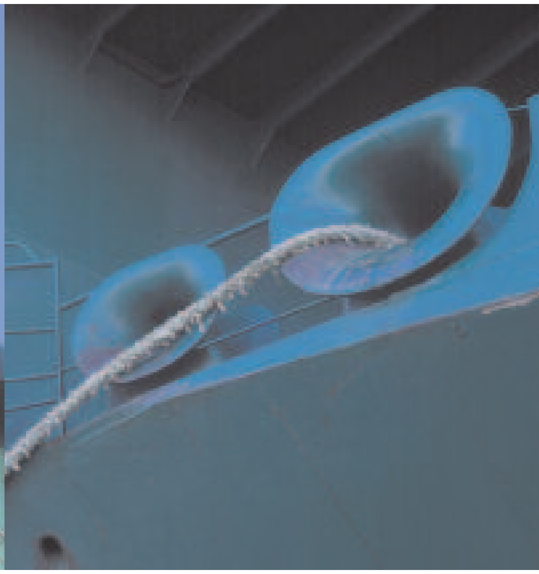
2004 JAXPORT ANNUAL REPORT





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OVERVIEW

The Jacksonville Port Authority (JAXPORT) owns three cargo handling facilities and one passenger cruise terminal along the St. Johns River in Jacksonville, Florida. These facilities are 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 20,000 direct jobs in the Jacksonville area and create an economic impact of more than $1 billion annually for Northeast Florida.

YEAR IN REVIEW

The Jacksonville Port Authority enjoyed a strong year in 2004, achieving record highs in both operating revenues and cargo tonnage, as well as launching Jacksonville's first regularly-scheduled passenger cruise service.

Financially, JAXPORT earned a record $31 million in operating revenues, eclipsing last year's record of $30.3 million and marking our fifth consecutive year of revenue growth. This achievement was tempered by an increase in operating expenses, which rose from $17.3 million in fiscal year 2003 to $22.9 million in fiscal year 2004, due largely to enhanced port security projects and unscheduled maintenance dredging following a series of strong storms.

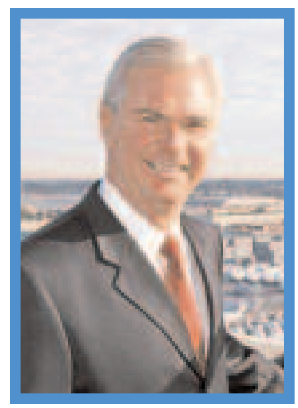
Operationally, JAXPORT set an annual record with more than 7.6 million tons of cargo moving across Port Authority docks, a five percent increase over fiscal year 2003. The previous port record of 7.5 million tons was set in 1999.

Our most visible success last year was the introduction of homeported passenger cruise service by Celebrity Cruises and Carnival Cruise Lines. A recent study shows that the cruise industry could grow to create nearly 2,800 jobs in the Jacksonville area, and over the next 20 years contribute more than $1.5 billion in cumulative economic impact for Northeast Florida.

We are particularly proud to achieve this success while becoming the first major cargo port in Florida to be substantially compliant with the Florida Seaport Security Act, a law used as a model for the recently-enacted Federal Maritime Transportation Security Act.

Our focus remains on fulfilling the ambitious goals outlined in our Strategic Plan, specifically those to grow our cargo and cruise volumes and fulfill our vision to be a major economic engine for Northeast Florida. We look forward to working with our customers, community and stakeholders toward continuing our success in 2005 and beyond.

T. MARTIN FIORENTINO, JR.
BOARD CHAIRMAN



FREDERICK R. FERRIN
EXECUTIVE DIRECTOR

2004 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 current members originally were appointed in 2001.

BOARD CHAIRMAN
T. Martin Fiorentino, Jr.
[President, Fiorentino and Associates]

VICE CHAIRMAN
Dr. William C. Mason III, Ed.D.
*[Executive Director of the Foundation,
Florida Community College at Jacksonville]*

BOARD SECRETARY
Thomas P. Jones, Jr.
[Private Consultant]

BOARD TREASURER
Jerry W. Davis
[private investor]

BOARD MEMBERS
Marilyn McAfee
[Foreign Service Careerist]

Ricardo Morales, Jr.
[General Contractor]

Tony D. Nelson
[President, First Coast Black Business Investment Corp.]

Fiscal Year 2005
[current]

BOARD CHAIRMAN
Dr. William C. Mason, III, Ed.D

VICE CHAIRMAN
Ricardo Morales, Jr.

BOARD TREASURER
Jerry W. Davis

BOARD SECRETARY
Marilyn McAfee

BOARD MEMBERS
T. Martin Fiorentino, Jr.

Thomas P. Jones, Jr.

Tony D. Nelson

CORPORATE HIGHLIGHTS

JAXPORT enjoyed a number of highlights in fiscal year 2004:

- For the second consecutive year, JAXPORT set an operating revenue record, earning $31 million, our fifth consecutive year of revenue growth.

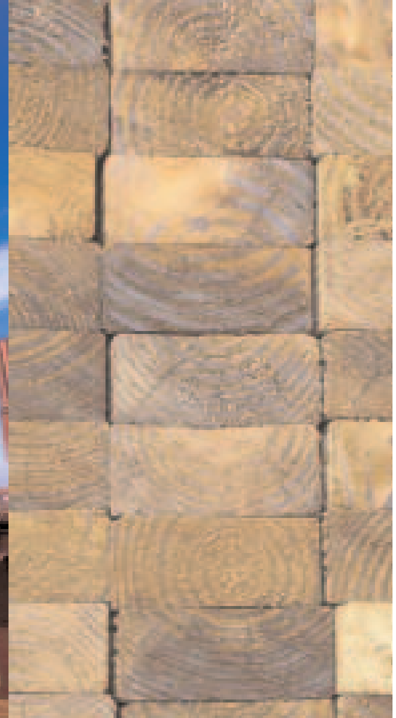
- Total tonnage in fiscal year 2004 rose to a record 7,688,268 tons, a five percent increase over 2003 (7,301,016 tons). JAXPORT's previous tonnage record (7,524,271 tons) was set in 1999.

