JAXPORT

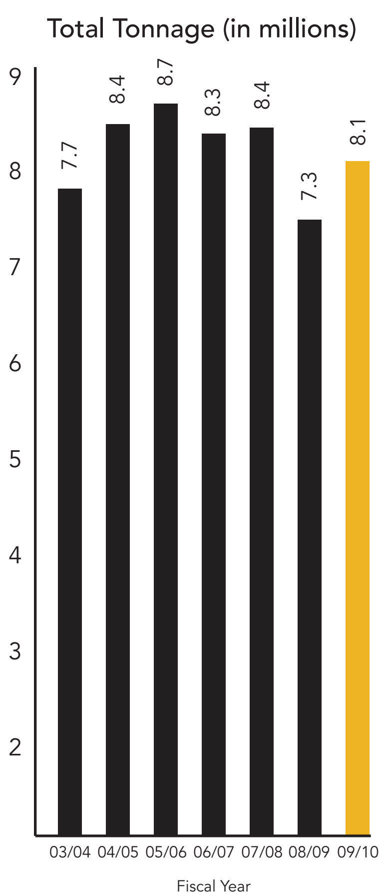
2010 Annual Report

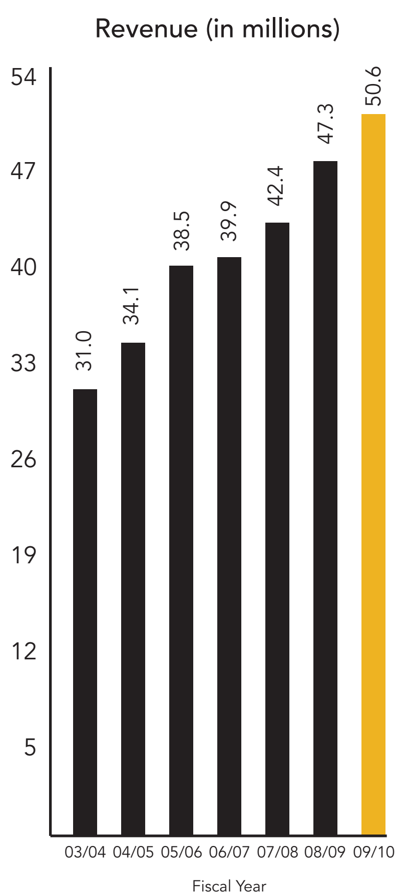
Travel beyond the printed page and get an inside look at JAXPORT's operations and personnel by visiting jaxport.com/report in your web browser. For fast access and bonus content on your mobile device, scan the QR code below with a barcode reader application on your smartphone.

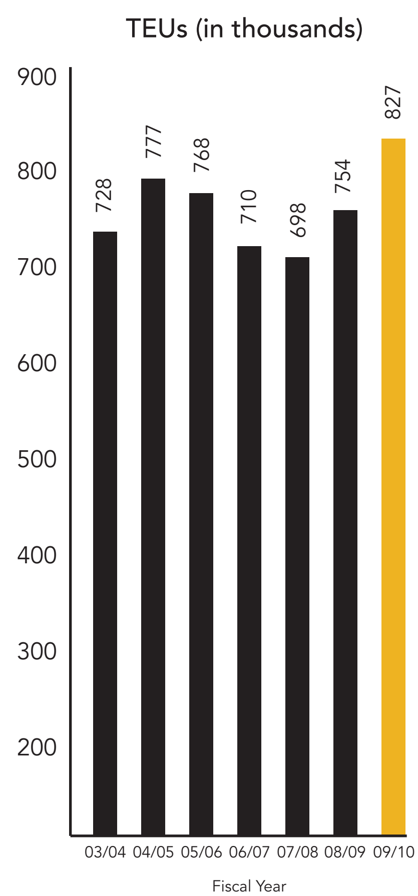
The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida. JAXPORT owns three cargo facilities, one passenger cruise terminal and an auto-ferry service along the St. Johns River: the Blount Island Marine Terminal,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

- Ten of the world's top 15 global carriers now call on JAXPORT
- Now serving the Asian trade through the Panama and Suez Canals
- Record-setting container volume
- 2nd year of container volume growth, despite world economic downturn
- 10th consecutive year of record revenues
- Healthy 24% rebound in vehicle volumes over 2009
- Now offering the fastest all-water service from Central America
- Foreign Trade Zone named one of the best in the world
- #1 U.S. port handling trade to Puerto Rico
- #2 U.S. vehicle-handling port
- One of 13 U.S. Strategic Ports on-call to move military cargo for national defense

JAXPORT at a Glance





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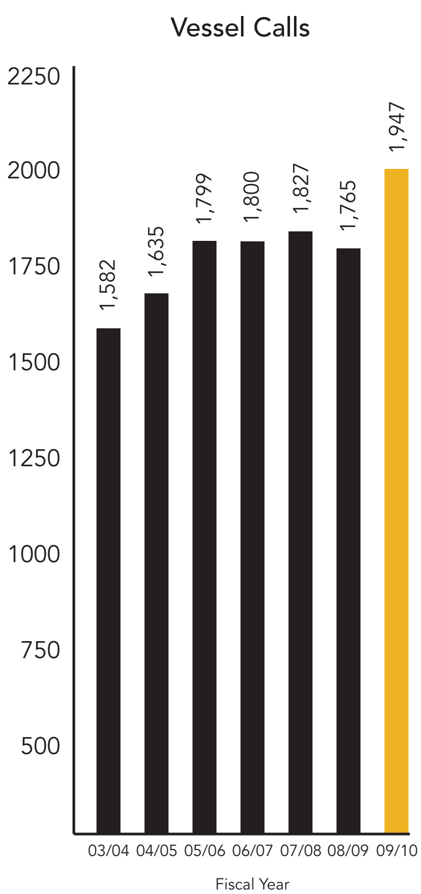
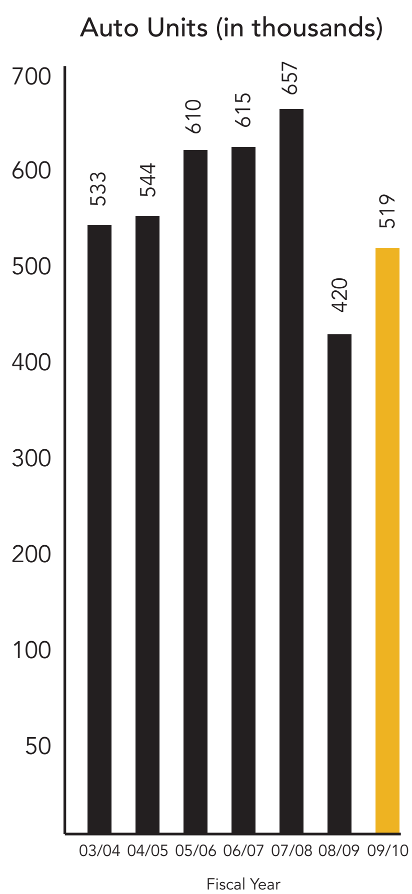
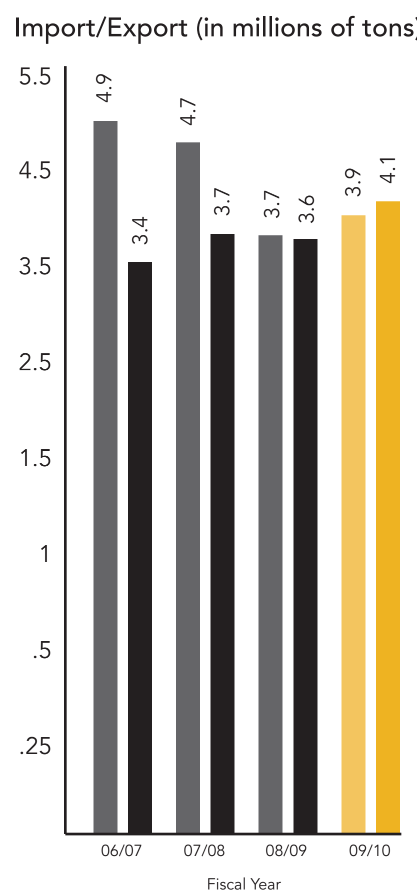
POCZ 400939


Vessel Calls
2250
2000
1750
1500
1250
1000
750
500
1,582
1,635
1,799
1,800
1,827
1,765
1,947
03/04 04/05 05/06 06/07 07/08 08/09 09/10
Fiscal Year


Auto Units (in thousands)
700
600
500
400
300
200
100
50
533
544
610
615
657
420
519
03/04 04/05 05/06 06/07 07/08 08/09 09/10
Fiscal Year


Import/Export (in millions of tons)
5.5
4.5
3.5
2.5
1.5
1
.5
.25
4.9
3.4
4.7
3.7
3.7
3.6
3.9
4.1
06/07 07/08 08/09 09/10
Fiscal Year

record-setting container volume

A Message from Mayor Peyton

By virtue of its prime location and status as an intermodal transportation hub, Jacksonville is ideally positioned for continued growth in the international trade sector. Throughout my administration I've worked closely with JAXPORT to secure and expand business for our region, and it's been a pleasure to see the solid relationships they have built with customers around the world.

Even in these trying economic times, I can't stress enough how important it is to invest in our infrastructure. We need to prepare now for the economic recovery if we are to solidify Jacksonville's standing as the premier port city in the South.

JAXPORT does a tremendous job of keeping Jacksonville on the map and is eagerly working to become the third largest port on the East Coast. The city must continue to ensure that our international activities are appropriately capitalized by finding ways to support the sufficient infrastructure to take full advantage of the numerous opportunities created by the port.

JAXPORT is one of the city's greatest assets. A bright future lies ahead. But we can't stop working and we cannot take anything for granted.

Mayor John Peyton
City of Jacksonville

healthy 24% rebound
in vehicle volumes over 2009

A Message from JAXPORT

From the brink of world economic disaster to a year of continued record setting here at JAXPORT, FY 2010 was a tumultuous, yet ultimately successful, period for the port. Container volume at JAXPORT reached an all-time high, growing 10 percent over FY 2009. To grasp the true significance of this we must take into account that with container volume increases in both 2009 and 2010, JAXPORT is one of a very few U.S. ports that can tout two consecutive years of such growth, some of it during the very depth of the global recession.

