J A X P O R T

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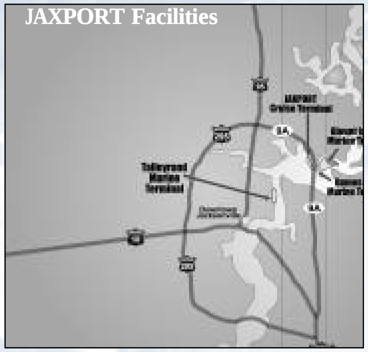
2003 Annual Report

JAXPORT's Banner Year

JAXPORT Overview

The Florida Legislature originally created the Jacksonville Port Authority (JAXPORT) in 1963. In 2001, the Legislature restructured the Port Authority into two separate agencies, one to manage the city's airports and one (JAXPORT) to manage the city's public seaport facilities.

Today, JAXPORT is a maritime-focused agency, owning three cargo handling facilities and one passenger cruise terminal along the St. Johns River. These facilities include the Blount Island Marine Terminal, the Talleyrand Marine Terminal, the Dames Point Marine Terminal, and the JAXPORT Cruise Terminal. Activity at these facilities support more than 45,000 jobs in the Jacksonville area and creates an economic impact of more than $1.3 billion annually for Northeast Florida.



JAXPORT Vision Statement

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

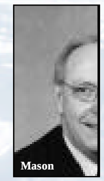
Fiscal Year 2004 (*current*)
Board of Directors

T. Martin Fiorentino, Jr.	Chairman
William C. Mason, III	Vice Chair
Jerry W. Davis	Treasurer
Thomas P. Jones, Jr.	Secretary
Marilyn McAfee	Member
Ricardo Morales, Jr.	Member
Tony D. Nelson	Member

About the Cover
The flags on the cover are not flags of different countries; they are maritime dress ship flags flown from vessels, used for communication and testifying to centuries of seafaring heritage and tradition. Each flag represents a different letter of the alphabet. JAXPORT proudly presents these flags to salute Jacksonville's great maritime tradition and the port's significant economic impact for Northeast Florida.

2003 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. All members were appointed in 2001 upon the creation of the new, maritime-focused JAXPORT.

BOARD CHAIRMAN, T. Martin Fiorentino, Jr.
President, Fiorentino and Associates
An attorney, Mr. Fiorentino is principal owner of Fiorentino and Associates, a governmental relations and business development firm assisting clients at the federal, state and local levels.

BOARD VICE CHAIRMAN, Tony D. Nelson
President, First Coast Black Business Investment Corp.
Mr. Nelson is President of the First Coast Black Business Investment Corporation, a corporation providing loans and technical assistance to minority-owned businesses. Mr. Nelson also owns Muirfield Partners, a Jacksonville-based minority owned and multi-faceted organization.

BOARD TREASURER, Jerry W. Davis
Private Investor
Mr. Davis is the former Chairman and CEO of Computer Management Sciences, Inc. (CMSX/NASDAQ), which was acquired by Computer Associates, Inc. (CA/NYSE) in 1999. Mr. Davis is now a private investor and sits on three for-profit boards and five non-profit boards.

BOARD SECRETARY, William C. Mason, Ed.D.
President Emeritus, Baptist Health System, Jacksonville
Dr. Mason served for thirty years as CEO of hospitals and health systems at home and around the world, including service as an officer of the U.S. Agency for International Development in the Philippines and in Vietnam. Dr. Mason is currently Dean of Faculty Professional Development for the Florida Community College System in Jacksonville.

BOARD MEMBER, Thomas P. Jones, Jr.
Private Consultant
Mr. Jones is a 20-year U.S Navy veteran. He served two terms as Board Chairman of the Shipbuilders Council of America. Throughout the last two decades, Mr. Jones also served as the Vice President of Atlantic Marine Holding Company.

BOARD MEMBER, Marilyn McAfee
Foreign Service Careerist
Ambassador McAfee was a United States foreign service officer from 1968 to 1998, serving primarily in Latin America. Her overseas assignments began in Guatemala, where she returned to serve as U.S. Ambassador from 1993 to 1996. Other postings included Nicaragua, Iran, Washington, Costa Rica, Venezuela, Chile and Bolivia, the latter as Deputy Chief of Mission from 1989 to 1992.

BOARD MEMBER, Ricardo Morales, Jr
General Contractor
Mr. Morales is a Florida state Certified General Contractor, mechanical engineer and Jacksonville entrepreneur, having founded Morgran Mini Warehouses, Morales Construction Co., Inc. and Morgar Realty, Inc.

Message from the Chairman and Executive Director

Dear Stakeholders,

On all fronts, JAXPORT had a banner year in 2003.

Financially, JAXPORT earned a record $31 million in operating revenues and grants. This is an 11 percent increase over fiscal year 2002 ($27.6 million) and marks our fourth consecutive year of revenue growth. Meanwhile, operating expenses fell to $17.3 million, the lowest level in four years and a 15 percent decrease from 2002 ($20.4 million). Our change in net assets (net income) in 2003 was a robust $23.2 million.