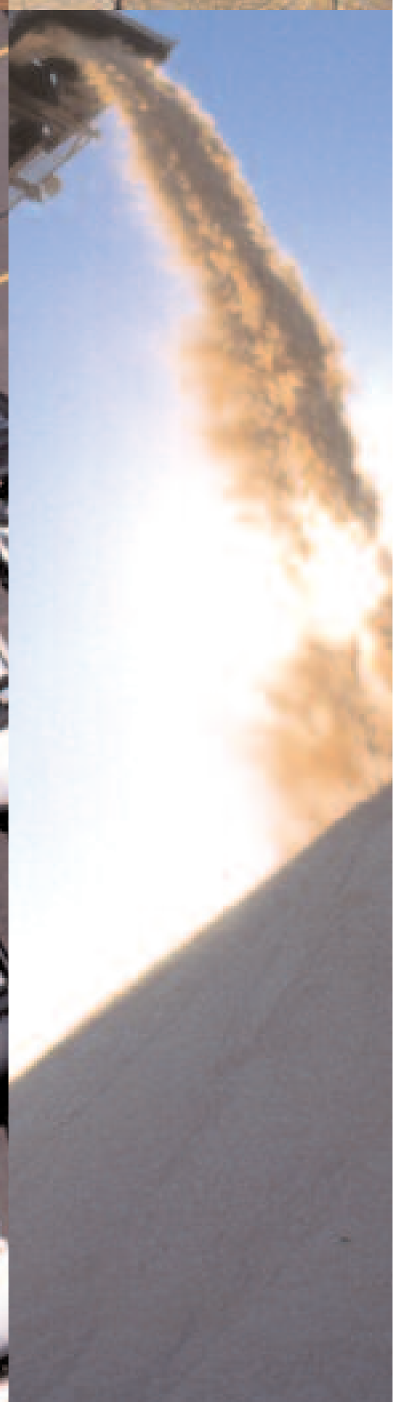
- JAXPORT updated its Strategic Plan, modifying its vision statement to stress its role as a major economic engine and setting six major goals important to the Port Authority's long-term success. JAXPORT's vision "is to be a major economic engine for Northeast Florida by continuing to be a premier diversified port in the Southeastern United States with connections to major trade lanes throughout the world." Our goals are to enhance Trade Development, Financial Health, Community Awareness, Personnel Management, Operations and Port Security, and review potential opportunities in Real Estate Development. JAXPORT inaugurated the city's first homeported passenger cruise service, with sailings offered by Celebrity Cruises and Carnival Cruise Lines. In recognition of establishing this new industry, the Northeast Florida Regional Council awarded JAXPORT the "Regional Award for Excellence in Economic Development and Tourism."

- JAXPORT became the first major cargo port in Florida to be substantially-compliant with state-mandated security measures. JAXPORT oversees more than a dozen Jacksonville Sheriff's Officers, supplemented by private security personnel; has fingerprinted and issued more than 10,000 photo identification badges for workers at the port; improved fencing, lighting and gates at port terminals; and strengthened a strong working relationship with the U.S. Coast Guard, U.S. Customs and Border Protection and other maritime law enforcement agencies.

“JAXPORT EARNED A PORT RECORD $31 MILLION IN OPERATING REVENUES IN FISCAL YEAR 2004.”

From left to right: Ron Baker, Deputy Executive Director & Chief Financial Officer; Chris Kauffmann, Sr. Director of Operations and Security; Rick Ferrin *(seated)*, Executive Director; Roy Schleicher, Sr. Director of Trade Development and Marketing; Tony Orsini, Sr. Director of Engineering and Cruise Line Operations; and David Kaufman, Sr. Director of Government Relations, Real Estate Planning and Development.



CARGO HIGHLIGHTS

JAXPORT facilities recorded their busiest year on record in 2004, handling a record 7,688,268 tons of cargo.

This is a five percent increase over fiscal year 2003 and surpasses JAXPORT's previous record of 7,524,271 tons set in 1999.

JAXPORT reported gains in three of its four cargo categories: containerized cargoes grew five percent to 3.9 million tons; breakbulk cargoes grew 18 percent to 830,000 tons; and bulk cargoes grew 10 percent to 1.8 million tons. Vehicle cargoes fell seven percent to one million tons.

JAXPORT made several new cargo business announcements in 2004, including the following:

- The German-based shipping line Hamburg-Sud signed a new three-year lease agreement at JAXPORT.
- Crowley Maritime Corporation transferred its Bahamas container service from its private terminal in Jacksonville to JAXPORT.
- ICS Logistics transferred its Gulf Africa Service from Savannah to JAXPORT and also agreed to build a 553,000-square foot warehouse at JAXPORT's Talleyrand Marine Terminal.
- Nissan North America decided to export up to 20,000 Nissan Altimas annually from JAXPORT; and
- Ceres Marine Terminals, a worldwide stevedore and terminal operating company, signed a five-year lease at JAXPORT.

"JAXPORT CARGO FACILITIES RECORDED THEIR BUSIEST YEAR ON RECORD IN 2004."

CRUISE HIGHLIGHTS

In fiscal year 2004, JAXPORT inaugurated the city's first regularly-scheduled passenger cruise service.

Two cruise lines, Celebrity Cruises and Carnival Cruise Lines, homeported vessels in Jacksonville, sailing from the new JAXPORT Cruise Terminal to the Caribbean.

