligations	8,537	8,537
Line of credit	37,694	29,944
Bonds and notes payable	194,284	182,218
Capital lease obligations	1,031	2,155
Total noncurrent liabilities	358,069	338,295
Total liabilities	385,991	371,282
Net Assets		
Invested in capital assets, net of related debt	261,312	252,599
Restricted for		
Capital projects	-	4,396
Debt service	18,203	15,453
Repair and replacement	2,547	2,595
Unrestricted	21,778	25,869
Total net assets	$ 303,840	$ 300,912

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2012 and 2011

(In thousands of dollars)	2012	2011
Operating revenue	$ 51,825	$ 50,871
Operating expenses		
Salaries and benefits	13,213	13,802
Services and supplies	6,525	6,318
Security services	4,055	5,027
Business travel and training	359	303
Promotions, advertising, dues and membership	841	605
Utility services	1,207	1,282
Repairs and maintenance	1,750	1,686
Dredging	2,080	1,966
Miscellaneous	70	111
Total operating expenses	30,100	31,100
Operating income before depreciation and amortization	21,725	19,771
Depreciation and amortization expense	23,969	24,016
Operating loss	(2,244)	(4,245)
Non-operating revenues (expenses)		
Interest expense	(10,883)	(11,511)
Investment income	232	228
Shared revenue from primary government	5,712	7,110
Intergovernmental revenue	253	186
Insurance recovery, net	(323)	-
Loss on sale of assets	(709)	(359)
Capital contributions to other government agencies	(4,384)	(3,885)
Other non-operating	318	(145)
Total non-operating revenue (expense)	(9,784)	(8,376)
Loss before capital contributions	(12,028)	(12,621)
Capital contributions	14,956	5,113
Change in net assets	2,928	(7,508)
Net assets		
Beginning of year	300,912	308,420
End of year	$ 303,840	$ 300,912

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2012 and 2011

(In thousands of dollars)	2012	2011
Cash flows from operating activities:		
Receipts from customers	$ 52,805	$ 51,166
Payments for services and supplies	(17,178)	(18,428)
Payments to/for employees	(13,351)	(14,172)
Net cash provided by operating activities	22,276	18,566
Cash flows from noncapital financing activities:		
Operating grants	247	189
Receipts from primary government	5,712	7,262
Net cash provided by noncapital financing activities	5,959	7,451
Cash flows from capital and related financing activities:		
Proceeds from capital debt	92,193	18,976
Principal paid on debt refunding	(65,020)	(16,940)
Line of credit activity	7,750	(1,650)
Contributions-in-aid of construction (grants)	14,693	3,988
Acquisition and construction of capital assets	(42,266)	(23,038)
Principal paid on capital debt	(14,110)	(9,398)
Interest paid on capital debt	(11,908)	(10,497)
Net proceeds from insurance claim	4,456	7,704
Proceeds from sale of assets	1,652	1,739
Debt issuance costs and other	(840)	(218)
Net cash used in capital and related financing activities	(13,400)	(29,334)
Cash flows provided from investing activities:		
Interest on investments	103	99
Net cash provided by investing activities	103	99
Net increase (decrease) in cash and cash equivalents	14,938	(3,218)
Cash and cash equivalents		
Beginning of year	42,248	45,466
End of year	$ 57,186	$ 42,248
(continued)		

(In thousands of dollars)	2012	2011
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (2,244)	$ (4,245)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	23,912	23,678
Provision for uncollectible accounts	-	25
Amortization of dredged soil replacement rights	57	338
(Increase) decrease in accounts receivable and other current assets	(158)	(455)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(262)	(1,616)
Unearned revenue	971	841
Total adjustments	24,520	22,811
Net cash provided by operating activities	$ 22,276	$ 18,566
Noncash investing, capital and financing activities:		
Construction costs paid on account	$ 2,924	$ 6,156
Grants receivable / contributed capital / unearned revenue	6,670	6,401
Note receivable resulting from land sale	2,030	3,421
Amortization of deferred charges / unamortized discounts	1,304	1,289
Deferred charges paid from debt proceeds	737	170
Constructed assets contributed to other government	4,384	3,885
Constructed assets transferred to other government	-	10,553

See Notes to the Financial Statements.

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

Note A – Summary of Significant Accounting Policies (continued)

4. Basis of accounting

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

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

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

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB), issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The Authority has elected not to apply FASB ASC issued subsequent to November 30, 1989.

