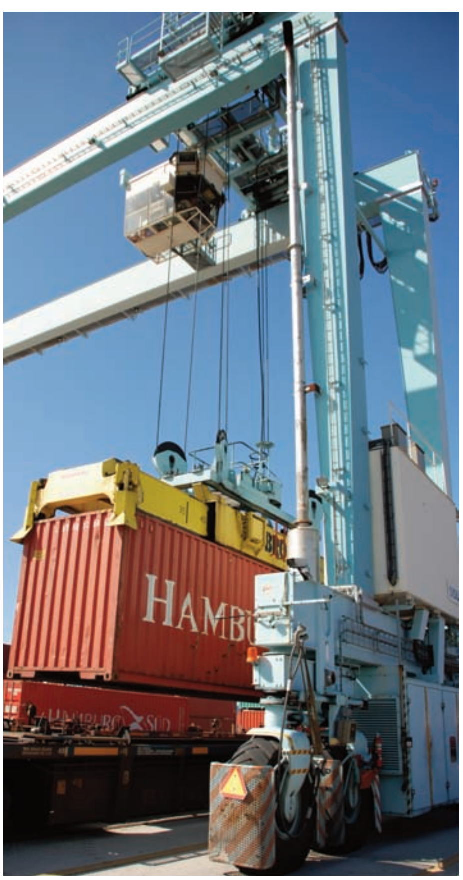
JAXPORT

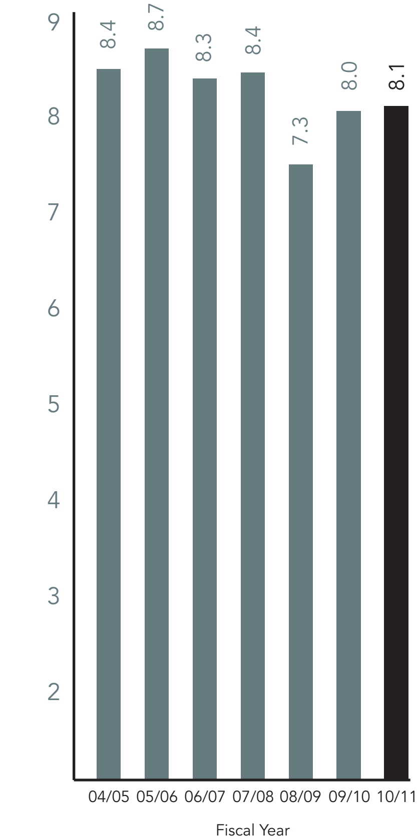
2011 Annual Report



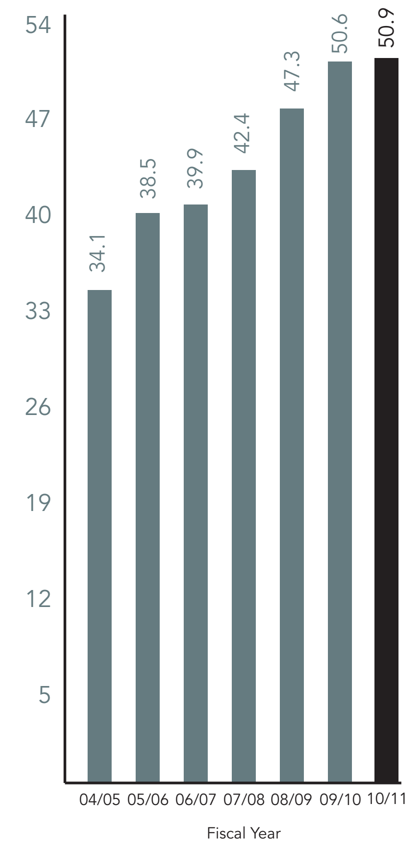
The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida. JAXPORT owns three cargo facilities, one passenger cruise terminal and an auto-ferry service along the St. Johns River: the Blount Island Marine Terminal, 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 at JAXPORT
- #1 container port in Florida
- 3rd year of container volume growth, despite world economic downturn
- 11th consecutive year of record revenues
- 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
- #1 U.S. vehicle export port
- One of 14 U.S.Strategic Ports on-call to move military cargo for national defense

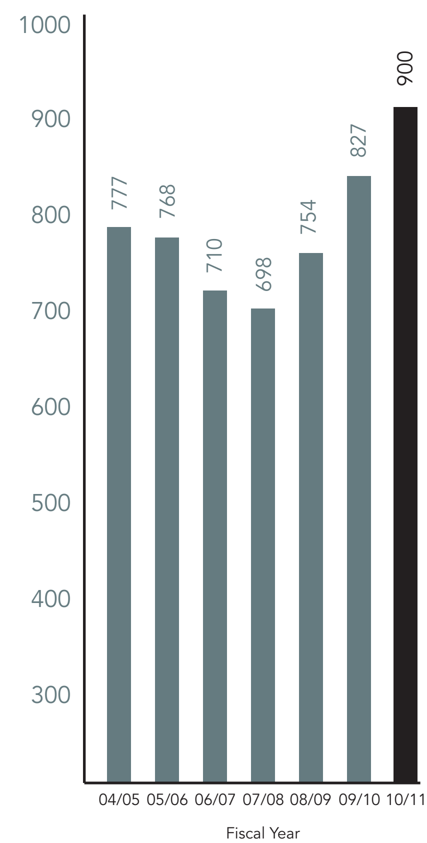
Total Tonnage (in millions)



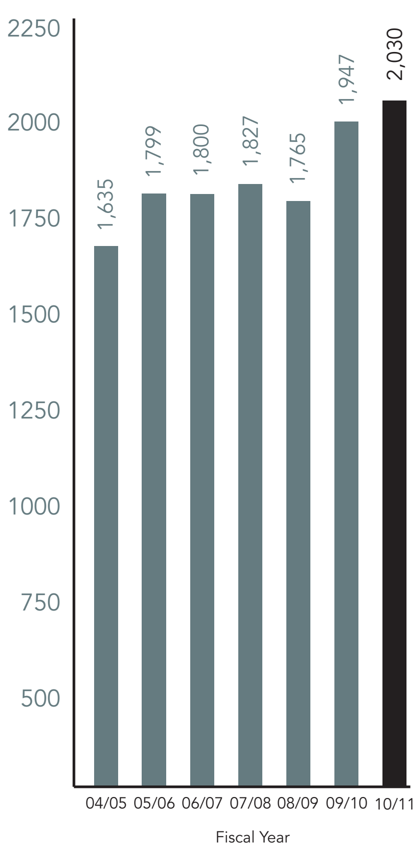
Revenue (in millions)



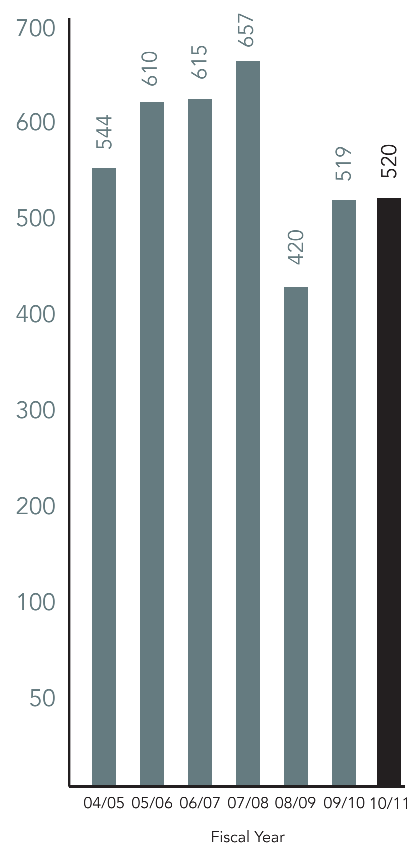
TEUs (in thousands)



