on target
2005 JAXPORT ANNUAL REPORT


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ABOUT JAXPORT

The Jacksonville Port Authority (JAXPORT) is an independent agency responsible for the development of public seaport facilities in Jacksonville, Florida. JAXPORT owns three cargo terminals and one passenger cruise terminal, all located along the St. Johns River. 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 supports more than 45,000 jobs in the Jacksonville area and creates an economic impact of $2.6 billion annually for Northeast Florida.

OUR VISION

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 major trade lanes throughout the world.

KEY STATISTICS

JAXPORT Tonnage *(In Metric Tons)*

Fiscal Year 2005, ending September 30

Cargo Type	2005	2004	Change
Containers	4,167,382	3,927,437	+6%
Bulk	2,388,706	1,862,703	+30%
Vehicles	1,085,616	1,067,411	+2%
Breakbulk	806,951	830,717	-3%
TOTAL	**8,448,654***	**7,688,268***	**+10%**

**JAXPORT record*

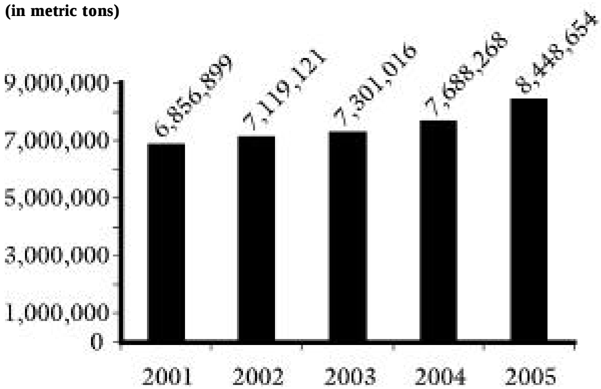
Cruise Passengers

Year	Embarking	Debarking	Total
2003	0	0	0
2004	85,382	85,384	170,736*
2005	138,289	136,834*	275,123*

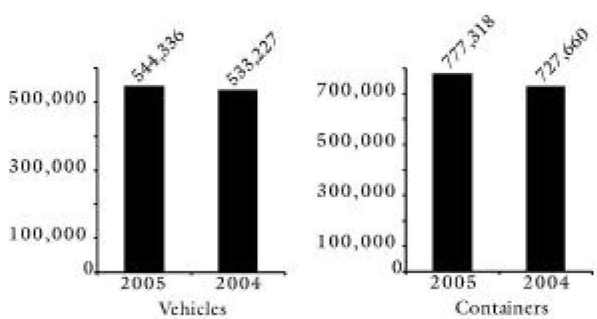
**JAXPORT record*

Cargo Tonnage

(in metric tons)

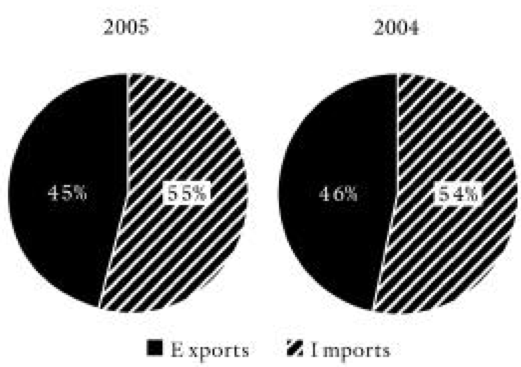


JAXPORT Cargo Units



(Units) **(TEUs, 20-foot equivalent units)**

JAXPORT Cargo



Trading Partners

FINANCIAL HIGHLIGHTS

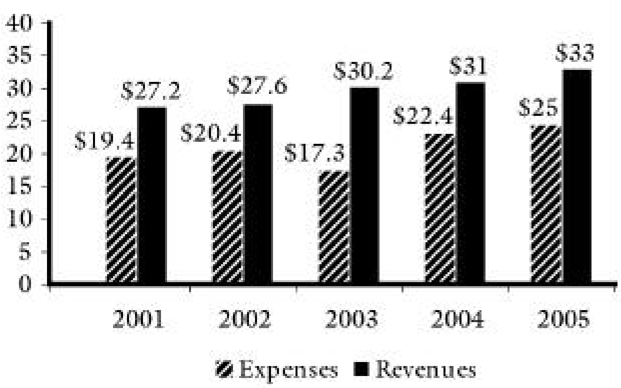
Financial Highlights *(In Millions)*

	2005	2004
Operating Revenues	$33.0	$31.0
Operating Expenses	$25.0	$22.4
Operating Income	$9.1*	$8.6

**Includes $1.1 million insurance refund; excludes depreciation and amortization*

Depreciation	$14.6	$15.0
Capital Contributions	$2.0	$4.6
Debt Service Costs	$7.8	$7.7

Operating Revenue and Operating Expense *(In Millions)*



JAXPORT employee James Baity, a maintenance technician II, drills into the main dock at the Talleyrand Marine Terminal. He is hanging fenders which protect the dock from berthing ships.

YEAR IN REVIEW

The theme of our Annual Report, "On Target," is borne from JAXPORT's strong performance in fiscal year 2005 (ending September 30).

For the second consecutive year, JAXPORT set records for operating revenues, cargo tonnage and cruise passenger traffic -- all strong indicators of our financial and operational health. The year was filled with highlights:

- Financially, JAXPORT earned a record $33 million in operating revenues. This is a six percent increase over fiscal year 2004 (a record $31 million) and marks our sixth consecutive year of revenue growth.

- JAXPORT set an annual tonnage record with more than 8.4 million tons of cargo moving across Port Authority docks, a 10 percent increase over our previous record (7.6 million tons) set last year.

- JAXPORT signed the largest contract in its history: a historic 30-year lease agreement with Mitsui O.S.K. Lines, Ltd., a Tokyo-based logistics and ocean transportation company. The new agreement will provide the city with direct container ship service between Jacksonville and ports throughout Asia and dramatically grow JAXPORT's status as a major container port.

- Year-round cruise service out of Jacksonville remains vibrant. A total of 138,289 passengers embarked from the JAXPORT Cruise Terminal in 2005, a dramatic increase from 85,382 embarkations in 2004.

- In an event that garnered international attention, five cruise ships docked at JAXPORT in February 2005 for SuperBowl XXXIX. The ships served as floating hotels for more than 6,000 people and entertainment venues for thousands more celebrating the NFL's biggest game.

- JAXPORT's Board of Directors conducted an intensive strategic planning session to review Jacksonville's long-term market opportunities within the cruise industry. The event generated terrific discussion internally and from community stakeholders. JAXPORT is now well-positioned to capitalize on its role as one of the nation's newest year-round cruise ports.

