JAXPORT

ANNUAL REPORT 2018

JAXPORT

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

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


ZIM
ZIM
OOCL WASHINGTON

STRATEGIC PLAN

VISION

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

MISSION

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

GUIDING PRINCIPLES

Innovation
Teamwork
Accountability
Leadership
Integrity

PLEDGE

Demand a measurable return for the dollars invested
Maximize the use of public assets for public good
Balance the interest of those we serve
Integrate green port initiatives into all endeavors
Pursue all outreach and engagement opportunities


CAI
CAIU 713470
45G1
MAX GROSS 32.500 KGS.
71.650 LBS.
TARE 3.700 KGS.
8.160 LBS.
NET 28.800 KGS.
63.490 LBS.
CU. CAP. 76.4 CU.M.
2.697 CU.FT.
CAUTION
9'6"
HIGH
MAERSK
SAFETY
FIRST

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 2018, keeping Jacksonville firmly in place as Florida's No. 1 container port complex. The port also set records in overall tonnage, the number of cruise passengers served and operating revenues. In addition, we continue to grow our reputation as one of the nation's busiest vehicle-handling ports. You will find more detail throughout the pages of this report.

Asian container trade through the port is growing. JAXPORT's Asian trade has grown an average of 14 percent annually over the past five years. The port continues to add new services and the federal project to deepen the Jacksonville shipping channel to 47 feet to accommodate even more cargo aboard the largest ships is well underway.

Growth comes, of course, from new business and services 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 work to open up additional trade lanes. The port's progress and its increasing stature in the world of international trade create new possibilities for everyone.

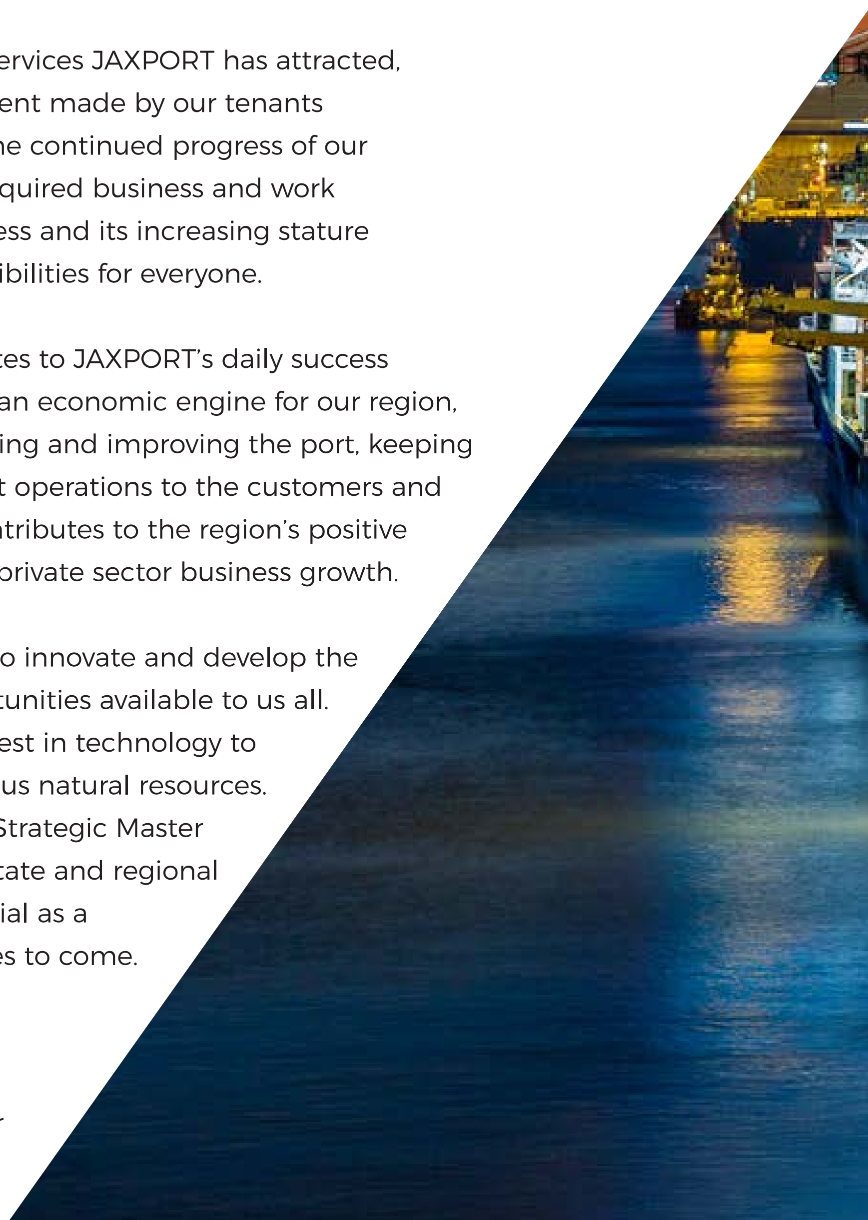
It is important to note that everyone who contributes to JAXPORT's daily success understands the overall mission, which is to act as an economic engine for our region, state and nation. All earnings go back into supporting and improving the port, keeping equipment up to date and offering secure, efficient operations to the customers and public we serve. We are proud that our success contributes to the region's positive quality of life through increased employment and private sector business growth.

Still, there is no time to rest. In 2019, we continue to innovate and develop the sources of funding needed to maximize the opportunities available to us all. Our tenants and customers continue to use the latest in technology to move business forward while protecting our precious natural resources. Following the roadmap to success outlined in our Strategic Master Plan and with the unwavering support of federal, state and regional leaders, JAXPORT is set to realize our fullest potential as a powerful generator of economic benefit for decades to come.

John Falconetti

JOHN FALCONETTI
Chairman of the Board

ERIC GREEN
Chief Executive Officer




JAXPORT
VEGA-AZURIT
MONROVIA

FINANCIAL REPORTS

JAXPORT earned a record $67 million in operating revenues in FY 2018, a 15 percent increase over the previous year. JAXPORT operating expenses were $39 million in FY18 and the port earned $27.7 million in operating income during the same period.

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

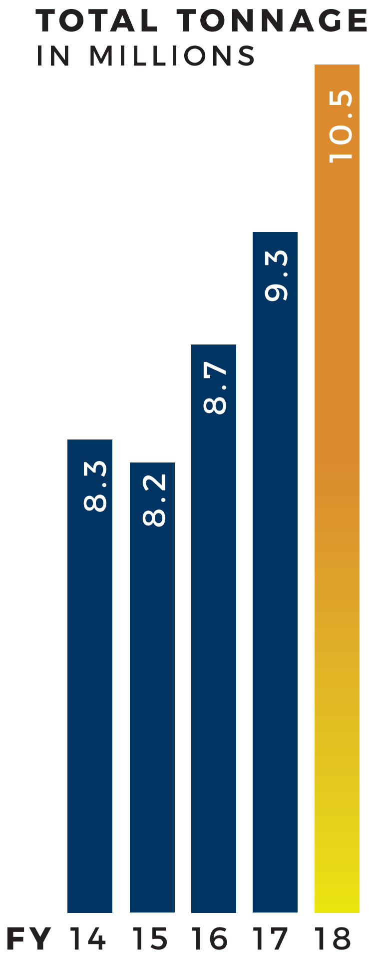
The past year's financial results reflect JAXPORT's positive year operationally. JAXPORT facilities moved a record 1.3 million containers or twenty-foot equivalent units (TEUs) in FY 2018. When combined with the volumes from private users of the harbor, Jacksonville maintains its rank as Florida's number one container port.

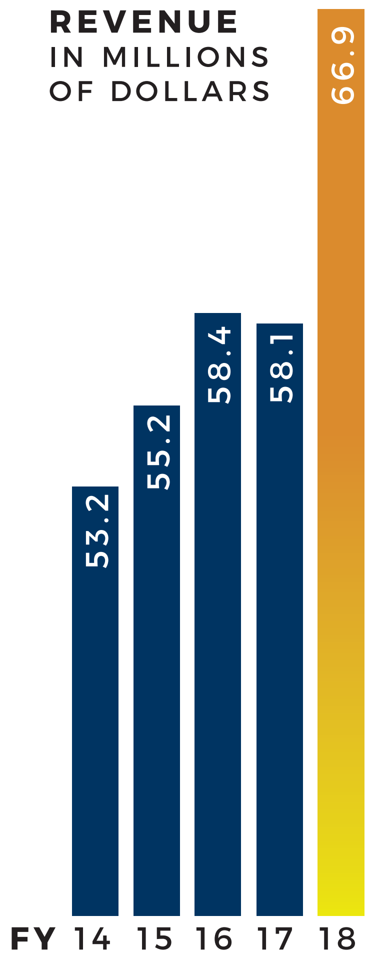
The continued addition of new container business from Asia resulted in an 8 percent increase in TEUs in JAXPORT's Asian container volumes over FY17, reflecting the port's growing importance in this trade lane. JAXPORT's Asian container cargo volumes have grown from 48,000 TEUs in 2009 to 429,000 TEUs in 2018 as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location.

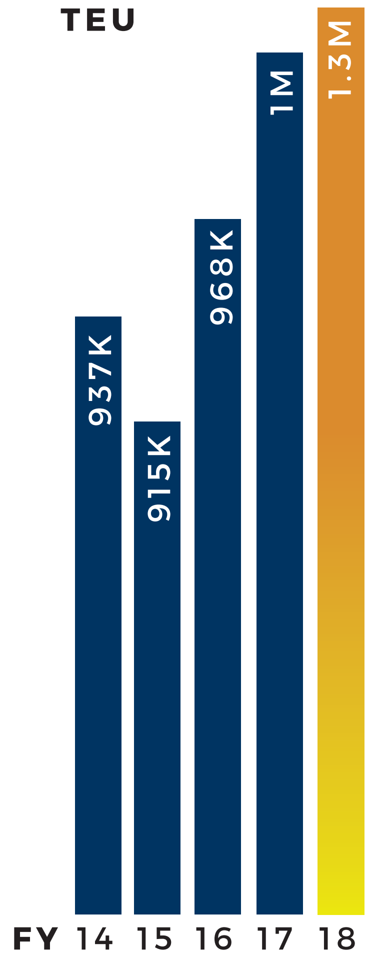
A record total of 10.5 million tons of cargo shipped through JAXPORT facilities in FY18, an increase of 12 percent over FY18, and the port saw 1,761 vessel calls in the same period, a 6 percent increase over the previous year.

