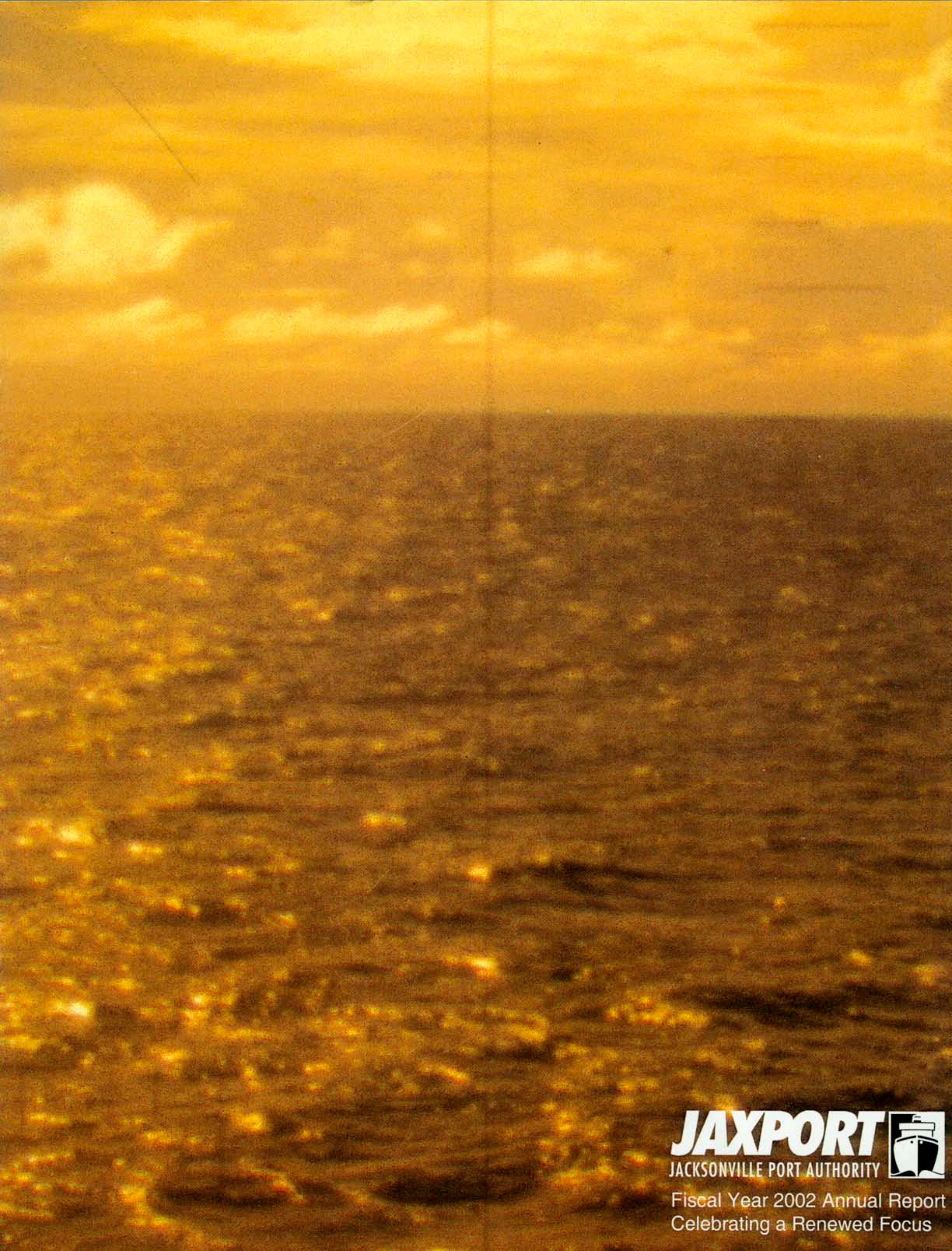


JAXPORT
JACKSONVILLE PORT AUTHORITY

Fiscal Year 2002 Annual Report
Celebrating a Renewed Focus

JAXPORT's Senior Management Team

Fredrick R. Ferrin, Executive Director
Ron Baker, Deputy Executive Director/Chief Financial Officer
Chris Kauffmann, Sr. Director of Terminal Operations and Seaport Security
Tony Orsini, Sr. Director of Engineering and Cruise Line Operations
David Kaufman, Sr. Director of Government Relations, Real Estate Planning and Development
Roy Schleicher, Senior Director of Trade Development, Marketing and Customer Service

JAXPORT Facilities

The Jacksonville Port Authority (JAXPORT) owns the Blount Island Marine Terminal, the Talleyrand Marine Terminal, the Dames Point Marine Terminal and the JAXPORT Cruise Terminal, all located in Jacksonville, Florida. Cargo and cruise activity at these facilities support more than 45,000 direct and indirect jobs in Northeast Florida.

Message from the Chairman and Executive Director

As the result of a historic restructuring of the Jacksonville Port Authority in 2001, JAXPORT has a renewed focus on the future as a new independent authority charged solely with owning and managing Jacksonville's public seaport terminals.

The theme of our Annual Report, "A Renewed Focus," arises from this historic change. Our restructuring has allowed JAXPORT to focus on its core mission to serve as an economic engine for Jacksonville. It also has sparked a renewed commitment to serve our existing customers and cultivate new ones. In addition, we remain committed to our local maritime community, whose long-term success is vital to the economic health of Northeast Florida.

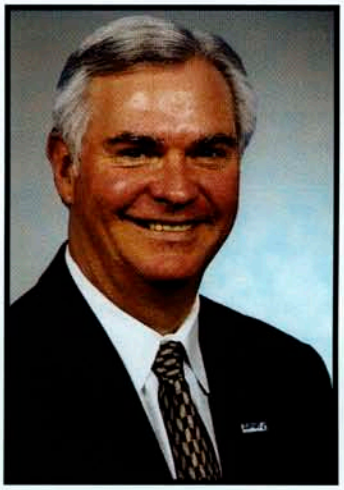
Led by our Board of Directors, strong management team and rejuvenated employees, we began 2002 by creating a three-year Strategic Plan. This plan identifies five critical elements necessary for our long-term success: improving our efforts in trade development and marketing, financial performance, personnel management, asset management, and community outreach. All our energies are now linked to these strategic objectives.