To kick off service, Celebrity Cruises 1,375-passenger ship *Zenith* sailed from Jacksonville for six months during the fiscal year and will sail for another six months in fiscal year 2005. Also, Carnival Cruise Lines began service from Jacksonville with two months of sailings aboard its brand new ship, the *Carnival Miracle*, followed by summer sailings aboard the *Jubilee*. In October 2004, Carnival's 1,486-passenger *Celebration* began the city's first year-round cruise program.

The cruise industry is bringing significant benefits to the Jacksonville area:

- The cruise industry could grow to create more than 2,700 jobs in Jacksonville, as well as pump $1.5 billion into the local economy over the next 20 years, according to a 2004 study by Orlando-based Fishkind and Associates, Inc.
- More than 85,000 passengers boarded cruise ships in Jacksonville in fiscal year 2004. This number is expected to grow to 150,000 in fiscal year 2005.
- A total of 51 cruise ships berthed at the JAXPORT Cruise Terminal in 2004, its first year of service.

"MORE THAN 85,000 PASSENGERS BOARDED CRUIS

SE SHIPS IN JACKSONVILLE IN FISCAL YEAR 2004."

STRATEGIC PLAN

JAXPORT's Strategic Plan, updated annually, outlines the Port Authority's mission and vision statements and identifies seven key goals necessary for JAXPORT to achieve success:

- Grow revenues by growing cargo and cruise operations and exploring opportunities to tap into non-traditional lines of business.
- Maintain and improve JAXPORT's financial health by increasing cash flow and improving the Port Authority's productivity ratio – the ratio of annual revenues versus annual expenses.
- Enhance community awareness of the port and the positive economic impact it brings to Northeast Florida.
- Improve personnel management by retaining and developing a skilled and motivated workforce.
- Improve operations and port security to ensure cargo and cruise facilities are effectively developed, supported, maintained and secured.
- Improve customer service.
- Explore real estate development of JAXPORT-owned property to ensure all land is used effectively.

Mission Statement
The mission of the Jacksonville Port Authority is to contribute to the economic growth and vitality of Northeast Florida by fostering and stimulating commerce through the Port of Jacksonville. The mission will be accomplished through the effective and fiscally-responsible planning, development, management and marketing of the port's assets and facilities.

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

"JAXPORT'S CARGO BUSINESS PUMPS $1.3 BILLION

ECONOMIC IMPACT

Jacksonville's port is one of the largest economic engines in Northeast Florida.

Cargo Impact
JAXPORT's cargo business pumps more than $1.3 billion into the Northeast Florida economy and accounts for more than 20,000 direct jobs, according to a 2002 economic impact study. These jobs are held by employees of private companies leasing space from JAXPORT or by members of local labor groups working at the port. They include longshoremen, truck drivers, warehouse workers, steamship and railroad employees, as well as positions held by employees of companies involved in equipment maintenance, vehicle and machine repair, environmental and legal consultation, insurance and retail sales, and hundreds of similar support services.

Cruise Impact
Jacksonville's new cruise industry could grow to create more than 2,700 area jobs, as well as generate $1.5 billion in cumulative economic impact over the next 20 years, according to a 2004 study by Orlando-based Fishkind and Associates, Inc. Already, the city's cruise industry is creating an estimated 715 new jobs and more than $36 million in new annual economic impact for Northeast Florida, according to a 2003 study completed by the Northeast Florida Regional Council.

...N ANNUALLY INTO THE NORTHEAST FLORIDA ECONOMY."

Financial Statements and Supplemental Information

For the years ended September 30, 2004 and 2003

To Members of the Governing Body
Jacksonville Port Authority

We have audited the accompanying financial statements of the Jacksonville Port Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2004 as listed in the table of contents. 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 audit. The financial statements of the Authority as of and for the year ended September 30, 2003 were audited by other auditors whose report, dated January 23, 2004, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jacksonville Port Authority as of September 30, 2004, and the results of its operations and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 16 to 20 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

November 12, 2004
Merritt Island, Florida

BERMAN HOPKINS WRIGHT & LAHAM, CPAs, LLP

Management's Discussion and Analysis

This section of the Jacksonville Port Authority's (the "Authority") annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year, which ended September 30, 2004. 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

2004 vs. 2003

The Authority's operating revenue increased 2.4% to $31,014 during fiscal year 2004 compared to $30,293 in the prior fiscal year. Fiscal year 2004 operating expenses (excluding depreciation and amortization) of $22,985 were 32.6% more than the previous fiscal year. Depreciation and amortization expense remained relatively steady. As a result, the Authority's operating loss increased to $6,967 for the fiscal year ended September 30, 2004 compared to a loss of $1,914 for the previous fiscal year. The Authority recognized net non-operating expense of $715 in fiscal year 2004 compared to $1,619 in the prior year. During fiscal year 2004, the Authority experienced no extraordinary gains/losses, whereas there was an extraordinary gain-government sale of $16,042 in fiscal year 2003. Capital contributions decreased to $4,642 in 2004 from $10,704 in 2003. As a result of the above, the Authority's net assets decreased by $3,040 during fiscal year 2004 compared to an increase of $23,213 in fiscal year 2003. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2004, the Authority had net assets of $294,390, a decrease of 1.0% from the prior year net assets of $297,430.

2003 vs. 2002

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 $1,914 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 $1,619 compared to net non-operating revenue of $7,220 in the prior year. During fiscal year 2003, the Authority experienced an extraordinary gain-government sale of $16,042, whereas there was no extraordinary item experienced in fiscal year 2002. 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 compared to $16,256 in fiscal year 2002. 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, non-capital financing, capital financing and investing activities. The net result of these activities is added to the beginning balance of cash and cash equivalents to reconcile to the ending balance of cash and cash equivalents at the end of the fiscal year.