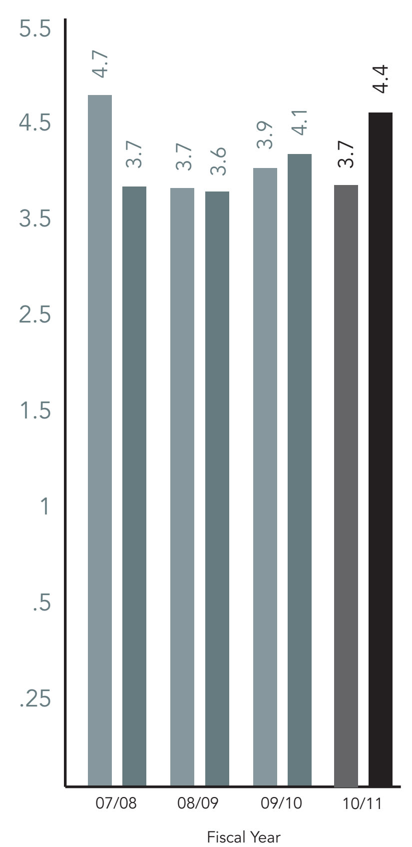
Vessel Calls



Auto Units (in thousands)



Import/Export (in millions of tons)



A Message from JAXPORT

It has been another record-setting year for JAXPORT and a period of progress on many fronts. Container volumes at JAXPORT reached an all-time high in FY 2011, earning Jacksonville the distinction of becoming Florida's number one container port. To grasp the true significance of this, we must take into account that with container volume increases each year since 2009, JAXPORT is one of a very few U.S. ports that can tout three consecutive years of such growth, some of it during the very depths of the global recession.

This is the result of 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.

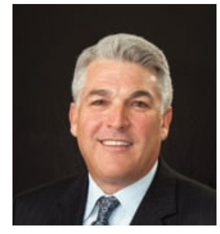
Speaking of progress, Jacksonville continues to welcome weekly direct shipments through the Suez Canal, aboard vessels too large to pass through the current locks of the Panama Canal. This not only connects our region with fresh prospects for our customers, tenants and the other private sector industries which grow as we do, but announces to the global marketplace that we are not sitting idly awaiting the opening of the new Panama locks in a few years; we have attracted the bigger ships now!

In addition, overall container tonnage increased a healthy 10 percent over 2010 and JAXPORT earned a record $51 million in operating revenue, marking more than a decade of uninterrupted year-over-year growth. All earnings from these revenues are poured back into port operations and help contribute to the positive quality of life of the region through increased employment and private sector opportunities.

Still, there is no time to rest. In 2011, we expanded our efforts to develop the sources of funding needed to maximize the opportunities available to us all, attracting more than $100 million in investment from the state and federal governments. Work on replacing aging docks and other infrastructure has begun in earnest, enabling JAXPORT to begin building the port of the future. The U.S. Department of Transportation recently recognized our contributions to the nation's economic health by awarding us one of only four port-related TIGER grants, to be used to provide on-dock rail at Dames Point, a major boost to our competitiveness. Also of critical importance: the time-sensitive projects to improve and deepen our harbor, both essential investments that will provide an extraordinary return in jobs and dollars.

Rest assured that with your continued support, we are working to meet all of our challenges on behalf of the citizens and business interests of our great city, state and nation.

Reginald L. Gaffney
Chairman of the Board



A. Paul Anderson
Chief Executive Officer


HORIZON NAVIGATOR
HL
ZPMC

A Message from Ananth Prasad, P.E.

On behalf of all of the citizens of Florida, I want to personally thank the men and women of JAXPORT and its related businesses for continuing to bring opportunity to the Sunshine State through the port each and every day. The benefits of a strong seaport system, not just for us but for the entire nation, are clear and it should be our goal to increase those benefits through all means possible.

We all are aware of the investment challenges ahead for JAXPORT and for every port in the country. But we are equally aware of the opportunities that are just around the corner. The rewards of these opportunities can be ours with proper vision and proper action.

I have already pledged my commitment to Florida's seaports to assist in building facilities of the future to create the steady, well-paid jobs of the future. I will continue to use my office to champion key strategic projects for all of our ports so we can capitalize on our many national assets.

Ananth Prasad, P.E.
Secretary, Florida Department of Transportation

A Message from Alvin Brown

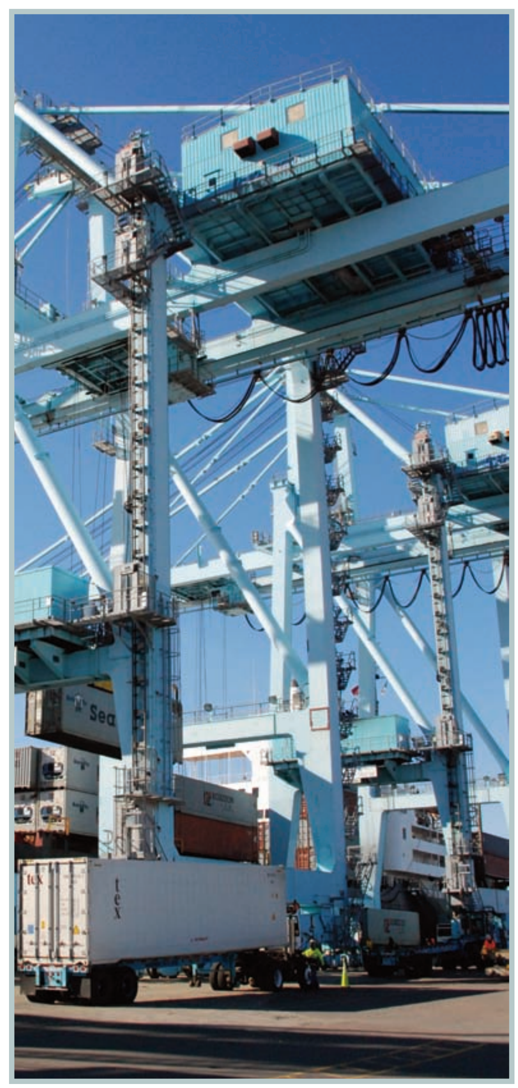
As we continue to rebound from the recession, I have placed full confidence in the ability of JAXPORT and all port tenants to create jobs and continue broadening Jacksonville's outlets into the global marketplace.

While I can't ignore the challenges posed in this tough economy, I still believe this has been a great year for Jacksonville's ports. It has been an honor as mayor to take part in the relationship-building that will set a stage to ensure future business growth and economic success.

We have seen millions of tons of cargo and hundreds of thousands of automobiles depart our berths for international destinations. We know that our longshoremen, stevedores and shipping operations play a major role in the economic vitality well beyond Jacksonville throughout the Southeast and the rest of America.

As mayor, I take the port seriously. I've traveled to Los Angeles to get a feel of how business is done at those busy waterfronts. I've traveled to Brazil to help build the business deals that will energize a trade lane already floating more than one million tons of cargo to Jacksonville. I've been named the chairman of the U.S. Conference of Mayors' Metro Exports and Ports Task Force, an honor that will help me advocate for JAXPORT on a national stage. And I've built a great working relationship with Transportation Secretary Ray LaHood, something that's helped to secure $10 million in federal seed money for the development of Dames Point. This Transportation Investment Generating Economic Recovery (TIGER) grant will help to keep us competitive in the post-Panamax era.

I believe in our ports. I enjoy great support from JAXPORT staff and directors in my mission to put this city back to work. I congratulate you all on another fine year of business.