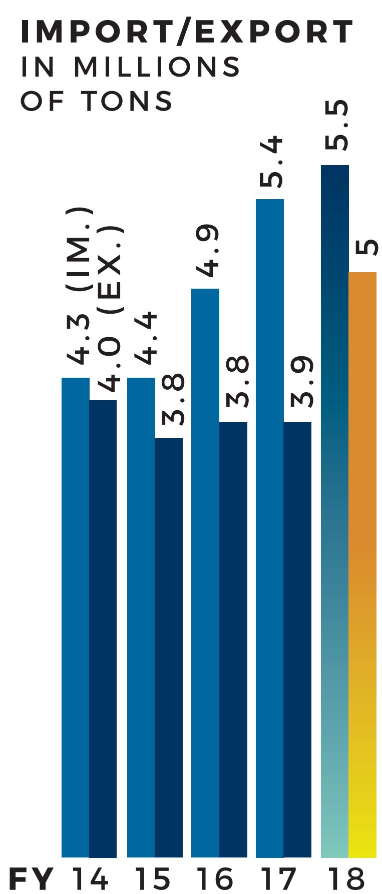
Moody's Investors Service reaffirmed JAXPORT's financial rating of "A2" while Fitch Ratings reaffirmed JAXPORT's "A" rating. Both agencies noted that JAXPORT continues to maintain its competitive position as a strategically located container port, its status as one of the nation's largest vehicle processing centers, and its diverse revenue streams supported by long-term contracts with private tenants.

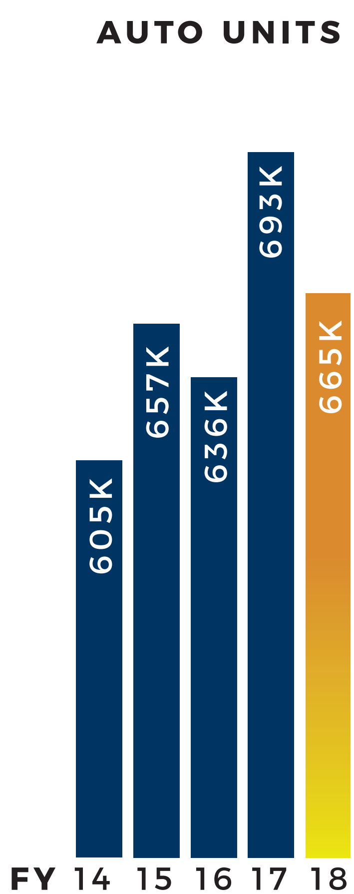
JAXPORT has a significant capital program planned for FY 2019, much of it funded through state and federal grants. These projects include major wharf rehabilitation projects at Blount Island and improvements at both Dames Point and Talleyrand, as well as the next stages of deepening the Jacksonville Harbor to 47 feet.

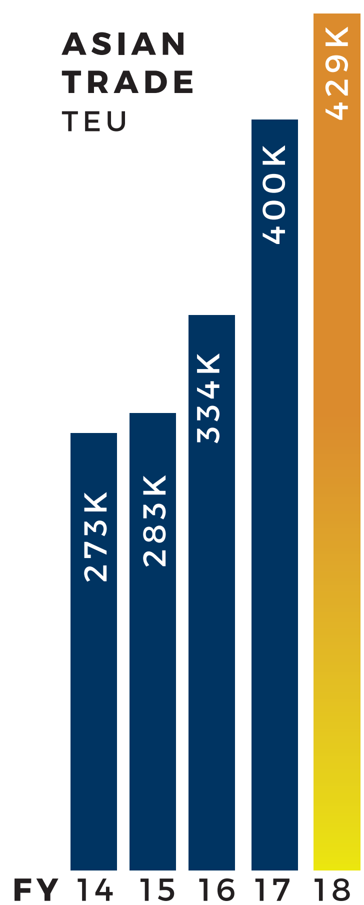

TOTAL TONNAGE
IN MILLIONS
8.3
8.2
8.7
9.3
10.5
FY 14 15 16 17 18


REVENUE
IN MILLIONS
OF DOLLARS
53.2
55.2
58.4
58.1
66.9
FY 14 15 16 17 18


TEU
937K
915K
968K
1M
1.3M
FY 14 15 16 17 18


IMPORT/EXPORT
IN MILLIONS
OF TONS
4.3 (IM.)
4.0 (EX.)
4.4
3.8
4.9
3.8
5.4
3.9
5.5
5
FY 14 15 16 17 18


AUTO UNITS
605K
657K
636K
693K
665K
FY 14 15 16 17 18


ASIAN
TRADE
TEU
273K
283K
334K
400K
429K
FY 14 15 16 17 18

ECONOMIC ENGINE

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

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

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

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

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

CARGO HIGHLIGHTS

In FY2018, JAXPORT facilities moved a record 10.5 million tons of cargo, a 12 percent increase over the previous year. JAXPORT continued to grow overall containerized cargo volumes, most notably within the Asian container trade.

The port handled a record-setting 1,270,480 TEUs in FY18. The continued addition of new container business from Asia resulted in an 8 percent increase in TEUs in JAXPORT's Asian container volumes over FY17, reflecting the port's growing importance in this trade lane. JAXPORT's Asian container cargo volumes have grown from 48,000 TEUs in 2009 to 429,000 TEUs in 2018 as global shippers have shifted rotations to take advantage of the efficiencies of the port's facilities and location. JAXPORT's Asian trade has grown an average of 14 percent annually over the past five years. The port continues to add new services and the federal project to deepen the Jacksonville shipping channel to 47 feet to accommodate even more cargo aboard the largest ships is well underway.

JAXPORT remains one of the nation's busiest vehicle handling ports, moving more than 665,000 units in FY2018. JAXPORT offers service from three major auto processors, AMPORTS, Wallenius Wilhelmsen Solutions and Southeast Toyota Distributors, and is working to expand the port's vehicle-handling capacity.

The growth in general cargo volumes fueled another record for the port: nearly 10.5 million tons of cargo moved through JAXPORT last year, up 12 percent over 2017, which was also a record year for cargo tonnage.

Other 2018 highlights include:

Liquid bulk cargoes (which include cooking oil and corn syrup) increased 19 percent over 2017, with more than 365,000 tons shipped.

JAXPORT's Puerto Rican container business grew 37 percent in FY2018. As the primary U.S. port for commercial trade with Puerto Rico, JAXPORT and its partners continue to supply relief aid to the residents following Hurricane Maria's devastation in September 2017.

FEBRUARY 2018 - After a decade of study, independent review, public input and full regulatory approval, contractors for the U.S. Army Corps of Engineers began the Jacksonville Harbor Deepening project to take the federal shipping channel to a depth of 47 feet. The Dutra Group was awarded the contract to construct the project's first three mile segment. Once completed, the additional 7 feet of water depth will allow the largest container cargo ships to call on JAXPORT more fully loaded.

Construction of the first segment of the project is expected to be completed by 2020.

“What a huge day for our city, our region and our state,” said JAXPORT CEO Eric Green. “Effective federal, state and local leaders working together with our maritime and business communities made this a reality. It is exhilarating to see this historic project come to life to help ensure that we continue to put our citizens to work.”


MOL MISSION
MAJURO
MOL

NOVEMBER 2017 - JAXPORT announced the beginning of construction for a new automobile processing terminal, the first phase of a multi-year project which will increase the port's vehicle-handling capacity.

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

DECEMBER 2017 - JAXPORT's strategic location, worldwide connections and other logistical efficiencies attracted another big distribution center to Jacksonville. Rapidly growing online-only furniture brand, Article, doubled the size of its U.S. distribution space when it opened a 319,000-square-foot facility near JAXPORT's North Jacksonville terminals.

The Vancouver-based original modern furniture brand ships approximately 10,000 orders per month and anticipates 30 to 35 percent of all orders will eventually be shipped through the new Jacksonville facility. Article currently operates warehouses in Seattle, Los Angeles and New Jersey but will significantly expand its available space with the Jacksonville location.

"Our goal is to create remarkably better furniture experiences, and a key part of that is creating and maintaining efficient delivery processes," said Aamir Baig, Article Co-founder, Director, and CEO. "We saw an opportunity to improve service to the southeastern region of the U.S. by opening a fourth warehouse. Jacksonville is the ideal location for our next facility because it places us within a daylong drive of more than 60 million consumers, dramatically reducing transit and delivery times."

Article will import its products through JAXPORT taking advantage of the port's efficiencies, including direct trade with Asian ports through both the Panama and Suez canals, worldwide cargo service from more than 40 ocean carriers and an on-dock rail facility.

"Article's commitment is just one more indication of Northeast Florida's increasing competitiveness in the marketplace," said Eric Green, JAXPORT CEO. "As we continue to invest in the port of the future, more and more innovative companies like Article are taking notice of our region's transportation advantages and the opportunities to grow their businesses here."

JANUARY 2018 - A 331,000-pound diesel-powered generator moved through JAXPORT's heavy lift and specialty cargo berth at Blount Island Marine Terminal. The equipment is valued at approximately $3 million and will be used to generate power for a Florida hospital.

The 42.5-foot-long generator arrived at JAXPORT aboard the Spliethoff general cargo vessel Spaarnegracht from Rauma, Finland. Freight forwarder UTC Overseas, Inc., oversaw the move as skilled master riggers with stevedoring company Portus transferred the cargo from the ship to a dockside 8-axle railcar.