This financial success was no surprise. Improving our financial health is a goal specifically outlined in JAXPORT's strategic business plan and the driving force behind our new Pay for Performance program, which links employee compensation to the financial and operational success of the organization. We challenged our employees to aggressively seek new business, grow existing accounts, trim expenses and eliminate bad debt. They responded by turning in the best financial performance in JAXPORT's history.

Operationally, JAXPORT scored a resounding success by convincing two major passenger cruise lines - Celebrity Cruises and Carnival Cruise Lines - to begin operations from Jacksonville, inaugurating homeported passenger cruise service from Jacksonville. A recent study shows this new industry will create more than 700 new jobs in the Jacksonville area and generate more than $36 million in new annual local economic impact.

On the cargo side, JAXPORT tonnage grew three percent to 7.3 million tons. JAXPORT recorded at least modest gains in all major cargo types, highlighted by an 11 percent increase in vehicle cargoes. Our fiscal year brought new paper imports from Finland, new car imports from Germany, and new export business to the Caribbean and South America. JAXPORT also facilitated the load out of 44 military vessels carrying more than a quarter of a million tons of equipment bound for the Middle East, making Jacksonville the second busiest port in the nation for moving military cargo to U.S. troops in Iraq and Afghanistan. We are proud to continue the port's long tradition of helping American service men and women overseas and supporting our nation's fight against terrorism.

We're equally proud to have achieved our 2003 success while simultaneously implementing some of the toughest seaport security standards in the nation.

Ultimately, we are committed to our vision of growing the tremendous economic impact Jacksonville's seaport creates for Northeast Florida. We look forward to working with our customers, community and stakeholders toward realizing this vision in 2004 and beyond.

T. Martin Fiorentino, Jr.
Chairman of the Board

Frederick R. Ferrin
Executive Director

Financial Highlights

Financial Overview

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 facilities and equipment at JAXPORT. In turn, JAXPORT uses this operating revenue to pay its expenses. In 2002, JAXPORT's earned $31 million in operating revenues and grants, and paid $17.3 million in operating expenses. Operating income is used to pay debt service and for capital projects. While JAXPORT pays its own way in terms of operating expenses, the Port Authority receives state and federal matching grants to pay for construction (capital) projects. This amount varies widely from year to year.

Financial Highlights

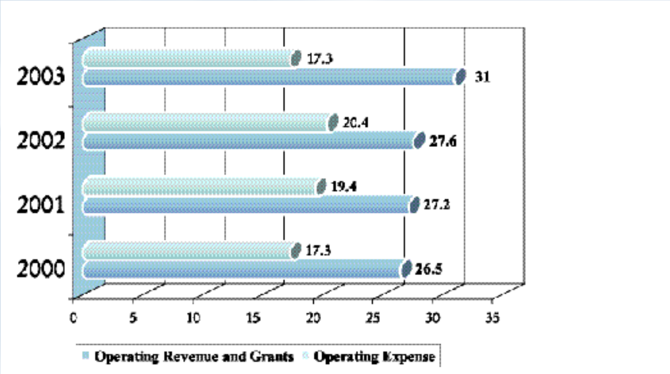
(in millions of U.S. dollars)

	2003	2002
Operating Revenue and Grants	$31.0*	$27.6
Operating Expenses	$17.3	$20.4
Operating Income	$13.7	$ 7.2
Required Debt Service	$ 8.2	$ 8.8
Depreciation	$14.9	$14.8
Capital Contributions	$10.7	$16.6
Change in Net Assets	$23.2	$16.3

*JAXPORT Record

Revenue and Expense History

(In $ Millions)



JAXPORT's SENIOR MANAGEMENT TEAM
Left to Right: Ron Baker, Deputy Executive Director and Chief Financial Officer; Chris Kauffmann, Senior Director, Terminal Operations and Seaport Security; Rick Ferrin, Executive Director; Roy Schleicher, Senior Director, Trade Development, Marketing and Customer Service; Tony Orsini, Senior Director, Engineering and Cruise Line Operations; David Kaufman, Senior Director, Government Relations, Real Estate Planning and Development.

Corporate Highlights

In a word, JAXPORT had a banner year in 2003. Highlights include the following:

P Operating revenues and grants reached a record high of **$31 million**, an 11 percent increase over fiscal year 2002 ($27.6 million). This was the fourth consecutive year of revenue growth at JAXPORT. Meanwhile, operating expenses at JAXPORT fell to $17.3 million, their lowest level in four years and a 15 percent decrease from 2002 ($20.4 million).

P Moody's Investors Services awarded JAXPORT a rating of "A2" - the financial industry's second highest "A" rating.

P Total tonnage in 2003 rose to 7,301,016 tons, a three percent increase over 2002 (7,119,121 tons).

P JAXPORT succeeded in bringing passenger cruise service to Jacksonville for the first time in the city's modern history. Celebrity Cruises (inaugurating service on October 27, 2003) and Carnival Cruise Lines (inaugurating service on February 27, 2004) both announced decisions to homeport vessels in Jacksonville.

P JAXPORT continued to implement an aggressive security plan. JAXPORT has hired a total of 12 Jacksonville Sheriff's Officers to help private security personnel patrol JAXPORT facilities; fingerprinted and issued more than 8,000 photo identification badges for workers at the port; improved fencing, lighting and gates at port terminals; and has been recognized as the first major Florida cargo port to be substantially compliant in meeting State security standards.