This is the result of the new business JAXPORT has attracted; but is also a testament to the long-term commitment made by our tenants and customers. We are especially gratified to see the continued progress of our longtime partners even as we welcome recently acquired business and open up additional trade lanes. The port's progress and its increasing stature in the world of international trade create new possibilities for everyone.

Speaking of new trade lanes, in 2010 we proudly announced the arrival of Jacksonville's first direct shipments through the Suez Canal and the opening of service to Costa Rica and Nicaragua. Both of these developments connect Jacksonville with fresh prospects for our customers, tenants and the other private sector industries which grow as we do.

In addition, overall tonnage increased a healthy 10 percent over 2009 tonnage and JAXPORT earned a record $51 million in operating revenue, marking a decade of uninterrupted year-over-year growth. All earnings from these revenues are poured back into port operations and port progress.

But despite all the good news, this is not the time to rest. The myriad challenges now before us demand swift and decisive action. We have already launched expanded efforts to develop the sources of funding needed to maximize the opportunities available to us all. A strategy for replacing aging docks and other infrastructure is taking shape, enabling JAXPORT to begin building the port of the future. Also of critical importance: the time-sensitive project to deepen our harbor, an essential investment that will provide an extraordinary return in jobs and dollars. Rest assured we are working to meet all of our challenges with your continued support.

We are proud to help steer JAXPORT during this time of unprecedented opportunities on behalf of the citizens and leaders of Northeast Florida and the business interests of this great state and nation.

David G. Kulik
2010 Chairman of the Board

A. Paul Anderson
Chief Executive Officer

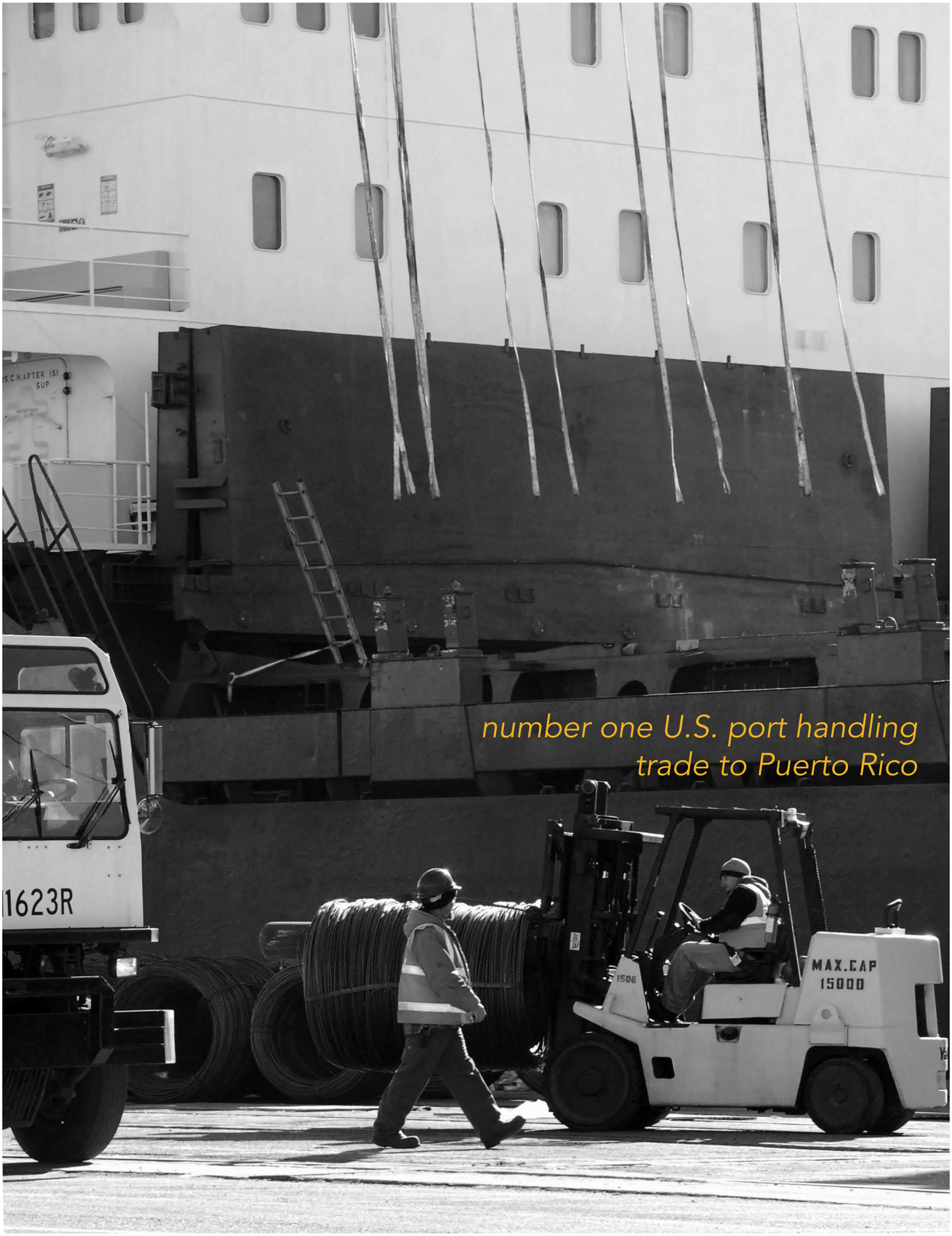
Financial Health

JAXPORT earned a record $50.6 million in operating revenues in FY 2010, a 7 percent increase over FY 2009 and the port's 10th consecutive year of operating revenue growth. Strong expense side management allowed JAXPORT to reduce operating expenses from $33 million in FY 2009 to just under $32 million in FY 2010. At the same time, operating income in FY 2010 rose to $18.6 million from $14.3 in FY 2009 due to increased activity through the port. JAXPORT's revenue growth is fueled by the variety of the cargoes handled, the ever-growing number of trade lanes served and the healthy balance between imports and exports.

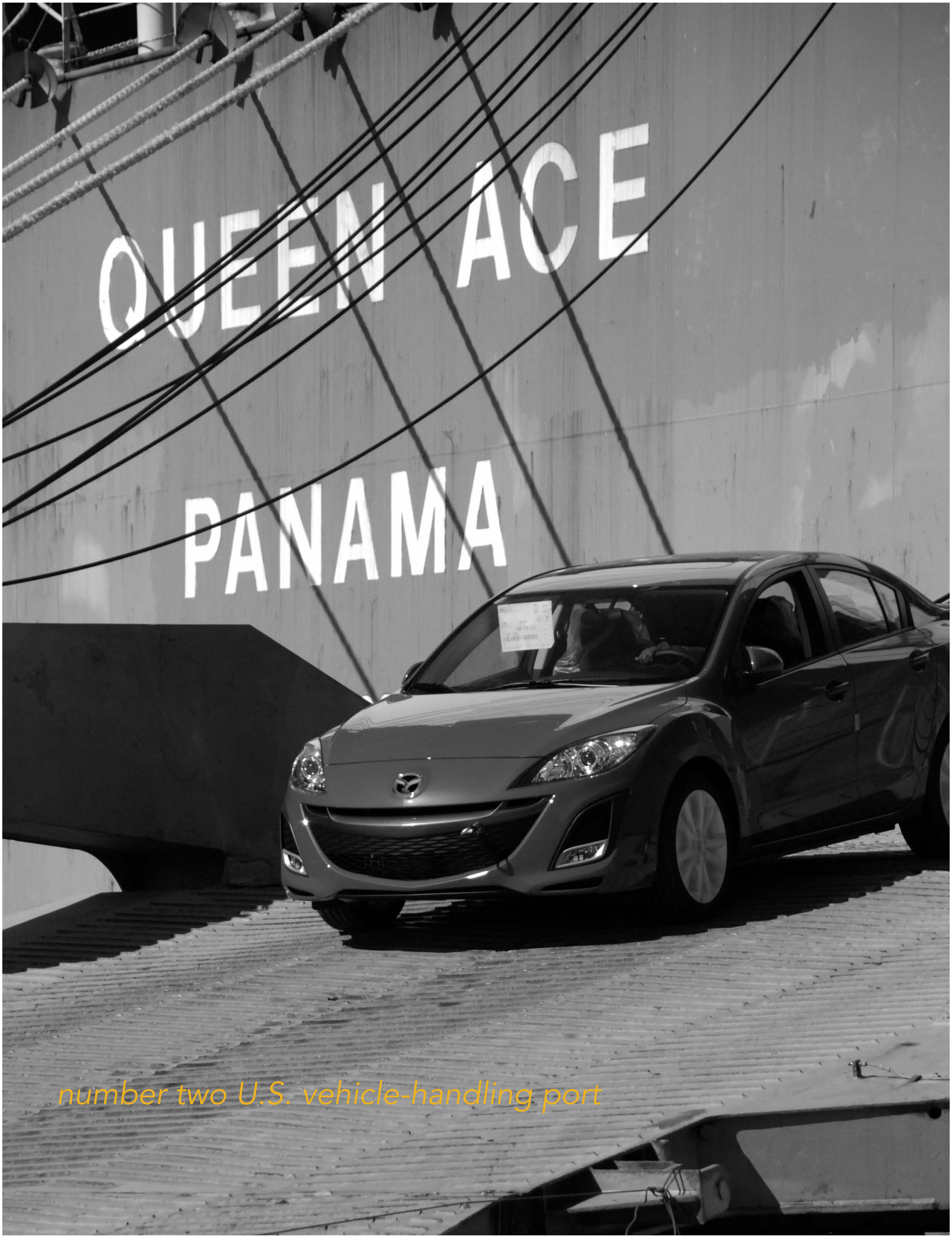
These financial results reflect JAXPORT's positive year operationally with additional records set in container volume and vessel calls, thanks to the opening of new trade lanes. JAXPORT facilities moved a record 826,580 containers or twenty-foot equivalent units (TEUs) in FY 2010. Container volume has grown 19 percent during the last two years making JAXPORT one of the few U.S. ports to see container growth in 2009 and 2010. Total cargo shipped through JAXPORT facilities grew 10 percent to 8.1 million tons and vessel calls rose to a record 1,947. In addition, JAXPORT saw a 28 percent increase in breakbulk cargoes (paper, steel) and a 24 percent increase in vehicle traffic, maintaining its spot as the nation's second busiest vehicle-handling port.