Alvin Brown
Mayor, City of Jacksonville


9299
CORE CUT

Financial Health

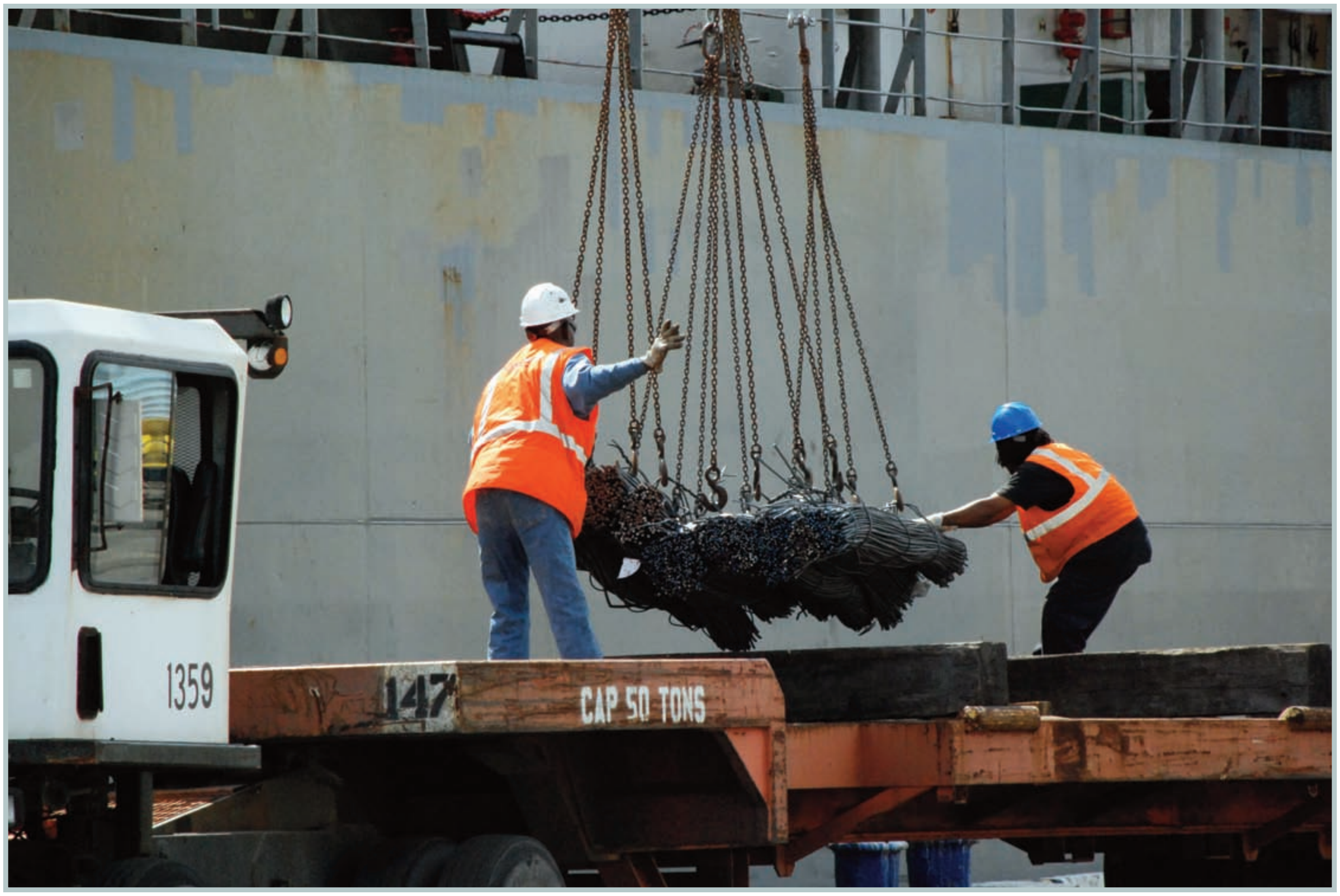
JAXPORT earned $51 million in operating revenues in FY 2011, a slight increase over FY 2010 and the port's 11th consecutive year of operating revenue growth. Strong expense side management allowed JAXPORT to reduce operating expenses from $32 million in FY 2010 to just over $31 million in FY 2011. At the same time, operating income in FY 2011 rose to $19.8 million from $18.6 million in FY 2010 due to reduced dredging expenses.

These financial results reflect JAXPORT's positive year operationally with additional records set in container volume and vessel calls. JAXPORT facilities moved a record 900,433 containers or twenty-foot equivalent units (TEUs) in FY 2011. Container volume has grown 29 percent since 2008. When combined with the volumes from private users of the harbor, Jacksonville is now Florida's number one container port.

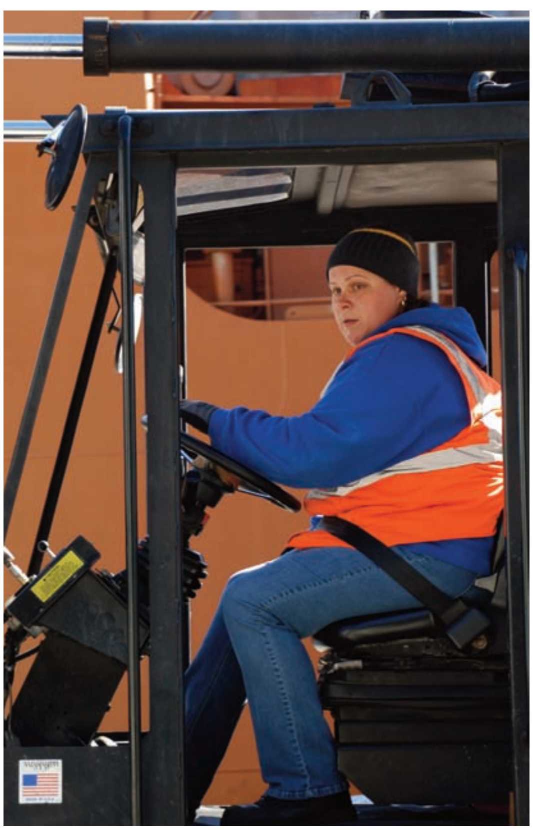
A total of 8.1 million tons of cargo shipped through JAXPORT facilities in FY11 and vessel calls rose to a record 2,030. In addition, JAXPORT saw a 10 percent increase in breakbulk cargoes (paper, steel) and maintained vehicle traffic and its spot as the nation's second busiest vehicle-handling port.

In 2011, 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 $122.9 million for capital projects in FY 2012. This includes wharf rehabilitation projects at Blount Island and Talleyrand Terminals, Mile Point improvements, and spoil site improvements at Bartram Island.


1359
147
CAP 50 TONS


JAXPORT 2011 LOGISTICS
& INTERMODAL CONFERENCE
JAXPORT
JACKSONVILLE PORT AUTHORITY
2011 JAXPORT
American Shipper



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:

More than 65,000 direct and indirect area jobs—everyone from longshoremen, truck drivers and warehouse workers to engineering specialists, legal consultants, maintenance workers and hundreds of similar support positions. In Jacksonville alone, nearly 22,000 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, several companies have opened new warehousing and distribution center facilities in Jacksonville.

Cargo Highlights

In FY 2011, JAXPORT facilities handled 8.1 million tons of cargo, a slight increase over the prior year, and reached a significant milestone in container volume, moving a record number of twenty-foot equivalent units (TEUs) for the third consecutive year, and surpassing the 900,000 TEU mark for the first time. When combined with the containers moved by private users of the St. Johns River harbor, these volumes make Jacksonville the largest container port in Florida.