MARCH 2018 - JAXPORT now offers direct service to New Zealand and Australia for roll-on/roll-off (Ro/Ro) cargo through Höegh Autoliners' new U.S. to Oceania direct express Ro/Ro service. JAXPORT's Blount Island Marine Terminal will serve as the last East Coast port of call in the rotation.

The monthly service began in March with the first vessel, the 6,500-CEU (car capacity) Höegh Jeddah, sailing out of Jacksonville. Vessel rotation includes Auckland in New Zealand as well as Brisbane, Port Kembla, Melbourne and Fremantle in Australia.

Horizon Terminal Services, Höegh Autoliners' fully owned terminal and operating company headquartered in Jacksonville, provides fumigation and wash down services at Blount Island.

MARCH 2018 - Highly trained master riggers moved two locomotives each weighing more than 363,000 pounds through JAXPORT's Blount Island Marine Terminal, home of one of the nation's highest-capacity weight bearing docks.

The 68-foot long locomotives arrived at JAXPORT by CSX rail from Illinois. Portus stevedores loaded the locomotives onto the charter vessel Eemslift Dafne using the ship's onboard cranes. The move was arranged by Houston-based freight forwarder Logistics International, Inc. and the cargo is en route to Guinea, West Africa.

APRIL 2018 - Two specially upgraded AH-1 Cobra attack helicopters moved through JAXPORT's heavy lift and specialty cargo berth at Blount Island Marine Terminal.

The aircraft are part of a group of helicopters that first moved through JAXPORT beginning in 2015 en route to the Science and Engineering Services' manufacturing and aircraft modification facility in Alabama where they were upgraded with state-of-the-art technology.

The helicopters are 50 feet in length, weigh more than 7,000 pounds and are worth $6 million each. The aircraft are on their way to the Middle East for use by a U.S. government ally in the region.

Pilots landed the helicopters onto Horizon Terminal Services' outdoor storage facility at Blount Island, where the company's stevedores loaded the aircraft onto wheeled platforms before rolling them onto a Ro/Ro vessel. New Jersey-based freight forwarder and Customs broker Serra International, Inc. oversaw the move.

CRUISE

In FY18, a record-setting 199,899 passengers embarked aboard the Carnival Cruise Line ship, Carnival Elation, at JAXPORT's North Jacksonville cruise terminal. This figure represents a 13 percent increase in passengers over FY17.

The 2,052 passenger Carnival Elation sailed out of JAXPORT's cruise terminal at Dames Point on 77 voyages in FY18. The Elation currently offers year-round cruises to Key West and the Bahamas from JAXPORT.

The 2,056-passenger Carnival Ecstasy will assume the Carnival Elation's popular year-round four- and five-day cruise program beginning May 2019. In April 2018, JAXPORT and Carnival Cruise Line agreed to extend Carnival cruise service from Jacksonville through at least May 2021 and potentially through 2027. Carnival Elation will continue offering year-round sailing to the Bahamas from JAXPORT's Cruise Terminal. The agreement also calls for enhancements to the terminal building and passenger experience.

Passengers already enjoy their cruise experience at JAXPORT with 95 percent of those surveyed saying they would consider choosing Jacksonville again for their next cruise departure. In recent years, Carnival awarded JAXPORT's Cruise Terminal Embarkation Team highest honors in its Quality Assurance Inspection Program.

The same team continues to earn top honors in the company's annual guest survey.

OCTOBER 2017 - Mouthwatering burgers by Food Network star Guy Fieri and a 300-foot-long Twister water slide are two of the new additions Carnival Cruise Line is now offering cruise passengers aboard Carnival Elation following a multimillion-dollar renovation.

The 2,130-passenger Elation offers year-round sailing to the Bahamas from JAXPORT's North Jacksonville cruise terminal.

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

MAY 2018 - JAXPORT and Carnival Cruise Line reached an agreement to extend Carnival cruise service from Jacksonville through at least May 2021 and potentially through 2027.

Carnival Elation will continue offering year-round sailing to the Bahamas from JAXPORT's North Jacksonville Cruise Terminal. The contract extends the cruise line's service from Jacksonville for three years with three additional two-year renewal options. The agreement also calls for enhancements to the terminal building and passenger experience.

"We are pleased to continue our longstanding partnership with Carnival into the next decade," said JAXPORT Chief Executive Officer Eric Green. "In addition to bringing jobs and economic opportunity to Northeast Florida, cruise service boosts tourism in our area and offers a platform to promote all that this region has to offer."

"With Carnival Elation sailing year-round from Jacksonville, we've seen great demand from the area," said Christine Duffy, President of Carnival Cruise Line. "This agreement ensures we can continue to offer the great value, incredible service and the most fun our guests sailing from Jacksonville have come to expect from Carnival."

COMMUNITY OUTREACH

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

ENVIRONMENT

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

JOBS / WORKFORCE / EDUCATION

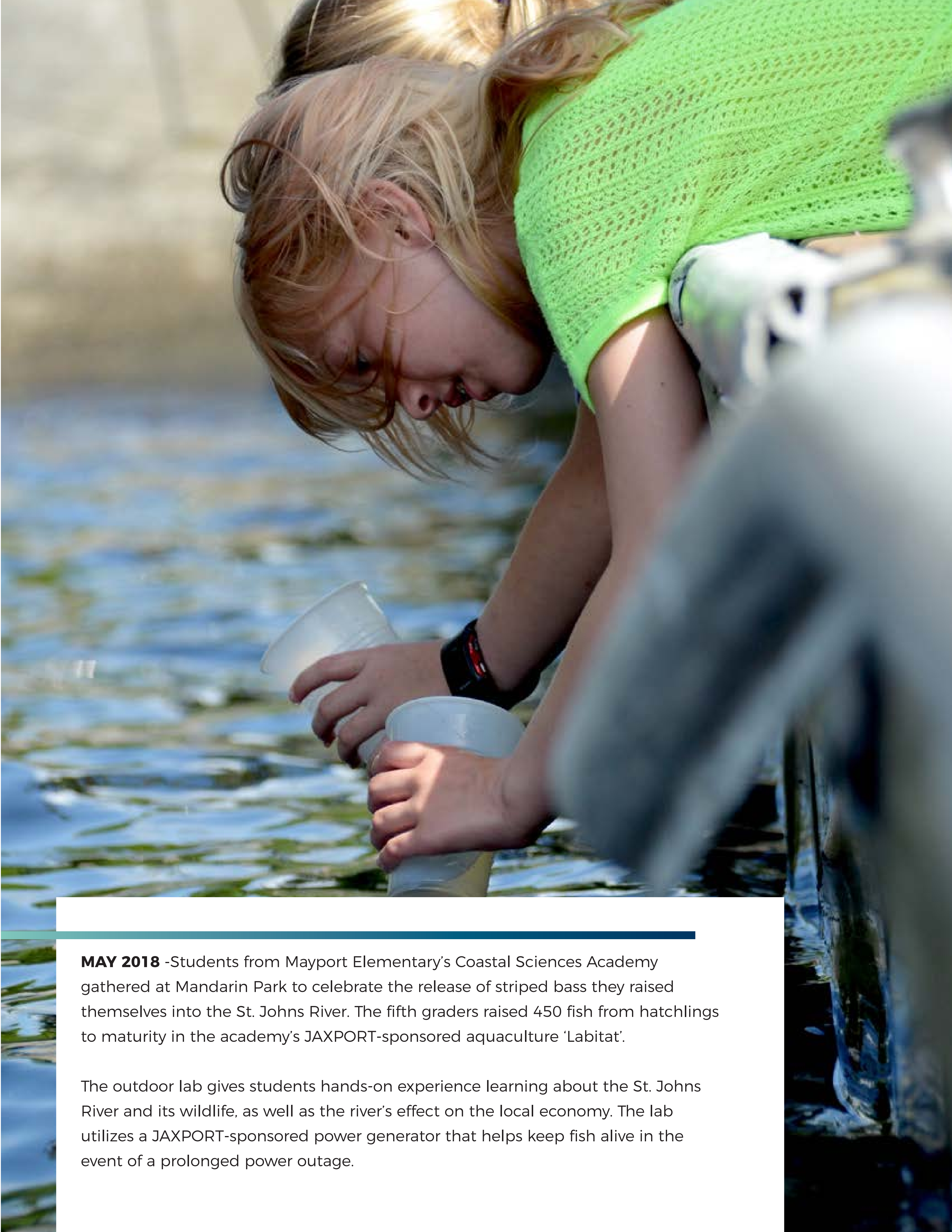
JAXPORT focuses on educating people of all ages about career opportunities at the port and with all companies associated with the movement of cargo while supporting economic growth through jobs in the region.

SMALL BUSINESS

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

COMMUNITY

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



MAY 2018 -Students from Mayport Elementary's Coastal Sciences Academy gathered at Mandarin Park to celebrate the release of striped bass they raised themselves into the St. Johns River. The fifth graders raised 450 fish from hatchlings to maturity in the academy's JAXPORT-sponsored aquaculture 'Labitat'.

The outdoor lab gives students hands-on experience learning about the St. Johns River and its wildlife, as well as the river's effect on the local economy. The lab utilizes a JAXPORT-sponsored power generator that helps keep fish alive in the event of a prolonged power outage.

JANUARY 2018 - Volunteers and JAXPORT employees identified 23 different species of birds living at JAXPORT's Blount Island Marine Terminal, including the endangered wood stork. The count grew from last year when 19 different species were spotted at the terminal.

The work was part of an annual bird count organized by The National Audubon Society and conducted by bird-loving volunteers across the U.S. The count contributes valuable data for population research and helps with conservation efforts.

Anne Turner, who compiles the local data, says her group spotted several species of herons, including two juvenile birds, "We are excited to see young black-crowned night-herons at Blount Island. That means the species is nesting successfully."