This strong performance fuels JAXPORT's ability to fulfill its vision to be a major employment and economic engine for Northeast Florida. Most vividly, our success is a reflection of hard work from our employees and customers, and continued support from our elected leadership and the Jacksonville community. We deeply appreciate your role in our success in 2005 and look forward to an equally rewarding 2006.

2005 BOARD CHAIRMAN
William C. Mason III, Ed.D.

EXECUTIVE DIRECTOR
Frederick R. Ferrin

JAXPORT 2005 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 and have subsequently been reappointed to new four-year terms.

BOARD CHAIRMAN
William C. Mason III, Ed.D.
Florida Community College at Jacksonville,
Vice President of Community and Economic Development

BOARD VICE CHAIRMAN
Ricardo Morales, Jr.
General Contractor

BOARD SECRETARY
Ambassador Marilyn McAfee
Foreign Service Careerist

BOARD TREASURER
Jerry W. Davis
Private Investor

BOARD MEMBER
Thomas P. Jones, Jr.
Private Consultant

BOARD MEMBER
T. Martin Fiorentino, Jr.
President, Fiorentino and Associates

BOARD MEMBER
Tony D. Nelson
President, First Coast Black Business Investment Corp.

2006 Board of Directors

BOARD CHAIRMAN
Jerry W. Davis

BOARD VICE CHAIRMAN
Tony D. Nelson

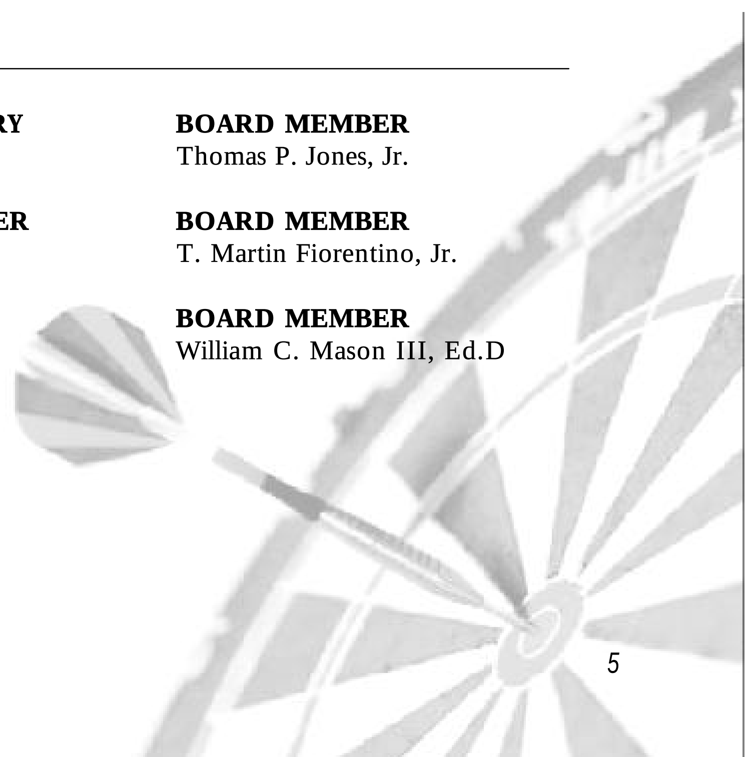
BOARD SECRETARY
Marilyn McAfee

BOARD TREASURER
Ricardo Morales, Jr.

BOARD MEMBER
Thomas P. Jones, Jr.

BOARD MEMBER
T. Martin Fiorentino, Jr.

BOARD MEMBER
William C. Mason III, Ed.D



JAXPORT SENIOR MANAGEMENT TEAM

Rick Ferrin
Executive Director

Ron Baker
Deputy Executive Director and Chief Financial Officer

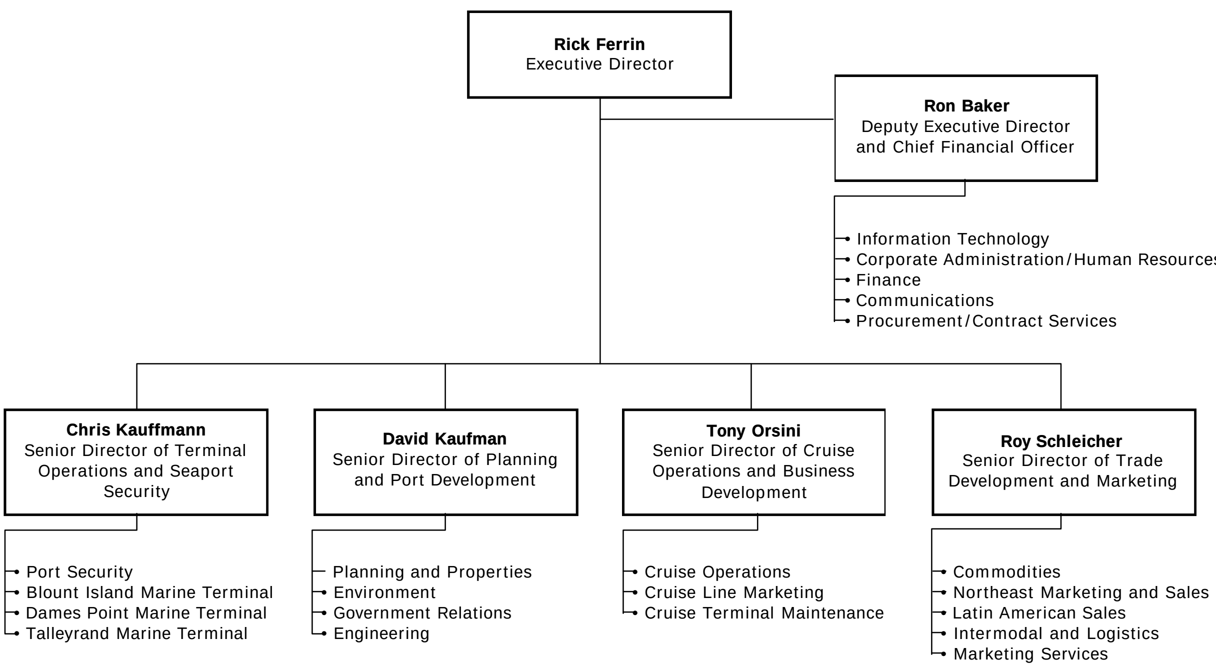
Chris Kauffmann
Senior Director of Terminal Operations and Seaport Security

David Kaufman
Senior Director of Planning and Port Development

Tony Orsini
Senior Director of Cruise Operations and Business Development

Roy Schleicher
Senior Director of Trade Development, Marketing and Customer Service