5. Budgeting procedures

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

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

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

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

Note A – Summary of Significant Accounting Policies (continued)

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

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

6. Cash and cash equivalents

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

7. Investments

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

8. Restricted Assets

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

9. Capital assets

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

Note A – Summary of Significant Accounting Policies (continued)

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

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

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

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

10. Inventories and prepaid items

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

11. Dredged soil replacement rights

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

12. Unearned revenue

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

Note A – Summary of Significant Accounting Policies (continued)

13. Compensated absences (accrued leave plan)

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. Individual leave accrual rates vary based upon position and years of service criteria. The Authority's accrued leave plan liability at the end of fiscal years 2012 and 2011 was $1,212,000 and $1,066,000, respectively. Maximum leave accrual balances cap at 480 hours for all employees. Additionally, non-union employees are required to take 40 consecutive hours of leave on an annual basis.

14. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2012, total conduit debt was $90,205,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

15. Long-term obligations

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

16. Net assets

In the financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. 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 Assets – This category represents the net assets of the Authority which are restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net asset of the Authority, which are not restricted for any project or other purpose.

Note A – Summary of Significant Accounting Policies (continued)

17. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville ("City") and millage payments from the Jacksonville Electric Authority ("JEA") pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement was amended on December 12, 2007 to allow the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. It also concurrently modified payment of pledged revenues to be allocated on a monthly basis, no later than the last business day of each month following the month in which the city receives the pledged revenues. The Authority's share of the communications service tax was $5,712,000 and $7,110,000 in 2012 and 2011, respectively.

18. Use of estimates

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

19. Reclassifications

Certain reclassifications were made to the 2011 financial statement presentation in order to conform to the 2012 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2012 and 2011, the carrying amount of the Authority's cash deposit accounts, was $34,706,000 and $37,182,000, 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.

Note B – Deposits and Investments (continued)

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

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

As of September 30, 2012, all investments are maintained in highly liquid money market funds, which are presented as cash and cash equivalents in the Authority's financial statements.

Interest Rate Risk

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

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

2012	Investment Maturities (in Years)	
(in thousands)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 22,480	$ 22,480
Total investments	$ 22,480	$ 22,480

2011	Investment Maturities (in Years)	
(in thousands)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 5,066	$ 5,066
Total investments	$ 5,066	$ 5,066

Note B – Deposits and Investments (continued)

Credit Risk

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

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

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

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

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

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

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

2012		
Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100%
2011		
Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100%

Note B – Deposits and Investments (continued)

Custodial Credit Risk

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

As of September 30, 2012, and 2011, the Authority's investment portfolio held only money market funds which are not subject to custodial credit risk.

Concentration of Credit Risk

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

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

As of September 30, 2012 and 2011, the Authority had no concentrations of credit risk.

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2012 and 2011 was as follows:

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

Note C – Capital Assets (continued)

2011 *(in thousands)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 222,760	$ 8,537	$ -	$ 231,297
Construction in progress	14,522	25,497	(6,516)	33,503
Total capital assets not being depreciated	237,282	34,034	(6,516)	264,800
Other capital assets				
Buildings	103,351	-	(131)	103,220
Improvements	405,287	6,525	(218)	411,594
Equipment	95,574	959	(1,531)	95,002
Total other capital assets at historical cost	604,212	7,484	(1,880)	609,816
Less accumulated depreciation for:				
Buildings	38,021	3,657	(131)	41,547
Improvements	158,048	14,644	(134)	172,558
Equipment	55,513	5,377	(1,288)	59,602
Total accumulated depreciation	251,582	23,678	(1,553)	273,707
Other capital assets, net	352,630	(16,194)	(327)	336,109
Capital assets, net	$ 589,912	$ 17,840	$ (6,843)	$ 600,909

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 $56.8 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. While title of the deepened channel remains with the USACE, the Authority retains access to the deepened waterway, in accordance with agreement. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as depreciable land improvements, with a 20 year life. To date, the Authority's share of these costs total approximately $17.4 million.

Note D – Capitalization of Interest

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

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2012 and 2011:

(In thousands of dollars)	2012	2011
Total interest expense incurred	$ 11,062	$ 11,563
Interest expense associated with construction	179	52
Net interest capitalized	179	52
Net interest expense incurred	$ 10,883	$ 11,511

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 $705,872,000 and accumulated depreciation of $224,626,000 as of September 30, 2012. Revenues recognized for facility leases for the fiscal year ended September 30, 2012 and 2011 were $19 million and $18.6 million, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2012, are as follows:

(Amounts in thousands)	MOL	All Other	Total
2013	$ 6,899	$ 12,223	$ 19,122
2014	6,957	10,718	17,675
2015	7,020	9,454	16,474
2016	7,083	9,028	16,111
2017	7,155	7,564	14,719
Thereafter	11,080	44,357	55,437
	$ 46,194	$ 93,344	$ 139,538

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., LTD., Japanese Corporation (Lessee), whereby the Authority (Lessor) agreed to construct a 158 acre container terminal for exclusive use by the lessee. The 30 year lease term begins at the date of project completion, which occurred January 2009. The lessee is responsible for all operational costs of the facility over the lease term. At the expiration of the lease term (which is expected to be in 2039), the lessee will have the option to extend the lease agreement in 10 year increments. Per terms of the 30 year agreement, all constructed facilities and equipment are owned by and reflected as capital assets of the Authority.