The Jacksonville count began in the 1960s. It is conducted within a seven-mile radius in North Jacksonville which includes JAXPORT, Heckscher Drive, the Timucuan Ecological and Historic Preserve, and Little Talbot Island State Park. The full count identified a total of 151 different bird species living in this area.

FEBRUARY 2018 - JAXPORT delivered checks worth nearly $40,000 to the United Way of Northeast Florida and Community Health Charities. The funds, raised by employee donations as well as the port's annual Charity Golf Tournament, will support local charities providing services to the citizens of Northeast Florida.

JAXPORT has contributed more than $625,000 to the two charities since 2002.

"JAXPORT is committed to creating a better tomorrow for Northeast Florida by creating jobs and economic opportunity, as well as giving to those in need," said JAXPORT CEO Eric Green. "Through our work and through our annual charity drive, we help build a more positive future for our community."

FUTURE

FURTHER IMPROVE THE FEDERAL CHANNEL

With significant funding from the federal and state governments, JAXPORT and the U.S. Army Corps of Engineers continue construction of the historic project to deepen the Jacksonville Harbor. Once completed, the 47-foot project will allow JAXPORT to serve the largest containers ships calling the U.S. East Coast more fully loaded.

GROW VOLUMES THROUGH DAMES POINT ON-DOCK RAIL TERMINAL

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

ENHANCE PORT SECURITY

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

LEAD THE LNG REVOLUTION

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

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

Annual Financial Report
For the Year Ended September 30, 2018

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January 29, 2019

To the Board of Directors of the
Jacksonville Port Authority:

We present the Annual Financial Report of the Jacksonville Port Authority (the Authority or JAXPORT) for the fiscal year ended September 30, 2018. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information about the financial position of the Authority.

Reporting Entity and Governance

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

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

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

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

2018 Financial Highlights

JAXPORT recorded record revenues of $67 million, up 15% from a year ago.

JAXPORT moved a record 1,270,480 twenty-foot equivalent units (TEUs), exceeding the previous record of 1,033,068 TEUs set last year. Total tonnage was up 12% to 10,474,283 tons, also record volumes. When combined with containers handled through private users of the harbor, these volumes make Jacksonville the largest container port complex in the State of Florida.

JAXPORT moved 665,432 vehicles in FY18. Another very strong year, JAXPORT's ranks as the nation's second busiest vehicle-handling port.

The Asian container trade continues to grow and comprised 34% of JAXPORT's container cargo business, and 12% growth year over year. The growth of existing cargo volumes, as well as, additions of new shipping lines contributed to this growth.

JAXPORT's Puerto Rican container business grew 37% in FY2018, as the primary U.S. port for commercial trade with Puerto Rico. Jacksonville was a hub for the relief effort to Puerto Rico following Hurricane Maria.

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

Harbor Deepening Project

In February 2018, the U.S. Army Corps of Engineers began construction to deepen the JAXPORT harbor to 47'. The first 11 miles of the authorized 13 mile project covers the distance from the Atlantic Ocean to the Blount Island terminal. It is expected to be constructed in three phases with a completion date of 2025. To date JAXPORT has invested $57.8 million in this project with the remaining $87.7 million funded by Federal and State grants. The total project cost is estimated to be $484 million. Construction contracts are awarded based on availability of funding. Once completed JAXPORT's harbor will accommodate the world's largest ships, enhancing the port's competitive position for global trade.

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

Independent Audit

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

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

Acknowledgement

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

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

Respectfully submitted,

Eric Green, CEO

RSM US LLP

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Jacksonville Port Authority, (the Authority), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

RSM US LLP

Jacksonville, Florida
January 29, 2019

This section of the Jacksonville Port Authority's (the Authority or JAXPORT) annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year which ended September 30, 2018 and for fiscal year 2017. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL STATEMENTS PRESENTATION

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

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

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

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

Operating Results for 2018

Total operating revenues for 2018 were $66,947, compared to $58,052 in 2017, reflecting 15% year over year revenue growth. Total 2018 tonnage volumes of 10,474,283 tons outpaced prior year record volumes of 9,330,266 tons. Container revenues, which comprise about 50% of the Authority's revenue base were $32,943, up 29% over 2017. The Authority continues to diversify its trade lanes, with 34% of container volumes attributable to Asian business, and total Asian cargo TEUs of 428,724, up 12% year over year. Total TEU units in 2018, were 1,270,480 compared to 1,033,068 in 2017. Auto revenues accounted for $17,206, or about 25% of total revenues. Auto volumes in 2018, were again very robust, reflecting 665,432 units in 2018, a slight decline compared to a prior year record of 693,248 units. Other significant revenue line items include Cruise $5,231, with a record 195,899 passengers, and various bulk cargoes totaling $7,283, and other revenues of $4,284.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands of dollars)	2018	2017	2016
Operating revenue	$ 66,947	$ 58,052	$ 58,439
Operating expenses			
Salaries and benefits	17,455	17,596	16,762
Services and supplies	4,685	4,366	3,709
Security services	4,494	4,177	4,142
Business travel and training	384	316	400
Promotion, advertising, dues and memberships	841	874	977
Utility services	1,061	967	904
Repairs and maintenance	2,383	1,643	1,581
Berth maintenance dredging	7,722	2,266	2,548
Miscellaneous	268	308	155
Total operating expenses	39,293	32,513	31,178
Operating income before depreciation	27,654	25,539	27,261
Depreciation	30,572	30,395	28,095
Operating gain / (loss)	(2,918)	(4,856)	(834)
Non-operating revenue (expense)			
Interest income	336	159	139
Interest expense	(9,049)	(8,781)	(9,145)
Shared revenue from primary government	2,751	2,626	4,829
Gain/(loss) on sale/disposition of assets	3	(5,755)	(365)
Capital contributions to other government agencies	(12,077)	-	(2,000)
Contribution to tenants	(2,509)	(2,866)	(1,699)
Other non-operating	(107)	(294)	(149)
Total non-operating revenue (expense)	(20,652)	(14,911)	(8,390)
Loss before capital contributions	(23,570)	(19,767)	(9,224)
Capital contributions	19,912	30,701	33,459
Changes in net position	(3,658)	10,934	24,235
NET POSITION			
Beginning of year	396,403	385,469	361,234
End of year	$ 392,745	$ 396,403	$ 385,469

Total operating expenses before depreciation for 2018 were $39,293, an increase of $6,780 over prior year expenses before depreciation of $32,513. The increase in expenses is largely attributable to heavy weather (hurricane related) berth maintenance dredging costs, which totaled $7,722 in 2018, compared to $2,266 a year ago, an increase of $5,456. Impacts of the hurricane (Hurricane IRMA) were primarily dredge siltation related, and may continue into fiscal 2019 to some degree. Salaries and benefits declined $141, and include pension accruals of $1,069 recorded in accordance with governmental accounting standards (GASB 68), compared to $1,371 in 2017. Increases in services and supplies expense of $319 relate to increase fuel (diesel) costs associated with increased container cargo volumes. Repair and maintenance costs were up $740 and reflect terminal enhancements such as lighting, landscaping and other repairs to upgrade the terminal facilities. Security costs were up $317 for new terminal security access services, offset by charges to tenants for these services.

Net non-operating expenses for 2018 totaled $20,652. Significant non-operating expenses included debt service interest cost of $9,049, and contributions to tenants of $2,509 (certain capital grant commitments are utilized as indirect offsets to some of these expenditures). Additionally, contributions to other agencies totaled $12,077. Shared revenue from primary government in 2018 was $2,751 compared to $2,626 in 2017. Interest Income totaled $336.

Capital contributions (state and federal grants) in 2018 were $19,912, compared to $30,701 in 2017. Significant capital contributions in 2018 were for $15.6 million for harbor deepening, and $3 million for wharf reconstruction.

At the close of fiscal year 2018, the Authority had a net position of $392,745, a decrease of $3,658 compared to prior year net position of $396,403.

Revenue, Expenses and Changes in Net Position – 2017 vs. 2016

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

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

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

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

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

Net Position

2018 vs. 2017

At September 30, 2018, the Authority's net position was $392,745 compared to $396,403 a year ago. Operating income before depreciation was $27,654, up $2,115 (8%) year over year. Depreciation expense was $30,572, in line with prior year. The Authority's operations are also supported by funding from both the primary government (City of Jacksonville) of $2,751, and state and federal grants in aid of construction of $19,912 in fiscal year 2018. Large non-operating expenses include debt service interest expense of $9,049, compared to $8,781 in 2017, and a land contribution to the City of $11,849.

(In thousands of dollars)	2018	2017	2016
NET POSITION			
Current assets	$ 35,339	$ 32,355	$ 31,901
Noncurrent assets (excluding capital assets)	33,035	20,024	29,007
Capital assets	735,686	699,347	675,581
Deferred outflows	7,388	9,348	11,541
Total assets and deferred outflows	811,448	761,074	748,030
Current liabilities	30,341	28,545	27,604
Bonds and notes outstanding (net of current portion)	230,449	169,470	182,478
Other noncurrent liabilities and deferred inflows	156,148	166,656	152,479
Total liabilities and deferred inflows	416,938	364,671	362,561
Net position			
Net investment in capital assets	363,622	366,820	346,753
Restricted for capital projects	-	-	7,775
Restricted for debt service	18,279	19,145	18,993
Restricted – other	2,967	2,948	2,770
Unrestricted	7,877	7,490	9,178
Total net position	$ 392,745	$ 396,403	$ 385,469

Total assets and deferred outflows at year end 2018 were $811,448. Capital asset additions during the year include $66,274 for harbor deepening, and $12,750 for other port related improvements (net of depreciation, land and contributions – see note C for more details). Current assets. Current assets, comprised of cash, grants and trade receivables, were up consistent with revenue volumes. Noncurrent assets (excluding capital assets) were up $13,011, primarily from available net bond proceeds (construction funds) of $15,253 resulting from a bond and bank note issue in 2018.