Operationally, we had a solid year in what proved to be difficult economic times both at home and abroad. Tonnage at JAXPORT grew four percent to 7.1 million tons, and our revenues rose slightly to $27.6 million.

In addition to the restructuring, we reached several milestones in 2002. JAXPORT retained its role as one of the nation's largest vehicle handling ports, moving more than 600,000 vehicle units last year. Additionally, the first phase of our harbor deepening project was completed to deepen Jacksonville's federal channel to 41 feet. We also took steps to tighten port security, hiring a Director of Seaport Security. Now we are implementing a comprehensive security plan which reflects some of the nation's toughest security standards. Not long after the close of our fiscal year, we landed commitments from Celebrity Cruises and Carnival Cruise Lines to offer passenger cruise service from Jacksonville -- a welcome complement to our cargo operations and a significant development for the entire City of Jacksonville.

Amid these changes, our employees and Board of Directors are committed to working with our customers to maintain the finest port assets on the East Coast of the United States. Our mission is to protect and grow the positive economic impact that Jacksonville's seaport has on Northeast Florida. We look forward to working with our customers, the Jacksonville community and all our stakeholders toward achieving mutual success in this endeavor.

T. Martin Fiorentino, Jr.
Chairman of the Board



Frederick R. Ferrin
Executive Director

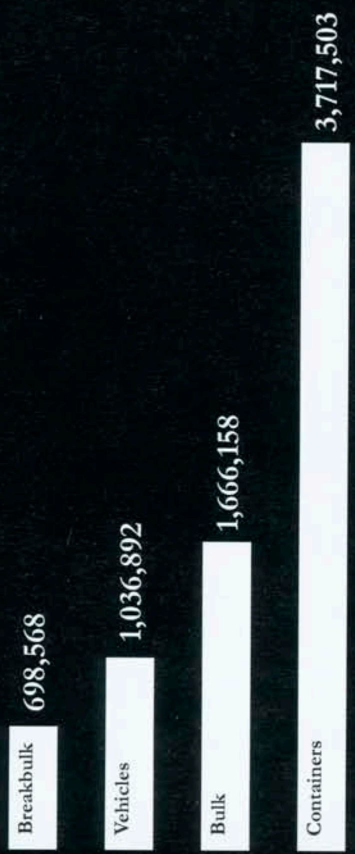
Operating Budget

JAXPORT's day-to-day operating expenses -- including Port Authority salaries, utility bills, office supplies and similar costs -- are not funded by tax dollars. Instead, private companies pay to lease land, dock ships and use cargo-handling equipment and cruise facilities at JAXPORT. In turn, JAXPORT uses this operating revenue to pay its expenses. In 2002, JAXPORT's earned $27.6 million in operating revenue and paid $20.4 million in expenses. Note that after factoring depreciation and contributions, net in comein 2002 reached $16.3 million.

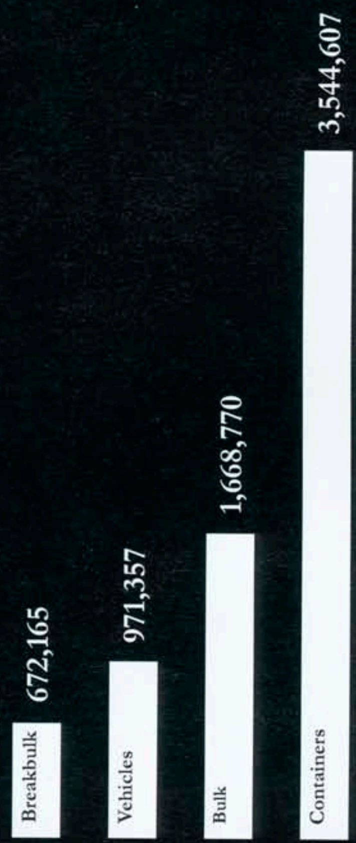
Financial Highlights

in millions

	2002	2001
Operating Revenue	$27.6	$27.2
Operating Expenses	$20.4	$19.4
Operating Income	$7.2	$7.8
Debt Service Costs	$8.8	$8.7
Depreciation	$14.8	$14.7
Contributions	$16.6	$12.1
Net income	$16.3	$2.1



Total Tonnage = 7,119,121
FY 2002



Total Tonnage = 6,856,899
FY 2001

JAXPORT's fiscal year 2002 (ending September 30) ended on a high note, with total cargo growing to 7,119,121 tons, up four percent from 6,856,899 tons in fiscal year 2001. In the process, vehicle cargoes, primarily passenger cars and trucks, grew seven percent as JAXPORT customers handled 615,030 vehicles, equating to more than one million tons of vehicles. Meanwhile, JAXPORT's largest cargo type, container traffic, grew five percent over fiscal year 2001. Exports accounted for 54% of total tonnage while imports netted 46%. Cargo moving in and out of JAXPORT facilities helps to support an estimated 45,000 direct and indirect jobs in Northeast Florida.