In 2010, 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 the nation's second largest vehicle-processing center and its diverse revenue streams supported by long-term contracts with private tenants.

JAXPORT has budgeted $67.4 million for capital projects in FY 2011. This includes completion of a project to replace two container cranes at Blount Island, a railroad rehabilitation project at Blount Island, wharf rehabilitation projects at both Blount Island and Talleyrand Marine Terminals and the construction of a new ramp lift system for the St. Johns River Ferry.



number one U.S. port handling trade to Puerto Rico



number two U.S. vehicle-handling port

Rosa Calhoun, Surveyor @ Amports, Vehicle Processing

I've been here 32 years. I have seen a lot of people — and cars — come and go. I check the cars for damage, get them ready for the dealers and get the right cars to the right place. I know it's our reputation if something goes out wrong, so it's a pretty big job.

I came here right out of school because I wanted a job where I could be outside. There's challenge in what I do and it's always different. I just want to do the best job ever, every day.

I own my home. I put my daughter through college. She's a school counselor and I am so proud. My job here at the port has given me the life I lead.

Florida Governor Rick Scott talks port progress @ TraPac

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 of $27,215 as cited by the Jacksonville Regional Chamber of Commerce.

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, the opening of the TraPac Container Terminal at Dames Point and the planned new terminal for Hanjin Shipping Co. have spurred demand for commercial real estate and warehouse space. Citing Jacksonville's outstanding intermodal connections and worldwide ocean carrier services, companies have opened 10 million square feet of warehousing and distribution center facilities in Jacksonville during the last few years.

Cargo Highlights

In FY 2010, JAXPORT facilities handled 8.1 million tons of cargo, a 10 percent increase over FY 2009. Almost all cargo categories reported welcome increases in volume over the last fiscal year.

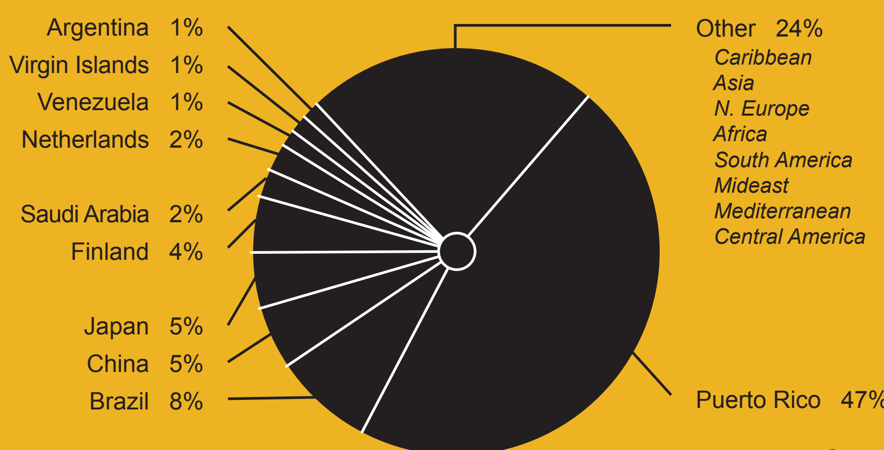
JAXPORT reached a milestone in container volumes, moving a record number of twenty-foot equivalent units (TEUs) and reporting the second consecutive year of solid container growth. Containerized cargo — primarily consumer goods — grew by 10 percent to 826,580 TEUs. JAXPORT was one of a handful of U.S. container ports to experience an increase in FY 2009 as well as FY 2010, reflecting the continued addition of new business. JAXPORT remains the nation's 12th busiest container port.

The shipment of vehicles and other Ro/Ro cargoes — primarily passenger cars, trucks and heavy equipment — showed a significant rebound. JAXPORT handled nearly 519,000 vehicles in FY 2010, a 24 percent increase over last year and retains its place as the nation's second busiest vehicle-handling port.

Other bright spots included breakbulk cargoes (paper, steel) which jumped 28 percent over last year to 990,000 tons and vessel calls which rose to a record 1,947.

Bulk cargoes, primarily limestone and other aggregates used in building, remained impacted by the economic downtown with 1.5 million tons moved through JAXPORT facilities, an 11 percent decrease from FY 2009.

JAXPORT Top Trade Lines FY2010



Source:
Compiled from PIERS/Journal of Commerce Data. Includes all harbor facilities. *Coal and Petroleum not included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144
750 KG

Mary Jane Mackey, President @ Goodnight International, Inc., Logistics

My husband, Gary, and I are both fourth generation Florida farmers and we saw a need for consolidating produce shipments. We started shipping out of Miami and Tampa but found JAXPORT had the most sailings and offered better access to our customers, so we moved to Blount Island. I really think it's the friendliest port, too.

We are living our dream. Our business has grown by 30 percent each of the last two years. We started out with seven employees, including me, Gary and our three children. Now we employ 25. It feels good knowing we are building something to leave to our children and that our family business is generating a better life for other people and their families. That's what it's all about.

a decade of year-over-year
revenue growth


Carnival Fascination
CARNIVAL FASCINATION


Fascination

Cruise Highlights

In FY 2010, JAXPORT's seventh year in the cruise business, 173,568 passengers embarked aboard Carnival Cruise Line's *Fascination*. This is slightly down from the record 185,454 passengers JAXPORT served in 2009 due to a 30-day renovation of the ship in January 2010.

The 2,052 passenger *Fascination* took a total of 72 voyages out of JAXPORT's temporary cruise terminal at Dames Point in FY 2010. The *Fascination* currently offers cruises to Key West and the Bahamas year-round.

JAXPORT continues to work toward construction of a new cruise terminal with the ability to capitalize further on this growing 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 sponsored or participated in during FY 2010:

Environment

- Greenscape of Jacksonville's Annual Tree Sale – 47,000 trees placed in the community
- Tree Hill Nature Center's environmental programs, including the Butterfly Festival
- Annual Right Whale Festival

Jobs / Workforce / Education

- The jaxportjobs.com website serving 100K+ registered users and more than 200 companies
- Statewide partner for the Employ Florida Global Logistics Banner Center
- Duval, Baker, Columbia and St. Johns County Public Schools "Career Academies"
- Big Brothers Big Sisters Mentoring programs: R.L. Brown Elementary and Raines High Schools

Small Business

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

Community

- JAXPORT's 150+ employees contributed more than $20,000 to the United Way of Northeast Florida and the Community Health Charities' 2010 Campaign
- Hands-on Jacksonville's "Visit from St. Nicholas" providing books/toys to elementary schools
- The JAXPORT Gallery hosts free exhibitions highlighting local artists and their original works
- Safe Harbor Boys Home

investing
in the future


MANSON

Future

ENHANCE INFRASTRUCTURE
JAXPORT has initiated a comprehensive program to rebuild docks at both the Blount Island and Talleyrand Marine Terminals. A well-designed, phased reconstruction over the next several years will allow operations to continue while fortifying the facilities for future growth.

IMPROVE THE FEDERAL CHANNEL
In July 2010, the U.S. Army Corps of Engineers completed a project bringing the entire length of the St. Johns River's main shipping channel to a uniform depth of 40 feet, enabling larger ships to call on JAXPORT facilities. The federal government is currently studying projects to further improve the harbor, including additional deepening, a crucial component in the plan to attract future seaport business.

DEVELOPMENT OF THE HANJIN CONTAINER TERMINAL
The agreement with Hanjin Shipping Co. of South Korea for a 90-acre, $300 million terminal marks JAXPORT's ascent into the top tier of U.S. seaports. Hanjin, together with the already operational TraPac terminal, will triple JAXPORT's current container handling capability.

EXPAND PORT SECURITY
JAXPORT's own security team will assume full law enforcement duties with the establishment of the Jacksonville Port Authority Police Department this year. JAXPORT has also begun phasing in a comprehensive Mass Notification System providing real-time emergency communication to all port personnel by email, text and phone.

FURTHER GROWTH OF FOREIGN TRADE ZONE
JAXPORT's Foreign Trade Zone (FTZ) #64 is seeking further expansion under a new federal program allowing greater flexibility and streamlining of the new site approval process. FTZ companies importing raw materials, components or supplies can decrease customs expenses. FTZ #64 has expanded outside Duval County for the first time, helping to attract new cargo and manufacturing and distribution operations to the entire region.

GROW CRUISE
Efforts are underway to ensure the cruise business' continued success and fuel its future growth. Jacksonville's one home-ported cruise ship, Carnival *Fascination*, currently enjoys full occupancy on its 4- and 5-day voyages.

Financials

McGladrey

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Jacksonville Port Authority (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 Jacksonville Port Authority as of September 30, 2010 and 2009, and the changes in financial position, and, its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A of the financial statements, the Authority adopted the provisions of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, in fiscal year 2010.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 18, 2011 and January 20, 2010 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, grant agreements and other matters. The purpose of these reports are 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis ("MD&A") is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying reconciliation of revenue recognition is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Jacksonville Port Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Melbourne, Florida
January 18, 2011

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, 2010. 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. All presented amounts are in thousands. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

In a continued challenging economy in 2010, the Authority experienced revenue increases in virtually all categories. Container and Auto revenues, a core part of the business which accounts for about two-thirds of overall revenues, were up a steady 5% and 4%, respectively. Break Bulk, Dry Bulk, and Liquid Bulk Cargo showed more dramatic double digit increases. Overall revenues increased almost 7%, and reflect eight years of consecutive revenue growth. The Authority continues to expand its role as a global port and now services most of the major worldwide shipping companies. Cruise business is also a significant part of operations, with 72 sailings in a year which included a one month pause for vessel renovations. The port continues to seek opportunities for growth through expansion and new lines of business, and enhance its role as an economic engine to Jacksonville and North Florida economies. Significant recent accomplishments include:

- Operates as the: #2 U.S. port for vehicle handling; #1 U.S. port for Puerto Rico trade (by tonnage and value); #11 U.S. port for container handling.
- Conducts operations with 10 of the World's Top 15 shippers.
- Added shipping lanes to all major European and Asian ports, including services through the Suez canal.
- The recently renovated 2,052-passenger Fascination now offers seven-day cruises to Grand Turk, the private Bahamian island of Half Moon Cay, and Nassau, complementing the ship's popular four-and five-day Bahamas/Key West departures.
- Executed leases with tenants who process vehicles, handling over 500,000 vehicles in 2010.
- Completed the 158 acre $235 million Mitsui OSK Lines (MOL) terminal in 2009 (along with a 30-year lease commitment). One of several Public Private Partnership (P3) financing initiatives by the port over the last decade.
- Additionally, to further expand its east-west shipping patterns, the Authority executed in early 2009, a 30 year contract with the South Korean shipping line, Hanjin Shipping Co., for the development of a new terminal to be operational in 2014.
- The Authority continues to maintain its strong credit rating with Moody's Investors Service and Fitch with a rating of "A2" and "A" respectively.