P JAXPORT facilitated the load out of 44 military vessels carrying more than a quarter of a million tons of equipment bound for the Middle East, making Jacksonville the second busiest port in the nation for moving military cargo to U.S. troops in Iraq and Afghanistan.

P JAXPORT successfully negotiated the sale of 137 acres of property at the Blount Island Marine Terminal to the U.S. Navy, allowing the continued side-by-side work of the U.S. Marine Corps' military operations and JAXPORT's commercial business - as has been done for nearly 20 years.

JACKSONVILLE'S PORT CREATES:

P 45,081 jobs in Northeast Florida
P $997.8 million in annual local wages
P $67.1 million in annual local taxes
P $61.4 million in annual state taxes
P $230.8 million in annual federal taxes

JAXPORT employees, left to right: William James, Blount Island Mechanic II; Faye Lowder, Blount Island Operations Clerk; Andrew Hizon, Blount Island Painter, photographed at JAXPORT's Blount Island Marine Terminal.

Cargo highlights

Cargo tonnage at JAXPORT, and its commensurate economic impact for the Jacksonville community, is on the rise.

In fiscal year 2003 (ending September 30), JAXPORT's total tonnage rose three percent to 7,301,016 tons, largely on the strength of vehicle imports and exports, which grew 11 percent *(see chart below)*. Containerized units grew to 692,422 twenty-foot equivalent units (TEUs), while the Port Authority's vehicle count reached 544,062 units. Also in fiscal year 2003, a total of 1,539 vessels and barges called JAXPORT terminals. Highlights of new cargo business at JAXPORT in 2003 include the following:

- Liberty Woods International, one of the world's largest hardwood plywood importers, began importing plywood and hardboard from Indonesia, Malyasia and Brazil;
- UPM-Kymmene, an international forest products company, began importing fine printing paper from Finland and Germany;
- Auto distributor Cross Lander U.S.A. began shipping the Cross Lander 244 from Brazil, the first U.S. imports of this vehicle;
- The Chrysler Group began importing an all-new vehicle, the 2004 Chrysler Crossfire sports coupe, into the United States through JAXPORT;
- Frontier Liner Services, a South Florida based shipping line, began regular weekly service from JAXPORT to the Dominican Republic and Colombia.

TOTAL TONNAGE

Fiscal Year 2003, ending September 30

(in metric tons)

CARGO TYPE	2003	2002	Change
Containers	3,751,251	3,717,503	+1.0%
Bulk	1,699,584	1,666,158	+2.0%
Vehicles	1,146,378	1,036,892	+11.0%
Breakbulk	703,803	698,568	+1.0%
TOTAL	**7,301,016**	**7,119,121**	**+3.0%**

More than 150,000 passengers are projected to cruise from the JAXPORT Cruise Terminal each year, generating more than $36 million annually for the local economy in tourism dollars and related spending.

Cruise Highlights

JAXPORT's greatest operational success in 2003 was convincing both Celebrity Cruises and Carnival Cruise Lines to homeport vessels in Jacksonville, providing the first regularly-scheduled passenger cruise service in the city's modern history. All cruises sail from the new JAXPORT Cruise Terminal to the Bahamas and Caribbean.

Celebrity Cruises initiated service from JAXPORT on October 27, 2003 with the first sailing of its 1,375-passenger ship Zenith. Celebrity will continue with a total of 13 sailings through April 11, 2004, then return with the Zenith for another 13 sailings from October 2004 through April 2005. Carnival Cruise Lines will start service from Jacksonville with its brand new ship, the 2,124-passenger Carnival Miracle, offering 12 sailings from February 27, 2004 through April 17, 2004. Carnival also will bring the 1,486-passenger Jubilee to JAXPORT for the summer of 2004, followed by the 1,452-passenger Celebration, which will sail from Jacksonville year-round beginning October 12, 2004.

Already, the cruise industry is having a significant impact on the Jacksonville area, as follows:

- The cruise industry in Jacksonville will create an estimated 715 new area jobs and $36.4 million in new annual economic impact for Northeast Florida by 2005, according to a 2003 study completed by the Northeast Florida Regional Council.

- More than 150,000 passengers are projected to cruise through JAXPORT each year. Many of these passengers will spend time in the Jacksonville area before or after their cruise, staying in local hotels, eating in area restaurants and otherwise pumping tourist dollars into Northeast Florida.

- In less than six months in 2003, JAXPORT built the temporary "JAXPORT Cruise Terminal" in North Jacksonville to service passengers boarding cruise ships. The 63,000-square foot facility -- the city's first ever cruise terminal -- cost $5.5 million to build and was paid for using JAXPORT's cash reserves. The terminal is temporary, but JAXPORT officials plan to provide a permanent facility either at the same site or at another location along the river.

- On the day of the first cruise from Jacksonville (October 27, 2003), the Cruise Industry Charitable Foundation donated a total of $55,000 to nine Jacksonville-area charities.

JAXPORT employees, left to right: Jill Mashburn, Executive Assistant to Senior Director of Engineering and Cruise Operations; Richard Bruce, Manager of Vechicles, Ro/Ro, Machinery, Bulk and Refrigerated Cargo; Denise Jefferson, Talleyrand Marine Terminal Administrative Secretary; Jose Ruiz, Marine Services Clerk, at JAXPORT's Talleyrand Marine Terminal.