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

Net assets is a key indicator of an entity's financial position. At September 30, 2004, the Authority's net assets were $294,390, a decrease of 1.0% from the prior year net assets of $297,430. Fiscal year 2003 saw an increase of $23,213 (8.5%). The Authority is engaged in a capital-intensive industry and, as such, its largest portion of net assets is invested in capital assets (e.g., land, buildings, heavy equipment, etc.). The next largest portion of the Authority's net assets is unrestricted. In addition, the Authority has net assets restricted for future debt service payments, future capital projects and other purposes.

	2004	2003	2002
(In thousands of dollars)			
NET ASSETS			
Current assets	$ 36,245	$ 44,969	$ 24,206
Noncurrent assets (excluding capital assets)	9,976	11,069	35,040
Capital assets	346,312	339,977	345,992
Total assets	392,533	396,015	405,238
Current liabilities	14,710	12,441	19,356
Revenue bonds outstanding (net of current portion)	74,428	76,333	93,974
Other noncurrent liabilities	9,005	9,811	17,691
Total liabilities	98,143	98,585	131,021
Net assets			
Invested in capital assets, net of related debt	256,618	249,752	255,418
Restricted for capital projects	-	3,600	5,515
Restricted for debt service	6,951	7,393	7,029
Restricted - other	198	-	-
Unrestricted	30,623	36,685	6,255
Total net assets	$ 294,390	$ 297,430	$ 274,217

Revenues, Expenses and Changes in Net Assets - 2004 vs. 2003

Operating revenues for fiscal year 2004 were $31,014, a $721 (2.4%) increase over the prior fiscal year due to a new revenue stream, Cruise services. The Authority also experienced increases in Container and Bulk revenue, but these increases and the new Cruise revenue were partially offset by decreases in Military-related revenue and Auto revenue. Operating expenses, including depreciation and amortization, for fiscal year 2004 were $37,981, an increase of $5,774 (17.9%) over the prior fiscal year. Large increases occurred in Salaries & Benefits, Services & Supplies, Security and Dredging. In addition, fiscal year 2003 operating expenses include an expense reversal of $2,615 related to the Authority's exemption from ad valorem taxes. As a result, the operating loss for fiscal year 2004 was $6,967, as compared to $1,914 in fiscal year 2003.

In 2004, non-operating expense decreased by $904 (55.8%). This decrease was a result of a $690 (96.9%) increase in operating grants and the fact that there was a $1,966 loss-defeasance in fiscal year 2003. These two items were partially offset by a decrease of $1,400 (38.9%) in Shared revenue from the primary government. As a result, the Authority experienced a net non-operating expense of $715 in 2004, compared to $1,619 in 2003.

The Authority had no extraordinary items in 2004 unlike in 2003 when it experienced a $16,042 extraordinary gain. Also, capital contributions decreased to $4,642 in 2004 from $10,704 in 2003 due to a reduction in available funding.

As a result of the items addressed above, the Authority experienced a $3,040 decrease in net assets during fiscal year 2004 as compared to the $23,213 increase in fiscal year 2003.

Revenues, Expenses and Changes in Net Assets - 2003 vs. 2002

Operating revenues for fiscal year 2003 were $30,293, a $2,652 (9.6%) 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 $1,914, a decrease of $5,644 (74.7%) from the operating loss in fiscal year 2002.

The Authority receives Shared revenue from the primary government. In 2003, the Authority recorded one year's worth of tax monies ($3,600), however, fiscal year 2002 was the first year that the Authority received Shared revenue and as such, several year's worth of taxes were recorded ($11,300). Also, in 2003 the Authority received operating grants ($712) for the first time and incurred a loss on bond defeasance of $1,966. As a result, the Authority experienced a net non-operating expense of $1,619 in 2003, compared to net non-operating revenue of $7,220 in 2002.

In 2003, the Authority sold some of its land to the U.S. Government and incurred a gain of $16,042. Since this transaction is considered to be unusual in nature and infrequent in occurrence, it is classified as extraordinary. 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 continues to be 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.

(In thousands of dollars)	2004	2003	2002
CHANGES IN NET ASSETS			
Operating revenue	$ 31,014	$ 30,293	$ 27,641
Operating expenses	37,981	32,207	35,199
Operating loss	(6,967)	(1,914)	(7,558)
Non-operating revenue (expenses)	(715)	(1,619)	7,220
Loss before extraordinary items and capital contributions	(7,682)	(3,533)	(338)
Extraordinary items	-	16,042	-
Capital contributions	4,642	10,704	16,594
Changes in net assets	(3,040)	23,213	16,256
NET ASSETS			
Beginning of year	297,430	274,217	257,961
End of year	$ 294,390	$ 297,430	$ 274,217

Cash Flows

2004 vs. 2003

Net cash provided by operating activities was $8,948, a $1,155 decrease from 2003. Net cash provided by non-capital financing activities was $4,684, a $4,094 increase from 2003. A portion ($3,600) of this increase resulted from the primary government lifting its capital restriction on Shared revenue. In 2004, this item was reported as a non-capital financing activity, but in 2003 it was reported as a capital financing activity. In addition, Operating grants increased in 2004. Net cash used in capital and related financing activities was $19,955, a $4,810 increase from 2003. The reporting reclassification previously explained contributed to this variance. This increase is also due to increased acquisition and construction of capital assets, partially offset by decreased debt service costs and the fact that the Authority experienced two large transactions (Government Sale and Defeasance) in 2003. Net cash provided by investing activities was $356, a $25,552 decrease from 2003 due to a high volume of investment sales/maturities used to defease debt in 2003.

2003 vs. 2002

Net cash provided by operating activities was $10,103, a $506 decrease from 2002. Net cash provided by non-capital financing activities was $590 in 2003, the first year of such activities. Net cash used in capital and related financing activities was $15,145, a $3,485 decrease from the net cash used in 2002. This decrease 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 the primary government. Net cash provided by investing activities was $25,908, an $11,082 increase from 2002 due to an increase in investment maturities used for debt reduction and capital acquisition, as opposed to reinvestment.