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

2010 vs. 2009

Operating Revenues for 2010 were $50,636, up 7% over 2009 results. Largest revenue increases in dollars were containers, up $1,035 (4.8%) and Break Bulk up $716 (19.7%), both reflective of increased cargo volumes. Autos were up $507 (4.2%), reflecting an increase of almost 100,000 units in 2010. Other categories showing increases were Dry Bulk, up $347, Liquid Bulk, up $117, and Military, up $631. Cruise Revenues declined $351 (9.4%), attributable to a one month pause in operations for a major vessel renovation. Overall revenues exceeded $50 million for the first time and reflect another year of consecutive revenue growth.

Operating expenses for 2010, less depreciation and amortization, were $31,990, a decrease of $1,041 (3.2%) from prior year. Categories showing declines were Salaries and Benefits, down $464 (3.3%), reflective of flat personnel costs and declines in certain benefit costs. Stormwater Fees declined $395, and were no longer assessed to government agencies effective calendar year 2010. All other expenses categories were basically offsetting. Dredging expenses for 2010 were $3,265, down 3.3%, a slight decline from 2009.

Net non-operating revenues/(expenses) in 2010 were $3,178, compared to $10,635 in 2009. Both years included large one-time gains. In 2010, the Authority incurred a gain on sale of land for approximately $6.8 million. This land sale was part of a broader eminent domain proceeding, whereby the Authority was released of an obligation of $6.6 million of legal costs incurred by the buyer of the property, as part of the sales agreement. In 2009, the Authority recorded a large recovery on two cranes totaled by wind damage, which were fully insured at replacement value.

Other favorable impacts in 2009 were a reduced obligation of $3.9 million for the aforementioned eminent domain proceedings. In 2010, shared revenue from primary government increased to $8,163 as compared to $2,716 in 2009, these revenues are first used to service outstanding debt held by the primary government on behalf of the Authority. At the end of 2009, one of three debt obligations outstanding was paid off. Interest expense was down $188 in fiscal year 2010, a result of the refinancing of the series 2006 bonds in early 2010 at more favorable rates.

Capital contributions in 2010 were $9,606 compared to $5,008 in 2009. At the close of fiscal year 2010 the Authority had net assets of $308,420, an increase of $6,982 (2.3%), compared to prior year net assets of $301,438.

2009 vs. 2008

Operating Revenues for 2009 were $47,344 up $4,981 (11.8%) from 2008. Revenue categories showing significant increases in 2009 were containers, up $3,728 (20.9%) and cruise revenues, up $2,292 (157%). Container revenue increases were largely the result of the completion and opening of the MOL terminal, which became fully operational in January 2009. Cruise revenue growth was related to the larger capacity fantasy class vessel, the Fascination, being in service for the full year in 2009. Military revenue increased $400 (37%) over prior year. Revenue categories showing declines included autos, which was down $926 (7.2%), reflective of a slowing economy in 2009. Other less notable declines were in break bulk, down $199 (5.2%) and liquid bulk, down $116 (13.6%).

Operating expenses for 2009, less depreciation and amortization, were $33,031, an increase of $2,687 (8.9%) over prior year. Most notable was dredging expenses of $3,377, up $2,276 over prior year, primarily weather related dredging. Other less significant expense categories showing increases were salaries, up $306 (2.3%), security services, up $414 (9.1%), and stormwater fees, up $399 (last year's fees had only been in effect three months). Expense categories showing declines were services and supplies, down $839 (13.2%), primarily from reduced fuel costs, and promotions and advertising costs down $209 (23%), reflecting spending cut backs in 2009. As a result of the above, operating income before depreciation and amortization was $14,313, an increase of $2,294 (19%) over prior year.

Net non-operating revenues/(expenses) in 2009 were $10,635, compared to ($16,996) a year ago. Favorable in 2009 was an insurance recovery of $15,989, which compared to $1,182 in 2008. The largest part of the claim was recorded in 2009, as the Authority proceeded with plans to record the claim at replacement cost. The claim involves two fully impaired cranes damaged by a wind burst in late fiscal year 2008. Also in 2009 was a reduced settlement adjustment $3.9 million for eminent domain legal costs, previously accrued in 2008 at an estimated expense of $10.5 million. 2008 also included other costs totaling $4 million relating to eminent domain. Shared revenue from primary government was $2,716 as compared to $2,344 in 2008. Interest expense in 2009 was $12,170, as compared to $6,437 in 2008, an increase of $6,081, reflective of increased debt servicing cost in 2009 related to the MOL terminal expansion and other capital infrastructure.

Capital contributions in 2009 were $5,008, compared to $29,676 in 2008. Approximately $10.5 million of capital contributions in 2009 are classified as non-current liabilities associated with asset (road) improvements constructed for other agencies, discussed more fully in Note P of the notes to the financial statements. At close of fiscal year 2009, the Authority had net assets of $301,438, an increase of $7,845 compared to prior year net assets of $293,593.

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

Net assets are a key indicator of an entity's financial position. At September 30, 2010, the Authority's net assets were $308,420, an increase of $6,982 from prior year net assets of $301,438. This increase was attributable to FY 2010 operating income before depreciation and amortization of $18,646, non-operations net revenues of $3,178 (favorably impacted by a gain on land sale), and capital contributions of $9,606. Reducing net assets was depreciation and amortization of $24,448.

(In thousands of dollars)	2010	2009	2008 (Restated)
NET ASSETS			
Current assets	$ 38,390	$ 33,407	$ 91,751
Noncurrent assets (excluding capital assets)	63,408	61,060	69,575
Capital assets	589,912	601,138	574,928
Total assets	691,710	695,605	736,254
Current liabilities	31,596	38,374	135,748
Revenue bonds outstanding (net of current portion)	188,550	191,298	198,732
Other noncurrent liabilities	163,144	164,495	108,181
Total liabilities	383,290	394,167	442,661
Net assets			
Invested in capital assets, net of related debt	248,863	261,640	270,265
Restricted for capital projects	14,621	17,931	-
Restricted for debt service	13,303	8,313	10,011
Restricted – other	2,582	2,331	3,147
Unrestricted	29,051	11,223	10,170
Total net assets	$ 308,420	$ 301,438	$ 293,593

Total capital assets at year end 2010 were $590 million, impacted significantly by the completion of the $235 million MOL terminal (in 2009). Total current assets of $38 million, includes unrestricted cash, restricted cash funds for debt obligations, accounts receivables and other receivables including grant funds and insurance claims receivable. The increase in current assets of approximately $5 million is attributable to increased unrestricted cash of $2 million, a land sale note receivable of $1.6 million, and increased trade receivables. The noncurrent assets increase reflects increased bond reserve funds partly offset by bond proceeds spent on construction.

The reduction in current liabilities in 2010 is attributable to the elimination of a $6.6 million liability associated with an eminent domain resolution, part of a related land sale agreement in 2010. Revenue bonds declined reflecting normal scheduled payments in 2010, partly offset by additional borrowings for note reserve funds. Other noncurrent liabilities declined, reflecting pay down of $3.8 million on line of credit borrowings. Other noncurrent liabilities include $112 million in unearned revenue (attributable to advance tenant lease receipts for terminal construction recognized over a 30 year operating lease), and line of credit borrowings of $31.5 million.

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, restricted for capital projects, and restricted for future debt service payments, respectively. Unrestricted net assets increased $18 million in 2010, reflecting both favorable operating cash flows and other non-operating activities.

Revenue, Expenses and Changes in Net Assets

	2010	2009	2008 (Restated)
CHANGES IN NET ASSETS			
Operating revenue	$ 50,636	$ 47,344	$ 42,363
Operating expenses			
Salaries and benefits	13,401	13,865	13,559
Services and supplies	5,893	6,154	6,378
Security services	4,973	4,975	4,561
Business travel and training	360	337	460
Promotion, advertising, dues and memberships	737	700	909
Utility services	1,173	1,247	1,067
Repairs and maintenance	1,858	1,631	1,994
Dredging	3,265	3,377	1,101
Stormwater fees	134	529	130
Miscellaneous	196	216	185
Total operating expenses	31,990	33,031	30,344
Operating income before depreciation/amortization	18,646	14,313	12,019
Depreciation and amortization	24,448	22,111	16,304
Operating loss	(5,802)	(7,798)	(4,285)
Non-operating revenue (expense)			
Interest expense	(11,982)	(12,170)	(6,437)
Shared revenue from primary government	8,163	2,716	2,344
Gain on sale of assets	6,808	-	-
Insurance recovery, net	297	15,989	1,182
Legal and other costs – eminent domain	-	3,644	(14,489)
Other non-operating	(108)	456	404
Total non-operating revenue (expense)	3,178	10,635	(16,996)
Income/(loss) before capital contributions	(2,624)	2,837	(21,281)
Capital contributions	9,606	5,008	29,676
Changes in net assets	6,982	7,845	8,395
NET ASSETS			
Beginning of year	301,438	293,593	285,198
End of year	$ 308,420	$ 301,438	$ 293,593

Revenue, Expenses and Changes in Net Assets – 2010 vs. 2009

The Authority's operating revenue for 2010 was $50,636, an increase of $3,292 (7%) over prior year. All cargo categories showed increases. Containers were up $1,035 (4.8%), break bulk up $716 (19.7%), and autos up $507 (4.2%). Dry bulk and liquid bulk reflected double digit increases. Military revenues were also up $631 (42%) over 2009. Cruise revenue was down $351 (9.4%), but includes a month one out of service period for vessel renovation.