Total liabilities and deferred inflows were $418,703 at year end 2018, compared to $364,671 in 2017. Bonds and notes outstanding (net of current portion) were up $60,979, and include $69,522 for two new debt issues (2018A Bank Note and 2018B Bonds). Principal reductions for scheduled debt service payments were $12,763. Other noncurrent liabilities declined $9,901, mainly from reduced line of credit balances outstanding of $9,777. Line of credit balances outstanding were $11,794 in 2018, compared to $21,571 a year ago.

Total net position at year end 2018 was $392,745; most significant was net investment in capital assets of $363,622, amounts restricted for debt service of $18,279, and unrestricted balances of $7,877.

2017 vs. 2016

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

Total assets and deferred outflows at year end 2017 were $761,074. Noteworthy is capital assets net increases of $23,766. Current assets, primarily comprised of cash, trade and grants receivables were fairly constant year over year. Noncurrent assets (excluding capital assets) declined $8,983, primarily from collection of grants receivables of $7,775 and the utilization of cash restricted for capital projects.

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

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

Cash Flows

2018 vs. 2017

Cash flows from operating activities in 2018 were $28,525, compared to $28,828 in 2017, a decrease of $303. Receipts from customers were up $5,680, payment for services and supplies increased $5,357, and payments to employees increased $626.

Cash flows from noncapital financing activities were $2,751 compared to $2,626 in 2017.

Cash flows from capital and related financing activities in 2018 were ($18,969). Proceeds from capital debt of $100,313 include proceeds from new debt issued in 2018 (Series 2018A Bank Note and 2018B Bonds). Additional proceeds resulted from a debt refunding transaction (Tax-Exempt Note 2017), utilized to pay off debt ($26,550), collectively resulting in a net cash inflow of $73,763. Additionally, part of the 2018 new debt proceeds of $17,269 was designated, and utilized to pay down the line of credit. Net line of credit activity (advances and payments) was a reduction of ($9,777). Acquisition and construction of capital assets of were ($84,166). Partly offsetting these capital outlays were contributions-in-aid of constructions in the amount of $20,412. Principal and interest payments on capital debt in 2018 were ($20,501). Proceeds from sale of assets of $4,794 were primarily from a land parcel acquired in 2017, subsequently sold in 2018, which resulted in a net lands purchase of 600 acres designated for the harbor deepening project. Contribution to tenants were ($2,654).

Cash flows from investing activities totaled $1,084, of which $700 were related to investment maturities on balances restricted for debt service.

Cash and cash equivalents at the end of 2018 were $51,142, compared to $37,751 in 2017. The cash balance of $51,142 at September 30, 2018 is comprised of $16,357 in unrestricted cash, $15,253 in construction funds, $16,565 in restricted debt service and reserve funds, and $2,967 for renewal and replacement funds. Investment balances of $5,065 are also restricted for debt service.

2017 vs. 2016

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

Cash flows from noncapital financing activities were $2,626 compared to $5,038 in 2016. Receipts from primary government declined $2,023, attributable to increased debt service amortization payments, and a one-time adjustment to the communication service tax revenue inflows.

Cash flows from capital and related financing activities in 2017 were ($32,726). Acquisition and construction of capital assets of ($59.137) accounted for the largest outlay in a year of heavy construction activity. Partly offsetting and supporting these capital outlays were contributions-in-aid of constructions of $38,114. Principal and interest payments on capital debt in 2017 were $(20,494), compared to ($20,289) in 2016. Other capital and financing and related financing activities include ($3,159) for contributions to tenants and crane relocation costs of ($681).

Cash flows from investing activities totaled $238.

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, port dredging and related costs, buildings and building improvements and equipment. At September 30, 2018, the Authority had commitments for future construction work of approximately $5,486. Additional information can be found in the accompanying notes to the financial statements.

2018 vs. 2017

At September 30, 2018, the Authority's capital assets, net of depreciation, grew to $735,686, compared to prior year net capital assets of $699,347. Capital project additions for 2018 were $83,524; large capital projects included harbor deepening and related land purchases of $66,274, terminal expansion and tenant improvements $9,018, and wharf rehabilitation of $4,066. Capital spending was partly funded by state and federal grants totaling $19,912 in 2018. Depreciation expense for 2018 was $30,572, compared to $30,395 in 2017.

2017 vs. 2016

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

Long-Term Debt

2018 vs. 2017

At September 30, 2018, the Authority had outstanding bonds and notes payable of $243,029, an increase of $60,760 from $182,269 at end of fiscal year 2017 (both net of unamortized bond discounts and premiums). New debt obligations in 2018 include the 2018A Tax Exempt Bank Note $28,982 and the Series 2018B Bonds $42,400, which included a bond premium (cash inflow) of $5,811. See Note J for more details. The new debt was issued to support the Authority's capital spending program, including harbor deepening, also $17,269 of the proceeds were utilized to pay down line of credit borrowings. The line of credit balance outstanding at September 30, 2018 was $11,794, compared to $21,571 at prior year end. The line of credit note (5-year term) is primarily used for funding certain capital projects to be paid down by future grant funding or long-term port financing.

2017 vs. 2016

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

The Authority exceeded its required minimum debt service coverage ratio for the 2018 fiscal year.

Budgetary Highlights

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2018 and 2017, though additional appropriations for storm related berth maintenance dredging were required in 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to each of those groups. Questions concerning any information included in this report or any request for additional information should be addressed to the Chief Financial Officer, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

Jacksonville Port Authority

Statements of Net Position
September 30, 2018 and 2017
(In thousands of dollars)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 16,357	$ 15,963
Restricted cash and cash equivalents	6,933	7,717
Accounts receivable, net	6,868	4,088
Notes and other receivables	1,646	546
Grants receivable	1,750	2,250
Inventories and other assets	1,785	1,791
Total current assets	35,339	32,355
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	12,599	11,988
Investments	5,065	5,813
Restricted for capital projects		
Cash and cash equivalents	15,253	2,083
Notes receivable	118	140
Capital assets, net, primarily held for lease	735,686	699,347
Total noncurrent assets	768,721	719,371
Total assets	804,060	751,726
Deferred outflow of resources	7,388	9,348
Total assets and deferred outflow of resources	$ 811,448	$ 761,074

(continued)

Jacksonville Port Authority

Statements of Net Position
September 30, 2018 and 2017
(In thousands of dollars)

	2018	2017
Liabilities		
Current liabilities		
Accounts payable	$ 5,543	$ 2,739
Accrued expenses	709	947
Accrued interest payable	3,212	3,287
Construction contracts payable	1,491	2,159
Retainage payable	525	338
Unearned revenue	6,281	6,276
Bonds and notes payable	12,580	12,799
Total current liabilities	30,341	28,545
Noncurrent liabilities		
Unearned revenue	117,055	116,005
Derivative instrument liability	15	202
Accrued expenses	4,032	4,307
Other obligations	8,537	8,537
Net pension liability	14,715	15,322
Line of credit note	11,794	21,571
Bonds and notes payable	230,449	169,470
Total noncurrent liabilities	386,597	335,414
Total liabilities	416,938	363,959
Deferred inflow of resources for pensions	1,765	712
Net Position		
Net investment in capital assets	363,622	366,820
Restricted for		
Debt service	18,279	19,145
Repair and replacement	2,967	2,948
Unrestricted	7,877	7,490
Total net position	$ 392,745	$ 396,403

Jacksonville Port Authority

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended September 30, 2018 and 2017
(In thousands of dollars)

	2018	2017
Operating revenue	$ 66,947	$ 58,052
Operating expenses		
Salaries and benefits	17,455	17,596
Services and supplies	4,685	4,366
Security services	4,494	4,177
Business travel and training	384	316
Promotions, advertising, dues and memberships	841	874
Utility services	1,061	967
Repairs and maintenance	2,383	1,643
Berth maintenance dredging	7,722	2,266
Miscellaneous	268	308
Total operating expenses	39,293	32,513
Operating income before depreciation	27,654	25,539
Depreciation expense	30,572	30,395
Operating (loss)	(2,918)	(4,856)
Non-operating revenues (expenses)		
Interest expense	(9,049)	(8,781)
Investment income	336	159
Shared revenue from primary government	2,751	2,626
Contributions to tenants	(2,509)	(2,866)
Capital contributions to other government agencies	(12,077)	-
Capital contributions from tenants	-	785
Gain/(loss) on sale/disposition of assets	3	(5,755)
Cranes relocation	-	(681)
Other non-operating expense	(107)	(398)
Total non-operating expenses	(20,652)	(14,911)
Loss before capital contributions	(23,570)	(19,767)
Capital contributions	19,912	30,701
Change in net position	(3,658)	10,934
Net position		
Beginning of year	396,403	385,469
End of year	$ 392,745	$ 396,403

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
For The Years Ended September 30, 2018 and 2017
(In thousands of dollars)

	2018	2017
Cash flows from operating activities		
Receipts from customers	$ 64,945	$ 59,265
Payments for services and supplies	(19,521)	(14,164)
Payments to/for employees	(16,899)	(16,273)
Net cash provided by operating activities	28,525	28,828
Cash flows from noncapital financing activities		
Receipts from primary government	2,751	2,626
Net cash provided by noncapital financing activities	2,751	2,626
Cash flows from capital and related financing activities		
Proceeds from capital debt	100,313	-
Principal paid on debt refunding	(26,550)	-
Line of credit advances	13,552	12,896
Line of credit payments	(23,329)	-
Contributions to tenants	(2,654)	(3,159)
Contributions-in-aid of construction (grants)	20,412	38,114
Acquisition and construction of capital assets	(84,166)	(59,137)
Principal paid on capital debt	(12,763)	(12,242)
Interest paid on capital debt	(7,738)	(8,252)
Proceeds from sale of assets	4,794	56
Cranes relocation	-	(681)
Other	(840)	(321)
Net cash used in capital and related financing activities	(18,969)	(32,726)
Cash flows provided from investing activities		
Interest on investments	384	238
Proceeds from sale and maturities on investments	700	-
Net cash provided by investing activities	1,084	238
Net increase (decrease) in cash and cash equivalents	13,391	(1,034)
Cash and cash equivalents		
Beginning of year	37,751	38,785
End of year	$ 51,142	$ 37,751

(continued)

Jacksonville Port Authority

Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017
(In thousands of dollars)

	2018	2017
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	$ (2,918)	$ (4,856)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	30,572	30,395
Increase (decrease) in accounts receivable and other current assets	(3,051)	107
Increase in Deferred Outflow of Resources – Pension	622	607
Increase in liabilities:		
Accounts payable and accrued expenses	1,798	838
Unearned revenue	1,055	973
Pension	(606)	1,943
Decrease in Deferred Inflows (Pension)	1,053	(1,179)
Total adjustments	31,443	33,684
Net cash provided by operating activities	$ 28,525	$ 28,828
Noncash investing, capital and financing activities		
Construction costs paid on account	$ 2,016	$ 2,497
Decrease in fair value of investments	(48)	(79)
Grants receivable	1,750	2,250
Change in value of derivative instrument	187	436
Capital assets contributed from tenants	-	949
Capital assets contributed to other governments	(12,077)	-

See Notes to the Financial Statements.