LOOKING AHEAD

JAXPORT's current challenge is to expand on its great success from 2003. Some of JAXPORT's key initiatives include the following:

P **FOCUS ON GOALS WITHIN THE STRATEGIC PLAN**
JAXPORT is guided by a comprehensive Strategic Plan first formulated in 2002 and updated annually. The Plan features measurable objectives aimed at improving several major goals, with a strong emphasis on improved trade development and financial performance. Every JAXPORT employee and project is now aligned to meet these goals.

P **GROW CARGO BUSINESS**
JAXPORT is working to help existing cargo customers grow their business and to attract new cargo accounts to Jacksonville, all aimed at creating new maritime-related jobs and economic impact for Northeast Florida. Toward this end, JAXPORT focuses on providing superior customer service, modern facilities and competitive rates.

P **GROW PASSENGER CRUISE SERVICE**
Celebrity Cruises and Carnival Cruise Lines both have committed to homeporting vessels in Jacksonville. JAXPORT is working to expand this service, as well as convince additional cruise lines to consider making Jacksonville a homeport or port of call.

P **CONTINUE ENHANCEMENT OF PORT SECURITY**
For several years, JAXPORT has been enhancing seaport security, an effort accelerated by the terrorist attacks of September 11, 2001 and new Florida and federal laws. Among other steps, JAXPORT has fingerprinted and issued photo identification badges to more than 8,000 port workers, installed new video surveillance equipment, and upgraded lights, fences and gates. JAXPORT continues to work closely with the U.S. Coast Guard, U.S. Customs and Border Protection, and other law enforcement agencies to make security a top priority.

P **GROW ECONOMIC IMPACT**
The cornerstone of JAXPORT's vision is to be a major economic engine for Northeast Florida. According to a 2002 economic impact study, JAXPORT's cargo activity accounts for 45,081 jobs in Northeast Florida (26,870 direct jobs plus 18,208 indirect or induced jobs), and more than $1.3 billion in annual economic impact. JAXPORT is working to grow this impact for Northeast Florida.

Financial Analysis

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, 2003. 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 9.6% to $30,293 during fiscal year 2003 compared to $27,641 in the prior fiscal year. Fiscal year 2003 operating expenses (excluding depreciation and amortization) of $17,339 were 15.1% less than the previous fiscal year. Depreciation and amortization expense remained relatively steady. As a result, the Authority's operating loss decreased to $1,202 for the fiscal year ended September 30, 2003 compared to a loss of $7,558 for the previous fiscal year. The Authority recognized net non-operating expense of $365 compared to net non-operating revenue of $7,220 in the prior year. During fiscal year 2003, the Authority experienced an extraordinary loss-defeasance of $1,966 and an extraordinary gain-government sale of $16,042. Capital contributions decreased to $10,704 in 2003 from $16,594 in 2002. As a result of the above, the Authority's net assets increased by $23,213 during fiscal year 2003. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2003, the Authority had net assets of $297,430, an increase of 8.5% over the prior year net assets of $274,217.

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, 2003. 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. At September 30, 2003, the Authority's net assets were

$297,430, an increase of $23,213 (8.5%) from the prior year net assets of $274,217. The Authority is engaged in a capital-intensive industry and as such, its largest portion ($249,752, net of related debt) of net assets is invested in capital assets (e.g., land, buildings, heavy equipment, etc.). The next largest portion ($36,685) of the Authority's net assets is unrestricted. In addition, $7,393 of the Authority's net assets is restricted for future debt service payments and $3,600 is restricted for future capital projects.

Operating revenue and grants for fiscal year 2003 was $31,005, a $3,364 (12.2%) increase over the prior fiscal year due to military activity at one of the Authority's terminals during fiscal year 2003. Operating expenses, including depreciation and amortization, for fiscal year 2003 were $32,207, a decrease of $2,992 (8.5%) over the prior fiscal year. Fiscal year 2003 operating expenses include significantly less ad valorem taxes than fiscal year 2002 due to the Authority's recent release from all ad valorem tax liability. This large ad valorem tax variance was partially offset by increases in salaries and benefits, consulting and security costs. As a result of the increased operating revenue and decreased operating expenses, the operating loss for fiscal year 2003 was $1,202, a decrease of $6,356 (84.1%) from the operating loss in fiscal year 2002.

Net Assets	2003	2002
Current assets	$44,969	$24,206
Noncurrent assets (excluding capital assets)	11,069	35,040
Capital assets	339,977	345,992
Total assets	396,015	405,238
Current liabilities	12,441	19,356
Revenue bonds outstanding (net of current portion)	76,333	93,974
Other noncurrent liabilities	9,811	17,691
Total liabilities	98,585	131,021
Net assets		
Invested in capital assets, net of related debt	249,752	255,418
Restricted for capital projects	3,600	5,515
Restricted for debt service	7,393	7,029
Unrestricted	36,685	6,255
Total net assets	$297,430	$274,217

The Authority receives excess telecommunication tax monies from the City of Jacksonville. In 2003, the Authority recorded one year's worth of tax monies, however, fiscal year 2002 was the first year that the Authority received excess telecommunication tax monies and as such, several year's worth of taxes were recorded. As a result, the Authority experienced non-operating expense of $365 in 2003, compared to nonoperating revenue of $7,220 in 2002.