Financing

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

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

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2038. In addition to the $100 million of prepaid lease revenue, MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2023. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2012 and 2011 totaled approximately $117 million and $116 million, respectively.

Note G – Pension Plans

Plan description

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

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

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

Funding policy

Regardless of which System plan an employee selects, the Authority is required by Florida Statute to contribute 6.30% of senior management, 5.44% of deferred retirement option participants (DROP) and 5.18% of all other employee earnings. As of July 1, 2011, covered employees, excluding DROP participants, are now required to make a 3% contribution to the System.

The total contribution requirement for both plans in the accompanying financial statements, contributed in accordance with actuarially required amounts, was $541,000, $997,000, and $1,037,000 for the years ended September 30, 2012, 2011 and 2010, respectively.

Note H – Deferred Compensation Plan

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

Note H – Deferred Compensation Plan (continued)

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. The Authority's 401(a) matching contributions were $142,000 and $147,000 for the years ended September 30, 2012 and 2011, 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 107 active participants in the group medical plan, and one participating retiree.

Prior to implementation of GASB 45 (implemented September 30, 2008), the Authority had previously not recorded a liability for these benefits. However, under GASB 45, an implicit rate subsidy (an age adjusted premium benefit), is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligation at September 30, 2012:

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost (ARC)	$ 41,000
Interest on Plan Obligation	10,000
Adjustment to ARC	(9,000)
Annual Plan Retiree Costs	42,000
Less: Contributions Made (estimated premium paid by Authority)	10,000
Change in Plan Obligation	32,000
Plan Obligation – Beginning of Year	258,906
Plan Obligation – End of Year	$ 290,906

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

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

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	111,869	39.3%	226,906
9/30/2011	32,000	23.8%	258,906
9/30/2012	32,000	23.8%	290,906

<u>OPEB Funding Status</u>

The following data presents the GASB 45 funding status as of September 30, 2012:

Actuarial Valuation Date	October 1, 2010
1. Actuarial Accrued Liability	$ 452,000
2. Actuarial Value of Assets	-
3. Unfunded Actuarial Accrued Liability (UAAL)	$ 452,000
4. Funded Ratio	0.0%
5. Annual Covered Payroll	$ 7,652,974
6. UAAL as a percentage of payroll	5.9%

Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan and the changes in estimated liability for claims incurred but not reported. Workers' Compensation and General Liability insurance premiums amounted to $125,000, $149,000, and $69,000 for the years ended September 30, 2012, 2011 and 2010, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. This allows the Authority to receive the best available property insurance rates. Premium expense amounted to $502,000, $514,000, and $571,000, for the years ended September 30, 2012, 2011 and 2010, respectively.

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

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

Capital Leases

In 1999, the Authority entered into a lease-purchase agreement for the acquisition of six cranes in the amount of $24,277,000. The agreement has a fixed term rate of 3.88% and calls for semi-annual payments of $598,265. Outstanding balances payable to SunTrust Equipment Finance and Leasing Corporation at September 30, 2012 were $2,155,000.

The following is a schedule of future minimum lease payments:

(In thousands of dollars)	
Years ending	
2013	$ 1,197
2014	1,060
Total minimum lease payments	2,257
Less: Amount representing interest	102
Present value of minimum lease payments	$ 2,155

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Assets acquired through capital leases are as follows:

(In thousands of dollars)	2012	2011
Assets:		
Equipment	$ 24,277	$ 24,277
Less: accumulated depreciation	(12,439)	(11,444)
	$ 11,838	$ 12,833

Long-term Debt

Long-term debt activity for the years ended September 30, 2012 and 2011 was as follows:

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

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Long-term Debt (continued)