Financial Highlights

Management's Discussion and Analysis

This section of the Jacksonville Port Authority's (the Authority) annual financial report presents a narrative overview and analysis of the Authority's financial performance during our most recent fiscal year, which ended September 30, 2002. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. All presented amounts are in thousands. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The Authority's operating revenue increased slightly (1.7%) to $27,641 during fiscal year 2002 compared to $27,183 in the prior fiscal year. Fiscal year 2002 operating expenses (excluding depreciation and amortization) of $20,432 were 5.2% more than the previous fiscal year. Depreciation and amortization expense remained relatively steady. As a result, the Authority's operating loss increased to $7,558 for the fiscal year ended September 30, 2002 compared to a loss of $6,900 for the previous fiscal year. The Authority recognized net non-operating revenue of $7,220 and capital contributions of $16,594, both significant increases from the prior fiscal year. As a result of the above, the Authority's net assets increased by $16,256 during fiscal year 2002. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2002, the Authority had net assets of $274,217, an increase of 6.3% over the prior year net assets of $257,961.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. The statement of revenues, expenses, and changes in net assets shows how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of when cash flows may take place. As a result, some revenues and expenses in this statement are reported for items that will result in cash flows in future fiscal periods. The statement of cash flows represents cash and cash equivalent activity for the fiscal year, resulting from operating, financing and investing activities. The net result of these activities is added to the beginning balance of cash and cash equivalents to reconcile to the ending balance of cash and cash equivalents at September 30, 2002. Contrary to the other statements presented, the statement of cash flows is presented using the cash basis of accounting.

Taken together, these financial statements demonstrate how the Authority's net assets have changed. Net assets are one way of assessing the Authority's current financial condition. Increases or decreases in net assets are good indicators of whether the Authority's financial health is improving or deteriorating over time. Other non-financial factors, such as diversity in the local economy, are important in evaluating the Authority's overall financial condition.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net assets is a key indicator of an entity's financial position. On September 30, 2002, the Authority's net assets were $274,217, an increase of $16,256 (6.3%) from the prior year net assets of $257,961. The Authority is engaged in a capital-intensive industry and as such, its largest portion ($255,418, net of related debt) of net assets is invested in capital assets (*e.g.*, land, buildings, heavy equipment, *etc.*). The next largest portion ($9,515) of the Authority's net assets is restricted for future capital projects. The Authority has unrestricted net assets of $6,255, a $268 decrease during the current year. In addition, $3,029 of the Authority's net assets is restricted for future debt service payments.

Net Assets	**2002**	**2001**
Current assets	$20,306	$13,895
Noncurrent assets (excluding capital assets)	38,940	49,495
Capital assets	345,992	334,160
Total assets	**405,238**	**397,550**
Current liabilities	19,356	16,278
Revenue bonds outstanding (net of current portion)	93,974	95,467
Other noncurrent liabilities	17,691	27,844
Total liabilities	**131,021**	**139,589**
Net assets:		
Invested in capital assets, net of related debt	255,418	244,663
Restricted for capital projects	9,515	1,240
Restricted for debt service	3,029	5,535
Unrestricted	6,255	6,523
Total net assets	**$274,217**	**$257,961**

Operating revenue for fiscal year 2002 was $27,641, a $458 (1.7%) increase over the prior fiscal year due to increased vehicle imports and lease billings, as well as increased poultry exports and steel cargo. Operating expenses, including depreciation and amortization, for fiscal year 2002 were $35,199, an increase of $1,116 (3.3%) over the prior fiscal year. Fiscal year 2002 operating expenses include significantly more ad valorem taxes than fiscal year 2001 due to management's decision to pass fewer taxes on to its tenants. This large ad valorem tax variance was partially offset by a large decrease in repairs and maintenance costs. As a result of the increased operating revenue and expenses, the operating loss for fiscal year 2002 was $7,558, an increase of $658

(9.5%) over the operating loss in fiscal year 2001. However, fiscal year 2002 was the first year that the Authority received excess telecommunication tax monies from the City of Jacksonville. As such, other non-operating income saw an $11,300 increase over the prior fiscal year. Also, capital contributions were $16,594 in fiscal year 2002, a $4,483 (37.0%) increase over fiscal year 2001 due to increased activity on a harbor deepening project that is being funded by the State of Florida. The Authority experienced a $16,256 change in net assets during fiscal year 2002, $14,143 (669.3%) greater than the change in net assets during fiscal year 2001.

Changes in Net Assets	**2002**	**2001**
Operating revenue	$27,641	$27,183
Operating expenses	35,199	34,083
Operating loss	**(7,558)**	**(6,900)**
Nonoperating revenues (expenses):		
Interest expense	(4,343)	(4,800)
Investment income	263	1,667
Shared revenue from primary government	11,300	-
Other	-	35
Total nonoperating revenue (expense)	**7,220**	**(3,098)**
Loss before capital contributions	**(338)**	**(9,998)**
Capital contributions	**16,594**	**12,111**
Change in net assets	16,256	2,113
Net assets, beginning of year	257,961	255,848
Net assets, end of year	**$274,217**	**$257,961**

Significant Events

Fiscal Year 2002 was the first year of operation of the new Authority. Prior to Fiscal Year 2002, the marine facilities currently owned and operated by the Authority were owned and operated by the Jacksonville Port Authority (JPA) in a Marine Division fund, which also owned and operated aviation facilities in Duval County, Florida. The new Authority was created to allow increased focus on marine facilities only. All prior year comparisons in this discussion are made to the Marine Division of the JPA.

Cash Flows

Net cash provided by operating activities was $10,609, a $3,171 increase from the prior year, mostly due to increased operating margins and an aggressive approach to the collection of accounts receivable. Net cash used in capital and related financing activities was $18,630, a $27,674 increase from the net cash provided in the prior year. This increase is due to the fact that a bond issue was finalized in the prior year. Net cash provided by investing activities was $14,826, a $35,773 increase from the net cash used in the prior year. This increase is a result of investment maturities being invested in capital assets as compared to being reinvested in investments in the prior 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 Year ended September 30, 2002.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority has $345,992, net of accumulated depreciation, invested in capital assets as of September 30, 2002 compared to $334,160 as of September 30, 2001. This investment increased by $11,832 (3.5%) since the prior fiscal year, mostly as a result of the development of the Authority's land available for future use. Capital assets include land, land improvements, utility transfers, buildings, other improvements and equipment.

Long-term Debt

The Authority has outstanding bonds payable of $95,751 (net of unamortized bond discounts and deferred loss on refunding) and outstanding capital lease obligations of $11,423. Outstanding bonds payable and capital lease obligations decreased by $1,596 and $619, respectively, during fiscal year 2002. The Authority exceeded its required minimum debt service ratio for the 2002 Fiscal Year.