The Authority recorded two extraordinary items in fiscal year 2003. First, the Authority partially defeased some of its bonds and incurred a loss of $1,966. Second, the Authority sold some of its land to the U.S. Government and incurred a gain of $16,042. Also, capital contributions decreased to $10,704 in 2003 from $16,594 in 2002 due to a reduction in available state funding sources and decreased activity on a harbor-deepening project that is being funded by the State of Florida.

As a result of the items addressed above, the Authority experienced a $23,213 change in net assets during fiscal year 2003, $6,957 (42.8%) greater than the change in net assets during fiscal year 2002.

Cash Flows

Net cash provided by operating activities was $10,693, a slight increase from $10,609 in the prior year. Net cash used in capital and related financing activities was $15,145, a $3,485 decrease from the net cash used in the prior year. This increase is due to $14,916 received from a sale of land/easements to the U.S. government and a decrease of $10,965 spent on capital, partially offset by $17,986 used to defease a portion of the Authority's revenue bonds and a $3,500 decrease in shared revenue from primary government. Net cash provided by investing activities was $25,908, an $11,082 increase from the net cash provided in the prior year due to an increase in investment maturities used for debt reduction and capital aquisition as opposed to reinvestment.

Changes in Net Assets	2003	2002
Operating revenue and grants	$31,005	$27,641
Operating expenses	32,207	35,199
Operating loss	(1,202)	(7,558)
Nonoperating revenues (expenses)		
Interest expense	(4,587)	(4,343)
Investment income	540	263
Shared revenue from primary government	3,600	11,300
Gain on sale of assets	51	6
Other	31	(6)
Total nonoperating (expense) revenue	(365)	7,220
Loss before extraordinary items and capital contributions	(1,567)	(338)
Extraordinary loss - defeasance	(1,966)	-
Extraordinary gain - government sale	16,042	-
Capital contributions	10,704	16,594
Change in net assets	23,213	16,256
Net assets		
Beginning of year	274,217	257,961
End of year	$297,430	$274,217

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, 2003 and 2002.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority has $339,977, net of accumulated depreciation, invested in capital assets as of September 30, 2003 compared to $345,992 as of September 30, 2002. This investment decreased by $6,015 (1.7%) since the prior fiscal year because current year depreciation expense exceeded current year capital acquisitions. Capital assets include land, land improvements, utility transfers, buildings, other improvements and equipment.

Long-Term Debt

The Authority has outstanding bonds payable of $78,238 (net of unamortized bond discounts and deferred loss on refunding) and outstanding capital lease obligations of $10,693. Outstanding bonds payable and capital lease obligations decreased by $17,513 and $730, respectively, during fiscal year 2003. The large decrease in bonds payable was due to a partial defeasance on the Authority's 2000 Revenue Bonds executed in the fiscal year ended September 30, 2003. The Authority exceeded its required minimum debt service ratio for the 2003 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.

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 the JPA to own and operate the marine facilities and assume the assets and liabilities of the Marine Division Fund. During the fiscal year ended September 30, 2003, the Authority changed its legal name to the Jacksonville Port Authority. The beginning balances shown herein

Financial Statements

Jacksonville Port Authority
Unaudited Statements of Net Assets
September 30, 2003 and 2002

(in thousands of dollars)	2003	2002
Assets		
Current assets		
Unrestricted cash and cash equivalents	$27,789	$4,357
Restricted cash and cash equivalents	4,609	6,433
Restricted investments	-	1,971
Due from primary government	3,600	3,900
Other restricted assets	258	163
Accounts receivable, net of allowance of $1,025 and $1,801	2,371	4,648
Other receivables	4,983	-
Grants receivable	138	1,394
Inventories and other assets	1,221	1,340
Total current assets	44,969	24,206
Noncurrent assets		
Restricted cash and cash equivalents	4,338	4,490
Restricted investments	1,344	24,351
Restricted interest receivable	-	221
Dredged soil replacement rights, net	2,761	3,099
Bond issuance costs, net	2,017	2,067
Other noncurrent assets	609	812
Capital assets, net	339,977	345,992
Total noncurrent assets	351,046	381,032
Total assets	$396,015	$405,238
Liabilities		
Current liabilities		
Accounts payable	$992	$520
Accrued expenses	2,176	7,481
Bonds and notes payable	1,905	1,777
Capital lease obligations	882	732
Accrued interest	1,999	2,564
Construction contracts payable	3,776	5,602
Retainage payable	342	24
Other	369	656
Total current liabilities	12,441	19,356
Noncurrent liabilities		
Bonds and notes payable, net of original issue discount of $2,472 and $2,621 in 2003 and 2002, respectively, and net of deferred loss on refunding of $2,115 and $2,250 in 2003 and 2002, respectively	76,333	93,974
Capital lease obligations	9,811	10,691
Deferred capital contribution (Note 13)	-	7,000
Total noncurrent liabilities	86,144	111,665
Total liabilities	$98,585	$131,021
Net Assets		
Invested in capital assets, net of related debt	$249,752	$255,418
Restricted for		
Capital projects	3,600	5,515
Debt service	7,393	7,029
Unrestricted	36,685	6,255
Total net assets	$297,430	$274,217

The accompanying notes are an integral part of these financial statements.