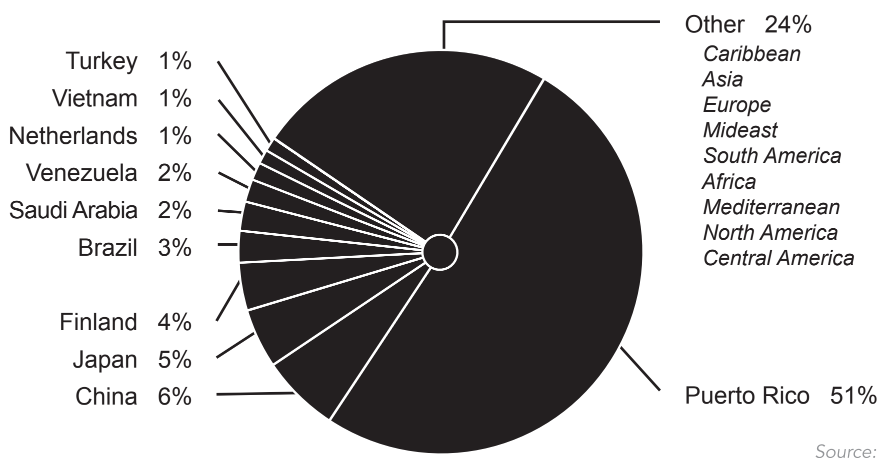
Containerized cargo—primarily consumer goods—grew by 9 percent to 900,433 TEUs. JAXPORT was one of a handful of U.S. container ports to experience significant increases in volumes from FY 2009 through FY 2011, reflecting the continued addition of new business. JAXPORT recently welcomed the largest container ship to ever visit Jacksonville: the 6,600 TEU Yang Ming Milestone, which travelled through the Suez Canal to reach the East Coast of the U.S.

In addition, JAXPORT logged a record 2,030 vessel calls last year, a 4.3 percent increase over the previous fiscal year and the second consecutive year of growth in vessel calls.

While the shipment of vehicles and other Ro/Ro cargoes—primarily passenger cars, trucks and heavy equipment—showed a significant rebound in FY 2010, volumes in FY 2011 held constant at 520,142 units. JAXPORT retains its place as the nation's second busiest vehicle handling port and the nation's number one vehicle export port.

Breakbulk cargoes (paper, steel) and bulk cargoes (primarily limestone and other aggregates used in building) remained impacted by the economic downturn and the sluggish construction market.

JAXPORT Top Trade Lines FY2011



Source:
.RS/Journal of Commerce Data. Includes
*ıcilities. *Coal and Petroleum not included*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YM MILESTONE

Cruise Highlights

In FY 2011, a record 188,726 passengers embarked aboard Carnival Cruise Line's Fascination at JAXPORT's North Jacksonville cruise terminal. In addition, in March 2011, JAXPORT welcomed the one millionth passenger to sail from Jacksonville since the port entered the cruise business eight years ago.

The 2,052-passenger Fascination took a total of 77 voyages out of JAXPORT's cruise terminal at Dames Point in FY 2011. The Fascination currently offers cruises to Key West and the Bahamas year-round.

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

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


Fascination
FASCINATION

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 2011:

Environment
- Greenscape of Jacksonville's Annual Tree Sale
- Tree Hill Nature Center's environmental programs, including the Butterfly Festival
- Annual Right Whale Festival
- St. Johns Riverkeeper Partnerships

Jobs / Workforce / Education
- The jaxportjobs.com website serving more than 117,000 registered users and more than 250 companies
- Statewide partner for the Employ Florida Banner Center for Global Logistics
- Duval, Baker, Clay, Columbia and St. John's 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 and African American Chambers and Alliances

Community
- JAXPORT employees contributed significantly to the United Way of Northeast Florida and the Community Health Charities' 2011 Campaign
- American Heart Association and Cancer Society fundraising walks
- The JAXPORT Gallery hosts free exhibitions highlighting local artists and their original works
- Safe Harbor Boys Home


HUBBA
HOUS


SPIDER-MAN
CRUSHED


GLOBAL STEVEDORING

Future

ENHANCE INFRASTRUCTURE
JAXPORT has begun a comprehensive construction program to rebuild docks and rail at both the Blount Island and Talleyrand Marine Terminals. With much of the infrastructure nearing the half century mark, 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 currently has two projects underway to further improve the harbor, by solving a navigational hazard at Mile Point and studying additional deepening, both crucial components in the plan to attract future seaport business.

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

ENHANCE PORT SECURITY
JAXPORT continues to enhance port security through the installation of a comprehensive Mass Notification System to provide critical, time-sensitive information to all maritime stakeholders in order to reduce risk and increase operating efficiencies. In addition, port security continues to develop new approaches to focus on core requirements while achieving the highest level of efficiency.

DEVELOP DAMES POINT ON-DOCK RAIL
JAXPORT was recently awarded a $30 million grant in federal and state transportation funds to develop an Intermodal Container Transfer Facility (ICTF) at Dames Point, home to the MOL/TraPac Container Terminal. This ICTF increases the competitiveness of the entire JAXPORT terminal network, offering the level of efficiency shippers require in today's demanding marketplace.

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, Florida (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2011 and 2010. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2011 and 2010, and the respective changes in financial position and the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis ("MD&A") and the schedule of funding progress – other post-employment benefits plan, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by 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 audit was 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. 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

Jacksonville, Florida
January 18, 2012

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, 2011. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

In fiscal year 2011, the Jacksonville Port Authority saw record setting container numbers, passing 900,000 TEUs (#1 ranking in Florida) for the first time and is one of the very few ports in the nation to record consecutive years of container growth through the economic downturn (29 percent growth in TEUs FY09-11). JAXPORT also served a record number of cruise passengers in FY11 (188,726). Additionally, JAXPORT saw a significant increase in vessel calls (2,030; up 4 percent over the previous year) along with stability in vehicle volumes (520,142 total autos handled in FY11). Break bulk and dry bulk cargoes were down during FY11 as those sectors continue to feel the effects of a sluggish construction market.

Revenues for the port grew slightly over fiscal 2010 to finish at $50.9 million, the 11th consecutive year-over-year revenue growth for JAXPORT. A reduction in dredging costs and continued strong expense side management in FY11 allowed the port to record nearly a $1 million reduction in operating expenses ($31 million) and a 6 percent increase in operating income ($19.8 million) compared to the previous fiscal year.

JAXPORT is at the center of a shift in international trade to the U.S. East Coast and ideally suited to attract opportunity through expansion and new lines of business. It continues to be the second busiest vehicle handling port in the nation; the number one port for trade with Puerto Rico by tonnage and value and the 11th largest U.S. container port. Eleven of the world's top 15 shippers call on Jacksonville and JAXPORT now offers service to all major European and Asian ports, including new services through the Suez Canal.

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

(All dollar amounts presented below are in thousands)

2011 vs. 2010

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

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

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

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

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 $6,808. This land sale was part of a broader eminent domain proceeding, whereby the Authority was released of an obligation of $6,600 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 $3,900 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Notes to the financial statements

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

At September 30, 2011, the Authority's net assets were $300,912, a decrease of $7,508 from prior year net assets of $308,420. The decline in net assets in 2011was primarily attributable to a net operating loss after depreciation and amortization of ($4,245), and a contribution of assets (highway improvements project) to another government agency in the amount of ($3,885).

(In thousands of dollars)	2011	2010	2009
NET ASSETS			
Current assets	$ 38,069	$ 38,390	$ 33,407
Noncurrent assets (excluding capital assets)	33,216	63,408	61,060
Capital assets	600,909	589,912	601,138
Total assets	672,194	691,710	695,605
Current liabilities	32,987	31,596	38,374
Revenue bonds outstanding (net of current portion)	182,218	188,550	191,298
Other noncurrent liabilities	156,077	163,144	164,495
Total liabilities	371,282	383,290	394,167
Net assets			
Invested in capital assets, net of related debt	252,599	248,863	261,640
Restricted for capital projects	4,396	14,621	17,931
Restricted for debt service	15,453	13,303	8,313
Restricted – other	2,595	2,582	2,331
Unrestricted	25,869	29,051	11,223
Total net assets	$ 300,912	$ 308,420	$ 301,438

Total capital assets, net of depreciation, at year end 2011 were $600,909, positively impacted by the addition of two new cranes (fully operational in December 2011), part of a $23,219 insurance claim recovery, and certain costs related to close out of a large harbor deepening project of $8,537. Total current assets of $38,069 includes $10,073 in unrestricted cash, $12,951 in restricted cash funds for debt obligations, $5,271 in accounts receivable, and other receivables including grant funds and an insurance claims. Noncurrent assets declined $30,192, and include reductions of $8,061 for receipts on an insurance claim, reduced construction cash balances of $5,672, and the contribution (transfer out) of a highway project asset to another government agency for $14,465 ($10,553 grant funded and $3,885 of port contribution).