JAXPORT ORGANIZATIONAL CHART

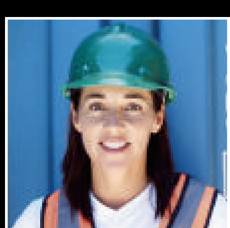


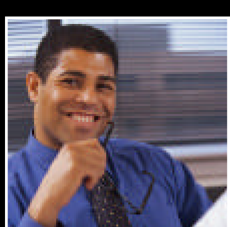

JAXPORT

ECONOMIC IMPACT

JAXPORT's vision is to be a major economic engine for Northeast Florida, a vision already coming to light according to a 2005 study conducted by Martin Associates, a consulting firm based in Lancaster, Pennsylvania. The study reveals the following:

CARGO JOBS
JAXPORT's cargo business generates nearly 45,000 direct and indirect area jobs, everything from longshoremen, truck drivers and warehouse workers to environmental and legal consultants, maintenance workers, and hundreds of similar support positions. Nearly 7,000 of these positions are held by employees of private firms operating directly at port terminals, earning an average annual wage of $45,000. An additional 38,000 jobs are held by area workers throughout Northeast Florida who support those directly employed at port facilities.





CARGO BUSINESS
JAXPORT's cargo business generates $2.6 billion in economic impact annually for the Jacksonville community. This total includes:

- $1.3 billion of personal wages paid by port-related companies and re-spending by workers.
- $743 million in business revenue generated by port-related companies.
- $258 million generated in U.S. Customs revenue.
- $239.1 million in local purchases made by port-related businesses
- $119.3 million paid in state and local taxes by port businesses.

CRUISE IMPACT
JAXPORT's cruise business in 2004 accounted for 406 jobs in Northeast Florida and more than $40 million in economic impact for our community. Jobs created include those at the JAXPORT Cruise Terminal handling luggage, customer service, parking and security, as well as jobs generated in the community to support passengers and crew members, such as ground transportation and hospitality. According to a 2004 study by Orlando-based Fishkind and Associates, Inc., growing Jacksonville's cruise industry to its potential would create more than 2,700 area jobs, as well as generate $1.5 billion in cumulative economic impact over the next 20 years, much of it from passenger and crew spending.

JAXPORT employee Dennis Grundman, a marine welder, works on the engine house of a container crane at JAXPORT's Blount Island Marine Terminal.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CORPORATE HIGHLIGHTS

JAXPORT enjoyed a number of highlights in fiscal year 2005:

- For the second consecutive year, JAXPORT achieved record operating revenues, earning $33 million in 2005, a six percent increase over the record $31 million earned in 2004. This marks JAXPORT's sixth consecutive year of revenue growth. Operating income before depreciation and amortization was $9.1 million.

- Total cargo tonnage in fiscal year 2005 rose to a record 8,448,654 tons, a 10 percent increase over last year's record 7,688,268 tons.

- JAXPORT signed the largest contract it its history: a 30-year lease agreement with Mitsui O.S.K. Lines, Ltd., (MOL) a Tokyo-based logistics and ocean transportation company. The new agreement, which will provide the city with direct container ship service between Jacksonville and ports throughout Asia beginning in late 2007, will create more than 5,000 new direct and indirect jobs, including 1,800 directly at the port.

- A total of 275,123 passengers moved through the JAXPORT cruise terminal (138,829 embarkations and 136,834 debarkations), a 60 percent increase over 2004, JAXPORT's first full year of cruise service.

- JAXPORT successfully hosted five cruise ships during the week of Super Bowl XXXIX in February 2005 -- including four vessels which docked at berths normally used by cargo ships. More than 6,000 visitors stayed on the five ships, which served as floating hotels and entertainment venues.

- U.S. Congress approved plans for the U.S. Army Corps of Engineers to deepen a 5.3 mile section of the St. Johns River's main shipping channel, including the Talleyrand Marine Terminal, from its current depth of 38 feet to 40 feet. Once funding is approved, the project will begin and take about one year to complete. Jacksonville's entire 21-mile shipping channel will then be at a 40-foot depth.

In May 2005, U.S. Secretary of Transportation Norman Minetta toured JAXPORT's Blount Island Marine Terminal, where he met with JAXPORT officials and discussed the port's importance to the economy of Northeast Florida.

CARGO HIGHLIGHTS

JAXPORT facilities recorded their busiest year ever in 2005, handling a record 8,448,654 tons of cargo, a 10 percent increase over last year's record 7,688,268 tons. JAXPORT continues to be the second busiest vehicle handling port and 13th busiest container port in the nation.

In 2005, JAXPORT reported gains in three of its four cargo types: containerized cargo grew six percent to 4.1 million tons; bulk cargoes grew 28 percent to 2.3 million tons; and vehicle cargoes grew two percent to 1.06 million tons. Meanwhile, breakbulk cargoes fell three percent to 806,951 tons. The new tonnage mark includes a record number of containers (measured in 20-foot equivalent units, TEUs), with 777,318 TEUs handled in 2005.

JAXPORT made several significant business announcements in 2005:

- JAXPORT signed the largest contract it its history: a 30-year lease agreement with Mitsui O.S.K. Lines, Ltd., (MOL) a Tokyo-based ocean transportation company. The new agreement will provide the city with direct container ship service between Jacksonville and Asia by 2008.

- JAXPORT was selected as one of only three ports nationwide by Ford Motor Company for the export of the company's Ford GT, while Mitsubishi Motors North America, Inc. announced plans to began importing cars from Japan through JAXPORT.

- JAXPORT approved a new 20-year lease with existing port customer Coastal Maritime Stevedoring, LLC, an agreement which will help Coastal generate 50 new jobs and nearly double the company's leased property at Blount Island.

- Global Stevedoring, an affiliate of ICS Logistics, constructed a 553,000-square foot warehouse at JAXPORT, one the largest such facilities in the South Atlantic.

- The shipping line Wallenius Wilhelmsen has added JAXPORT as a port of call for its new monthly direct service from the United States to the Middle East.

- JAXPORT signed a 20-year lease agreement with Rinker Materials of Florida, which will import a minimum of 866,000 tons of bulk cargo annually through JAXPORT.

Above: Officials with Mitsui OSK Lines (MOL) and its terminal operating arm, TRAPAC, join JAXPORT Board members in August 2005 to break ground on their new terminal at Dames Point. Right: JAXPORT employees Guy Crawford and Art Mansfield, maintenance technicians at JAXPORT's Talleyrand Marine Terminal.


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JAXPORT
JACKSONVILLE PORT AUTHORITY

CRUISE HIGHLIGHTS

Cruise business boomed at JAXPORT in fiscal year 2005.