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 Director of Finance, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
50 North Laura Street
Suite 3000
Jacksonville FL 32202-3658
Telephone (904) 354 0671
Facsimile (904) 366 3678

Report of Independent Certified Public Accountants

Members of the Governing Body
Jacksonville Seaport Authority:

In our opinion, the accompanying statement of net assets and the related statements of revenue, expenses and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Jacksonville Seaport Authority (the Authority), a component unit of the City of Jacksonville, Florida, at September 30, 2002, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

November 15, 2002

Jacksonville Seaport Authority
Statement of Net Assets
At September 30, 2002
(dollar amounts in thousands)

ASSETS	
Current assets:	
Unrestricted cash and cash equivalents	$4,357
Restricted cash and cash equivalents	6,433
Restricted investments	1,971
Other restricted assets	163
Accounts receivable, net of allowance of $1,801	4,648
Grants receivable	1,394
Inventories and other assets	1,340
Total current assets	**20,306**
Noncurrent assets:	
Restricted cash and cash equivalents	4,490
Restricted investments	24,351
Due from primary government	3,900
Restricted interest receivable	221
Dredged soil replacement rights, net	3,099
Bond issuance costs, net	2,067
Other noncurrent assets	812
Capital assets, net	345,992
Total noncurrent assets	**384,932**
Total assets	**405,238**
LIABILITIES	
Current liabilities:	
Accounts payable	$520
Accrued expenses	7,481
Bonds and notes payable	1,777
Capital lease obligations	732
Accrued interest	2,564
Construction contracts payable	5,602
Other	680
Total current liabilities	**19,356**
Noncurrent liabilities:	
Bonds and notes payable, net of original issue discount of $2,621 and net of deferred loss on refunding of $2,250	93,974
Capital lease obligations	10,691
Deferred capital contribution (Note 11)	7,000
Total noncurrent liabilities	**111,665**
Total liabilities	**131,021**
NET ASSETS	
Invested in capital assets, net of related debt	255,418
Restricted for:	
Capital projects	9,515
Debt service	3,029
Unrestricted	6,255
Total net assets	**$274,217**

Jacksonville Seaport Authority
Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended September 30, 2002
(dollar amounts in thousands)

Operating revenue	$27,641
Operating expenses:	
Salaries and benefits	9,721
Services and supplies	2,958
Business travel and training	206
Promotions, advertising, dues and memberships	336
Utility services	707
Repairs and maintenance	1,954
Dredging	1,198
Miscellaneous	3,352
Total operating expenses	**20,432**
Operating income before depreciation and amortization	**7,209**
Depreciation and amortization expense	14,767
Operating loss	(7,558)
Non-operating revenue (expenses):	
Interest expense	(4,343)
Investment income	263
Shared revenue from primary government (Note 1)	11,300
Total non-operating revenue, net	**7,220**
Loss before capital contributions	(338)
Capital contributions (Note 11)	16,594
Change in net assets	**16,256**
Net assets, beginning of year	257,961
Net assets, end of year	$274,217

Jacksonville Seaport Authority
Statement of Cash Flows
For the Year Ended September 30, 2002
(dollar amounts in thousands)

Cash flows from operating activities:	
Receipts from customers	$28,412
Payments to suppliers	(8,174)
Payments to employees	(9,629)
Net cash provided by operating activities	**10,609**
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets, net	(23,712)
Principal paid on capital debt	(2,585)
Interest paid on capital debt	(6,261)
Proceeds from sale of equipment	6
Contributions-in-aid of construction	6,437
Proceeds from issuance of long-term debt	85
Shared revenue from primary government	7,400
Net cash used in capital and related financing activities	**(18,630)**
Cash flows from investing activities:	
Interest on investments	2,721
Purchase of investment securities	(32,154)
Proceeds from sale and maturities of investment securities	44,266
Other	(7)
Net cash provided by investing activities	**14,826**
Net increase in cash and equivalents	6,805
Cash and equivalents, beginning of year	8,475
Cash and equivalents, end of year	$15,280
Reconciliation of operating income before depreciation and amortization to net cash provided by operating activities	
Operating income before depreciation and amortization	$7,209
Adjustment to reconcile operating income before depreciation and amortization to net cash provided by operating activities:	
Provision for uncollectible accounts	890
Changes in assets and liabilities:	
Account receivable and other current assets	840
Accounts payable, accrued expenses and other current liabilities	1,670
Net cash provided by operating activities	**$10,609**

1. Summary of Significant Accounting Policies

Reporting entity - The Jacksonville Port Authority (JPA) was created in 1963 by Chapter 63-1447 of the Laws of Florida, to own and operate marine facilities in Duval County, Florida. In 1967, the JPA was given the responsibility of owning and operating aviation facilities in Duval County, Florida. On October 1, 2001 Chapter 2001-319, Laws of Florida, created the Jacksonville Seaport Authority (the Authority) as successor to JPA to own and operate the marine facilities and assume the assets and liabilities of the Marine Division Fund. The beginning balances shown herein represent the Authority's portion of the assets and liabilities of the JPA.

The Authority is governed by a seven-member board. Three board members are appointed by the Governor of Florida and four are appointed by the Mayor and confirmed by the City Council of the City of Jacksonville, Florida.

The Authority is a component unit of the City of Jacksonville, Florida, under Governmental Standards Board Statement No. 14, "The Financial Reporting Entity." The Authority's financial statements include all funds and departments controlled by the Authority or which are dependent on the Authority. No other agencies or organizations have been included in the Authority's financial statements.

Basic Financial Statements and Basis of Accounting - 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. As such, the Authority presents only the statements required of enterprise funds.

Fund Structure - The Authority's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording assets and other financing resources, together with liabilities and residual equities or balances, and changes therein.

The Authority maintains the following fund:

Proprietary Fund - This fund reports transactions related to activities similar to those found in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation. The principal operating revenues for the Authority's enterprise funds 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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

Revenues collected on an advance basis, including certain federal grant revenue, to which the Authority does not yet have legal entitlement, are not recognized as revenue until the related commitment arises. Generally, the Authority considers a 60-day availability period for revenue recognition.