Operating expenses, before depreciation and amortization, were $31,990 compared to $33,031 in 2009, a $1,041 decline, or 3.2%. Salaries and benefits declined $464, a result of flat personnel costs and reductions in benefits expense. Stormwater fees from the city were no longer assessed to governmental agencies after 2009, which resulted in $395 savings in 2010. All other categories were essentially offsetting. Dredging expenses for 2010 were $3,265 compared to $3,377 in 2009.

Depreciation and amortization in 2010 was $24,448, up $2,337 over 2009. The main contributor to this increase was the depreciation related to the MOL terminal, a full year of expense was recognized in 2010 versus a partial year in 2009, as well other recent capital projects.

Net non-operating revenue/(expenses) in 2010 were $3,178, compared to $10,635 in 2009. Both years included significant one-time gains; in 2010 the Authority recorded a $6.8 million gain on land sale, and in 2009 a large Insurance recovery was recorded for $16 million (replacement value for two cranes destroyed in a wind microburst event). Also, in 2009 was a favorable reduction of estimated legal costs liability of $3.9 related to an eminent domain proceeding. Shared revenue from primary government in 2010 was $8,163 as compared to $2,716 in 2009, as one of three debt obligations serviced by this revenue stream was paid off in 2009. Interest expense declined to $11,982 in 2010 from $12,170 in 2009, primarily from reduced interest costs associated with a bond refinancing in 2010.

Capital contributions in 2010 were $9,606, an increase of $4,598 over 2009.

As a result of the above, the Authority recorded an increase in net assets during fiscal year 2010 of $6,982 compared to a net increase in 2009 of $7,845.

Revenue, Expenses and Changes in Net Assets – 2009 vs. 2008

The Authority's operating revenue for 2009 was $47,344, an increase of $4,981 (11.8%) over prior year. Major revenue growth categories were containers up $3,728 (21%), reflecting both lease and cargo revenue resulting from the opening of the MOL terminal in January 2009. Also, cruise revenue increased $2,292 (157%), attributable to an upgrade to a fantasy class ship, the Fascination. Auto revenues declined $926 (7.2%), reflective of a slowing economy in 2009.

Operating expenses, before depreciation and amortization, were $33,031, up $2,687 (8.9%) over prior year. Most notable was dredging expense of $3,377, an increase of $2,276 (207%). Other expense categories up year to year, were security services, up $414 (9.1%), and stormwater fees, up $399 (a full year assessment in 2009). Services and supplies were down $839 (13.2%), primarily savings in fuel costs.

Depreciation and amortization was $22,111 in 2009, compared to $16,304 a year ago, a 33% increase. The largest component is the new MOL terminal, which accounted for $4,771 of the increase.

Non-operating revenue/(expenses) in 2009 was $10,635 revenue as compared to ($16,996) expense in 2008. The increase in non-operating revenue was impacted by two one-time events. First, an eminent domain liability for the land owner's legal cost was reduced from $10.5 million to $6.6 million, resulting in a favorable adjustment in 2009. And second, an insurance claim for replacement of two damaged cranes, recorded as a preliminary $1.2 million net gain for 2008, with the remaining estimate of $16 million gain recorded in 2009, when more complete claim information was available. Debt service interest expense increased $6,081 reflective of the additional debt for the MOL terminal and other infrastructure projects. Shared revenue from primary government was $2,716, up $372 (16%).

Capital Contributions, in 2009 were $5,008 compared to $29,676 in 2008. Note: Certain grants totalling $10,553 in 2009 were recorded as liabilities, as they pertain to a highway project asset constructed for other agencies (an MOL peripheral road project). Adjusting for grants accounted for as liabilities as described above, total 2009 capital contributions would have declined approximately $9 million this year. Large expenditures in 2008 included approximately $12 million for the MOL terminal project, and $4.1 million in terminal rehabilitation projects. 2009 grants included the completion of the MOL terminal $3.1 million, and other smaller projects.

As a result of the above activities, the Authority recorded an increase in net assets during fiscal year 2009 of $7,845 as compared to a net increase of $8,395 in 2008.

Cash Flows

2010 vs 2009

Net Cash provided from operating activities was $17,932 in 2010 compared to $16,796 in 2009, an increase of $1,136. Receipts from customers were up $421, payments to suppliers were down $474 and payments to employees declined $241.

Net cash from noncapital financing activities in 2010 was $8,051, up $5,188 over 2009, primarily attributable to increased shared revenue from primary government. Shared revenue receipts in 2010 were $8,011, compared to $2,716 in 2009. These revenues are first used to service outstanding debt held by the primary government on behalf of the Authority. At the end of prior year 2009, one of three debt obligations outstanding was paid off.

Net cash flows from capital and related financing activities reflected net outflows of ($25,227) in 2010. Significant uses of funds include outlays for acquisition and construction of capital assets of $21,466, and debt service payments of $21,189. These outlays were partly offset by grant proceeds of $10,161, net insurance proceeds for crane claims of $4,642, and land and other asset sales proceeds of $1,247. Debt refinancing activities resulted in a net increase of funds of $5,215, while line of credit balances were reduced $3,837.

Cash flows from investing activities were ($185), and include interest income of $145, more than offset by certain costs associated with new debt issues and other non-operating charges.

Cash and cash equivalents at end of year 2010 were $45,466, compared to $44,895 in 2009. The balance of $45,466 at September 30, 2010 is comprised of $7.5 million in unrestricted cash, $13 million in construction cash, $4 million in restricted crane insurance proceeds, $18.5 million in restricted bond funds, and $2.5 million for renewal and replacement funds.

2009 vs 2008

Net cash provided by operating activities was $16,796 in 2009, compared to $14,890 in 2008, an increase of $1,906. Receipts from customers were up $5,213, reflective of revenue growth in 2009. Payments for services and supplies also increased $2,948, reflecting additional outlay for dredging expenses in 2009.

Net cash provided from noncapital financing activities in 2009 was $2,863. Receipts from primary government were $2,716, compared to $6,316 in 2008 (which included approximately $3.5 million in prior year catch up adjustments). Additionally, 2009 includes operating grants (FEMA) of $147.

Net cash flows from capital and related financing activities were ($107,511) net outflows in 2009, compared to $29,926 net inflows in 2008. Fiscal year 2009 outflows include capital spending of $77 million and debt service related payments (principal and interest) of $20,007. Additional outflows include the payoff of $77 million in commercial paper, partly offset by inflows from a line of credit for $35 million. Other 2009 inflows included grant proceeds of $16,144, contributions from customers of $10,942, and insurance proceeds net of claims expense of $3,804. Fiscal year 2008 was favorably impacted by significant borrowings, including proceeds from a new bond issue totalling $90 million, commercial paper of $77 million, and other net borrowings of $13.4 million. The most significant outflow in 2008, was capital spending of approximately $163 million.

Cash flows from investing activities, in 2009 and 2008, were negatively impacted by cash outlays related to eminent domain legal and other expenses of $1.8 million, and $2.3 million, respectively.

Cash and cash equivalents at end of year 2009 were $44,895, a decrease of $88,490. The balance of $44,895 at September 30, 2009 is comprised of approximately $20 million in construction cash, $5.5 million in unrestricted cash, and $20 million in restricted bond funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, channel improvements, utility transfers, buildings, other improvements and equipment. At September 30, 2010, the Authority had commitments for future construction work of $17.6 million, of which $15.8 million pertains to construction of two replacement cranes. Additional information can be found in the accompanying notes to the financial statements.

2010 vs. 2009

The Authority had $589,912, net of accumulated depreciation, invested in capital assets as of September 30, 2010. This amount represents a decrease of $11,226 from prior year capital assets of $601,138. Major project expenditures in 2010 included approximately $7 million for harbor deepening, $5 million for progress payments on two new cranes, and approximately $9 million for terminal equipment and infrastructure improvements. Depreciation expense recorded in 2010 was $24.4 million, compared to $21.8 million in 2009. The increase reflects a full year of depreciation in 2010 for the MOL terminal completed in mid 2009, and depreciation on recent terminal improvement projects.

2009 vs. 2008

The Authority had $601,138, net of accumulated depreciation, invested in capital assets as of September 30, 2009. This amount represents an increase of $26,210 over prior year capital assets of $574,928. Major project expenditures in 2009 were the MOL terminal $31 million, harbor deepening $12 million, and an existing terminal refurbishment project for $3 million. Depreciation of approximately $21.8 was recorded in 2009, an increase of $5,618 from 2008. Most significant was the completion of the MOL terminal, which accounted for $4,771 of the increase.

Long-Term Debt

2010 vs. 2009

As of September 30, 2010, the Authority had outstanding bonds and notes payable of $196,907, a decrease of $2,008 compared to $198,915 at September 30, 2009 (both net of unamortized bond discounts, premiums, and deferred loss on refunding). The decline in outstanding balances reflect scheduled debt service principal payments, partly offset by increased balances related to the Series 2009 Revenue Notes, which refunded the Series 2006 Bonds and related interest rate hedge agreement (swap). New borrowings include funding for note reserve funds (10% of the new note amount). Capital lease obligations outstanding were $4,277, and $5,278, respectively. The total line of credit balance outstanding was $31,458 at September 30, 2010 compared to $35,295 at September 30, 2009.

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 2010 fiscal year.