A total of 275,123 passengers (138,829 embarking and 136,834 debarking) traveled on 86 voyages departing the JAXPORT Cruise Terminal, a 60 percent increase over total passengers in fiscal year 2004, JAXPORT's first full year of cruise service.

The increase is largely attributable to Carnival Cruise Lines initiating year-round service aboard its vessel *Celebration*, which offers four and five-day cruises from Jacksonville to Key West and the Bahamas. Carnival currently is the only cruise line servicing Jacksonville. (Celebrity Cruises, which sailed from Jacksonville through April 2005, also accounted for some of the 275,123 passengers last year.)

Passengers give their cruise experience from JAXPORT high marks. Carnival Cruise Lines' passengers in 2004 rated their embarkation experience at Jacksonville "No. 1" among the company's nine

Carnival Cruise Lines' Celebration docks at the JAXPORT Cruise Terminal in Northeast Jacksonville.

company's nine year-round U.S. cruise ports, based on Carnival's annual "Guest Comment Card" survey. Embarkation teams are ranked in a variety of customer service areas, including professionalism, efficiency and friendliness.

The cruise industry is having a significant impact on the Jacksonville area, accounting for an estimated 406 jobs in Northeast Florida and more than $40 million in economic impact for our community last year. Cruising 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. In addition to year-round homeported service, JAXPORT is now working to grow the number of one-day "port of call" visits by other cruise ships.

SUPER BOWL XXXIX CRUISE SHIPS

Super Bowl XXXIX, held in Jacksonville in February 2005, provided JAXPORT with its biggest operational challenge of the year.

Five cruise ships docked at JAXPORT for the event, serving as floating hotels and entertainment venues for more than 6,000 Super Bowl guests. The ships stayed in port anywhere from one to five days, providing enough hotel space required by the National Football League for Jacksonville to host the game. The "cruise ships as hotels" concept had never been tried before for a Super Bowl.

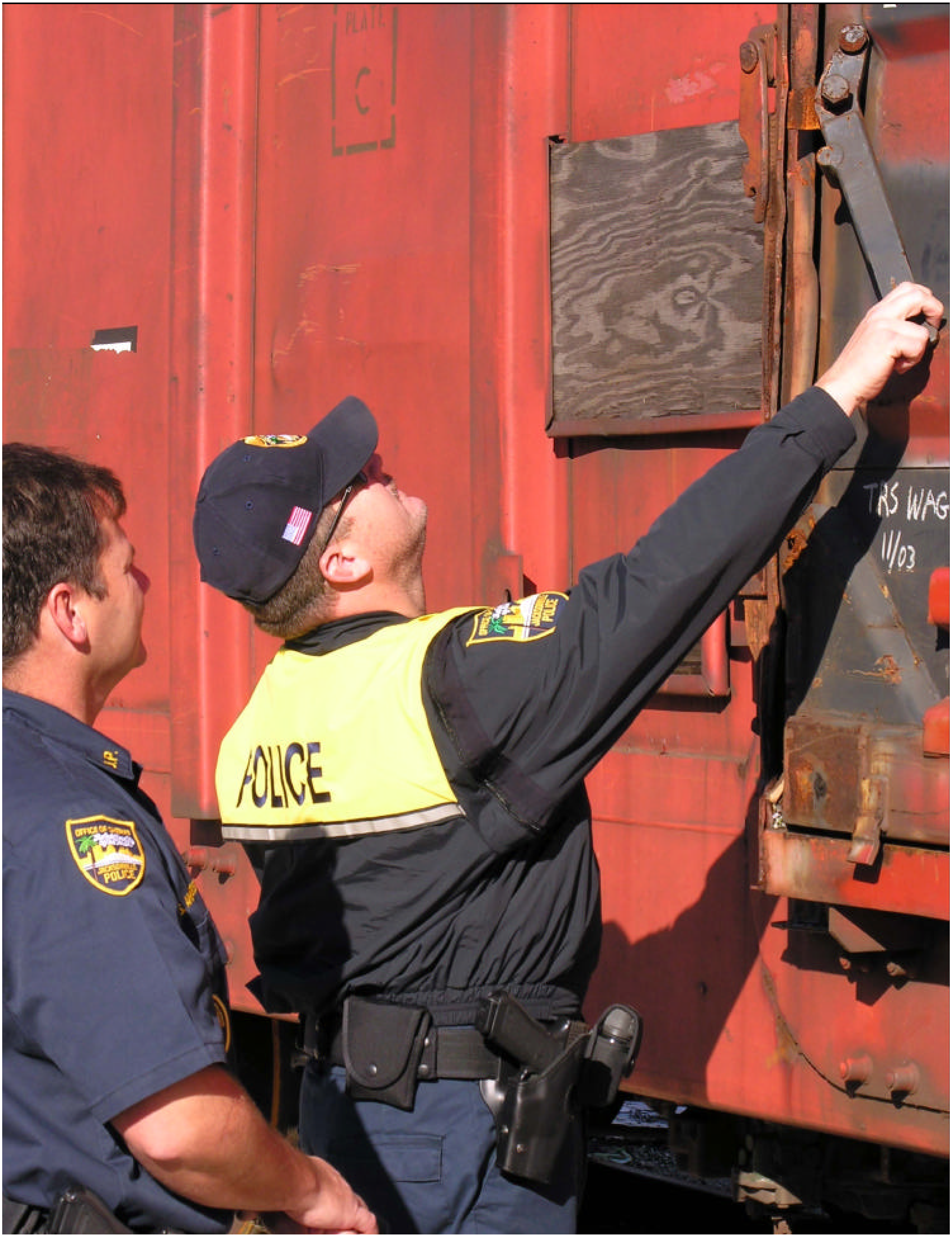
One cruise ship docked at the JAXPORT Cruise Terminal, one vessel docked at a cargo berth at the Blount Island Marine Terminal, and three cruise ships docked at cargo berths at the Talleyrand Marine Terminal (*pictured below*).

By far, the biggest challenge was converting 27 acres at the Talleyrand Marine Terminal -- a 173-acre working cargo port -- into a temporary cruise facility for three Holland America cruise ships. This included building a 31,000-square foot fabric warehouse for use as a temporary cruise terminal, and converting cargo storage areas into parking and ground transportation staging. Two

JAXPORT cargo tenants, Southeast Toyota Distributors and ICS Logistics, graciously agreed to allow their leased property at Talleyrand to be used for this purpose.