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

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting."

In addition, the requirements of Statement of Governmental Accounting Standards ("SGAS") No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34 and SGAS No. 38, Certain Financial Statement Note Disclosures have been implemented and incorporated in the Authority's financial statement presentation with no effect on operating loss or change in net assets.*

Budgeting Procedures - The Jacksonville Seaport Authority's charter and related amendments, Council resolutions and/or Board policies have established the following budgetary procedures for certain accounts maintained within its enterprise fund. These include: Prior to July 1 of each year, the Authority shall prepare and submit its budget to the City Council for the ensuing fiscal year.

The Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis, subject to the following limitations:

· The appropriation from the Council for construction, reconstruction, enlargement, expansion, improvement or development of any marine project or projects authorized to be undertaken by the Authority, shall not be reduced below $800,000 (see Note 11).

· Once adopted, the total budget may only be increased through action of the Council.
· Operating budget item transfers may be made with the approval of the Executive Director or his

designee. Line-to-line capital budget transfers may be made with the approval of the Executive Director or his designee if it is cumulatively less than or equal to $100,000 or with the approval of the Board if over $100,000.

All appropriations lapse at the end of each fiscal year and must be re-appropriated except for certain capital and maintenance related projects that have been formally encumbered and for which funding is included in restricted assets.

Unrestricted Cash and Cash Equivalents - Cash and cash equivalents consist of cash in operating accounts and cash invested in the following highly liquid instruments: money market funds, cash investment pools payable on demand or overnight repurchase agreements. These investments have a maturity of three months or less when purchased.

Investments - All investments are stated at fair market value, in accordance with GASB No. 31.

Capital Assets - Capital assets are carried at cost, including capitalized interest, less accumulated depreciation.

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

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

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

Dredged Soil Replacement Rights - In 1988, the Authority paid approximately $8,400,000 for Buck Island in order to use the land as a dredging spoil site. Subsequently, the property was deeded to the State of Florida, and in turn the Authority began leasing the property under a renewable lease for $1.00 per year. This lease gives the Authority the right to allow removal of borrow material from the property to be used on public projects for a maintenance fee of $.25 per cubic yard. The Authority recorded this transaction as an intangible asset to be amortized using the straight-line method over the estimated useful life of the rights acquired, which is 25 years.

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves and of certain shipping channels not maintained by the federal government is expensed as incurred.

Bond Issuance Costs - The costs incurred in connection with the issuance of the various bonds outstanding are being amortized over the life of the related bonds.

Property Taxes - In 2001, the Authority commenced paying certain property taxes and in conjunction therewith bills a portion of such taxes to certain lessees of property from the Authority. The Authority records property taxes payable and related receivables on a gross basis in the combined balance sheet. Reimbursements received are accounted for as a reduction of property tax expense. Also, see Note 10.

Shared Revenue from Primary Government - Shared revenue from primary government represents the Authority's share of the telecommunications tax received by the City of Jacksonville (City) and the Jacksonville Electric Authority (JEA) pursuant to Section 790.115 City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. Until fiscal year 2002, such amounts have been accumulated by the City and JEA. In July 2002, an agreement was reached for the City to transfer $7,400,000 of the prior years' accumulated funds to the Authority of which $4,000,000 is held in a restricted investment fund for reimbursement of debt shortfall payments and the remaining $3,400,000 was used for capital projects as stipulated by the agreement. The Authority's current fiscal year's share of the telecommunications tax was $3,900,000.

Information Technology and Risk Management Services - On October 1, 2001 the Authority entered into two interlocal agreements with the Jacksonville Airport Authority (JAA) to provide the JAA with Information Technology and Risk Management services. Each agreement has a term of three years with two one-year renewal periods. The Authority bills the JAA monthly for such services and records the fees as an offset to its operating expenses.

2. Cash and Investments

The Governing Body has authorized the Authority to invest in obligations of the U.S. Government and certain of its agencies, repurchase agreements, investment grade commercial paper, money market funds, corporate bonds, time deposits, bankers' acceptances, state and /or local debt, and the Florida State Board of Administration Investment Pool. Restricted bond proceeds are invested in accordance with the bond indenture agreements.

Cash, consisting of bank balances on deposit, is entirely insured or collateralized with securities held by the Authority's agent in the Authority's name. Securities are collateralized by the full faith and credit of the U.S. Government and/or the guarantee of U.S. Government agencies. Repurchase agreements are collateralized by U.S. Treasury or U.S. agency securities valued at 102% of the value of invested funds.

The Authority's investments are categorized to indicate the level of credit risk assumed by the Authority. Category (1) includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name; Category (2) includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent, and in the Authority's name; Category (3) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Authority's name. All of the Authority's investments were included in category 1 for the year ended September 30, 2002.

Restricted cash and cash equivalents and investments must be used for renewal and replacement of existing facilities, construction and acquisition of property and equipment or repayment of outstanding bonds.

(amounts in thousands)

Security Type	Cost	Fair Value at 9/30/01	Purchases	Sales	Subtotal	Fair Value at 9/30/02	Change in Fair Value
U.S. Government and their agencies' securities	$26,400	$39,124	$33,513	$(45,625)	$27,012	$26,322	$(690)

3. Capital Assets

Capital asset activity for the year ended September 30, 2002 was as follows (in thousands):