Note A – Summary of Significant Accounting Policies

1. Reporting entity

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

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

2. Basic financial statements

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

3. Fund structure

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

4. Basis of accounting

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

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

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

Note A – Summary of Significant Accounting Policies (Continued)

5. New pronouncements adopted

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions* issued in June 2015. This statement is effective for fiscal years beginning after June 15, 2017. The implementation of GASB Statement No.75 requires the Authority to record the OPEB liability where we previously recorded the net OPEB obligation. This change in accounting principle results in a very minor (immaterial) impact to the Authority's financials, as a result the adjustment (a $92,000 net reduction) was recorded within the current period to salaries and benefits expense on the Statement of revenue, expenses and changes in net position. See Note I for further information.

GASB Statement No. 89, *Accounting for Interest Cost incurred before the end of a Construction Period.* This statement is effective for reporting periods beginning after December 15, 2019. This statement requires that interest cost incurred before the end of a construction period be recognized as expense, and should not be included in the historical costs of a capital asset reported in a business-type activity or enterprise fund. With the Authority's election of early implementation of GASB Statement No. 89, the prior practice of the recording capitalized interest on capital projects was eliminated.

New pronouncement not yet adopted

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

6. Budgeting procedures

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

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

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

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

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.

7. Cash and cash equivalents

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

8. Investments

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

9. Restricted assets

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

10. Capital assets

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

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

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

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

Note A – Summary of Significant Accounting Policies (Continued)

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

11. 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. Deferred outflows/inflows of resources

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

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

13. Unearned revenue

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

14. Compensated absences (accrued leave plan)

Compensated absences consist of paid time off, which employees accrue each pay period. Individual leave accrual rates vary based upon position and years of service criteria. A liability is accrued as the benefits are earned by the employee for services already rendered, and to the extent it is probable the employer will compensate the employees for the benefits. Maximum leave accrual balances cap at 480 hours for all employees.

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, 2018, total conduit debt was $72,015,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Note A – Summary of Significant Accounting Policies (Continued)

16. Long-term obligations

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

17. Pensions

In the statement of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates.

18. Other post-employment benefits

The Authority obtains actuarial valuation reports for its postemployment benefit plan (other than pensions) and records the OPEB liability as required under GASB Statement No. 75.

19. Net position

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

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

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

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

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville (City) and millage payments from the Jacksonville Electric Authority (JEA) pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement allows the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. The Authority's share of shared revenue from primary government was $2,751,000 and $2,626,000 in 2018 and 2017, respectively.

Note A – Summary of Significant Accounting Policies (Continued)

19. Use of estimates

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

20. Reclassifications

Certain reclassifications were made to the 2017 financial statement presentation in order to conform to the 2018 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2018 and 2017, the carrying amount of the Authority's cash deposit accounts was $19,461,000 and $21,460,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

Investments

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

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

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

Interest Rate Risk

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

Note B – Deposits and Investments (Continued)

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

2018		Investment Maturities (in Years)	
(in thousands of dollars)	Fair	Less	
Investment Type	Value	Than 1	1-5
Investments Subject to Interest Rate Risk:			
U.S. Government Bonds	$ 2,241	$ 2,241	$ -
Corporate Bonds	2,824	2,824	-
Money market funds	31,680	31,680	-
Total investments	$ 36,745	$ 36,745	$ -

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

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

Credit Risk

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

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

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

Note B – Deposits and Investments (Continued)

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

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

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

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

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

2018

Security Type	Credit Rating	% of Portfolio
U.S. Government Bonds	AAA	6.10%
Corporate Bonds	AA3 - A3	7.69%
Money market funds	AAAm	86.21%
Total		100.00%

2017

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

Custodial Credit Risk

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

Note B – Deposits and Investments (Continued)

Concentration of Credit Risk

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

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

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority has the following recurring fair value measurements as of September 30, 2018 and 2017:

2018

(in thousands of dollars)	September 30, 2018			
Investment Type	Fair Value	Level 1	Level 2	Level 3
FNMA	$ 997	$ 997	$ -	$ -
FHLMC	1,244	1,244	-	-
Corporate bonds	2,825	2,825	-	-
Total investments	$ 5,066	$ 5,066	$ -	$ -
Derivative Instrument Liability	$ 15	$ -	$ 15	$ -

2017

(in thousands of dollars)	September 30, 2017			
Investment Type	Fair Value	Level 1	Level 2	Level 3
FNMA	$ 999	$ 999	$ -	$ -
FHLMC	1,255	1,255	-	-
Corporate bonds	3,559	3,559	-	-
Total investments	$ 5,813	$ 5,813	$ -	$ -
Derivative Instrument Liability	$ 202	$ -	$ 202	$ -

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017, was as follows:

2018 *(in thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 160,254	$ -	$ (11,904)	$ 148,350
Port dredging and related costs	87,323	66,274	(4,458)	149,139
Construction in progress	14,089	14,730	(8,355)	20,464
Total capital assets not being depreciated	261,666	81,004	(24,717)	317,953
Depreciable capital assets				
Buildings	96,986	-	(301)	96,685
Improvements	573,290	6,187	(1,553)	577,924
Equipment	152,157	4,688	(2,683)	154,162
Total other capital assets at historical cost	822,433	10,875	(4,537)	828,771
Less accumulated depreciation for:				
Buildings	53,102	3,194	(301)	55,995
Improvements	257,462	21,339	(1,425)	277,376
Equipment	74,188	6,039	(2,560)	77,667
Total accumulated depreciation	384,752	30,572	(4,286)	411,038
Other capital assets, net	437,681	(19,697)	(251)	417,733
Capital assets, net	$ 699,347	$ 61,307	$ (24,968)	$ 735,686

Note C – Capital Assets (Continued)

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

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately $149 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets, and amortized over a 20-year life. To date, the Authority's share of these costs total, net of depreciation is approximately $17.7 million. Costs incurred and paid by the USACE for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

Note D – 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 $822,000,000 and accumulated depreciation of $324,000,000 as of September 30, 2018. Revenues recognized for facility leases for the fiscal years ended September 30, 2018 and 2017, were $18,489,000 and $18,670,000, respectively.

Minimum future rental receipts and contractual minimum annual guarantees for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2018, are as follows:

(in thousands of dollars)	Total
2019	$ 30,784
2020	25,245
2021	21,796
2022	17,391
2023	13,990
2024-2028	55,173
2029-2033	52,704
2034-2038	24,809
	$ 241,892

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

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

Financing

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

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

Additionally, the Authority issued $95 million of its own debt, whereby MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements, through 2023.

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

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2039. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2018 and 2017, totaled approximately $123 million and $122 million, respectively.

Note F – Pension Plan

Retirement Benefits

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

Governmental Accounting Standards Board Statement No. 68

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

General Information about the FRS

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

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

Note F – Pension Plan (Continued)

The Authority's pension expense for FRS and HIS totaled $2,316,633 and $2,581,669 for the fiscal years ended September 30, 2018 and 2017, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

Florida Retirement System (FRS) Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to 4 years of credit for military service toward creditable service.

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

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

Note F – Pension Plan (Continued)

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

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

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

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2018 and 2017, were as follows:

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

	Percent of Gross Salary		
		2018	2017
Class	**Employee**	**Employer**	**Employers**
FRS, Regular	3.00	8.26	7.92
FRS, Senior Management Service	3.00	24.06	22.71
DROP – Applicable to Members from all above classes	0.00	14.03	13.26

Note F – Pension Plan (Continued)

The Authority's contributions, for FRS and HIS totaled $1,410,934, and employee contributions totaled $337,774 for the fiscal year ended September 30, 2018. The Authority's contributions, for FRS and HIS totaled $1,248,753, and employee contributions totaled $333,348 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2018, the Authority reported a liability of $10,797,420 for its proportionate share of the FRS Plan's net pension liability, compared to $11,070,761 at September 30, 2017. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportionate share of the net pension liability was based on the Authority's 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the Authority's proportionate share was .0358%, which was a decrease of .0016% from its proportionate share measured as of June 30, 2017, of .0374%.