Jacksonville Port Authority
Unaudited Statements of Revenue, Expenses and Changes in Net Assets
Years Ended September 30, 2003 and 2002

(in thousands of dollars)	2003	2002
Operating revenue and grants		
Operating revenue	$30,293	$27,641
Operating grants	712	-
Total operating revenue and grants	31,005	27,641
Operating expenses		
Salaries and benefits	10,769	9,721
Services and supplies	2,797	2,014
Security services	1,802	944
Business travel and training	214	206
Promotions, advertising, dues and memberships	488	336
Utility services	800	707
Repairs and maintenance	1,881	1,954
Dredging	1,169	1,198
Ad valorem tax	(2,615)	2,431
Bad debt expense	(4)	890
Miscellaneous	38	31
Total operating expenses	17,339	20,432
Operating income before depreciation and amortization	13,666	7,209
Depreciation and amortization expense	14,868	14,767
Operating loss	(1,202)	(7,558)
Non-operating revenue (expenses)		
Interest expense	(4,587)	(4,343)
Investment income	540	263
Shared revenue from primary government (Note 1)	3,600	11,300
Gain on sale of assets	51	6
Other	31	(6)
Total non-operating (expense) revenue, net	(365)	7,220
Loss before extraordinary items and capital contributions	(1,567)	(338)
Extraordinary loss - defeasance (Note 10)	(1,966)	-
Extraordinary gain - government sale (Note 4)	16,042	-
Capital contributions (Note 13)	10,704	16,594
Change in net assets	23,213	16,256
Net assets		
Beginning of year	274,217	257,961
End of year	$297,430	$274,217

The accompanying notes are an integral part of these financial statements.

Jacksonville Port Authority
Unaudited Statements of Cash Flows
Years Ended September 30, 2003 and 2002

(in thousands of dollars)	2003	2002
Cash flows from operating activities		
Receipts from customers	$29,162	$28,412
Payments to suppliers	(8,874)	(8,174)
Payments to employees	(10,185)	(9,629)
Receipts from operating grants	590	-
Net cash provided by operating activities	10,693	10,609
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets, net	(12,747)	(23,712)
Principal paid on capital debt	(2,560)	(2,585)
Interest paid on capital debt	(5,805)	(6,261)
Proceeds from sale of assets	8,564	6
Proceeds from sale of easements	6,406	-
Contributions-in-aid of construction	5,083	6,437
Proceeds from issuance of long-term debt	-	85
Defeasance of capital debt	(17,986)	-
Shared revenue from primary government	3,900	7,400
Net cash used in capital and related financing activities		
Cash flows from investing activities	(15,145)	(18,630)
Interest on investments		
Purchase of investment securities	957	2,721
Proceeds from sale and maturities of investment securities	(1,344)	(32,154)
Other	26,287	44,266
Net cash provided by investing activities	8	(7)
Net increase in cash and equivalents	25,908	14,826
Cash and cash equivalents	21,456	6,805
Beginning of year		
End of year	15,280	8,475
	$36,736	$15,280
Reconciliation of operating income before depreciation and amortization to net cash provided by operating activities		
Operating income before depreciation and amortization		
Adjustment to reconcile operating income before depreciation and amortization to net cash	$13,666	$7,209
provided by operating activities		
Provision for uncollectible accounts		
Changes in assets and liabilities	(634)	890
Account receivable and other current assets		
Accounts payable, accrued expenses and other current liabilities	2,877	840
Net cash provided by operating activities	(5,216)	1,670
	$10,693	$10,609

The accompanying notes are an integral part of these financial statements.

1. 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 Florida Governor 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 Port 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 (Note 13).

· 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

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 (Note 12).

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 (the "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 agreement also stipulated that the Authority will receive future excess funds for use on capital projects or to be held as necessary to offset future debt shortfall payments. The Authority's share of the telecommunications tax was $3,600,000 and $3,900,000 in 2003 and 2002, respectively.

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.

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 percent 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 years ended September 30, 2003 and 2002.

2.

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.

Capital Assets

Capital asset activity for the years ended September 30, 2003 and 2002 were as follows:

(amounts in thousands) **Security Type**	**Fair Value at 9/30/02**	**Purchases**	**Sales**	**Subtotal**	**Change in Fair Value**	**Fair Value at 9/30/03**	**Cost at 9/30/03**
U.S. Government and their agencies' securities	$26,322	$1,344	$(26,287)	$1,379	$(35)	$1,344	$1,355

(amounts in thousands) **Security Type**	**Fair Value at 9/30/01**	**Purchases**	**Sales**	**Subtotal**	**Change in Fair Value**	**Fair Value at 9/30/02**	**Cost at 9/30/02**
U.S. Government and their agencies' securities	$39,124	$32,154	$(44,266)	$27,012	$(690)	$26,322	$26,400

Sale of Land and Easement

In July 2003, the U.S. Government purchased land and a land easement from the Authority. The Authority incurred a $16,042,000 gain on this transaction. The land sold to the U.S. Government and the land on which the easement was sold to the U.S. Government was deeded from the City of Jacksonville to the Authority with the sole intention of developing, marketing and operating it as a marine terminal (the Authority's principal business activities) and not with the intention of incurring gains of this nature. As this transaction is both unusual in nature and infrequent in occurrence, the Authority has reported it as an extraordinary item.