4. Capitalization of Interest

The Authority capitalizes interest expense on construction in progress under FASB Statement No. 62. Capitalization of interest cost in situations involving tax exempt borrowings and certain grants is applicable when "specified qualifying assets" are constructed with proceeds that are externally restricted. Interest costs are netted against the interest earned on the invested proceeds of specific purpose tax-exempt borrowings. The capitalization period is from the time of the borrowing until the completion of the project.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	$66,108	$17,024	$-	$83,132
Construction in progress	52,534	24,959	(38,679)	38,814
Total capital assets not being depreciated	118,642	41,983	(38,679)	121,946
Other capital assets:				
Buildings	47,102	1,818	-	48,920
Improvements other than buildings	204,617	17,196	-	221,813
Equipment	90,488	3,542	(1,030)	93,000
Total other capital assets at historical cost	**342,207**	**22,556**	**(1,030)**	**363,733**
Less accumulated depreciation for:				
Buildings	16,837	1,554	-	18,391
Improvements other than buildings	74,066	8,295	-	82,361
Equipment	35,786	4,179	(1,030)	38,935
Total accumulated depreciation	**126,689**	**14,028**	**(1,030)**	**139,687**
Other capital assets, net	215,518	8,528	-	224,046
Capital assets, net	$334,160	$50,511	$(38,679)	$345,992

The following schedule summarizes capitalization of interest for the Authority for the fiscal year ended September 30, 2002:

	(amounts in thousands)
Total interest expense incurred	$4,993
Interest expense associated with construction	2,141
Interest earned in construction accounts capitalized	(1,491)
Net interest capitalized	650
Net interest expense incurred	$4,343

5. Leasing Operations

Minimum future rental income for each of the next five years and thereafter, excluding contingent

	(amounts in thousands)
2003	$9,547
2004	7,747
2005	5,632
2006	5,310
2007	5,106
Thereafter	30,860
	$64,202

or volume variable amounts on noncancelable operating facility leases at September 30, 2002, is as follows:

The Authority receives contingent rentals under certain leases if cargo throughput receipts exceed minimum amounts. Contingent rentals or volume variable amounts of $747,000 were received in 2002.

6. Pension Plans

Plan Description - The majority of the full-time employees of the Authority participate in the Florida State Retirement System (the System), a cost sharing multiple-employer defined benefit public retirement system. Certain "special risk" employees who retire at or after age 55, with six years of creditable service and all other employees who retire at or after age 62, with six years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to the product of 1) average monthly compensation in the highest five years of creditable service; 2) years of creditable service; and 3) the appropriate benefit percentage. Benefits fully vest on reaching six years of creditable service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by Florida Statute. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Florida State Retirement System, Division of Policy, Cedars Executive Center

Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560, attention Research and Education, or by calling (850) 414-6349.

Funding Policy - The Authority is required by Florida Statute to contribute 16.01% of special risk, 6.06% of senior management, 9.11% of deferred retirement option and 5.76% of all other employee earnings. Covered employees are not required to make contributions to the System.

Plan Description - Fourteen Authority employees are participants in the City of Jacksonville pension. No further employees, either current or future, are eligible to participate in this plan.

Funding Policy - The Authority is required to contribute 8.82% or 5.42% of eligible wages, depending on the employee's date of hire. The employees participating in this plan are required to contribute 8.0% of eligible wages.

The total contribution requirement for both plans in the accompanying financial statements was $536,310 for the year ended September 30, 2002.

7. 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 balance sheet. The market value of the 457 Plan's investments was $2,199,000 as of September 30, 2002.

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. The market value of the 401(a) Plan's investments was $163,000 as of September 30, 2002.

8. 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 $1,000,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,000,000. The Authority's expense is the premium charged by the City's self-insurance plan. Liability for claims incurred are the responsibility of, and are recorded in, the City's self-insurance plan. The premiums may be calculated on a retrospective or prospective basis depending on the claims experience of the Authority and other participants in the City's self-insurance programs. Premium expense amounted to $176,000 for the year ended September 30, 2002. During 2002, the Authority received a retroactive rebate of $255,000 from the City's self-insurance plan, which offsets the Authority's premium expense.

As a part of the Authority's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss situations.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
Bonds payable, notes payable and capital leases:					
General obligation debt	$797	$-	$(790)	$7	$7
Revenue bonds	39,625	-	-	39,625	620
Revenue refunding bonds	62,080		(1,090)	60,990	1,150
Capital leases	12,042	86	(705)	11,423	732
	114,544	86	(2,585)	112,045	2,509
Less original issue discounts and deferred loss on refunding	(5,156)	-	285	(4,871)	-
	109,388	86	(2,300)	107,174	2,509
Other liabilities:					
Deferred capital contributions	16,500	-	(9,500)	7,000	-
Total noncurrent liabilities	$125,888	$86	$(11,800)	$114,174	$2,509

9. Long-Term Debt, Capital Leases and Other Noncurrent Liabilities

Noncurrent liability activity for the year ended September 30, 2002 was as follows (in thousands):

Revenue Bonds:	
Revenue bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$39,625
Revenue Refunding Bonds, Series 1996, including serial bonds due in varying amounts through 2019, subject to annual sinking fund redemption. Interest rates range from 5.50% to 5.75%.	60,990
Equipment Capital Lease Obligation:	
Subordinated Equipment Lease-Purchase Agreement with quarterly principal and interest payments through 2005 with interest at an annual rate of 3.55%	79
Subordinated Equipment Lease-Purchase Agreement, Series 1999-A, with semi-annual principal and interest payments through 2014 with interest at an annual rate of 5.14%	11,344
Note payable, with monthly principal and interest payments of $3 through 2002 with interest at an annual rate of 4.90%.	7
	112,045
Less current portion	2,509
	$109,536

Long-term debt and capital leases at September 30, 2002 consisted of the following (in thousands):

In November 2000, the Authority issued $39,625,000 principal amount of Revenue Bonds, Series 2000. Proceeds are being used for the acquisition and construction of capital improvements.

The Series 2000 and 1996 Bonds are collateralized by a lien upon and pledge of net revenues of the Authority's Facilities and certain monies held in trust funds. The Authority has agreed in its various bond related documents to establish and maintain rates charged to customers that will be sufficient to generate certain levels of operating revenues and operating income in excess of its annual debt service on the various outstanding Bonds. The Series 2000 and 1996 Bonds also place restrictions on the Authority's issuance of debt on a parity with Bonds currently outstanding.