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, 2004 and 2003.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, channel improvements, utility transfers, buildings, other improvements and equipment.

2004 vs. 2003

The Authority had $346,312, net of accumulated depreciation, invested in capital assets as of September 30, 2004 compared to $339,977 as of September 30, 2003. This investment increased by $6,335 (1.9%) from 2003 due to $21,487 in channel improvements, partially offset by current year depreciation.

2003 vs. 2002

The Authority had $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%) from 2002 because current year depreciation expense exceeded current year capital acquisitions.

Long-Term Debt

2004 vs. 2003

As of September 30, 2004 the Authority had outstanding bonds payable of $76,618 (net of unamortized bond discounts and deferred loss on refunding) and outstanding capital lease obligations of $9,810. Outstanding bonds payable and capital lease obligations decreased by $1,620 and $883, respectively, during fiscal year 2004. This decrease was caused by regularly scheduled principal payments. The Authority exceeded its required minimum debt service ratio for the 2004 Fiscal Year.

2003 vs. 2002

As of September 30, 2003, 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.

Statements of Net Assets September 30,

(In thousands of dollars)	2004	2003
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 23,010	$ 27,789
Due from primary government	2,200	3,600
Accounts receivable net of allowance of $855 and $1,025	2,309	2,371
Other receivables	56	4,983
Grants receivable	3,070	138
Inventories and other assets	1,171	1,221
Restricted cash and cash equivalents	4,052	4,609
Other restricted assets	377	258
Total Current assets	36,245	44,969
Noncurrent assets		
Dredged soil replacement rights, net	2,423	2,761
Bond issuance costs, net	1,910	2,017
Other noncurrent assets	406	609
Restricted cash and cash equivalents	3,707	4,338
Restricted investments	1,530	1,344
Capital assets, net	346,312	339,977
Total noncurrent assets	356,288	351,046
Total assets	392,533	396,015
LIABILITIES		
Current liabilities		
Accounts payable	1,447	992
Accrued expenses	2,575	2,176
Capital lease obligations	805	882
Accrued interest	2,055	1,999
Construction contracts payable	4,368	3,776
Retainage payable	704	342
Other current liabilities	566	369
Current liabilities payable from restricted assets - bonds and notes payable	2,190	1,905
Total current liabilities	14,710	12,441
Noncurrent liabilities		
Bonds and notes payable, net of original issue discount of $2,323 and $2,472 in 2004 and 2003, respectively, and net of deferred loss on refunding of $1,979 and $2,115 in 2004 and 2003, respectively	74,428	76,333
Capital lease obligations	9,005	9,811
Total noncurrent liabilities	83,433	86,144
Total liabilities	98,143	98,585
NET ASSETS		
Invested in capital assets, net of related debt	256,618	249,752
Restricted for		
Capital projects	-	3,600
Debt service	6,951	7,393
Other	198	-
Unrestricted	30,623	36,685
Total net assets	$ 294,390	$ 297,430

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

Statements of Revenues, Expenses and Changes in Net Assets Years ended September 30,

(In thousands of dollars)	2004	2003
OPERATING REVENUES	$ 31,014	$ 30,293
OPERATING EXPENSES		
Salaries and benefits	11,543	10,769
Services and supplies	3,544	2,797
Security services	2,873	1,802
Business travel and training	231	214
Promotions, advertising, dues and membership	738	488
Utility services	867	800
Repairs and maintenance	1,485	1,881
Dredging	1,605	1,169
Ad valorem tax	-	(2,615)
Bad debt expense	43	(4)
Miscellaneous	56	38
Total operating expenses	22,985	17,339
Operating income before depreciation and amortization	8,029	12,954
DEPRECIATION AND AMORTIZATION EXPENSE	14,996	14,868
Operating loss	(6,967)	(1,914)
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(4,801)	(4,587)
Investment income	568	540
Shared revenue from primary government	2,200	3,600
Operating grants	1,402	712
Loss - defeasance	-	(1,966)
Gain (loss) on sale of assets	(67)	51
Other	(17)	31
Total non-operating expense	(715)	(1,619)
Loss before extraordinary items and capital contributions	(7,682)	(3,533)
EXTRAORDINARY GAIN - GOVERNMENT SALE	-	16,042
CAPITAL CONTRIBUTIONS	4,642	10,704
Change in net assets	(3,040)	23,213
NET ASSETS		
Beginning of year	297,430	274,217
End of year	$ 294,390	$ 297,430

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

Statements of Cash Flows Years ended September 30,

	2004	2003
(In thousands of dollars)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 31,057	$ 29,162
Payments to suppliers	(10,486)	(8,874)
Payments to employees	(11,623)	(10,185)
Net cash provided by operating activities	8,948	10,103
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from operating grants	1,084	590
Shared revenue from primary government	3,600	-
Net cash provided by noncapital financing activities	4,684	590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(19,466)	(12,747)
Principal paid on capital debt	(2,787)	(2,560)
Interest paid on capital debt	(4,619)	(5,805)
Proceeds from sale of assets	567	8,564
Proceeds from sale of easements	4,322	6,406
Contributions-in-aid of construction	2,028	5,083
Shared revenue from primary government	-	3,900
Defeasance of capital debt	-	(17,986)
Net cash used in capital and related financing activities	(19,955)	(15,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	597	957
Purchase of investment securities	(935)	(1,344)
Proceeds from sale and maturities of investment securities	725	26,287
Other	(31)	8
Net cash provided by investing activities	356	25,908
Net (decrease) increase in cash and cash equivalents	(5,967)	21,456
CASH AND CASH EQUIVALENTS		
Beginning of year	36,736	15,280
End of year	30,769	36,736
RECONCILIATION OF OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income before depreciation and amortization	8,029	12,954
Adjustment to reconcile operating income before depreciation and amortization to net cash provided by operating activities		
Provision for uncollectible accounts	43	(4)
Changes in assets and liabilities		
Account receivable and other current assets	(150)	2,369
Accounts payable, accrued expenses and other current liabilities	1,026	(5,216)
Net cash provided by operating activities	$ 8,948	$ 10,103

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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 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.