Current liabilities, which collectively remained constant from year to year, include accounts payables and accrued liabilities, as well as the current portion due on long term debt obligations.

Other noncurrent liabilities include $109,691 in unearned revenue (advance tenant lease receipts for terminal construction recognized over a 30-year operating lease), and line of credit borrowings of $29,944. Also included in noncurrent liabilities is an $8,537 obligation to the Army Corps of Engineers for harbor deepening costs payable over a 30-year term.

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 future debt service payments, and restricted for capital projects, respectively.

Revenue, Expenses and Changes in Net Assets

	2011	2010	2009
CHANGES IN NET ASSETS			
Operating revenue	$ 50,871	$ 50,636	$ 47,344
Operating expenses			
Salaries and benefits	13,802	13,401	13,865
Services and supplies	6,318	6,027	6,683
Security services	5,027	4,973	4,975
Business travel and training	303	360	337
Promotion, advertising, dues and memberships	605	737	700
Utility services	1,282	1,173	1,247
Repairs and maintenance	1,686	1,858	1,631
Dredging	1,966	3,265	3,377
Miscellaneous	111	196	216
Total operating expenses	31,100	31,990	33,031
Operating income before depreciation/amortization	19,771	18,646	14,313
Depreciation and amortization	24,016	24,448	22,111
Operating loss	(4,245)	(5,802)	(7,798)
Non-operating revenue (expense)			
Interest expense	(11,511)	(11,982)	(12,170)
Shared revenue from primary government	7,110	8,163	2,716
Gain (loss) on sale of assets	(359)	6,808	-
Insurance recovery, net	-	297	15,989
Legal and other costs – eminent domain	-	-	3,644
Capital contributions to other government agencies	(3,885)	-	-
Other non-operating	269	(108)	456
Total non-operating revenue (expense)	(8,376)	3,178	10,635
Income (loss) before capital contributions	(12,621)	(2,624)	2,837
Capital contributions	5,113	9,606	5,008
Changes in net assets	(7,508)	6,982	7,845
NET ASSETS			
Beginning of year	308,420	301,438	293,593
End of year	$ 300,912	$ 308,420	$ 301,438

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

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

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

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

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

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

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 $6,808 gain on land sale, and in 2009 a large Insurance recovery was recorded for $15,989 (replacement value for two cranes destroyed in a wind microburst event). Also, in 2009 was a favorable reduction of estimated legal costs liability of $3,900 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.

Cash Flows

2011 vs 2010

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

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

Net cash flows from capital and related financing activities showed net outflows of ($29,116) in 2011, compared to ($25,227) in 2010. Significant outflows of funds in 2011 included capital spending of $23,038, and total debt service payments of $19,895. Major inflows of funds included proceeds from an insurance claim of $7,704 used to purchase replacement cranes, and capital contributions in aid of construction of $3,988. Other activity included a debt refunding in 2011, which also included borrowings for a bond reserve funding, netting $2,036 of inflows. Remaining activities included proceeds on sales of fixed assets, concurrently used to pay down $1,650 on an existing line of credit.

Cash flows from investing activities were ($119) in 2011, compared to ($185) in prior year.

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

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 $7,499 in unrestricted cash, $13,131 in construction cash, $4,266 in restricted crane insurance proceeds, $18,146 in restricted bond funds, and $2,424 for renewal and replacement 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, 2011, the Authority had commitments for future construction work of $18,415. Additional information can be found in the accompanying notes to the financial statements.

2011 vs. 2010

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

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 $7,000 for harbor deepening, $4,960 for progress payments on two new cranes, and approximately $9,000 for terminal equipment and infrastructure improvements. Depreciation expense recorded in 2010 was $24.110, compared to $21,773 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.

Long-Term Debt

2011 vs. 2010

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

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

The Authority exceeded its required minimum debt service coverage ratio for the 2011 fiscal year.

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.

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, 2011 and 2010.

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, 2011 and 2010

(In thousands of dollars)	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 10,073	$ 7,499
Restricted cash and cash equivalents	12,951	15,084
Accounts receivable, net	5,271	4,728
Notes and other receivables	1,758	5,883
Insurance claim receivable	2,595	2,485
Grants receivable	4,001	1,279
Inventories and other assets	1,420	1,432
Total current assets	38,069	38,390
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	11,765	9,752
Restricted for capital projects:		
Cash and cash equivalents	7,459	13,131
Insurance claim receivable	2,184	10,355
Deferred outflow of resources	3,022	2,878
Note receivable	1,900	3,293
Grants receivable	2,400	4,000
Dredged soil replacement rights, net	56	394
Deferred charges, net	4,430	5,140
Assets constructed for other government agencies	-	14,465
Capital assets, net, primarily held for lease	600,909	589,912
Total noncurrent assets	634,125	653,320
Total assets	$ 672,194	$ 691,710

(continued)

(In thousands of dollars)	2011	2010
Liabilities		
Current liabilities		
Accounts payable	$ 2,687	$ 4,641
Accrued expenses	863	1,186
Accrued interest payable	4,455	4,684
Construction contracts payable	6,012	2,663
Retainage payable	144	28
Unearned revenue	6,203	6,194
Deposits	2,802	2,802
Capital lease obligations	1,081	1,041
Bonds and notes payable	8,740	8,357
Total current liabilities	32,987	31,596
Noncurrent liabilities		
Unearned revenue	109,691	112,354
Accrued expenses	2,728	2,665
Derivative instrument liability	3,022	2,878
Amounts due to other governmental agencies	-	10,553
Other Obligations	8,537	-
Line of credit	29,944	31,458
Bonds and notes payable	182,218	188,550
Capital lease obligations	2,155	3,236
Total noncurrent liabilities	338,295	351,694
Total liabilities	371,282	383,290
Net Assets		
Invested in capital assets, net of related debt	252,599	248,863
Restricted for		
Capital projects	4,396	14,621
Debt service	15,453	13,303
Repair and replacement	2,595	2,524
Other	-	58
Unrestricted	25,869	29,051
Total net assets	$ 300,912	$ 308,420

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2011 and 2010

(In thousands of dollars)	2011	2010
Operating revenue	$ 50,871	$ 50,636
Operating expenses		
Salaries and benefits	13,802	13,401
Services and supplies	6,318	6,027
Security services	5,027	4,973
Business travel and training	303	360
Promotions, advertising, dues and membership	605	737
Utility services	1,282	1,173
Repairs and maintenance	1,686	1,858
Dredging	1,966	3,265
Miscellaneous	111	196
Total operating expenses	31,100	31,990
Operating income before depreciation and amortization	19,771	18,646
Depreciation and amortization expense	24,016	24,448
Operating loss	(4,245)	(5,802)
Non-operating revenues (expenses)		
Interest expense	(11,511)	(11,982)
Investment income	228	195
Shared revenue from primary government	7,110	8,163
Intergovernmental revenue	186	114
Insurance recovery, net	-	297
Gain (loss) on sale of assets	(359)	6,808
Capital contributions to other government agencies	(3,885)	-
Other non-operating	(145)	(417)
Total non-operating revenue (expense)	(8,376)	3,178
Loss before capital contributions	(12,621)	(2,624)
Capital contributions	5,113	9,606
Change in net assets	(7,508)	6,982
Net assets		
Beginning of year	308,420	301,438
End of year	$ 300,912	$ 308,420