	2011				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 106,940	$ -	$ (16,940)	$ 90,000	$ -
Revenue Note – Tax Exempt	52,090	18,976	(4,090)	66,976	4,330
Revenue Note – Taxable	6,420	-	(501)	5,919	531
State Infrastructure Bank Loan	37,793	-	(3,766)	34,027	3,879
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(6,336)	(905)	1,277	(5,964)	-
Total bonds and notes payable	196,907	18,071	(24,020)	190,958	8,740
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	2,878	144	-	3,022	-
Capital leases	4,277	-	(1,041)	3,236	1,081
Compensated absences & other	1,481	292	(164)	1,609	362
Line of credit	31,458	131	(1,645)	29,944	-
Other liabilities	-	8,537	-	8,537	-
	$ 238,569	$ 27,175	$ (26,870)	$ 238,874	$ 10,183

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Long-term debt at September 30, 2012 and 2011 consisted of the following:

(in thousands of dollars)	2012	2011
Florida State Infrastructure Bank Loan – 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	$ 30,148	$ 34,027
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2028. Interest rates are fixed at 5.75%.	24,980	90,000
$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due January 21, 2015. Interest rates range from 1.45% to 2.27% in 2012.	37,694	29,944
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%. See note below for details on related interest rate swap agreement.	39,853	48,000
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.680%. See note below for details on related interest rate swap agreement.	4,916	5,919
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 4.03%.	18,976	18,976
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	87,410	-
	243,977	226,866
Less current portion	9,141	8,740
	$ 234,836	$ 218,126

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to $50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2012 was $30,148,000.

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, 2012 were $24,980,000.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, due and payable on January 21, 2015. It is the intention of the Authority to use the line for a revolving medium term or longer term funding source. The line was established originally to liquidate an existing commercial paper program together with unspent commercial paper proceeds. The additional balance on the line is designated for the Authority capital spending program. The outstanding balance on the Line of Credit at September 30, 2012 was $37,694,000.

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, 2012 on the Tax Exempt Revenue Note was $39,853,000. The outstanding balance at September 30, 2012 on the Taxable Note was $4,916,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2012 was $18,976,000.

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

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

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

Interest Rate Swap Agreements on Series 2009 Notes

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

Notional amounts at September 30, 2012 were $39,853,000 for the Tax-Exempt Note and $4,916,000 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of BBB by Standard & Poors, and Baa2 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2012, a termination fee of $2,663,337and $482,449 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 2012 and 2011, respectively were an aggregate $3,145,786 and $3,022,392, an increase of $123,394. This Deferred Outflow of Resources is offset by a corresponding Derivative Instrument Liability in the same amount, both classified as non-current items on the Statement of Net Assets.

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

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

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, 2012 was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2013	$ 8,008	$ 9,141
2014	9,096	9,551
2015	8,479	47,688
2016	8,117	10,450
2017	7,738	10,935
2018 – 2022	32,460	36,363
2023 – 2027	25,988	25,731
2028 – 2032	18,771	32,943
2033 – 2037	10,230	41,485
2038 – 2042	997	19,690
	$ 129,884	$ 243,977

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

Unamortized premiums on Bonds were ($5,438) and ($2,451) in 2012 and 2011, respectively.
Unamortized deferred loss on refundings was $8,296 and $8,415 in 2012 and 2011, respectively.

Other Noncurrent Liabilities

- Unearned revenue balances were $116,865,000 and $115,894,000 for years ending September 30, 2012 and 2011, respectively. The current portion was $6,212,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

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

- Other post-employment benefits ("OPEB") liabilities for retiree medical benefits were $291,000 and $259,000 at September 30, 2012, and 2011, respectively. See Note I for additional information.

- The Authority's reserve for estimated worker's compensation and general liability (part of the overall City managed program) was adjusted to zero in 2012. The intent of the reserve was to accrue for year-end true-up assessments based upon claims experience and sharing arrangements with other city agencies. A review of the funding position with the City at September 30, 2012, indicates that no reserve is required.

Note L – Other Obligation

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

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a thirty year amortization. As a result, an estimated obligation of $8,536,749 was recorded in 2011. As of September 30, 2012, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2012, the Authority had commitments for future construction work of approximately $19 million, of which $18.3 million pertain to a terminal wharf reconstruction project in progress.

Environmental Remediation

The Authority owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. Tenant cleanup efforts are in process on this property, as well as separate adjacent property owned by the tenant. The remediation project is approximately 75% complete at September 30, 2012, with an anticipated completion date of early 2013. All costs associated with this remediation effort are being paid by the tenant. In addition, the Authority has an agreement in place with the tenant to sell the tenant the leased property after all environmental remediation obligations have been fulfilled, for a nominal amount. No determination of responsibility for the environmental obligations has been determined between the operations of the tenant and the prior operations of the lessor as the tenant has agreed to pay all costs as part of the purchase agreement. Although it has not been determined that the Authority is responsible for this environmental obligation, the Authority has a potential obligation for environmental remediation if the tenant fails or is unable to fully remediate the property as planned.