2009 vs. 2008

As of September 30, 2009, the Authority had outstanding bonds and notes payable of $198,915, a decrease of $83,269, as compared to $282,185 at September 30, 2008, (both net of unamortized bond discounts, premiums, and deferred loss on refunding). Capital lease obligations were $5,278, and $6,242, respectively. The reduction in bonds and notes payable result primarily from a payoff of commercial paper borrowings of $77, partly from available cash funds and partly from line of credit borrowings. The total line of credit balance at September 30, 2009 was $35,295. The line of credit balance represents funding for several projects carried over from 2008 into 2009, and some new projects including land acquisitions, harbor deepening, and terminal improvements.

The Authority exceeded its required minimum debt service coverage ratio for the 2009 fiscal year.

Additional information on the Authority's Long-Term Debt can be found in the accompanying notes to the financial statements.

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, 2010 and 2009.

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, 2010 and 2009

(In thousands of dollars)	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 7,499	$ 5,472
Restricted cash and cash equivalents	15,084	15,182
Accounts receivable, net	4,728	3,341
Notes and other receivables	5,883	3,971
Insurance claim receivable	2,485	2,127
Grants receivable	1,279	1,760
Inventories and other assets	1,432	1,554
Total current assets	38,390	33,407
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	9,752	4,646
Restricted for capital projects:		
Cash and cash equivalents	13,131	19,595
Insurance claim receivable	10,355	15,058
Deferred outflow of resources	2,878	-
Note receivable	3,293	-
Grants receivable	4,000	4,000
Dredged soil replacement rights, net	394	733
Deferred charges, net	5,140	5,578
Assets constructed for other government agencies	14,465	11,450
Capital assets, net, primarily held for lease	589,912	601,138
Total noncurrent assets	653,320	662,198
Total assets	691,710	695,605

(continued)

(In thousands of dollars)	2010	2009
Liabilities		
Current liabilities		
Accounts payable	$ 4,641	$ 10,684
Accrued expenses	1,186	1,214
Accrued interest payable	4,684	6,310
Construction contracts payable	2,663	1,924
Retainage payable	28	515
Unearned revenue	6,194	6,307
Deposits	2,802	2,802
Capital lease obligations	1,041	1,001
Bonds and notes payable	8,357	7,617
Total current liabilities	31,596	38,374
Noncurrent liabilities		
Unearned revenue	112,354	111,630
Accrued expenses	2,665	2,740
Derivative instrument liability	2,878	-
Amounts due to other governmental agencies	10,553	10,553
Line of credit	31,458	35,295
Bonds and notes payable	188,550	191,298
Capital lease obligations	3,236	4,277
Total noncurrent liabilities	351,694	355,793
Total liabilities	383,290	394,167
Net Assets		
Invested in capital assets, net of related debt	248,863	261,640
Restricted for		
Capital projects	14,621	17,931
Debt service	13,303	8,313
Repair and replacement	2,524	2,269
Other	58	62
Unrestricted	29,051	11,223
Total net assets	$ 308,420	$ 301,438

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of revenue, expenses, and changes in net assets
For the Years Ended September 30, 2010 and 2009

(In thousands of dollars)	2010	2009
Operating revenue	$ 50,636	$ 47,344
Operating expenses		
Salaries and benefits	13,401	13,865
Services and supplies	5,893	6,154
Security services	4,973	4,975
Business travel and training	360	337
Promotions, advertising, dues and membership	737	700
Utility services	1,173	1,247
Repairs and maintenance	1,858	1,631
Dredging	3,265	3,377
Stormwater fees	134	529
Miscellaneous	196	216
Total operating expenses	31,990	33,031
Operating income before depreciation and amortization	18,646	14,313
Depreciation and amortization expense	24,448	22,111
Operating loss	(5,802)	(7,798)
Non-operating revenues (expenses)		
Interest expense	(11,982)	(12,170)
Investment income	195	309
Shared revenue from primary government	8,163	2,716
Intergovernmental revenue	114	147
Insurance recovery, net	297	15,989
Legal and other costs – eminent domain	-	3,644
Gain on sale of assets	6,808	-
Other non-operating	(417)	-
Total non-operating revenue (expense)	3,178	10,635
Income (loss) before capital contributions	(2,624)	2,837
Capital contributions	9,606	5,008
Change in net assets	6,982	7,845
Net assets		
Beginning of year	301,438	293,593
End of year	$ 308,420	$ 301,438

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

(In thousands of dollars)	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 49,827	$ 49,406
Payments for services and supplies	(18,396)	(18,870)
Payments to/for employees	(13,499)	(13,740)
Net cash provided by operating activities	17,932	16,796
Cash flows from noncapital financing activities:		
Operating grants	40	147
Receipts from primary government	8,011	2,716
Net cash provided by noncapital financing activities	8,051	2,863
Cash flows from capital and related financing activities:		
Proceeds from capital debt	58,510	-
Principal paid on debt refunding and related swap	(53,295)	-
Line of credit activity	(3,837)	35,000
Commercial paper activity	-	(77,000)
Contributions-in-aid of construction (grants)	10,161	16,144
Contributions-in-aid of construction (customers)	-	10,942
Acquisition and construction of capital assets/custodial assets	(21,466)	(76,550)
Principal paid on capital debt	(8,618)	(7,224)
Interest paid on capital debt	(12,571)	(12,783)
Net proceeds from insurance claim	4,642	3,804
Proceeds from sale of assets	1,247	156
Net cash used in capital and related financing activities	(25,227)	(107,511)
Cash flows from investing activities:		
Interest on investments	145	355
Proceeds from sale and maturities of investment securities	-	855
Other	(330)	(1,848)
Net cash used in investing activities	(185)	(638)
Net increase (decrease) in cash and cash equivalents	571	(88,490)
Cash and cash equivalents		
Beginning of year	44,895	133,385
End of year	$ 45,466	$ 44,895

(continued)

(In thousands of dollars)	2010	2009
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (5,802)	$ (7,460)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	24,110	21,773
Provision for uncollectible accounts	50	22
Amortization of dredged soil replacement rights	338	338
(Increase) decrease in accounts receivable and other current assets	(1,349)	1,058
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(26)	37
Unearned revenue	611	1,028
Total adjustments	23,734	24,256
Net cash provided by operating activities	$ 17,932	$ 16,796

Noncash investing, capital and financing activities:		
Construction costs paid on account	$ 2,691	$ 2,439
Decrease in fair value of investments	-	(36)
Grants receivable / contributed capital / unearned revenue	8,774	9,255
Note receivable resulting from land sale	4,943	-
Amortization of deferred charges / unamortized discounts	1,077	404
Deferred charges paid from debt proceeds	134	295
Insurance recovery receivable, nonoperating revenue	297	15,058
Eminent domain – settlement adjustment	-	(3,950)

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

The Authority is a component unit of the City of Jacksonville, Florida (the “City”), as defined by Governmental Accounting Standards Board Statement No. 14, *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 Authority’s accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording assets, liabilities and residual equities, and changes therein.

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 funds’ 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) Accounting Standards Codification (ASC), 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, 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 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 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 Council.

Note A – Summary of Significant Accounting Policies (continued)

5. Budgeting procedures (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. Accounting Standards Adopted

In fiscal year 2010 the Authority adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board ("GASB"):

Statement No. 51, Accounting and Financial Reporting for Intangibles. This Statement establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement improves financial reporting by requiring governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. As a result of implementation, the Authority recorded an aggregate Deferred Outflow of Resources (asset) of $2,877,848, which is offset by a corresponding Derivative Instrument Liability (liability) in the same amount.

7. Cash and cash equivalents

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

8. Investments

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.

Note A – Summary of Significant Accounting Policies (continued)

9. Restricted Assets

Certain proceeds of revenue bonds, 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 bond 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 designated solely for capital improvements. Insurance claims designated for the replacement of capital assets are classified as restricted assets.

10. Capital assets

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

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

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

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

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.

11. Assets constructed on behalf of other government agencies

These assets consists of infrastructure cost currently under construction for the benefit of the State of Florida Department of Transportation (FDOT). After completion, the State is responsible for maintaining the improved asset as a result of the discharge of the agreement between the Authority and FDOT. Therefore, the Authority transfers such assets upon completion of the related construction project.

Note A – Summary of Significant Accounting Policies (continued)

These assets are reported as “assets constructed on behalf of other government agencies” on the statement of net assets because title of such assets does not transfer until such time as the project is completed and accepted by the State or the City, as appropriate. As these assets are being held in an agency-like capacity by the Authority, the revenues associated with the funding of these projects are reported as amounts due to other governments (liabilities) on the statement of net assets, reflecting the Authority’s obligation to the State.

12. 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.

13. 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 to be amortized using the straight-line method over the estimated useful life of the rights acquired, which is 25 years.

14. 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.

15. Compensated absences (accrued leave plan)

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. Employees also have the option to sell accrued leave within certain guidelines. 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 2010 and 2009 was $978,000 and $1,157,000, respectively. Maximum leave accrual balances cap at 520 hours for employees hired after October 1, 1997 and 1,000 hours for employees hired prior to that date. Additionally, non-union employees are required to take 40 consecutive hours of leave on an annual basis.

16. 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, 2010, total conduit debt was $95,305,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (continued)

17. 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.

18. 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.

19. 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 $8,163,000 and $2,716,000 in 2010 and 2009, respectively.

20. 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.

Note A – Summary of Significant Accounting Policies (continued)

21. Reclassifications

Certain reclassifications were made to the 2009 financial statement presentation in order to conform to the 2010 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2010 and 2009, the carrying amount of the Authority's cash deposit accounts, including certificates of deposit, was $34,263,000 and $21,402,000, 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. Certificates of deposit are recorded at their purchase price plus accrued interest, which approximates fair value.

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

Investments

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

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

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

As of September 30, 2010, all investments are maintained in highly liquid money market funds, which are presented as cash and cash equivalents in the Authority's financial statements.

Note B – Deposits and Investments (continued)

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:

2010	Investment Maturities (in Years)	
(in thousands)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 11,103	$ 11,103
Total investments	$ 11,103	$ 11,103

2009	Investment Maturities (in Years)	
(in thousands)	Fair	Less
Investment Type	Value	Than 1
Investments Subject to Rate Risk:		
Money market funds	$ 23,493	$ 23,493
Total investments	$ 23,493	$ 23,493

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.