2. Basic financial statements

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

3. Fund structure

The Authority's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording assets and other financing resources, together with liabilities and residual equities or balances, and changes therein. The Authority maintains a proprietary fund, which 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 proprietary fund are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4.Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, 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.

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 Board (GASB) Statement No. 37, *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 GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, were implemented during 2003 and incorporated in the Authority's financial statement presentation with no effect on operating loss or change in net assets.

5. 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; however, the appropriation from the Council for construction, reconstruction, enlargement, expansion, improvement or development of any marine project or projects authorized to be undertaken by the Authority, shall not be reduced below $800,000.
- Once adopted, the total budget may only be increased through action of the Council.
- The Authority is authorized to allocate, allot and transfer within, but not between (unless less than $50,000 cumulative) Operating/Non-Operating Schedules and the Capital Schedule as needed. Once the $50,000 limit is reached between schedules, City Council approval must be obtained. Operating budget item transfers may be made with the approval of the Executive Director or the Deputy Executive Director/Chief Financial Officer. Line-to-Line capital budget transfers of $50,000 or less must be approved by the Executive Director or the Deputy Executive Director/Chief Financial Officer. Line-to-Line capital budget transfers of more than $50,000 must have Executive Director or Deputy Executive Director/Chief Financial Officer approval and Board notification is required. If a Capital Budget Transfer is creating a new capital project that did not exist on the original submitted capital budget for the fiscal year, Board approval is required.

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

6. 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.

7. Investments

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

8. Capital assets

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

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.

9. Inventories

Inventories are stated at average cost.

10. Dredged soil replacement rights

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

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.

11. 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.

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 ("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 was to be 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 hold as necessary to offset future debt shortfall payments. Pursuant to a Memorandum of Agreement dated July 9, 2004, the parties agreed to allow the Authority to use future excess funds for any purpose it desires and to reduce the amount restricted for debt shortfall payments from $4,000,000 to $3,500,000. The Authority's share of the telecommunications tax was $2,200,000 and $3,600,000 in 2004 and 2003, respectively.

13. 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. Billed services were $403,000 and $438,000 in 2004 and 2003, respectively. The interlocal agreements were not renewed upon expiration at September 30, 2004; however, the Authority has informally agreed to continue providing Information Technology support to the JAA until December 31, 2004.

NOTE B - RECLASSIFICATION

Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

NOTE C - CASH AND INVESTMENTS

The Authority's Board of Directors 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, 2004 and 2003.

(In thousands of dollars)

Security Type	Fair Value at September 30, 2003	Purchases	Sales	Subtotal	Change in Fair Value	Fair Value at September 30, 2004	Cost at September 30, 2004
U.S. Government and their agencies securities	$1,344	$935	$(725)	$1,554	$(24)	$1,530	$1,556

Security Type	Fair Value at September 30, 2002	Purchases	Sales	Subtotal	Change in Fair Value	Fair Value at September 30, 2003	Cost at September 30, 2003
U.S. Government and their agencies securities	$26,322	$1,344	$(26,287)	$1,379	$(35)	$1,344	$1,355

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.

NOTE D - CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2004 and 2003 was as follows:

(In thousands of dollars) 2004	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 83,897	$ 21,527	$ -	$ 105,424
Construction in progress	30,354	19,978	(30,088)	20,244
Total capital assets not being depreciated	114,251	41,505	(30,088)	125,668
Other capital assets				
Buildings	48,921	5,620	-	54,541
Improvements	235,286	2,786	-	238,072
Equipment	72,960	861	(45)	73,776
Equipment under capital leases	22,242	-	-	22,242
Total other capital assets at historical cost	379,409	9,267	(45)	388,631
Less accumulated depreciation for:				
Buildings	20,052	1,942	-	21,994
Improvements	90,898	8,425	-	99,323
Equipment	39,661	3,088	(44)	42,705
Equipment under capital leases	3,072	893	-	3,965
Total accumulated depreciation	153,683	14,348	(44)	167,987
Other capital assets, net	225,726	(5,081)	(1)	220,644
Capital assets, net	$ 339,977	$ 36,424	$ (30,089)	$ 346,312

(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	11,839	(20,299)	30,354
Total capital assets not being depreciated	121,946	15,445	(23,140)	114,251
Other capital assets				
Buildings	48,920	1	-	48,921
Improvements	221,813	14,535	(1,062)	235,286
Equipment	70,758	2,322	(120)	72,960
Equipment under capital leases	22,242	-	-	22,242
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	82,361	8,656	(119)	90,898
Equipment	36,757	3,023	(119)	39,661
Equipment under capital leases	2,178	894	-	3,072
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	$ 18,069	$ (24,084)	$ 339,977

NOTE E - SALE OF LAND AND EASEMENT

In July 2003, the U.S. Government purchased land and a land easement from the Authority. The Authority recognized 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 activity) and not with the intention of recognizing 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.

NOTE F - CAPITALIZATION OF INTEREST

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

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2004 and 2003:

(In thousands of dollars)	2004	2003
Total interest expense incurred	$ 4,959	$ 5,354
Interest expense associated with construction	158	938
Interest earned in construction accounts capitalized	-	(171)
Net interest capitalized	158	767
Net interest expense incurred	$ 4801	$ 4,587

NOTE G - 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, 2004, is as follows:

(In thousands of dollars)	
2005	$ 9,457
2006	8,099
2007	6,990
2008	6,447
2009	5,590
Thereafter	34,271
	$ 70,854

The Authority receives contingent rentals under certain leases if cargo throughput receipts exceed minimum amounts. Contingent rentals or volume variable amounts of $585,000 and $698,000 were received in 2004 and 2003, respectively.