It took more than two years of planning, followed by two weeks of intense construction and preparation at Talleyrand to handle the ships, which arrived the Thursday before the game and left the Monday after Super Bowl Sunday. During these four days, more than 6,000 people each day traveled through the temporary cruise terminal. By working closely with affected tenants in advance, disruption to the operations was kept to a minimum. Some cargo ships accelerated their shipments the week or so before Super Bowl, while other cargo was held off until after the game finished and the cruise ships departed. One cargo berth at Talleyrand remained in operation throughout game week, operating even while the cruise ships were at the berth. A wall of empty cargo containers segregated the cruise activity from the cargo operations.

The planning paid off, as operations, security and logistics at all three locations flowed seamlessly, and guests aboard the ships reported very favorably on their experience.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OPERATIONS and SECURITY

JAXPORT employees build, maintain and market some of the nation's finest port facilities. We realize that the quality and availability of our equipment is vital to retaining existing and attracting new business. Today, our container cranes are available an industry-leading 99.7 percent of the time, and vessels of all types rarely wait to be loaded or unloaded, achievements which generate a great deal of pride among JAXPORT employees.

JAXPORT has maintained this high standard of customer service – and handled record tonnage – while simultaneously implementing some of the nation's strictest port security measures. Our comprehensive security program is designed to meet mandates of the "Florida Seaport Security Act" of 2001 and the federal "Maritime Transportation Security Act" (MTSA) of 2002.

All JAXPORT Security Police Forces are under the direction of JAXPORT's Director of Port Security, Chuck White (above).

Examples of enhanced security include:

- In 2005, U.S. Customs and Border Protection unveiled Radiation Portal Monitors at JAXPORT, the first cargo port in Florida and only fourth in the nation to install the new devices. Every truck exiting JAXPORT with a container must now drive through the large monitors, which scan the containers for neutron and gamma radiation, telltale signs of a Weapon of Mass Destruction.
- Jacksonville Sheriff's Officers complement dozens of private security personnel patrolling JAXPORT facilities around the clock.
- JAXPORT has fingerprinted and conducted background checks on more than 11,000 port workers, all of whom are required to carry photo identification badges.
- JAXPORT continues to enhance its physical security to include the construction of a "Vehicle Inspection Station" capable of inspecting commercial and private vehicles in all weather conditions as required by the MTSA. JAXPORT security forces continue to receive state-of-the-art training in antiterrorism, small craft enforcement and related areas, all conducted by the U.S. Department of Homeland Security. JAXPORT continues to solicit federal grants to fund critical and necessary port security infrastructure that will enhance security of JAXPORT and its tenants.

JAXPORT continues to work closely with numerous law enforcement agencies to advance port security. The continuing challenge is to marry efficient operations with enhanced security – and to date, JAXPORT has been right on target.


JAXPORT
Ms.Alissa

GIVING BACK

JAXPORT and its employees support the Jacksonville community through volunteerism and a variety of outreach programs:

- More than a dozen JAXPORT employees now serve as mentors for 2nd grade students at R.L. Brown Elementary School. JAXPORT partnered with Big Brothers Big Sisters of Northeast Florida and Kessler Mentoring Connection to launch JAXPORT's pilot mentoring program in 2005. JAXPORT also hosts interns from local high schools and colleges to give students real-world work experiences.

- During its annual charity drive in 2005, JAXPORT's 140 employees donated more than $33,000 to the United Way of Northeast Florida and Community Health Charities of Florida.

- JAXPORT has worked with the Jacksonville Regional Chamber of Commerce and Duval County Public Schools to establish the city's first Career Academy in International Business at Terry Parker High School in Jacksonville. Students may focus their educational track on hospitality and tourism, international finance or marketing and logistics. Career Academies are "schools within schools" designed to produce skilled, motivated graduates for high-demand career fields in Northeast Florida.

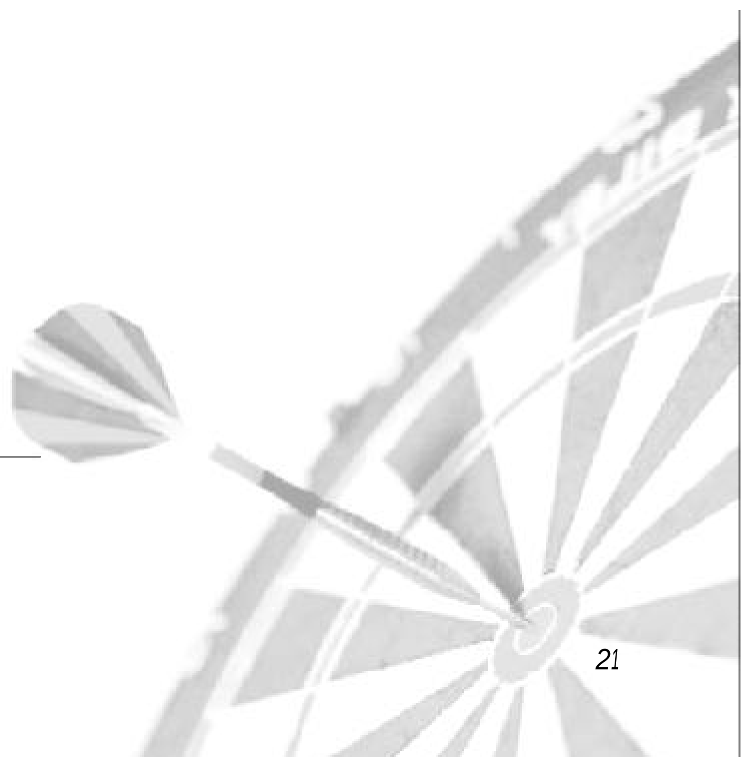
- As part of its environmental awareness program, JAXPORT:

  - Sponsors the City of Jacksonville's Manatee Protection Program, a Jacksonville University effort to gather manatee information and raise awareness among area boaters and residents of these gentle creatures.

  - Helps to fund the Right Whale Early Warning System, a program of aerial surveys of the southeastern U.S. coast to locate and report positions of right whales to passing ships.

  - Supports the Tree Hill Nature Center, a 50-acre nonprofit nature preserve in Jacksonville, specifically the Center's work to educate young people about the importance and environmental sensitivity of the St. Johns River.

Alissa Bowles, JAXPORT's Manager of Audit & Compliance, spends time with Shawndrea, a local student she mentors through Big Brothers Big Sisters of Northeast Florida.