Note B – Deposits and Investments (continued)

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 or 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:

2010

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

2009

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

Custodial Credit Risk

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

Note B – Deposits and Investments (continued)

As of September 30, 2010, the Authority's investment portfolio was held with third-party custodians as required by the Authority's investment policy. Money market funds 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, 2010 and 2009, the Authority had no concentrations of credit risk.

Note C – Capital Assets, Primarily Held for Lease

Capital asset activity for the years ended September 30, 2010 and 2009 was as follows:

2010 *(in thousands)*	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 209,616	$ 19,004	$ (5,860)	$ 222,760
Construction in progress	30,222	18,055	(33,755)	14,522
Total capital assets not being depreciated	239,838	37,059	(39,615)	237,282
Other capital assets				
Buildings	99,730	3,621	-	103,351
Improvements	397,337	7,950		405,287
Equipment	92,107	3,914	(447)	95,574
Total other capital assets at historical cost	589,174	15,485	(447)	604,212
Less accumulated depreciation for:				
Buildings	34,153	3,868	-	38,021
Improvements	142,908	15,142	(2)	158,048
Equipment	50,813	5,100	(400)	55,513
Total accumulated depreciation	227,874	24,110	(402)	251,582
Other capital assets, net	361,300	(8,625)	(45)	352,630
Capital assets, net	$ 601,138	$ 28,434	$ (39,660)	$ 589,912

Note C – Capital Assets, Primarily Held for Lease (continued)

2009 *(in thousands)*	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 126,808	$ 82,808	$ -	$ 209,616
Construction in progress	242,331	52,831	(264,940)	30,222
Total capital assets not being depreciated	369,139	135,639	(264,940)	239,838
Other capital assets				
Buildings	69,898	29,832	-	99,730
Improvements	254,822	143,915	(1,400)	397,337
Equipment	88,606	3,537	(36)	92,107
Total other capital assets at historical cost	413,326	177,284	(1,436)	589,174
Less accumulated depreciation for:				
Buildings	30,125	4,028	-	34,153
Improvements	130,569	13,739	(1,400)	142,908
Equipment	46,843	4,006	(36)	50,813
Total accumulated depreciation	207,537	21,773	(1,436)	227,874
Other capital assets, net	205,789	155,511	-	361,300
Capital assets, net	$ 574,928	$ 291,150	$ (264,940)	$ 601,138

Note D – Capitalization of Interest

The Authority capitalizes interest expense on construction in progress under ASC 835-20-25. Capitalization of interest costs in situations involving tax-exempt borrowings and certain grants is applicable when "specified qualifying assets" are constructed with proceeds that are externally restricted. Interest costs are netted against the interest earned on the invested proceeds of specific purpose tax-exempt borrowings. The capitalization period is from the time of the borrowing until the completion of the project.

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2010 and 2009:

(In thousands of dollars)	2010	2009
Total interest expense incurred	$ 12,023	$ 13,333
Interest expense associated with construction	41	1,302
Interest earned in construction accounts capitalized	-	(139)
Net interest capitalized	41	1,163
Net interest expense incurred	$ 11,982	$ 12,170

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 $688,805,000 and accumulated depreciation of $176,390,000 as of September 30, 2010. Revenues recognized for facility leases for the fiscal year ended September 30, 2010 and 2009 were $17.8 million and $16.9 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, 2010, are as follows:

(Amounts in thousands)	MOL	All Other	Total
2011	$ 6,784	$ 11,792	$ 18,576
2012	6,837	11,513	18,350
2013	6,899	11,144	18,043
2014	6,957	9,871	16,828
2015	7,020	7,098	14,118
Thereafter	25,319	49,729	75,048
	$ 59,816	$ 101,147	$ 160,963

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, as described in paragraphs below. In addition, MOL contributed $15 million for additional acreage and paving. The project financing arrangements are as follows:

$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.16 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 were also used to finance project construction. The $45 million is included as part of the 2008 bond issue for $90 million, Revenue Bonds, Series 2008.

The Authority's contribution to the project was $25 million, funded by state grants and revenue bonds. Project costs totaled $235 million.

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with ASC 840-20-25-2. 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 will provide 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 2022. Unearned revenue at September 30, 2010 and 2009 totaled approximately $119 million and $118 million, respectively.

As noted in the previous paragraph, the scheduled monthly rent payments will be satisfied in 2022. No additional cash receipts for rent will be collected in years 2023 through 2038, although lease income will continue to be recognized over the remaining lease term as outlined above. However, ongoing cargo throughput fees and other tariff related charges will continue to be assessed pursuant to the tenant agreement.

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 14.57 percent of senior management, 12.25 percent of deferred retirement option participants (DROP) and 10.77 percent of all other employee earnings. Covered employees are not required to make contributions to the System.

The total contribution requirement for both plans in the accompanying financial statements was $1,037,000 and $1,226,000 for the years ended September 30, 2010 and 2009, 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 $132,000, and $138,000 for the years ended September 30, 2010, and 2009, 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 114 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 followed a pay-as-you-go policy 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, 2010:

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost (ARC)	$	125,692
Interest on Plan Obligation		7,155
Adjustment to ARC		(20,978)
Annual Plan Retiree Costs		111,869
Less: Contributions Made (estimated premium paid by Authority)		43,963
Change in Plan Obligation		67,906
Plan Obligation – Beginning of Year		159,000
Plan Obligation – End of Year	$	226,906

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

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	$ 121,075	33.9%	$ 80,035
9/30/2009	121,441	35.0%	159,000
09/30/2010	111,869	39.3%	226,906

Actuarial Assumptions, Methods and Valuation

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status, could result in actual costs being greater or less than estimated.

OPEB Funding Status

The following data presents the GASB 45 funding status as of September 30, 2010:

1. Actuarial Accrued Liability	$ 1,279,807
2. Actuarial Value of Assets	-
3. Unfunded Actuarial Accrued Liability (UAAL)	$ 1,279,807
4. Funded Ratio	0.0%
5. Annual Covered Payroll	$ 6,829,770
6. UAAL as a percentage of payroll	18.7%

The following criteria were used: 4.5% discount rate, standardized mortality tables, medical industry based cost trend assumptions, and an assumed inflation rate of 3.5% annually.

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 $69,000 and $197,000 for the years ended September 30, 2010 and 2009, respectively. The Authority recorded an additional estimated liability to account for claims incurred but not reported.

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 $571,000 and $524,000, for the years ended September 30, 2010 and 2009, 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

<u>Capital Leases</u>

On February 15, 2006, the Authority entered into a lease-purchase agreement in the amount of $8,589,655 with Banc of America Leasing & Capital, LLC for the acquisition of six cranes. The agreement has an 8 year fixed term rate of 3.88% and call for semi annual payments of $598,265.

The following is a schedule of future minimum lease payments:

(In thousands of dollars)

Years ending		
2011	$	1,197
2012		1,196
2013		1,196
2014		1,060
Total minimum lease payments		4,649
Less: Amount representing interest		373
Present value of minimum lease payments	$	4,276

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

Assets acquired through capital leases are as follows:

(In thousands of dollars)	2010	2009
Assets:		
Equipment	$ 24,277	$ 24,277
Less: accumulated depreciation	(10,448)	(9,453)
	$ 13,829	$ 14,824

Long-term Debt

Long-term debt activity for the years ended September 30, 2010 and 2009 was as follows:

	2010				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 106,940	$ -	$ -	$ 106,940	$ -
Revenue refunding bonds	51,580	-	(51,580)	-	-
Revenue Note – Tax Exempt	-	52,090	-	52,090	4,090
Revenue Note – Taxable	-	6,420	-	6,420	501
State Infrastructure Bank Loan	41,450	-	(3,657)	37,793	3,766
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(1,055)	(5,281)	-	(6,336)	-
Total bonds and notes payable	198,915	53,229	(55,237)	196,907	8,357
Liability for pollution remediation	1,568	-	-	1,568	-
Derivative instrument liability	-	2,878	-	2,878	-
Capital leases	5,278	-	(1,001)	4,277	1,041
Compensated absences & other	1,567	435	(521)	1,481	384
Line of credit	35,295	3,400	(7,237)	31,458	-
	$ 242,623	$ 59,942	$ (63,996)	$ 238,569	$ 9,782

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

Long-term Debt (continued)

	2009				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 108,130	$ -	$ (1,190)	$ 106,940	$ -
Revenue refunding bonds	53,295	-	(1,715)	51,580	3,960
Commercial paper	77,000	-	(77,000)	-	-
State Infrastructure Bank Loan	45,100	-	(3,650)	41,450	3,657
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(1,340)	-	285	(1,055)	-
Total bonds and notes payable	282,185	-	(83,270)	198,915	7,617
Liability for pollution remediation	1,568	-	-	1,568	-
Capital leases	6,242	-	(964)	5,278	1,001
Compensated absences & other	1,325	738	(496)	1,567	396
Line of credit	-	35,295	-	35,295	-
	$ 291,320	$ 36,033	$ (84,730)	$ 242,623	$ 9,014

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

Long-term debt at September 30, 2010 and 2009 consisted of the following:

(in thousands of dollars)	2010	2009
Revenue Bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$ 16,940	$ 16,940
Revenue Refunding Bonds, Series 2006, due in varying amounts through 2018. Interest rates were at a fixed rate of 4.375% until November 1, 2009. Refunded in November 2009 with Tax Exempt Revenue Notes, Series 2009.	-	51,580
Florida State Infrastructure Bank Loan – 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	37,793	41,450
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2038. Interest rates range from 5.75% to 6.0%.	90,000	90,000
$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due January 27, 2012. Interest rates range from 1.61% to 2.14% in 2010.	31,458	35,295
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.	52,090	-
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.	6,420	-
	234,701	235,265
Less current portion	8,357	7,617
	$ 226,344	$ 227,648

In November 2000, the Authority issued $39,625,000 principal amount of Revenue Bonds, Series 2000. The proceeds of the bonds were used for the acquisition, construction and installation of capital improvements to the Authority's facilities.