The Authority cash defeased $13,855,000 principal amount of Revenue Bonds, Series 1993 in September 1999. The Authority incurred a loss on defeasance of $1,325,000. The Authority through the defeasance, reduced its aggregate debt service payments by $2,847,000 over the next 4 years and will obtain an economic gain (difference between the present value of debt service of the refunded bonds and cash escrow) of $778,000.

In April 1999, the Authority entered into a fifteen year Equipment Lease-Purchase Agreement Series 1999-A (the Capital Lease) in the principal amount of $25,225,000. The proceeds from the Capital Lease are being used for the acquisition, construction and installation of four container gantry cranes and two rubber-tired cranes. During the fiscal year ending September 30, 2001, the Authority made unscheduled principal paydowns totaling $10,422,000.

Debt Maturities - Required debt service for the outstanding revenue bonds for the next five years and thereafter to maturity is as follows (amounts in thousands):

	Interest	Principal
Years ending September 30:		
2003	$5,527	$1,777
2004	5,422	2,375
2005	5,292	2,805
2006	5,142	3,155
2007	4,978	3,320
2008 to maturity	52,385	87,190
Total	**$78,746**	**$100,622**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of September 30, 2002:

	(amounts in thousands)
Years ending September 30:	
2003	$1,308
2004	1,308
2005	1,301
2006	1,279
2007	1,279
Thereafter	8,949
Total minimum lease payments	15,424
Less: Amount representing interest	(4,001)
Present value of minimum lease payments	**$11,423**

Advance Refunding of Revenue Bonds - The Authority has defeased a revenue bond issue by placing funds in an irrevocable trust restricted for payment of all principal and interest upon maturity of the revenue bond. This transaction has been treated as an in-substance defeasement and, accordingly, has been accounted for as though the debt has been extinguished. The debt that has been defeased and the related balances at September 30, 2002 are as follows:

	(amounts in thousands)	
	Principal Balance	Investment Balance With Escrow Agent
Revenue Bonds, Series 1993	$10,510	$11,616

10. Commitments and Contingencies

At September 30, 2002, the Authority had commitments for purchases of equipment and future construction work of approximately $5,401,000. In addition to its own funds, the Authority also has funding available from the Florida Ports Financing Commission in the amount of $1,304,000 for qualifying capital expenditures.

Prior to the 1998 tax year, the local Property Appraiser did not assess Authority-owned real property, and consequently none of its property was subject to real estate taxes. Beginning with the 1998 tax year, the local Property Appraiser began assessing Authority-owned real property, based upon a 1997 Florida Supreme Court decision that seemed to establish that local port authorities were not immune from ad valorem taxation. The Authority decided to pass some of the ad valorem taxes on to its tenants. As a result, several tenants initiated a lawsuit against the Authority, claiming that the Authority was still immune from such taxes. This suit went to final hearing in August 2002 and the court issued an order sustaining the tenants' arguments. Upon becoming aware of the hearing, the local property appraiser challenged its validity. The court heard arguments from all parties on December 12, 2002 and issued an order dated December 17, 2002, upholding its previous ruling. Due to the uncertainty surrounding the final resolution of this issue, the Authority has recorded ad valorem tax expense as if it were not immune from such taxes.

In December 1998, the Authority became aware that a piece of its real property was contaminated and may be subject to undetermined cleanup efforts. The Authority's property was sampled by the Florida Department of Environmental Protection in connection with testing at an adjacent site, not owned by the Authority, but known to be contaminated. The Authority has investigated the former uses of its property and is unable to identify any source of contamination other than from the adjacent site not owned by the Authority. The owner of the adjacent property and the United States Environmental Protection Agency have entered into an Administrative Order of Consent whereby the adjacent site will be further investigated and remediation alternatives identified. The adjacent property owner has sampled soils and groundwater from one well placed on the Authority's property; which identified pesticide related contamination at that location. Additional sampling may be conducted in the future. The Authority believes that it is not a responsible party.

1. Capital Contributions

City of Jacksonville Excise Taxes Revenue Bonds - In February 1993, the City issued $43,605,140 of Excise Tax Revenue Bonds, Series 1993 (1993 Bonds) of which $38,880,000 of the total proceeds were loaned to the Authority for marine port expansion. In October 1996, the City issued $57,150,000 of Excise Tax Revenue Bonds (1996 Bonds), of which $56,035,000 of the proceeds were contributed to the Authority for marine port expansion. The City is responsible to the Bond Holders for payment of the debt service on the 1993 and 1996 bonds.

The City has allocated to the Authority an amount equal to 50% of the increase in the City's telecommunication tax revenues over the base year and 50% of an additional mill of revenue the City receives from the JEA (the Authority Allocation).

The Authority is not required to pay the City any amount for debt service on the 1993 or 1996 Bonds. The City retains the Authority Allocation and the $800,000 annual appropriation (see note 1) to the Authority which is used by the City for debt service on the 1993 and 1996 Bonds. Not later than December 15th of each year, the Authority receives from the City excess funds, from the telecommunications tax (See Note 1), as agreed upon by all parties, for use on capital projects or to be held as necessary to offset future debt shortfall payments as contemplated by the financial agreement. These excess funds are accounted for as non-operating revenue.

Florida Ports Financing Commission Revenue Bonds, Series 1996 - On December 19, 1996, $222,320,000 Florida Ports Financing Commission Revenue Bonds (State Transportation Trust Fund), Series 1996 (the "Series 1996 Bonds") were issued to provide funds to finance the costs of acquiring and constructing capital projects undertaken by 11 ports located in the State of Florida (the "Ports"), including the Jacksonville Seaport Authority. The amount allocated to the Authority was $32,680,000 plus earned interest which is available for approved capital expenditures on a fifty-fifty matching basis. In April, 2000, an additional $2,437,500 plus earned interest was allocated to the Authority. In May, 2001 and December 2002, the Authority received additional allocations of $7,000,000 and $5,000,000, respectively.