LOOKING AHEAD

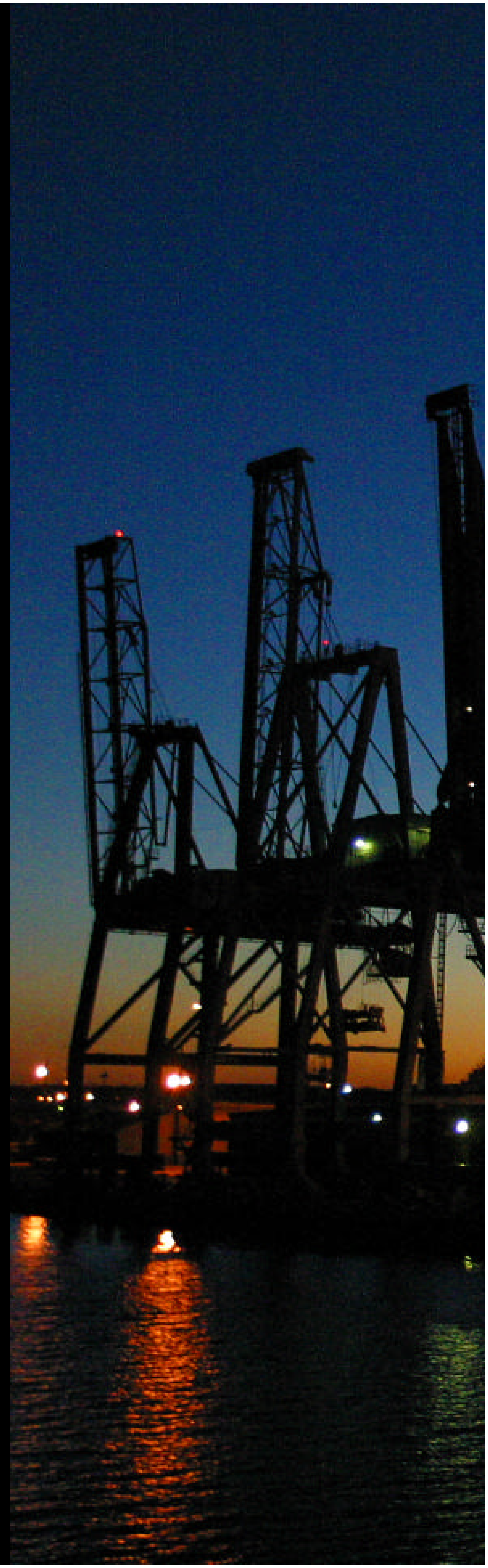
Scanning the horizon, these are among the top strategic initiatives JAXPORT will tackle in 2006 and beyond:

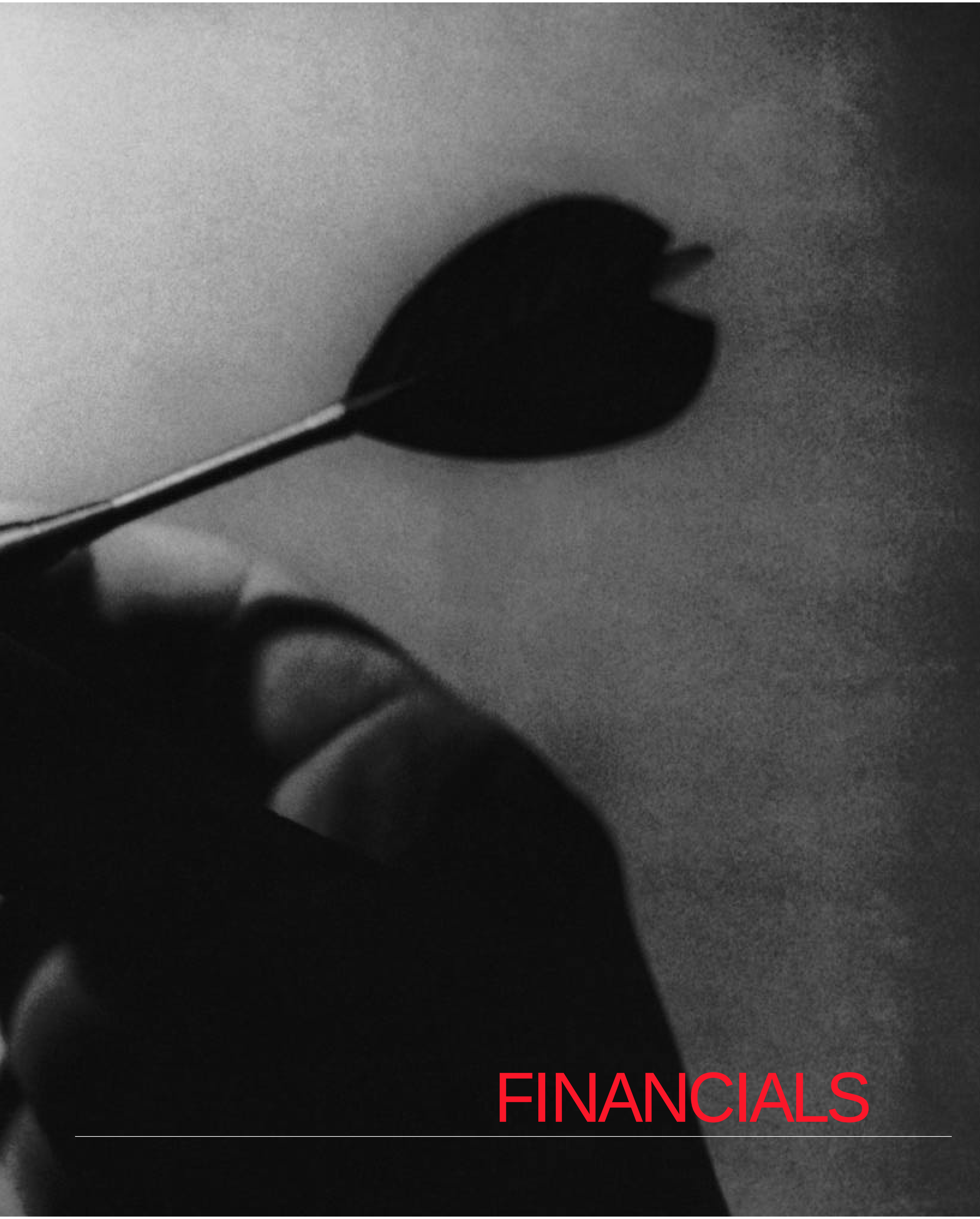
COORDINATE NEW CARGO BUSINESS
By early 2008, Mitsui O.S.K. Lines (MOL) will begin direct container service between Jacksonville and ports throughout Asia. MOL and JAXPORT are now constructing a new cargo-handling facility at JAXPORT's Dames Point Marine Terminal, a $200 million project. JAXPORT also must plan for additional port business from new and existing customers at all JAXPORT facilities.

GROW PASSENGER CRUISE SERVICE
Carnival Cruise Lines now provides year-round service from Jacksonville. JAXPORT is working to attract additional cruise lines to homeport or offer "port of call" visits to Northeast Florida.