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

(In thousands of dollars)	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 51,166	$ 49,827
Payments for services and supplies	(18,428)	(18,396)
Payments to/for employees	(14,172)	(13,499)
Net cash provided by operating activities	18,566	17,932
Cash flows from noncapital financing activities:		
Operating grants	189	40
Receipts from primary government	7,262	8,011
Net cash provided by noncapital financing activities	7,451	8,051
Cash flows from capital and related financing activities:		
Proceeds from capital debt	18,976	58,510
Principal paid on debt refunding and related swap	(16,940)	(53,295)
Line of credit activity	(1,650)	(3,837)
Commercial paper activity	-	-
Contributions-in-aid of construction (grants)	3,988	10,161
Acquisition and construction of capital assets	(23,038)	(21,466)
Principal paid on capital debt	(9,398)	(8,618)
Interest paid on capital debt	(10,497)	(12,571)
Net proceeds from insurance claim	7,704	4,642
Proceeds from sale of assets	1,739	1,247
Net cash used in capital and related financing activities	(29,116)	(25,227)
Cash flows from investing activities:		
Interest on investments	99	145
Other	(218)	(330)
Net cash used in investing activities	(119)	(185)
Net increase (decrease) in cash and cash equivalents	(3,218)	571
Cash and cash equivalents		
Beginning of year	45,466	44,895
End of year	$ 42,248	$ 45,466

(continued)

(In thousands of dollars)	2011	2010
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (4,245)	$ (5,802)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	23,678	24,110
Provision for uncollectible accounts	25	50
Amortization of dredged soil replacement rights	338	338
(Increase) decrease in accounts receivable and other current assets	(455)	(1,349)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,616)	(26)
Unearned revenue	841	611
Total adjustments	22,811	23,734
Net cash provided by operating activities	$ 18,566	$ 17,932
Noncash investing, capital and financing activities:		
Construction costs paid on account	$ 6,156	$ 2,691
Grants receivable / contributed capital / unearned revenue	6,401	8,774
Note receivable resulting from land sale	3,421	4,943
Amortization of deferred charges / unamortized discounts	1,289	1,077
Deferred charges paid from debt proceeds	170	134
Insurance recovery receivable, nonoperating revenue	-	297
Constructed assets contributed to other government	3,885	-
Constructed assets transferred to other government	10,553	-

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

The operations of the Authority are recorded in a single proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating revenue and expenses. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the 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), 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)

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

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

6. Cash and cash equivalents

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

7. Investments

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

8. Restricted Assets

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

9. Capital assets

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

Note A – Summary of Significant Accounting Policies (continued)

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

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

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

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

10. Assets constructed on behalf of other government agencies

These assets consist of infrastructure 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 prescribed in the assignment and assumption agreement between the Authority and the FDOT.

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. In 2011, the Authority completed a transfer of a $14,453,000 highway project to the FDOT, see note O for additional information.

Note A – Summary of Significant Accounting Policies (continued)

11. 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.

12. 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.

13. Unearned revenue

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

14. Compensated absences (accrued leave plan)

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. Individual leave accrual rates vary based upon position and years of service criteria. The Authority's accrued leave plan liability at the end of fiscal years 2011 and 2010 was $1,066,000 and $978,000, respectively. Maximum leave accrual balances cap at 480 hours for employees hired after October 1, 1997 and 750 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.

15. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2011, total conduit debt was $92,805,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (continued)

16. Long-term obligations

In the financial statements, long-term obligations are reported as liabilities in the statement of net 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.

17. 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.

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville ("City") and millage payments from the Jacksonville Electric Authority ("JEA") pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement was amended on December 12, 2007 to allow the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. It also concurrently modified payment of pledged revenues to be allocated on a monthly basis, no later than the last business day of each month following the month in which the city receives the pledged revenues. The Authority's share of the communications service tax was $7,110,000 and $8,163,000 in 2011 and 2010, respectively.

19. Use of estimates

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

Note A – Summary of Significant Accounting Policies (continued)

20. Reclassifications

Certain reclassifications were made to the 2010 financial statement presentation in order to conform to the 2011 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2011 and 2010, the carrying amount of the Authority's cash deposit accounts, was $37,182,000 and $34,263,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

Investments

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

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

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

As of September 30, 2011, 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:

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

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

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:

2011

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

2010

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, 2011, the Authority's investment portfolio held only money market funds which are not subject to custodial credit risk.

Concentration of Credit Risk

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

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

As of September 30, 2011 and 2010, 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, 2011 and 2010 was as follows:

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

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

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

Land Improvements – Harbor Deepening Costs

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately $49 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. While title of the deepened channel remains with the USACE, the Authority retains access to the deepened waterways for its ongoing operations in exchange for this participation. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity.

Note D – Capitalization of Interest

The Authority capitalizes interest expense on construction in progress in accordance with capitalization accounting guidance. Capitalization of interest costs in situations involving tax-exempt borrowings 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, 2011 and 2010:

(In thousands of dollars)	2011	2010
Total interest expense incurred	$ 11,563	$ 12,023
Interest expense associated with construction	52	41
Interest earned in construction accounts capitalized	-	-
Net interest capitalized	52	41
Net interest expense incurred	$ 11,511	$ 11,982

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 $692,721,000 and accumulated depreciation of $211,307,000 as of September 30, 2010. Revenues recognized for facility leases for the fiscal year ended September 30, 2011 and 2010 were $18 million and $17.8 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, 2011, are as follows:

(Amounts in thousands)	MOL	All Other	Total
2012	$ 6,837	$ 12,037	$ 18,874
2013	6,899	11,654	18,553
2014	6,957	9,565	16,522
2015	7,020	7,210	14,230
2016	7,083	6,922	14,005
Thereafter	18,235	45,112	63,347
	$ 53,031	$ 92,500	$ 145,531

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

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

Financing

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

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2038. In addition to the $100 million of prepaid lease revenue, MOL 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 2023. Unearned revenue at September 30, 2011 and 2010 totaled approximately $116 million and $119 million, respectively.

As noted in the previous paragraph, the scheduled monthly rent payments will be satisfied in 2023. No additional cash receipts for rent will be collected in years 2024 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 6.27% of senior management, 4.42% of deferred retirement option participants (DROP) and 4.91% of all other employee earnings. As of July 1, 2011 covered employees, excluding DROP participants, are now required to make a 3% contribution to the System.

The total contribution requirement for both plans in the accompanying financial statements, contributed in accordance with actuarially required amounts, was $997,000, $1,037,000 and $1,226,000 for the years ended September 30, 2011, 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 $147,000 and $132,000 for the years ended September 30, 2011 and 2010, respectively.

Note I – Other Post Employment Benefits (OPEB)

Plan Description

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 107 active participants in the group medical plan, and one participating retiree.

Prior to implementation of GASB 45 (implemented September 30, 2008), the Authority had previously 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, 2011:

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost (ARC)	$	41,000
Interest on Plan Obligation		10,000
Adjustment to ARC		(9,000)
Annual Plan Retiree Costs		42,000
Less: Contributions Made (estimated premium paid by Authority)		10,000
Change in Plan Obligation		32,000
Plan Obligation – Beginning of Year		226,906
Plan Obligation – End of Year	$	258,906

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

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

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	121,441	35.0%	159,000
9/30/2010	111,869	39.3%	226,906
9/30/2011	42,000	23.8%	258,906

OPEB Funding Status

The following data presents the GASB 45 funding status as of September 30, 2011:

1. Actuarial Accrued Liability	$	452,000
2. Actuarial Value of Assets		-
3. Unfunded Actuarial Accrued Liability (UAAL)	$	452,000
4. Funded Ratio		0.0%
5. Annual Covered Payroll	$	7,313,837
6. UAAL as a percentage of payroll		6.2%

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 $149,000, $69,000 and $197,000 for the years ended September 30, 2011, 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 $514,000, $571,000 and $524,000, for the years ended September 30, 2011, 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

Capital Leases

In 1999, the Authority entered into a lease-purchase agreement for the acquisition of six cranes in the amount of $24,277,000. The agreement has a fixed term rate of 3.88% and calls for semi-annual payments of $598,265. Outstanding balances payable to SunTrust Equipment Finance and Leasing Corporation at September 30, 2011 were $3,236,000.