NOTE H - PENSION PLANS

1. State pension plan

Plan description

The majority of the full-time employees of the Authority participate in the Pension Plan of the Florida State Retirement

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

Some of the Authority's employees elected to participate in the System's Investment Plan instead of the Pension Plan. The Investment Plan is a defined contribution plan in which the System currently contributes 9.00 percent of eligible wages.

Funding policy

Regardless of which System plan an employee selects, 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.

2.City pension plan

Plan description

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

Funding policy

The Authority is required to contribute 10.18 percent of eligible wages in 2004 and 8.82 percent or 5.42 percent of eligible wages, depending on the employee's date of hire, in 2003. 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 $666,000 and $508,000 for the years ended September 30, 2004 and 2003, respectively.

NOTE I - 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 $2,742,000 and $2,572,000 as of September 30, 2004 and 2003, 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 $377,000 and $258,000 as of September 30, 2004 and 2003, respectively.

NOTE J - RISK MANAGEMENT

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to $1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. 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 $281,000 and $228,000 for the years ended September 30, 2004 and 2003, respectively. During 2004 and 2003, the Authority received retroactive rebates of $0 and $301,000, 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 $238,000 and $254,000 for the years ended September 30, 2004 and 2003, 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.

NOTE K - LONG-TERM DEBT, CAPITAL LEASES AND OTHER NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended September 30, 2004 and 2003 was as follows:

2004

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
(In thousands of dollars)					
Bonds payable, notes payable and capital leases					
Revenue bonds	$ 22,985	$ -	$ (680)	$ 22,305	$ 890
Revenue refunding bonds	59,840	-	(1,225)	58,615	1,300
Capital leases	10,693	-	(883)	9,810	805
	93,518	-	(2,788)	90,730	2,995
Less original issue discounts and deferred loss on refunding	(4,587)	-	285	(4,302)	-
Total noncurrent liabilities	$ 88,931	$ -	$ (2,503)	$ 86,428	$ 2,995

2003

(In thousands of dollars)	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 September 30, 2004 and 2003 consisted of the following:

(In thousands of dollars)	2004	2003
Revenue Bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$ 22,305	$ 22,985
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%.	58,615	59,840
Subordinated Equipment Lease-Purchase Agreement, Series1999-A, with semi-annual principal and interest payments through 2014, with interest at an annual rate of 4.27%.	9,810	10,693
	90,730	93,518
Less current portion	2,995	2,787
	$ 87,735	$ 90,731

In November 2000, the 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 $0 and $806,000 as of September 30, 2004 and 2003, 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 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 of (i) the debt service of the defeased bonds at the escrow yield of 3.652 percent and (ii) the cost of the defeasance escrow) of $2,062,097.

1. Debt maturities

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

(In thousands of dollars)	Interest	Principal
Years ending		
2005	$ 4,459	$ 2,190
2006	4,340	2,425
2007	4,212	2,555
2008	4,074	2,700
2009	3,926	2,850
Thereafter	31,793	68,200
	$ 52,804	$ 80,920

The following is a schedule of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of September 30, 2004:

(In thousands of dollars)	
Years ending	
2005	$ 1,216
2006	1,216
2007	1,216
2008	1,216
2009	1,216
Thereafter	6,076
Total minimum less payments	12,156
Less:Amount representing interest	2,346
Present value of minimum lease payments	$ 9,810

2. 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 bonds were paid in full on November 1, 2003.

The debt that has been defeased and the related balances at September 30, 2004 and 2003 are as follows:

	2004		2003	
(In thousands of dollars) Revenue Bonds, Series 1993	Principal Balance	Investment Balance with Escrow Agent	Principal Balance	Investment Balance with Escrow Agent
	$ -	$ -	$ 9,220	$ 9,611

3. Partial defeasance of revenue 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, 2004 and 2003 are as follows:

	2004		2003	
(In thousands of dollars) Revenue Bonds, Series 2000	Principal Balance	Investment Balance with Escrow Agent	Principal Balance	Investment Balance with Escrow Agent
	$ 15,550	$ 16,973	$ 16,020	$ 17,698

NOTE L - SWAPTION

1. 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.

2. 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) is 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).

3. Fair value

As of September 30, 2004, the underlying swap had a negative fair value of $1,731,300, 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.

4. 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, make a fixed payment to the counterparty for the term of the swap at 5.215 percent and receive a variable payment of 67 percent of LIBOR. If the option is exercised and the variable-rate bonds are 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).

NOTE M - COMMITMENTS AND CONTINGENCIES

At September 30, 2004 and 2003, the Authority had commitments for purchases of equipment and future construction work of approximately $11,059,000 and $5,646,000, respectively. In addition to its own funds, the Authority also had funding available from the Florida Ports Financing Commission in the amounts of $737 and $1,320,000 for qualifying capital expenditures at September 30, 2004 and 2003, respectively.

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 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 of 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. As of September 30, 2004, this liability has been paid in full.

The Authority owns over 175 acres of property at the Talleyrand Marine Terminal. This Terminal is located in an industrialized area, in which the properties are subject to environmental contamination and possible clean-up requirements. Environmental testing of adjoining properties has and will continue to be conducted, and in certain instances, the testing has included Authority property. To date, none of the testing performed on Authority property by off-site owners or agencies has resulted in any findings of contamination that must be remediated at the Authority's expense.

A portion of the Authority's property at the Talleyrand Marine Terminal has been identified as containing limited arsenic concentrations above acceptable industrial standards. Independent engineers have estimated that the total cost to clean the property could be as high as $650,000. The Authority has agreed to pay the cost of this environmental clean up and recorded a $650,000 liability as of September 30, 2004.