ENHANCE PORT SECURITY
For several years, JAXPORT has been enhancing seaport security. Among other steps, JAXPORT has fingerprinted and issued photo identification badges to port workers, installed new video surveillance equipment, and worked with U.S. Customs and Border Protection to install Radiation Portal Monitors. Additional steps will continue to be required to meet evolving challenges surrounding seaport security.

GROW ECONOMIC IMPACT
JAXPORT is working to grow the port's economic impact for Northeast Florida, which today accounts for more than 45,000 area jobs and creates more than $2.6 billion in annual impact. As Jacksonville's cargo and cruise business grows, JAXPORT will continue to fulfill its vision to be a major economic engine for the region.




FINANCIALS

FINANCIALS

INDEPENDENT AUDITOR'S REPORT

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 years ended September 30, 2005 and 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.

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 audits provide a reasonable basis for our opinions.

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, 2005 and 2004, and the changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 28 through 34 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 our report dated December 6, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

December 6, 2005
Melbourne, 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, 2005. 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

2005 vs. 2004

The Authority's total operating revenue for 2005 included operating revenues of $33,020, and a $1,078 insurance premium refund (reported as other operating revenue), for total reported revenue of $34,098. Note: The insurance premium refund pertains to a refund from the City of Jacksonville for overfunded workers compensation and general liability pools. As a result, total operating revenue of $34,098 increased 9.9% compared to $31,014 in the prior fiscal year. Fiscal year 2005 operating expenses (excluding depreciation and amortization) were $25,048, as compared to $22,443 in 2004, an 11.6% increase. Depreciation and amortization expense remained relatively steady. As a result, the Authority's operating loss decreased to $5,502 for the fiscal year ended September 30, 2005 compared to a loss of $6,425 for the previous fiscal year. The Authority recognized net non-operating revenue of $2,210 in fiscal year 2005 compared to net non-operating revenue of $393 in the prior year. 2005 non-operating revenue was positively impacted by a land sale gain of approximately $1 million and increased Shared revenue from primary government. Note: An adjustment to record additional Shared revenue from primary government revised the 2004 amount to reflect an additional $1,108, the result of a calculation error from prior periods. Additionally 2004 Operating expenses were previously overstated by $542, an amount which was subsequently determined to be properly classified as capital. Capital contributions decreased to $2,047 in 2005 from $4,642 in 2004. As a result of the above, the Authority's net assets decreased by $1,245 during fiscal year 2005 compared to a decrease of $1,390 in fiscal year 2004. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2005, the Authority had net assets of $294,795, a decrease of $1,245 from the prior year net assets of $296,040.

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 $22,443 were 29.4% more than the previous fiscal year. Depreciation and amortization expense remained relatively steady. As a result, the Authority's operating loss increased to $6,425 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 revenue of $393 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

$1,390 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 $296,040, a decrease of 1.0% from the prior year net assets of $297,430. Note: As noted above, 2004 results were restated to include additional Shared revenue from primary government of $1,108 and a reversal of a $542 Operating expense.

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

<u>Net Assets</u>

Net assets is a key indicator of an entity's financial position. At September 30, 2005, the Authority's net assets were $294,795, a decrease of $1,245 from the prior year net assets of $296,040. Fiscal year 2004 showed a decrease of $1,390. 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

Net Assets (continued)

restricted for future debt service payments, future capital projects and other purposes.

(In thousands of dollars)	2005	2004	2003
NET ASSETS			
Current assets	$ 27,201	$ 36,245	$ 44,969
Noncurrent assets (excluding capital assets)	11,619	11,084	11,069
Capital assets	355,194	346,312	339,977
Total assets	394,014	393,641	396,015
Current liabilities	18,567	14,168	12,441
Revenue bonds outstanding (net of current portion)	72,287	74,428	76,333
Other noncurrent liabilities	8,365	9,005	9,811
Total liabilities	99,219	97,601	98,585
Net assets			
Invested in capital assets, net of related debt	269,974	256,618	249,752
Restricted for capital projects	-	-	3,600
Restricted for debt service	7,213	6,951	7,393
Restricted - other	212	198	-
Unrestricted	17,396	32,273	36,685
Total net assets	**$ 294,795**	**$ 296,040**	**$ 297,430**

Revenue, Expenses and Changes in Net Assets - 2005 vs. 2004

Operating revenue for fiscal year 2005 were $34,098 as compared to $31,014 in 2004, as detailed below:

	2005	2004	Increase	
Operating Revenue	33,020	31,014	2,006	6.4%
Other operating revenue - insurance prem adj	1,078	-	1,078	n/a
Total operating revenue	**34,098**	**31,014**	**3,084**	9.9%

Operating revenue of $33,020 was an increase of $2,006 (6.4%) over 2004, and was primarily a result of increased Container activity and increased Cruise related revenue. The $1,078 reported as other operating revenue - insurance premium adjustment, pertains to a refund from the City of Jacksonville for overfunded workers compensation and general liability pools. Operating expenses, including depreciation and amortization, for fiscal year 2005 were $39,600, an increase of $2,161 (5.8%) over the prior fiscal year. The largest percentage increases were attributable to Dredging, Security Services, and Repairs and Maintenance expense. As a result, the operating loss for fiscal year 2005 was $5,502, as compared to $6,425 in fiscal year 2004.

In 2005, non-operating revenue was $2,210 compared to non-operating revenue of $393 in 2004. The change is primarily the result of both a land sale gain of approximately $1 million and additional Shared revenue from primary government.

Capital contributions decreased to $2,047 in 2005 from $4,642 in 2004 due to a reduction in available funding and timing of construction projects.

As a result of the items addressed above, the Authority experienced a $1,245 decrease in net assets during fiscal year 2005, as compared to a $1,390 decrease in fiscal year 2004.

Revenue, 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 $37,439, an increase of $5,232 (16.2%) over the prior fiscal year. The largest increases occurred in Salaries & Benefits, Services & Supplies, Security and Dredging. In addition, fiscal year 2003 operating expenses include an Operating 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 $6,425, as compared to $1,914 in fiscal year 2003.

In 2004, non-operating revenues were $393, compared to non-operating expense of $1,619 in 2003. This $2,012 favorable change from prior year was primarily 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.

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 $1,390 decrease in net assets during fiscal year 2004 as compared to the $23,213 increase in fiscal year 2003.