For the fiscal year ended September 30, 2018, the Authority recognized the Plan pension expense of $2,018,014. Fiscal year 2017 showed pension expense of $2,216,098, which, in addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2018 and 2017, as shown:

2018 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 914,704	$ 33,199
Change of assumptions	3,528,071	-
Net difference between projected and actual earnings on FRS pension plan investments	-	834,233
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	549,230	237,704
Authority FRS contributions subsequent to the measurement date	259,861	-
Total	$ 5,251,866	$ 1,105,136

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

Note F – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $259,861 for 2018 and $188,388 for 2017, resulting from Authority contributions to the Plan subsequent to the measurement date, are recognized as a reduction of the net pension liability in the respective subsequent fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	Amount
2019	$ 738.7
2020	738.7
2021	1,276.2
2022	848.6
2023	177.5
Thereafter	108.1

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

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%
Investment Rate of Return	7.00%

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

Note F – Pension Plan (Continued)

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

July 1, 2018 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation – Mean			2.6%	1.9%

July 1, 2017 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation – Mean			2.6%	1.9%

<u>Note F – Pension Plan (Continued)</u>

<u>Discount Rate</u>. The discount rate used to measure the total pension liability was 7.0%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

<u>Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate</u>. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0%) or 1 percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability			
As of July 1, 2018	$ 19,705,744	$ 10,797,420	$ 3,398,530

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

<u>The Retiree Health Insurance Subsidy Program (HIS)</u>

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

<u>Benefits Provided</u>. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS Plan benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

<u>Contributions</u>. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan totaled $208,052 for the fiscal year ended June 30, 2018, and $202,440 for the fiscal year ended June 30, 2017.

Note F – Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the Authority reported a net pension liability of $3,917,903 for its proportionate share of the HIS Plan's net pension liability, compared to $4,250,943 at September 30, 2017. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportionate share of the net pension liability was based on the Authority's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the Authority's proportionate share was .0370%, which was a decrease of .0028 from its proportionate share measured as of June 30, 2017, of .0398%.

For the fiscal year ended June 30, 2018, the Authority recognized the HIS Plan pension expense of $298,619, and $365,571 for fiscal year 2017. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ 59,981	$ 6,656
Change of assumptions	435,719	414,233
Net difference between projected and actual earnings on HIS pension plan investments	2,365	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	180,486	238,988
Authority HIS contributions subsequent to the measurement date	48,126	-
Total	$ 726,677	$ 659,877

2017 **Description**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Differences between expected and actual experience	$ -	$ 8,851
Change of assumptions	597,536	367,584
Net difference between projected and actual earnings on HIS pension plan investments	2,357	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions	222,598	-
Authority HIS contributions subsequent to the measurement date	44,352	-
Total	$ 866,843	$ 376,435

Note F – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling $48,126 for 2018 and $44,352 for 2017, resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2018 and 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	Amount
2019	$ 46.1
2020	46.1
2021	46.1
2022	7.1
2023	(57.3)
Thereafter	(69.4)

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

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

Inflation	2.60%
Salary Increase	3.25%

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

Discount Rate. The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Note F – Pension Plan (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net pension liability			
As of July 1, 2018	$ 4,462,262	$ 3,917,903	$ 3,464,148

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

FRS – Defined Contribution Pension Plan

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

Note F – Pension Plan (Continued)

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

The Authority's Investment Plan pension expense totaled $252,494 for the fiscal year ended September 30, 2018, and $305,578 for the fiscal year ended September 30, 2017.

Note G – Deferred Compensation Plan

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

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) plan are not reflected on the Authority's statement of position. The Authority's 401(a) matching contributions were $167,000 and $170,000 for the years ended September 30, 2018 and 2017, respectively.

Note H – Other Post-Employment Benefits (OPEB)

The Authority adopted the provisions of GASB 75 as of October 1, 2017. The effect of the implementation was a reduction in the liability of $92,000. This amount was not considered significant to the financial statements of the Authority, accordingly the effect was recognized in the current year, as opposed to restating opening net position. As a result, OPEB disclosures will not be on a comparative basis in the current year.

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 75 (GASB 75). The Authority currently has 124 active participants in the group medical plan, and no participating retirees. The Authority's medical plan in administered on a pay-as-you-go basis.

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

GASB 75 Adoption and OPEB Liability

GASB75 requires the recording of the OPEB liability. The OPEB liability is the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date. The Authority recognizes an "implicit rate subsidy" (age adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 75. The OPEB Expense reflects the annual change in the employer's OPEB liability, with deferred recognition provided for certain items. GASB 75 calls for the Authority to have an OPEB valuation performed every two years.

The total OPEB liability in the October 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement The OPEB valuation is based upon a 3.64% discount rate, and assumes the plan will be unfunded. The valuation uses a health care costs trend rate assumption of 7.0% in the year ending September 30, 2018, grading down by .5% each year until an ultimate health care costs trend rate of 4.5% is reached. Non-claim costs are assumed to be 15% of the premium rates. Mortality rates assumptions used were based upon RP-2014 generational tables using Scale MP-16, applied on a gender-specific basis. Below is the Authority's total OPEB liability and funding status at September 30, 2018:

Changes in Total OPEB Liability

The following data presents the changes in the total OPEB Liability for fiscal year ending September 30, 2018:

	2018
Balance, beginning of year (GASB 75)	$ 319,347
Service cost	14,896
Interest cost	11,984
Changes in assumptions or other inputs	(18,451)
Benefit payments	(10,077)
Net change	16,803
Balance, end of year	$ 317,699

OPEB Expense recognized by the Authority for the fiscal year ending September 30, 2018 was $25,456.

The deferred Inflows and outflows associated with the Authority's total OPEB liability are not considered significant by management, and accordingly have not been recorded in the Authority's financial statements.

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

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

Health Care Cost Trend Sensitivity, calculated using trend rates that are one percent lower or higher than the current rate assumption:

	Total OPEB Liability		
	1% Decrease	Current Rate	1% Increase
As of September 30, 2018	$263,000	$317,699	$350,000

Discount Rate Sensitivity, the discount rate was based upon a 20-year tax-exempt municipal bond fund, below are the changes as impacted by a 1% lower or higher than the current rate assumption:

	Total OPEB Liability		
	1% Decrease	Current Rate	1% Increase
As of September 30, 2018	$262,000	$318,000	$352,000

Note I – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' Compensation and General Liability insurance premiums amounted to $132,000 and $75,000 for the years ended September 30, 2018 and 2017, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to $488,000 and $433,000 for the years ended September 30, 2018 and 2017, respectively.

As a part of the Authority's risk management program, the Authority also purchases certain additional commercial insurance policies to cover exposures such as special risk employees and business interruption coverage. The Authority does not retain any risk on their policies and settlements have not exceeded insurance coverage for each of the last three fiscal years.

Note J – Long-Term Debt and Other Noncurrent Liabilities

Long-term liability activity for the years ended September 30, 2018 and 2017, was as follows:

2018					
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 24,980	$ 42,400	$ (24,980)	$ 42,400	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	54,970	52,102	(8,907)	98,165	7,552
Revenue Note – Taxable	1,578	-	(794)	784	725
State Infrastructure Bank Loan	8,935	-	(4,632)	4,303	4,303
Unamortized original issue premium amounts	4,396	5,811	(240)	9,967	-
Total bonds and notes payable	182,269	100,313	(39,553)	243,029	12,580
Liability for pollution remediation	1,164	-	(28)	1,136	-
Derivative instrument liability	202	-	(187)	15	-
Compensated absences and other	2,070	392	(621)	1,841	322
Line of credit	21,571	13,552	(23,329)	11,794	-
Reserve for grants assessment	1,377	-	-	1,377	-
Other obligation	8,537	-	-	8,537	-
	$ 217,190	$ 114,257	$ (63,718)	$ 267,729	$ 12,902

2017					
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 24,980	$ -	$ -	$ 24,980	$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	61,965	-	(6,995)	54,970	7,372
Revenue Note – Taxable	2,328	-	(750)	1,578	795
State Infrastructure Bank Loan	13,432	-	(4,497)	8,935	4,632
Unamortized original issue premium amounts	4,604	-	(208)	4,396	-
Total bonds and notes payable	194,719	-	(12,450)	182,269	12,799
Liability for pollution remediation	1,241	-	(77)	1,164	-
Derivative instrument liability	638	-	(436)	202	-
Compensated absences and other	2,008	367	(305)	2,070	304
Line of credit note	8,675	12,896	-	21,571	-
Reserve for grants assessment	1,377	-	-	1,377	-
Other obligation	8,537	-	-	8,537	-
	$ 217,195	$ 13,263	$ (13,268)	$ 217,190	$ 13,103

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

Long-term liabilities at September 30, 2018 and 2017, consisted of the following:

(in thousands of dollars)	2018	2017
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2028. Interest rates are fixed at 5.75%.	$ -	$ 24,980
Tax Exempt Revenue Note, Series 2017, due in varying amounts through 2028. Interest rates are fixed at 2.25%.	23,120	-
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	87,410	87,410
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%. See following note on related interest rate swap agreement.	6,579	12,936
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.68%. See following note on related interest rate swap agreement.	784	1,578
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	18,976	18,976
Tax Exempt Bank Note Crane 2014, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	20,508	23,058
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	4,303	8,935
Revenue Bonds, Series 2018B, due in varying amounts thru 2048. Interest rates are fixed at 5%.	42,400	-
Tax Exempt Revenue Note, Series 2018A, due in varying amounts through 2033. Interest rate are fixed at 2.872%.	28,982	-
$50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.95% to 2.40% in 2018. Principal due December 2022.	11,794	21,571
	244,856	199,444
Less current portion	12,580	12,799
	$ 232,276	$ 186,645

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

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to $50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2018 was $4,303,000.

In May 2008, the Authority issued $90,000,000 in Revenue Bonds, Series 2008. The proceeds of the bonds were used in part ($45 million), for the construction of the MOL terminal, and ($45 million) designated for other port projects, including the Authority's contribution to the MOL project. In September 2012, $65,020,000 of the Series 2008 bonds was refunded from proceeds of the Revenue and Refunding Bonds, Series 2012. In November 2017, the Authority executed a loan agreement with Regions Bank (2017 Regions Bank Note), for purpose of paying off the 2008 Bond, which had an outstanding balance of $24,980,000. As a result, there were no outstanding balances on Series 2008 bonds as of September 30, 2018.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank, which was subsequently renewed, due and payable November 2022. It is the intention of the Authority to use the line for a revolving medium term or longer term funding source designated for the Authority's capital spending program. The outstanding balance on the Line of Credit at September 30, 2018 was $11,794,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2009 Revenue Note (Tax-Exempt) for $52,090,000 and Series 2009 (Taxable) Revenue Note for $6,420,000. The outstanding balance at September 30, 2018 on the Tax Exempt Revenue Note was $6,579,000. The outstanding balance at September 30, 2018 on the Taxable Note was $784,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank, Tax-Exempt Revenue Note Series 2010, for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2017 was $18,976,000.