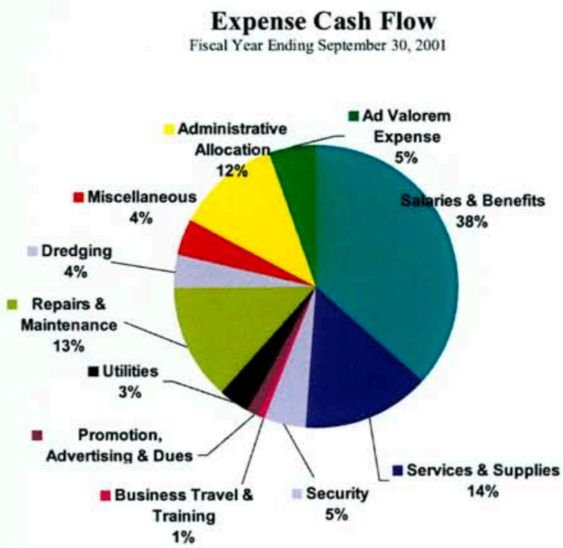
The Series 1996 Bonds do not create nor constitute an obligation or debt of the Jacksonville Seaport Authority. The financing program of the Commission is in substance a grant program, inasmuch as all debt service payments on the Series 1996 Bonds are payable solely from monies in the State Transportation Trust Fund. As expenditures are incurred for the approved projects, the Authority records a receivable from the Commission for 50% of qualified amounts and records the amount to be reimbursed as contributed capital. As of September 30, 2002, the Authority has drawn approximately $45,458,000 of eligible expenditures. The Authority has an available balance of $500 as of September 30, 2002.

Florida Ports Financing Commission Revenue Bonds, Series 1999 - On October 14, 1999 the Florida Ports Financing Commission (the Commission) issued $153,115,000 in Revenue Bonds, Series 1999 (the "Series 1999 Bonds"). The Series 1999 Bonds were issued to provide funds to finance the costs of acquiring and constructing capital projects undertaken by 9 ports located in the State of Florida (the Ports), including the Jacksonville Seaport Authority. The amount allocated to the Jacksonville Seaport Authority was $31,966,000 which is available for approved expenditures. Including earned interest, the maximum amount approved for funding is $34,995,000.

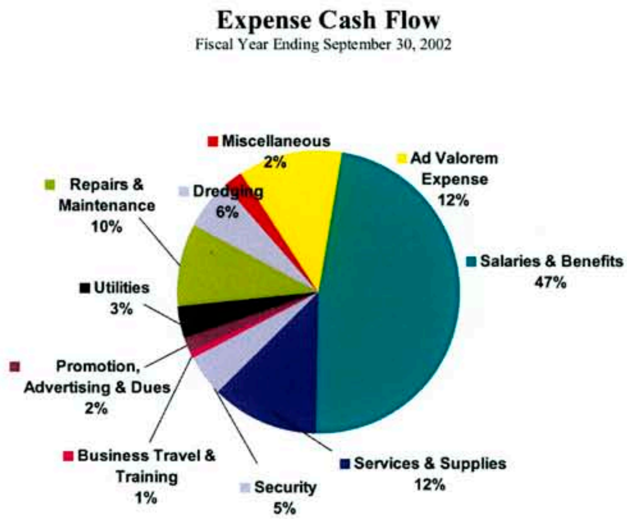
The Authority has not recorded a liability for the Series 1999 Bonds since it does not have any obligation except for moneys due it from the State Transportation Trust Fund. As discussed above, all of such moneys have been assigned to the Trustee to pay the debt. The Authority has no other obligation for payment of the debt. As expenditures are incurred for the approved projects, the Authority records a receivable from the Commission for 50% of qualifying amounts (75% of certain qualifying amounts) and records the amount % to be reimbursed as contributed capital. As of September 30, 2002, the Authority has drawn approximately $33,692,000 of eligible expenditures. The Authority has an available balance of $1,303,000 as of September 30, 2002.

Deferred Capital Contribution - The deferred capital contribution of $7,000,000 as of September 30, 2002 represents the remaining balance from the $18,000,000 capital contribution the State of Florida made to the Authority in fiscal year 2001 for harbor deepening. As the funds are drawn upon for the project, the contribution is then recognized. Approximately $9,500,000 was recognized as contributions in the statement of revenues, expenses and changes in net assets for the year ended September 30, 2002.

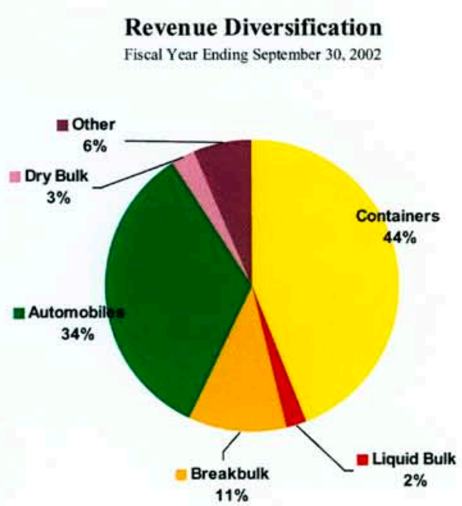
Expense Cash Flow and Revenue Diversification



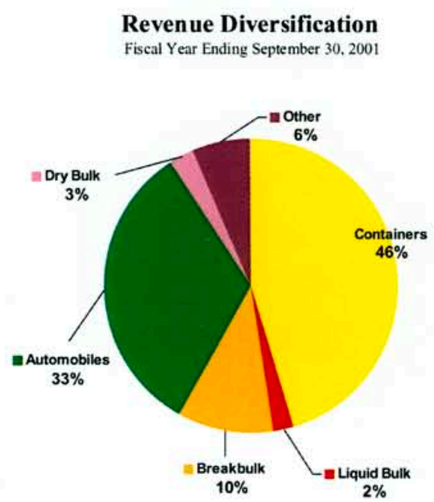
2001 Total Expenses = $19.4 million



2002 Total Expenses = $20.4 million



2002 Total Revenues = $27.6 million



2001 Total Revenues = $27.2 million

Independent Auditors:
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