NOTE N - CAPITAL CONTRIBUTIONS

1. City of Jacksonville Excise Tax Revenue Bonds
In February 1993, the City issued $43,605,000 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 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 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, as agreed upon by all parties, for the Authority's unrestricted use. These excess funds are accounted for as non-operating revenue.

2. 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, 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 $2,438,000 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. Approximately $1,328,000 and $3,538,000 were recognized as contributions in the Statements of Revenue, Expenses and Changes in Net Assets for the years ended September 30, 2004 and 2003, 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 qualifying amounts and records the amount to be reimbursed as a capital contribution. As of September 30, 2004, the Authority had drawn approximately $50,479,000 of eligible expenditures. The Authority had an available balance of $0 as of September 30, 2004.

3. 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, 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 $35,057,000. Approximately $0 and $62,000 were recognized as contributions in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended September 30, 2004 and 2003, respectively.

The Authority has not recorded a liability for the Series 1999 Bonds since it does not have any obligation except for monies due from the State Transportation Trust Fund. As discussed above, all of such monies 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 to be reimbursed as a capital contribution. As of September 30, 2004, the Authority had drawn approximately $35,056,000 of eligible expenditures. The Authority has an available balance of $737 as of September 30, 2004.

4. Deferred capital contribution

In 2001, the State of Florida made an $18,000,000 capital contribution to the Authority for harbor deepening. As the funds are drawn upon for the project, the contribution is then recognized. Approximately $0 and $7,000,000 were recognized as contributions in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended September 30, 2004 and 2003, respectively. As of September 30, 2003, the entire contribution had been drawn upon.

5. Federal contributions

During 2004 and 2003, the Authority received funding in the amount of $4,727,000 from the Transportation Safety Administration and $1,773,000 from the Office of Domestic Preparedness for the purpose of upgrading and constructing capital assets in order to comply with the State of Florida Seaport Security Plan Compliance requirements.

Approximately $2,502,000 and $0 were recognized as contributions in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended September 30, 2004 and 2003, respectively. As of September 30, 2004, the Authority had drawn approximately $298,000 of eligible expenditures. The Authority has an available balance of $6,202,000 as of September 30, 2004.

6.Other capital contributions

The Authority has received additional capital funding, in the amount of $1,375,000, from other state grants. Approximately $811,000 and $104,000 were recognized as contributions in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended September 30, 2004 and 2003, respectively. As of September 30, 2004, the Authority had drawn approximately $677,000 of eligible expenditures. The Authority has an available balance of $698,000 as of September 30, 2004.

KEY STATISTICS

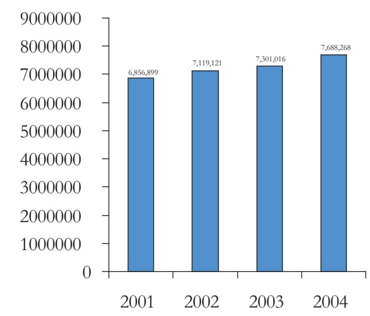
Financial Highlights

[In millions]

	2004	2003
Operating Revenues	$31.0*	$30.3*
Operating Expenses**	$23.0	$17.3
Operating Income**	$ 8.0	$13.0
Debt Service Costs	$ 7.7	$8.2
Depreciation	$15.0	$14.9
Contributions	$ 4.6	$10.7
Net Income/(Loss)	${3.0}	$23.2

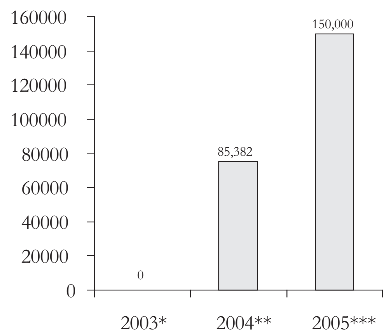
**JAXPORT Record*
***Before depreciation*

JAXPORT Cargo (in tons)



Passengers at JAXPORT

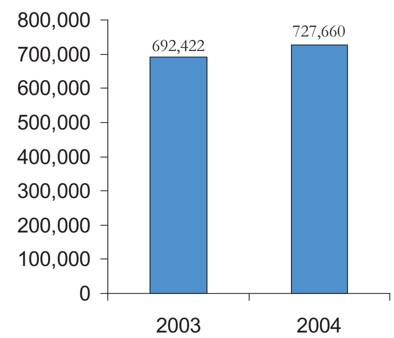
[Number of passengers embarking from JAXPORT]



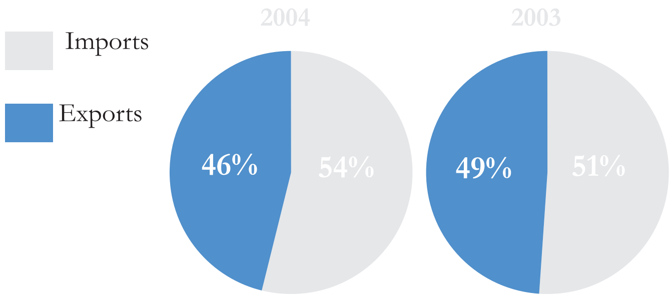
** No cruise service in Jacksonville ** City's first year of cruise service*
**** Projected passengers for city's 2nd year of cruise service*

JAXPORT Container Units

[in TEUs]



JAXPORT Cargo



JAXPORT Tonnage

Fiscal Year 2004, ending September 30
[in metric tons]

CARGO TYPE	2004	2003	CHANGE
Containers	3,927,437	3,751,251	+5.0%
Bulk	1,862,703	1,699,584	+10.0%
Vehicles	1,067,411	1,146,378	-7.0%
Breakbulk	830,717	703,803	+18.0%
TOTAL	**7,688,268**	**7,301,016**	**+5.0%**

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