Several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal now owned by the Authority, were used by previous owners(s) 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 (in bankruptcy) has also been identified with contaminants attributed to its former use. In 2011, the Authority, in conjunction with the Florida Department of Environmental Protection (FDEP), developed a Preliminary Interim Remediation Plan, which included a site soil and groundwater treatment design proposal. In 2012, an updated proposal design, allows for the groundwater treatment to be discharged locally to a publically owned treatment works (POTW), at considerably less upfront costs. The Authority anticipates a submission of the new design and Interim Remedial Action plan to the FDEP in December 2012. The Authority has previously recognized a $1.5 million liability for this interim solution plan. This amount includes the estimated interim remediation construction costs and estimates of future monitoring costs. Both the Authority and the FDEP acknowledge the plan submitted is an interim plan, not a

Note M – Commitments and Contingencies (continued)

final remedy. Both parties acknowledge further, that a plan for a permanent solution will need to be approved by the FDEP once remediation of the adjacent property is completed. At this time, the timing of the clean-up and remediation of the adjacent property is not known. Furthermore, the alternatives surrounding the permanent remediation plan for the Authority's site, including potential financial obligations, which may be significant, cannot be reasonably estimated.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 152 employees. Union employees represent about 46% of the total. The current union contract was renewed in October 2010 for a three-year term, expiring on September 30, 2013.

Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. Assessments from such audits, if any, are recorded when the amounts of such assessments become reasonably determinable. At September 30, 2012, a FEMA claim for approximately $1.4 million was designated by FEMA as over-funded, due to cost under-runs relative to hurricane clean-up related dredge work based on the time required to complete the work. The Authority's position is that expenditures were proper and will be ultimately approved by FEMA, based upon reclassification of the claim category, resulting in no overfunding for dredge work.

Note N – Significant Customers

For the fiscal year ended September 30, 2012, 13% of operating revenues resulted from sales to a single significant customer. At September 30, 2012, and 2011, accounts receivable balances from this same customer were $835,000, and $45,000, respectively.

Note O – Capital Contributions

Federal Contributions

The Authority received monies from Federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $7,431,000 and $1,435,000 were recorded for the years ended September 30, 2012 and 2011, respectively.

State Contributions

Amounts from State funding awards totaled $7,525,000 and $3,678,000 for the years ended September 30, 2012 and 2011, respectively.

Note O – Capital Contributions (continued)

At September 30, 2012, the Authority has a remaining uncollected balance of $2,400,000 of a $10.5 million Florida Department of Transportation (FDOT) grant, used in part to construct highway infrastructure in proximity to new terminal operations. The project was completed and transferred to the FDOT in 2011. These remaining funds due to the Authority are being collected quarterly over a three-year period (2012 – 2014).

Note P – Subsequent Events

The Authority had the following subsequent events through January 22, 2013, which is the date the financial statements were available to be issued.

International Longshoremen's Association labor negotiations
As of the date of this report the International Longshoremen's Association (ILA) was in discussion regarding renewal of their collective bargaining agreement. On December 28, 2012 the Federal Mediation and Conciliation Service issued a news release addressing an extension of 30 days for mediation of the agreement. The release stated that "the container royalty payment issue had been agreed upon in principle by both parties, subject to achieving an overall collective bargaining agreement". Impacts to the Authority, in the unlikely event of a strike, would be mitigated somewhat by its diversification of cargo (non-containers), its non-ILA related business, and as the impact would be confined to only ILA related container lines of business.

Note Q – New Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, this Statement, issued November 2010, will be effective for the Authority beginning with its year ending 2013 (effective for periods beginning after December 15, 2011). The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, this Statement, issued December 2010, will be effective for financial statements for periods beginning after December 15, 2011. The objective of this statement is to incorporate in to the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Account Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, this Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement will be effective for financial statements for periods beginning after December 15, 2011.

Note Q – New Accounting Pronouncements (continued)

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

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

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

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

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

Jacksonville Port Authority

Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2012

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

SUPPLEMENTAL INFORMATION

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2012

GAAP Revenue – per Financial Statements	$ 51,824,751
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)	970,460
Budgetary Basis Revenues	$ 52,795,211

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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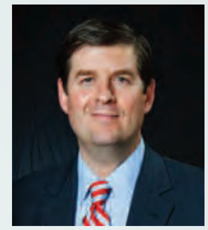
Citrano


York


Anderson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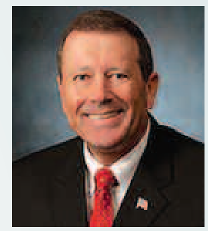
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