The following is a schedule of future minimum lease payments:

(In thousands of dollars)

Years ending	
2012	$ 1,197
2013	1,197
2014	1,060
Total minimum lease payments	3,454
Less: Amount representing interest	218
Present value of minimum lease payments	$ 3,236

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

Assets acquired through capital leases are as follows:

(In thousands of dollars)	2011	2010
Assets:		
Equipment	$ 24,277	$ 24,277
Less: accumulated depreciation	(11,444)	(10,448)
	$ 12,833	$ 13,829

Long-term Debt

Long-term debt activity for the years ended September 30, 2011 and 2010 was as follows:

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

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

Long-term Debt (continued)

(In thousands of dollars)	2010 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 at September 30, 2011 and 2010 consisted of the following:

(in thousands of dollars)	2011	2010
Revenue Bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$ -	$ 16,940
Florida State Infrastructure Bank Loan – 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	34,027	37,793
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 26, 2015. Interest rates range from 2.00% to 2.30% in 2011.	29,944	31,458
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.	48,000	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.	5,919	6,420
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 4.03%.	18,976	-
	226,866	234,701
Less current portion	8,740	8,357
	$ 218,126	$ 226,344

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)

In January 2003, the Authority made a $16,020,000 partial defeasance of its Revenue Bonds, Series 2000. At November 1, 2010, the related Revenue Bonds, Series 2000 were paid off in full with proceeds from the Tax Exempt Revenue Note, Series 2010. Concurrent with this transaction, previously defeased debt balances of $11,815,000 were also liquidated in full. This transaction had previously been treated as an in-substance defeasance, and accounted for as though the debt was fully extinguished.

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, 2011 and 2010 was $34,027,000 and $37,793,000, 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 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 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. 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, 2011 was $29,244,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2006 bonds were originally issued with an interest rate hedge agreement (swap). The Series 2009 Revenue Note (Tax-Exempt) for $52,090,000 and Series 2009 (Taxable) Revenue Note for $6,420,000 were issued to refund the outstanding Series 2006 bonds and related swap agreement, respectively. Outstanding balances at September 30, 2011 and 2010 on the Tax Exempt Revenue Note were $48,000,000, and $52,090,000 respectively. Outstanding balances on the Taxable Note was $5,919,000 and $6,420,000, respectively.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank in the amount of $18,976,000 for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The note is fixed at an interest rate of 4.03%.

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

Interest Rate Swap Agreements on Series 2009 Notes

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

Notional amounts at September 30, 2011 were $48,000,000 for the Tax-Exempt Note and $5,919,000 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of 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, 2011, a termination fee of $2,564,207and $458,185 for the two notes would have been payable by the Authority based upon the current market conditions at that time.

In accordance with accounting standard GASB 53, Accounting and Financial Reporting for Derivative Instruments, the Authority has recorded the above interest rate swap transaction as an effective hedging transaction. The result for the years ended 2011 and 2010, respectively were an aggregate $3,022,392 and $2,877,848 Deferred Outflow of Resources (asset) offset by a corresponding $3,022,392 and $2,877,848 Derivative Instrument Liability (liability), both classified as non-current items on the Statement of Net Assets.

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

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

Debt Maturities

Required debt service for the outstanding bonds and notes payable for the next five years and thereafter to maturity as of September 30, 2011 was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2012	$ 9,266	$ 8,740
2013	8,957	39,085
2014	8,632	9,551
2015	8,293	9,994
2016	7,937	10,450
2017 – 2021	33,667	46,308
2022 – 2026	26,692	19,495
2027 – 2031	21,033	25,214
2032 – 2036	12,703	32,955
2037 – 2041	2,317	25,074
	$ 139,497	$ 226,866

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

Unamortized original issue discounts on Bonds and Notes Payable were $0 and $263 in 2011 and 2010, respectively. Unamortized premiums on Bonds were ($2,451) and ($2,543).

Unamortized deferred loss on refundings was $8,415 and $8,618 in 2011 and 2010, respectively.

Other Noncurrent Liabilities

- Unearned revenue balances were $115,894,000 and $118,548,000 for years ending September 30, 2011 and 2010, respectively. The current portion was $6,203,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

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

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

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

- 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 $284,000, $275,000 and $189,000 for 2011, 2010 and 2009, respectively.

	Beginning Liability	Increases	Decreases	Ending Liability
2009	$ (27,087)	$ (161,960)	$ -	$ (189,047)
2010	$ (189,047)	$ (85,900)	$ -	$ (274,947)
2011	$ (274,947)	$ (9,446)	$ -	$ (284,393)

- In 2011, the Authority transferred a significant road improvement (interchange) project to the Florida Department of Transportation (FDOT). This $14.4 million project was administered by the Authority and was constructed to support the recent addition of the MOL container terminal operation. Funding for the project was shared by the Authority who contributed $3.9 million along with total FDOT Grant funding of $10.5 million. Prior to year end 2011, the FDOT grant funding balance of $10.5 million was recorded as a liability on the books of the Authority, and the $14.4 million asset was shown as assets constructed for other agencies. With the completion of the transfer in 2011, amounts contributed by the Authority were recorded as contributions to other government agencies in the amount of $3.9 million, and $14.4 million asset constructed for other agencies was transferred off the books of the Authority.

Note L – Other Obligation

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

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

Note M – Commitments and Contingencies

Construction Related

At September 30, 2011, the Authority had commitments for future construction work of approximately $18.4 million. Of this amount, $7.1 pertains to contract commitments to replace two container cranes, covered by an insurance claim (of which $5 million is included in Contracts Payable at year end 2011). The cranes construction was deemed 90% complete at year end 2011, see note below regarding Insurance claim status.

Note M – Commitments and Contingencies (continued)

Insurance Claim (Cranes)

In August 2008, five cranes were damaged as a result of a wind microburst at the Blount Island terminal. Two cranes were destroyed in total; three cranes incurred minor damages and were subsequently repaired and placed back in service. The two destroyed cranes were insured at replacement value. The total insurance claim and recovery is approximately $23 million. Amounts received through September 30, 2011 were $18.2 million. All recovery gains were recorded in prior years.

At year end 2011, the Authority has a claims receivable balance of $4.8 million, reflecting remaining amounts due for the final construction payments for the two cranes and other related expenses. The Authority received delivery of both cranes at end of fiscal year end 2011; with only installation, set up, and inspections pending before the new cranes are fully operational (December 2011 timeframe).

Environmental Remediation

The Authority owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. Tenant cleanup efforts are in process on this property, as well as separate adjacent property owned by the tenant. The remediation project is approximately 70% complete at September 30, 2011, with an anticipated completion date of midyear 2012. All costs associated with this remediation effort are being paid by the tenant. In addition, the Authority has an agreement in place with the tenant to sell the tenant the leased property after all environmental remediation obligations have been fulfilled, for a nominal amount. No determination of responsibility for the environmental obligations has been determined between the operations of the tenant and the prior operations of the lessor as the tenant has agreed to pay all costs as part of the purchase agreement. Although it has not been determined that the Authority is responsible for this environmental obligation, the Authority has a potential obligation for environmental remediation if the tenant fails or is unable to fully remediate the property as planned.