3. Capitalization of Interest

The Authority capitalizes interest expense on construction in progress under FASB Statement No. 62. Capitalization

(in thousands of dollars) **2003**	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$83,132	$3,606	$(2,841)	$83,897
Construction in progress	38,814	12,328	(20,788)	30,354
Total capital assets not being depreciated	121,946	15,934	(23,629)	114,251
Other capital assets				
Buildings	48,920	1	-	48,921
Improvements other than buildings	221,813	14,535	(1,062)	235,286
Equipment	93,000	2,322	(120)	95,202
Total other capital assets at historical cost	363,733	16,858	(1,182)	379,409
Less accumulated depreciation for:				
Buildings	18,391	1,661	-	20,052
Improvements other than buildings	82,361	8,656	(119)	90,898
Equipment	38,935	3,917	(119)	42,733
Total accumulated depreciation	139,687	14,234	(238)	153,683
Other capital assets, net	224,046	2,624	(944)	225,726
Capital assets, net	$345,992	$18,558	$(24,573)	$339,977

(in thousands of dollars) **2002**	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

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.

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2003 and 2002:

4. Leasing Operations

Minimum future rental income for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2003, is as follows:

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The Authority receives contingent rentals under certain leases if cargo throughput receipts exceed minimum amounts. Contingent rentals or volume variable amounts of $698,000 and $747,000 were received in 2003 and 2002, respectively.

5. 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

(in thousands of dollars)	2003	2002
Total interest expense incurred	$5,354	$4,993
Interest expense associated with construction	938	2,141
Interest earned in construction accounts capitalized	(171)	(1,491)
Net interest capitalized	767	650
Net interest expense incurred	$4,587	$4,343

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
6. 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 9.37 percent of senior management, 9.11 percent of deferred retirement option and 7.39 percent of all other employee earnings. Covered employees are not required to make contributions to the System.

Plan Description

7. 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 percent or 5.42 percent of eligible wages, depending on the employee's date of hire. The employees participating in this plan are required to contribute 8.0 percent of eligible wages.

The total contribution requirement for both plans in the accompanying financial statements was $507,720 and $536,310 for the years ended September 30, 2003 and 2002, respectively.

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 $2,572,000 and $2,199,000 as of September 30, 2003 and 2002, respectively.

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 $258,000 and $163,000 as of September 30, 2003 and 2002, respectively.

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. 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. Gross premium expense amounted to $228,000 and $220,000 for the years ended September 30, 2003 and 2002, respectively. During 2003 and 2002, the Authority received retroactive rebates of
8. $301,000 and $255,000, respectively, from the City's self-insurance plan, which offset the Authority's premium expense.

The Authority is also a participant in the City's property insurance program. This allows the Authority to receive the best available property insurance rates. Premium expense amounted to $254,000 and $211,000 for the years ended September 30, 2003 and 2002, respectively.

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

Long-Term Debt, Capital Leases and Other Noncurrent Liabilities

Noncurrent liability activity for the year ended September 30, 2003 and 2002 was as follows:

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10.

(in thousands of dollars)	2003 Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
Bonds payable, notes payable and capital leases					
General obligation debt	$7	$-	$(7)	$-	$-
Revenue bonds	39,625	-	(16,640)	22,985	680
Revenue refunding bonds	60,990	-	(1,150)	59,840	1,225
Capital leases	11,423	53	(783)	10,693	882
	112,045	53	(18,580)	93,518	2,787
Less original issue discounts and deferred loss on refunding	(4,871)	-	284	(4,587)	-
	107,174	53	(18,296)	88,931	2,787
Other liabilities					
Deferred capital contributions	7,000	-	(7,000)	-	-
Total noncurrent liabilities	$114,174	$53	$(25,296)	$88,931	$2,787

Long-term debt and capital leases at

(in thousands of dollars)	2002 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

September 30, 2003 and 2002 consisted of the following:

In November 2000, the

(in thousands of dollars)	2003	2002
Revenue Bonds		
Revenue bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$22,985	$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%.	59,840	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 4.27%	10,693	11,344
Note payable, with monthly principal and interest payments of $3 through 2002 with interest at an annual rate of 4.90%.	-	7
	93,518	112,045
Less current portion	2,787	2,509
	$90,731	$109,536

Authority issued $39,625,000 principal amount of Revenue Bonds, Series 2000. The proceeds of the bonds are being used for the acquisition, construction and installation of capital improvements to the Authority's facilities. The Authority had unspent proceeds of $806,000 and $27,159,000 as of September 30, 2003 and 2002, respectively.

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 made a $16,020,000 partial defeasance of its Revenue Bonds, Series 2000 in January 2003. The Authority incurred a loss on defeasance (difference between (i) the principal defeased and (ii) the cost of the defeasance escrow and related costs) of $1,966,279. The Authority, through the defeasance, reduced its aggregate debt service payments by $32,304,000 over the next 27 years and will obtain an economic gain (difference between the present value at (i) the debt service of the defeased bonds at the escrow yield of 3.652% and (ii) the cost of the defeasance escrow) of $2,062,097.