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

The Authority made a $16,020,000 partial defeasance of its Revenue Bonds, Series 2000 in January 2003. The Authority incurred a loss on defeasance (difference between (i) the principal defeased and (ii) the cost of the defeasance escrow and related costs) of $1,966,279. This transaction has been treated as an in-substance defeasement and, accordingly, has been accounted for as though the debt has been extinguished. The debt that has been defeased and the related principal balances at September 30, 2010 and 2009 were $11,815,000 and $11,815,000, respectively.

In November of 2006, the Authority issued $54,905,000 in Revenue Refunding Bonds, Series 2006 Auction Rate Certificates. The proceeds of the bonds were used for the purpose of refunding the Authority's outstanding Port Facilities Revenue Refunding Bonds, Series 1996. The bonds were variable rate with the initial rate of 3.5%. Interest on the bonds are payable on November 1 and May 1 with principal payments due each November 1. In March 2008, the Authority converted the Series 2006 Bonds to a fixed rate of 4.375% until November 1, 2009. This conversion was done due to the instability of the Auction Rate bond market which was causing the bonds to be reset at higher than historical interest rates. On November 2, 2009, the Series 2006 Bonds were called and replaced with a $52 million bank note.

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 as of September 30, 2010 and 2009 was $37,793,000 and $41,450,000, respectively.

In May 2008, the Authority issued $90,000,000 in Revenue Bonds, Series 2008. The proceeds of the bonds were used in part for the construction of the MOL terminal, $45 million and $45 million designated for other port projects, including the Authority's contribution to the MOL project.

The Series 2000 and 2008 bonds are collateralized by a lien upon and pledge of net revenues of the Authority's Facilities and certain monies held in trust funds. The Authority has agreed in its various bond related documents 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. The Series 2000 and 2008 bonds also place restrictions on the Authority's issuance of additional bonds.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank due to mature on January 27, 2012. The line is in its second renewal and 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, 2010 was $31,458,480.

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

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.

Interest Rate Swap Agreements on Series 2009 Notes

In early fiscal year 2010, 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. On December 11, 2009, subsequent to the closing of both 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, 2010 are the same as stated above. 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 A by Standard & Poors, and A3 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2010, a termination fee of $2,447,780 and $430,068 for the two notes would have been payable by the Authority based upon the current market conditions at that time.

With the implementation of *GASB 53, Accounting and Financial Reporting for Derivative Instruments* in fiscal year 2010, the Authority has recorded the above interest rate swap transaction as an *effective hedging transaction*. The result is an aggregate $2,877,848 Deferred Outflow of Resources (asset) offset by a corresponding $2,877,848 Derivative Instrument Liability (liability), both classified as non-current items on the Statement of Net Assets. The interest rate swap agreement originally issued with Series 2006 bonds was extinguished at the time the Series 2006 bonds were refunded. Retroactive application of the standard was not considered to be practical, as the resulting accounting would have had the same impact on the refunding transaction.

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, 2010 was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2011	$ 9,758	$ 8,357
2012	9,462	40,199
2013	9,153	9,141
2014	8,828	9,551
2015	6,298	9,993
2016 – 2020	36,719	53,435
2021 – 2025	28,282	17,380
2026 – 2030	22,530	23,125
2031 – 2035	14,620	31,040
2036 – 2040	4,044	32,480
	$ 149,694	$ 234,701

Original Issue Discount, Premiums, and Deferred Loss on Refundings

Unamortized original issue discounts on Bonds and Notes Payable were $263 and $446 in 2010 and 2009, respectively. Unamortized premiums on Bonds were ($2,543) and ($2,635).

Unamortized deferred loss on refundings was $8,618 and $3,244 in 2010 and 2009, respectively.

Other Noncurrent Liabilities

Deferred revenue balances were $118,548 and $117,937 for years ending September 30, 2010 and 2009, respectively. The current portion was $6,194, and represents one year of rent amortization on MOL rent receipts collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

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

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

The Authority has completed construction of a road improvement (interchange) project, which will be contributed to the Florida Department of Transportation (FDOT) upon close out of all construction contracts. Grant funds received on this project total $10,553. The Authority is recording these grant receipts as a liability until such time that the project is completed and transferred to the FDOT. The anticipated transfer date is early calendar year 2011.

The Authority also carries a liability for estimated claims outstanding as part of the overall city managed workers compensation and general liability insurance program. Estimated liability balances were $275,000 and $189,000 for 2010 and 2009, respectively.

	Beginning Liability	Increases	Decreases	Ending Liability
2009	$ (27,087)	$ (161,960)	$ -	$ (189,047)
2010	(189,047)	(85,900)	-	(274,947)

Note L – Commitments and Contingencies

Construction Related

At September 30, 2010, the Authority had commitments for future construction work of approximately $17.6 million. Of this amount, $15.8 pertains to contract commitments to replace two container cranes, covered by an insurance claim.

In connection with the MOL terminal project, the Authority spent approximately $14.5 million for peripheral highway improvements on behalf of the Florida Department of Transportation (FDOT). The project was completed in 2010, and the transfer and assignment of this construction project is anticipated for early 2011. This asset is accounted for as assets constructed on behalf of other government agencies, and is not part of the capital assets of the Authority. Grant funding commitments for the project from the FDOT is currently $10.6 million.

The Authority has an agreement with the Army Corps of Engineers (USACE), whereby harbor deepening is performed by the USACE and certain amounts are reimbursed by the Authority over a 30 year amortization period. This deferred payment arrangement allows the Authority to budget these outlays over time, and are only a part of the Authority’s contribution to the project. At September 30, 2010, final amounts due under this arrangement were not available from the USACE.

Insurance Claim (Cranes)

In August 2008, a total of five cranes were damaged as a result of a wind microburst at the Blount Island terminal. The damages were confined primarily to equipment (five cranes). Two cranes were destroyed in total; three cranes incurred minor damages and have subsequently been repaired. The cranes are insured at replacement value.

Note L – Commitments and Contingencies (continued)

At year end 2010, the Authority has an insurance claims receivable balance of $12.8 million, reflecting remaining proceeds due for the replacement of two cranes and other related expenses. Amounts received through September 30, 2010 were $10 million. In 2010, additional non-operating recovery amounts of $297,000 were recorded for additional equipment covered by the claim. The Authority recorded a non-operating recovery on the claim in 2009, in the amount of $16 million (insurance claim gain of $17.3 million less related expenses of $1.3 million). In 2008, the year of the initial claim, the Authority also recorded an original $5 million advance as a claim recovery, less impairment losses and related expenses of $3.8 million. Crane construction is currently in process for the two replacement cranes at an estimated cost of $20 million, with a scheduled completion and delivery date of mid-2011.

Environmental Remediation of Tenant-Occupied Property

The Authority owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. During fiscal year 2010, the tenant commenced environmental cleanup efforts on this property, as well as separate adjacent property owned by the tenant. The remediation project is approximately 50% complete at September 30, 2010, with an anticipated completion date of May 2011. 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 them the leased property after all environmental remediation obligations have been fulfilled on the leased property 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.

Hanjin Shipping Co. Ltd.

On December 10, 2008, the Authority executed a 30 year lease agreement for a new container terminal operation with a South Korean company, Hanjin Shipping. The proposed 88 acre terminal facility is slated to begin operations in 2014 or earlier. At full capacity, the new terminal would have the capacity to handle 1 million TEU (twenty foot equivalent) containers annually. The Authority is currently in the process of hiring an engineering firm for the design services element of the project.

FBI Investigation

In April 2008, the Federal Bureau of Investigation (FBI) initiated an investigation of a board member, three employees, and certain companies which had performed services for the Authority. The Authority has complied with the FBI records request. This investigation is still in progress as of the date of this report.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 150 employees. Union employees represent about 46% of the total. The current union contract was renewed in November 2010 for a three-year term, expiring on September 30, 2012.

Note L – Commitments and Contingencies (continued)

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.

Note M – Significant Customers

For the fiscal year ended September 30, 2010, 13% of operating revenues resulted from sales to a single significant customer. At September 30, 2010, no accounts receivable were due from this same customer.

Note N – Capital Contributions

Federal Contributions

The Authority received monies from Federal funding awards designated for constructing capital assets in order to comply with the State of Florida Seaport Security compliance requirements. Contributions of $442,000 and $1,334,000 were recorded for the years ended September 30, 2010 and 2009, respectively.

State and Other Contributions

The Authority also received receipts from State funding awards in 2010. Amounts recorded as intergovernmental revenues or capital contributions in the Statement of Revenues, Expenses, and Changes in Net Assets were $9,164,000 and $3,821,000 for the years ended September 30, 2010 and 2009, respectively.

Additional capital funding from State grants totaled $10,553,000, specifically designated for an FDOT highway project to be contributed upon completion by the Authority to the FDOT in 2010. Amounts received for this grant are recorded on the statement of net assets, as a liability for amounts due to other governmental agencies. The Authority has an uncollected balance of $4,000,000 on this grant at September 30, 2010. These funds will be paid by FDOT to the Authority over a three-year period from 2012 to 2014. The Authority changed its accounting for this agreement in fiscal 2009 to report this similar to an agency type transaction, whereby assets equal liabilities. Management believes the reduction of capital contributions of $2.6 million in 2009 to recognize the change in accounting since the inception of the agreement as of the fiscal year end is not material to the Authority’s 2009 financial statements.

Note O – Subsequent Event

Series 2010 Revenue Note

On October 1, 2010, the Authority executed an $18.9 million loan agreement and tax-exempt fixed rate note (with an interest rate of 4.03 percent) with Regions Bank for purposes of refunding the Series 2000 bonds, and concurrently funding the required note reserve. The 2010 Note amortization schedule, a maturity date of 2030, is similar to the Series 2000 bonds, and results in significant interest savings over the term of the note.

Note P – New Accounting Pronouncements

GASB Statement 57, OPEB *Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit certain OPEB plans to use an alternative measurement method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the Authority beginning with its year ending September 30, 2012.

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. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, this Statement, issued November 2010, will be effective for the Authority beginning with its year ending 2013 (effective for periods beginning after June 15, 2012). The objective of this Statement is to modify certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

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


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JAXPORT's Board of Directors

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

Left to right: Kulik, Fowler, Gaffney, Vinyard, Busey, Citrano, York

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