The Authority has submitted a Preliminary Remedial Alternatives Evaluation Report to the Florida Department of Environmental Protection (the "FDEP") related to several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal with identified contaminants attributed to the property's former use. Property adjacent to these parcels, owned by an unrelated third party, (in bankruptcy) has also been identified with contaminants attributed to its former use. It has been determined that contaminants from the adjacent property are a potential source area and constituent of concern associated with the Authority's site. The Authority, in conjunction with the FDEP, has developed an interim remediation plan for site soil and groundwater capping and treatment which will serve as a temporary solution until the broader issue of the adjacent property contamination can be resolved. The Authority has previously recognized a $1.5 million liability for this interim solution plan. This amount includes the estimated interim remediation cost and a probability weighted estimate of future monitoring costs until the adjacent site is cleaned up. Both the Authority and the FDEP acknowledge the plan submitted is an interim plan, not a final remedy. Both parties acknowledge, further, that a plan for a permanent solution will need to be approved by the FDEP once remediation of the adjacent property is completed. At this time, the timing of the clean-up and remediation of the adjacent property is not known. Furthermore, the alternatives surrounding the permanent remediation plan for the Authority's site, including potential financial obligations, which may be significant, cannot be reasonably estimated.

Note M – Commitments and Contingencies (continued)

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.

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 N – Significant Customers

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

Note O – Capital Contributions

Federal Contributions

The Authority received monies from Federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $1,435,000 and $442,000 were recorded for the years ended September 30, 2011 and 2010, respectively.

State and Other Contributions

The Authority also received receipts from State funding awards in 2011. Amounts recorded as intergovernmental revenues or capital contributions in the Statement of Revenues, Expenses, and Changes in Net Assets were $3,678,000 and $9,164,000 for the years ended September 30, 2011 and 2010, respectively.

In 2011, the Authority contributed to the Florida Department of Transportation (FDOT) a highway project constructed by the Authority to support nearby terminal operations. The total project costs were $14,453,000, of which funding from State grants totaled $10,553,000. Total amounts for this project funded by the Authority were $3,885,000, and are recorded as contributions to other agencies in fiscal year 2011. At September 30, 2011, the Authority has a remaining uncollected balance of $4,000,000 on the State grant referenced above. These funds will be collect by the Authority from the FDOT over a three-year period from 2012 to 2014.

Note P – Subsequent Events

The Authority had the following subsequent events through January 18, 2012, which is the date the financial statements were available to be issued.

Reserve Account Letter of Credit
On October 21, 2011 the Authority entered into a $5 million Reserve Account Letter of Credit agreement with Wells Fargo Bank, N.A. The purpose of the standby letter of credit is to fund bond reserves on the Series 2008 Revenue Bonds, previously funded by a cash reserve. Amounts held as cash reserves at September 30, 2011 were approximately $1.3 million. The terms include a three-year letter of credit facility with additional extension agreements available every six months.

Terminal Wharf Rehabilitation Project $30 million
In October 2011, the Authority issued a $30 million contract award for a wharf rehabilitation project at the Blount Island Terminal. The project work encompasses approximately 2600 linear feet of wharf, rail, and bulkhead rehabilitation and upgrade (total 5 berths). The work will be performed in phases and will extend over a three-year period. Funding for the project is approximately 50% state grant funding and 50% port authority financing.

Trailer Bridge, Inc. Chapter 11 Bankruptcy filing
On November 16, 2011, Trailer Bridge, Inc. a significant tenant of the Authority filed for Chapter 11 Bankruptcy. Trailer Bridge continues to operate its normal business operation under Chapter 11 bankruptcy. Total annual port revenues contributed by Trailer Bridge are approximately $2.4 million; total amounts receivable at September 30, 2011 are approximately $328,000.

Note Q – 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.

Note Q – New Accounting Pronouncements (continued)

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.

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, this Statement, issued June 2011, will be effective for financial statements for periods beginning after December 15, 2011. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

GASB Statement No. 64, *Derivative Instruments – Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, this Statement, issued June 2011, will be effective for financial statements for periods beginning after June 15, 2011. This statement amends GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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

Supplemental Information

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ending September 30, 2011

GAAP Revenue – per Financial Statements	$	50,870,989
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)		840,834
Budgetary Basis Revenues	$	51,711,823

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

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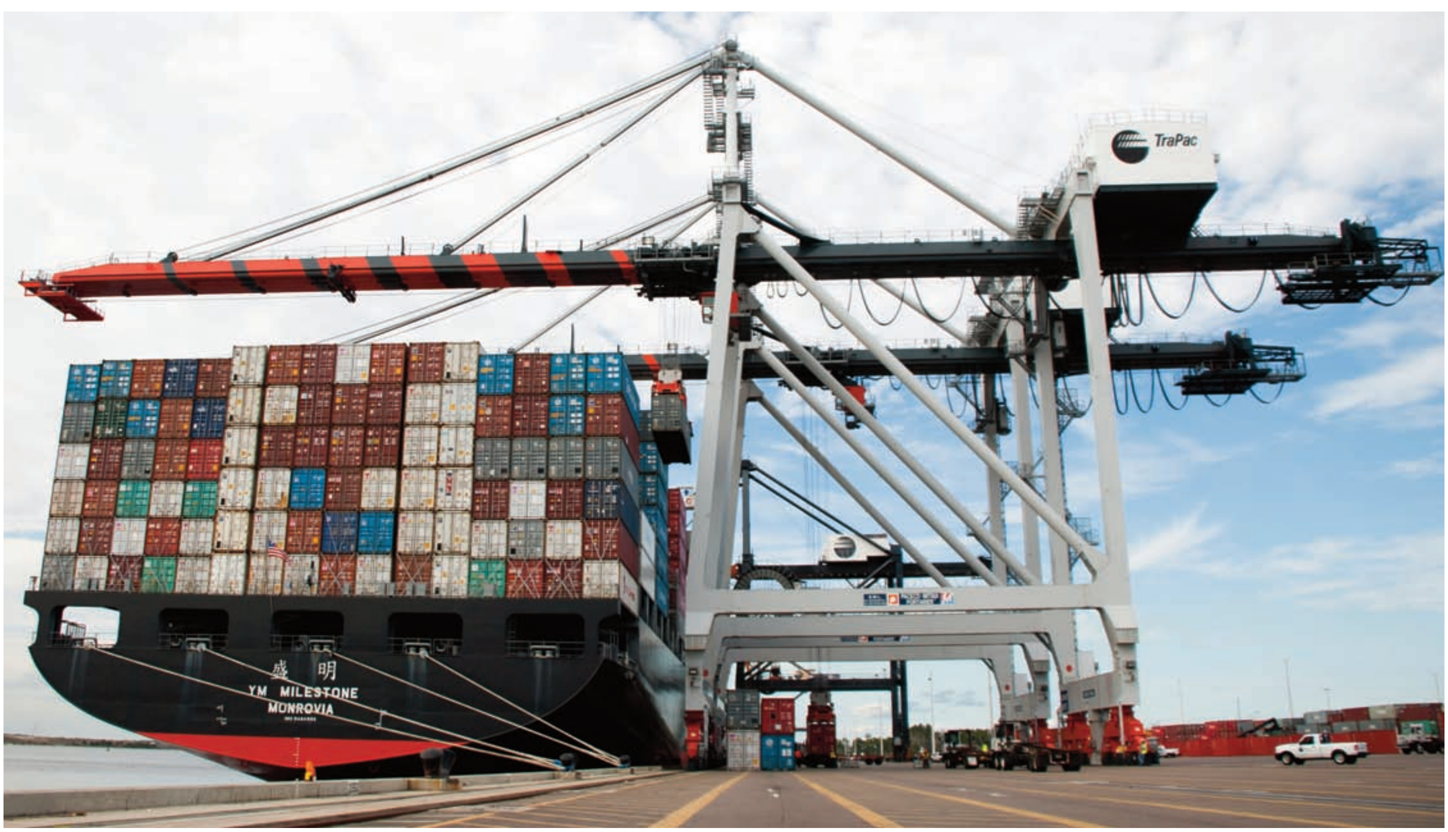
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