In September 2012, the Authority issued $87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds were issued to: (i) finance or refinance expenditures relating to the cost of portions of the Authority's capital program, (ii) refund $65,020,000 of the Authority's outstanding Series 2008 Bonds, and (iii) fund a reserve. The Series 2012 issue has a final maturity of 2038, consistent with the maturity of the Series 2008 bonds. The outstanding balance as of September 30, 2018 was $87,410,000.

On September 12, 2014, the Authority executed a loan agreement (SunTrust Bank Note) in the amount of $25,000,000 to support the acquisition of new three cranes. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note issue has a final maturity of 2034. The outstanding balance as of September 30, 2018 was $20,508,000.

In November 2017, the Authority executed a loan agreement with Regions Bank for the purpose of paying off the 2008 Bonds, which had an outstanding balance of $24,980,000. Using excess bond reserves, the Authority was able to pay down the Bond and enter into a loan in the amount of $23,120,000 at a fixed term rate of 2.25%. The outstanding balance as of September 30, 2018 was $23,120,000. The refinancing of the Series 2008 Bonds with the Series 2017 Revenue Note generates $5.48 million in Net Present Value Savings (or 21.94% of refunded par). Annual debt service savings will be approximately $2,580,000 in year 2020 through year 2029.

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

On August 8, 2018, the Authority executed a $28,982,000 loan agreement with Chase Bank, N.A., Tax-Exempt Revenue Note Series 2018A, for the purpose of financing or refinancing expenditures relating to the cost of portions of the Authority's capital program and to pay down the Authority's Line of Credit. The agreement has a fixed term rate of 2.872% with a term of 15 years. The outstanding balance as of September 30, 2018 was $28,982,000.

On August 8, 2018, the Authority issued $42,400,000 in Revenue Bonds, Series 2018B. The bonds will be used to finance expenditures related to the Authority's capital improvement program, largely the harbor deepening project. The bonds have a fixed term rate of 5.00% with a term of 30 years. The outstanding balance as of September 30, 2018 was $42,400.000.

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

Interest Rate Swap Agreements on Series 2009 Notes

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

Notional amounts at September 30, 2018, were $11,925,000 for the Tax-Exempt Note and $1,451,885 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long-term ratings of BBB+ by Standard & Poors, and Baa3 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2018, a termination fee of $12,508 and $2,080 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 2018 and 2017, respectively, were an aggregate $14,588 and $201,915, a decrease of $187,331. This transaction is recorded as both a Deferred Outflow of Resources and a corresponding Derivative Instrument Liability on the Statement of Net Position, in the same amount.

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

Deferred outflow of resources

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

(in thousands of dollars)	2018	2017
Deferred loss on debt refundings	$ 1,395	$ 2,545
Interest rate exchange agreement	15	202
Deferred outflow pension (see Note F)	5,978	6,601
Total deferred outflow of resources	$ 7,388	$ 9,348

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, 2018, was as follows:

Years ending *(in thousands of dollars)*	Interest	Principal
2019	$ 8,731	$ 12,580
2020	9,082	4,148
2021	8,934	7,063
2022	8,729	7,282
2023	8,513	19,310
2024 – 2028	37,279	41,401
2029 – 2033	29,781	52,235
2034 – 2038	18,055	56,747
2039 – 2043	7,172	23,255
2044 – 2048	3,179	16,915
2049 – 2053	98	3,920
	$ 139,553	$ 244,856

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

Unamortized premiums on Bonds were $(9,967) and $(4,396) in 2018 and 2017, respectively. Unamortized deferred loss on refundings was $1,395 and $2,545 in 2018 and 2017, respectively.

Other Noncurrent Liabilities

Unearned revenue balances were $123,336,000 and $122,281,000 for years ended September 30, 2018 and 2017, respectively. The current portion was $6,281,000 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 $1,136,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.

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

Other post-employment benefits ('OPEB') liabilities for retiree medical benefits were $318,000 and $410,000 at September 30, 2018 and 2017, respectively. See Note H for additional information.

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

Note K – Other Obligation

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

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a 30-year amortization. As a result, an estimated liability amount of $8,536,749 is currently recorded as other obligations by the Authority. As of September 30, 2018, repayment terms had not been determined.

Note L – Commitments and Contingencies

Construction Related

At September 30, 2018, the Authority had commitments for future construction work of approximately $5,400,000. Significant projects in process include rehabilitation of terminal wharfs in the amount of $3,300,000 and tenant parking improvements of $1,200,000.

Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging, and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third-party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment system, allowing for the groundwater to be captured by wells and discharged to a nearby publically owned treatment works facility (POTW). The Authority had originally established a $1.5 million reserve for project and ongoing operations costs of the groundwater treatment system, of which $1.1 million remains at September 30, 2018, for ongoing operations and monitoring costs.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 152 employees. Union employees represent about 40% of the total. The current union contract is a three-year contract expiring on September 30, 2019.

Note L – Commitments and Contingencies (Continued)

Grant Program Compliance Requirements

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

Note M – Significant Customers

For the fiscal year ended September 30, 2018, the Authority had four customers with significant operating revenues (in excess of 10% of total revenues): Tote Marine (17%), Trapac (12%), APS East Coast (11%) and SSA Cooper (10%).

Note N – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of $373,752 and $951,569 were recorded for the years ended September 30, 2018 and 2017, respectively.

State Contributions

Amounts from state funding awards totaled $19,537,761 and $29,749,651 for the years ended September 30, 2018 and 2017, respectively.

Note O – Subsequent Events

On October 1, 2018, the Authority awarded a $51 million contract for a two-berth rehabilitation project. This project is a 75% grant funded project.

JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years*
(in dollars)

		2018
The Authority’s Health Care Plan:		
Total OPEB liability – beginning	$	319,347
Service cost		14,896
Interest cost		11,984
Changes in assumptions or other inputs		(18,451)
Benefit payments		(10,077)
Net change		16,803
Total OPEB liability – ending	$	317,699
Covered employee payroll	$	9,164,400
Total OPEB Liability as a percentage of employee payroll		3.47%

* Data reported for fiscal year 2018 is based on the Authority’s Healthcare Plan’s measurement dates of September 30, 2018. Changes is total OPEB Liability for the fiscal years prior to 2018 were not available, and accordingly, not included in the schedule.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2018
(amounts expressed in dollars)

	2018	2017	2016	2015	2014
Authority's proportion of the FRS net pension liability	0.0358%	0.0374%	0.0353%	0.0352%	0.0330%
Authority's proportionate share of the FRS net pension liability	$10,797,420	$11,070,761	$8,917,567	$4,546,261	$2,031,923
Authority's covered-employee payroll	$12,533,283	$12,195,198	$11,910,007	$11,486,853	$11,123,222
Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	86.15%	90.78%	74.87%	39.58%	18.27%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2014, 2015, 2016, 2017, and 2018 are available.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – HEALTH INSURANCE SUBSIDY PENSION PLAN SEPTEMBER 30, 2018 (amounts expressed in dollars)

	2018	2017	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.0370%	0.0398%	0.0383%	0.0373%	0.0372%
Authority's proportionate share of the HIS net pension liability	$3,917,903	$4,250,943	$4,461,658	$3,806,082	$3,472,586
Authority's covered-employee payroll	$12,533,283	$12,195,198	$11,910,007	$11,486,853	$11,123,222
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.26%	34.86%	37.46%	33.13%	31.22%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending June 30, 2014, 2015, 2016, 2017, and 2018 are available.

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2018
(amounts expressed in dollars)

	2018	2017	2016	2015	2014
Contractually required FRS contribution	$ 1,202,882	$ 1,046,313	$ 947,884	$ 948,391	$ 872,101
FRS contributions in relation to the contractually required FRS	1,202,882	1,046,313	947,884	948,391	872,101
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,553,283	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
FRS contributions as a percentage of cover-employee payroll	9.6%	8.6%	8.0%	8.3%	7.8%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending September 30, 2014, 2015, 2016, 2017, and 2018 are available.

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2018
(amounts expressed in dollars)

	2018	2017	2016	2015	2014
Contractually required HIS contribution	$ 208,052	$ 202,440	$ 197,706	$ 157,222	$ 135,253
HIS contributions in relation to the contractually required HIS	208,052	202,440	197,706	157,222	135,253
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,533,283	$ 12,195,198	$ 11,910,007	$ 11,486,853	$ 11,123,222
HIS contributions as a percentage of cover-employee payroll	1.7%	1.7%	1.7%	1.4%	1.2%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years ending September 30, 2014, 2015, 2016, 2017, and 2018 are available.

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition
GAAP to Budgetary Basis Reconciliation
For the Fiscal Year Ended September 30, 2018

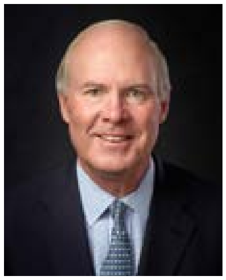
GAAP Revenue – per Financial Statements	$ 66,946,894
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)	1,054,942
Budgetary Basis Revenues	$ 68,001,836

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

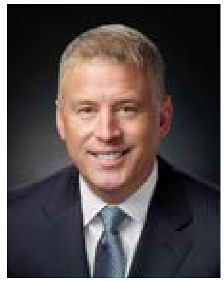
BOARD OF DIRECTORS

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

JOHN FALCONETTI
CHAIRMAN



JOHN BAKER
VICE CHAIRMAN



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