Debt Maturities

Required debt service for the outstanding revenue bonds for the next five years and thereafter to maturity is as follows:

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, 2003:

(in thousands of dollars)	Interest	Principal
Years ending		
2004	$4,564	$1,905
2005	4,459	2,190
2006	4,340	2,425
2007	4,212	2,555
2008	4,074	2,700
2009 to maturity	35,718	71,050
	$57,367	$82,825

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

(in thousands of dollars)	
Years ending	
2004	$1,216
2005	1,216
2006	1,216
2007	1,215
2008	1,215
Thereafter	7,294
Total minimum lease payments	13,372
Less: Amount representing interest	2,679
Present value of minimum lease payments	$10,693

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, 2003 and 2002 were as follows:

Partial Defeasance of Revenue

	2003		2002	
(in thousands of dollars)	**Principal Balance**	**Investment Balance With Escrow Agent**	**Principal Balance**	**Investment Balance With Escrow Agent**
Revenue Bonds, Series 1993	$9,220	$9,611	$10,510	$11,616

Bonds

The Authority has partially defeased a revenue bond issue by placing

funds in an irrevocable trust restricted for payment of all principal and interest related to the portion of revenue bonds defeased. 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, 2003 and 2002 were as follows:

Swaption

	2003		2002	
(in thousands of dollars)	**Principal Balance**	**Investment Balance With Escrow Agent**	**Principal Balance**	**Investment Balance With Escrow Agent**
Revenue Bonds, Series 2000	$16,020	$17,698	$ -	$ -

11. Objective of the Swaption

The Authority entered into a swaption contract that provides the Authority with semi-annual payments of $145,000 beginning in November 2003 and ending in November 2018. As a synthetic refunding of its Revenue Bonds, Series 1996, these payments represent the risk-adjusted, present value savings of a refunding as of November 1, 2006, without issuing refunding bonds in 2003. The swaption gives the counterparty the option to make the Authority enter into a pay-fixed, receive-variable interest rate swap. If the option is exercised, the Authority would then expect to issue variable-rate refunding bonds.

Terms

The swaption was entered into in June 2003. The semi-annual payments are based on an initial notional amount of $54,905,000, amortizing thereafter. The counterparty has the option to exercise the agreement on November 1, 2006 - the first call date of the Authority's Revenue Bond, Series 1996. If the swap is exercised, the swap will also commence on November 1, 2006. The fixed swap rate (5.215 percent) was set at a rate that, when added to an assumption for remarketing and liquidity costs, will approximate the coupons of the "refunded" bonds. The swap's variable payment would be 67 percent of the London Interbank Offered Rate (LIBOR).

Fair Value

As of September 30, 2003 the underlying swap had a negative fair value of $691,000, estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Market-Access Risk

If the option is exercised and refunding bonds are not issued, the 1996 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contract-that is, making a fixed payment to the counterparty for the term of the swap at 5.215 percent and receiving a variable payment of 67 percent of LIBOR. If the option is exercised and the variable-rate bonds issued, the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable-rate bonds versus the variable payment on the swap (67 percent of LIBOR).

Commitments and Contingencies

At September 30, 2003 and 2002, the Authority had commitments for purchases of equipment and future construction work of approximately $5,646,000 and $5,401,000, respectively. In addition to its own funds, the Authority also had funding available from the Florida Ports Financing Commission in the amounts of $1,320,000 and $1,304,000 for qualifying capital expenditures at September 30, 2003 and 2002, respectively.

12. 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 recorded ad valorem tax expense in fiscal year 2002 as if it were not immune from such taxes. However, during fiscal year 2003, a Final Declaratory Judgment was reached resulting in an ad valorem tax exemption for the Authority. As such, the Authority reversed the tax expense that had been recorded in prior years and established a liability to refund tenants who had reimbursed the Authority.

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 U.S. EPA 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 U.S. EPA 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 nine monitoring wells placed on the Authority's property. Pesticide related contamination was detected in three monitoring wells. Additional sampling may be conducted in the future. The Authority believes that it is not a responsible party.

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.

13. The City has allocated to the Authority an amount equal to 50 percent of the increase in the City's telecommunication tax revenues over the base year and 50 percent 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 (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 (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 Port 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 Port 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 percent of qualified amounts and records the amount to be reimbursed as contributed capital. As of September 30, 2003, the Authority had drawn approximately $49,145,000 of eligible expenditures. The Authority had an available balance of $1,319,000 as of September 30, 2003.

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 Port Authority. The amount allocated to the Jacksonville Port 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 percent of qualifying amounts (75 percent of certain qualifying amounts) and records the amount percent to be reimbursed as contributed capital. As of September 30, 2003, the Authority had drawn approximately $35,056,000 of eligible expenditures. The Authority has an available balance of $700 as of September 30, 2003.

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 $7,000,000 and $9,500,000 was recognized as contributions in the statement of revenues, expenses and changes in net assets for the years ended September 30, 2003 and 2002, respectively. As of September 30, 2003, the entire contribution had been drawn upon.

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