	2005	2004	2003
(In thousands of dollars)			
CHANGES IN NET ASSETS			
Operating revenue	33,020	31,014	30,293
Other operating revenue - insurance premium adj	1,078	-	-
Total operating revenue	34,098	31,014	30,293
Operating expenses	39,600	37,439	32,207
Operating loss	(5,502)	(6,425)	(1,914)
Non-operating revenue (expenses)	2,210	393	(1,619)
Loss before extraordinary items and capital contributions	(3,292)	(6,032)	(3,533)
Extraordinary items	-	-	16,042
Capital contributions	2,047	4,642	10,704
Change in net assets	(1,245)	(1,390)	23,213
NET ASSETS			
Beginning of year	296,040	297,430	274,217
End of year	**294,795**	**296,040**	**297,430**

Cash Flows

2005 vs. 2004

Net cash provided by operating activities was $12,335, a $3,387 increase from 2004. Accounting for the increase was a receipt for prepaid rent (related to a new tenant) of approximately $5,200, offset by anticipated payments to suppliers. Net cash provided by non-capital financing activities was $3,766, a $918 decrease from 2004. This decrease resulted from fewer receipts of Shared revenue from primary government, partly offset by increased grants, namely 2005 FEMA grants for dredging and other hurricane related claims. Net cash used in capital and related financing activities was $28,907, an $8,952 increase from 2004. Planned capital outlay in 2005 for Blount Island tenant relocation stemming from the Government Land sale in late 2003 was the predominant reason for the increase. Net cash provided by investing activities was $131, a $225 decrease from 2004, primarily as 2005 included certain financial commitments related to the Superbowl.

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.

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, 2005 and 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

<u>2005 vs. 2004</u>

The Authority had $355,194, net of accumulated depreciation, invested in capital assets as of September 30, 2005 compared to $346,312 as of September 30, 2004. This investment increased by $8,882 (2.6%) from 2004 mostly due to $21,894 in construction projects including tenant relocation, partially offset by current year depreciation.

<u>2004 vs. 2003</u>

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, mostly due to $21,487 in channel improvements, partially offset by current year depreciation.

Long-Term Debt

<u>2005 vs. 2004</u>

As of September 30, 2005, the Authority had outstanding bonds payable of $74,712 (net of unamortized bond discounts and deferred loss on refunding) and outstanding capital lease obligations of $9,005. Outstanding bonds payable and capital lease obligations decreased by $1,906 and $805, respectively, during fiscal year 2005. This decrease was caused by regularly scheduled principal payments. The Authority exceeded its required minimum debt service ratio for the 2005 Fiscal Year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

STATEMENT OF NET ASSETS

(In thousands of dollars)	2005	2004
Assets		
Current assets		
Unrestricted cash and cash equivalents	$ 10,094	$ 23,010
Due from primary government	3,681	2,200
Accounts receivable, net of allowance of $891 and $855	3,438	2,309
Other receivables	772	56
Grants receivable	3,222	3,070
Inventories and other assets	1,279	1,171
Restricted cash and cash equivalents	4,207	4,052
Other restricted assets	508	377
Total current assets	27,201	36,245
Noncurrent assets		
Dredged soil replacement rights, net	2,085	2,423
Bond issuance costs, net	1,861	1,910
Due from primary government	2,160	1,108
Other noncurrent assets	203	406
Restricted cash and cash equivalents	3,793	3,707
Restricted investments	1,517	1,530
Capital assets, net	355,194	346,312
Total noncurrent assets	366,813	357,396
Total assets	394,014	393,641
Liabilities		
Current liabilities		
Accounts payable	1,925	1,447
Accrued expenses	2,176	2,033
Line of credit	1,983	-
Capital lease obligations	840	805
Accrued interest	2,001	2,055
Deferred revenue	5,237	-
Construction contracts payable	1,317	4,368
Retainage payable	13	704
Other current liabilities	650	566
Current liabilities payable from restricted assets - bonds and notes payable	2,425	2,190
Total current liabilities	18,567	14,168
Noncurrent liabilities		
Insurance reserve	200	-
Bonds and notes payable, net of original issue discount of $2,174 and $2,323 in 2005 and 2004, respectively, and net of deferred loss on refunding of $1,843 and $1,979 in 2005 and 2004, respectively	72,287	74,428
Capital lease obligations	8,165	9,005
Total noncurrent liabilities	80,652	83,433
Total liabilities	99,219	97,601
Net Assets		
Invested in capital assets, net of related debt	269,974	256,618
Restricted for		
Debt Service	7,213	6,951
Other	212	198
Unrestricted	17,396	32,273
Total net assets	$ 294,795	$ 296,040

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(In thousands of dollars)	2005	2004
Operating Revenue		
Operating revenue	$ 33,020	$ 31,014
Other operating revenue - insurance premium adjustment	1,078	-
Total operating revenue	34,098	31,014
Operating Expenses		
Salaries and benefits	11,997	11,543
Services and supplies	3,237	3,002
Security services	3,346	2,873
Business travel and training	214	231
Promotions, advertising, dues and membership	777	738
Utility services	752	867
Repairs and maintenance	1,753	1,485
Dredging	2,897	1,605
Bad debt expense	36	43
Miscellaneous	39	56
Total operating expenses	25,048	22,443
Operating income before depreciation and amortization	9,050	8,571
Depreciation and Amortization Expense	14,552	14,996
Operating loss	(5,502)	(6,425)
Non-operating revenues (expenses)		
Interest expense	(4,809)	(4,801)
Investment income	512	568
Shared revenue from primary government	3,982	3,308
Operating grants	1,874	1,402
Gain (loss) on sale of assets	1,020	(67)
Other	(369)	(17)
Total non-operating revenue	2,210	393
Loss before capital contributions	(3,292)	(6,032)
Capital contributions	2,047	4,642
Change in net assets	(1,245)	(1,390)
Net assets		
Beginning of year	296,040	297,430
End of year	$ 294,795	$ 296,040

STATEMENTS OF CASH FLOWS

(In thousands of dollars)	**2005**	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 36,377	$ 31,057
Reciepts from primary government	427	-
Payments to suppliers	(12,868)	(10,486)
Payments to / for employees	(11,601)	(11,623)
Net cash provided by operating activities	12,335	8,948
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from operating grants	1,466	1,084
Receipts from primary government	2,300	3,600
Net cash provided by noncapital financing activities	3,766	4,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(26,758)	(19,466)
Principal paid on capital debt	(2,995)	(2,787)
Interest paid on capital debt	(4,580)	(4,619)
Proceeds from sale of assets	1,201	567
Proceeds from sale of easements	-	4,322
Contributions-in-aid of construction	2,303	2,028
Short-term borrowings	1,922	-
Net cash used in capital and related financing activities	(28,907)	(19,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	530	597
Purchase of investment securities	(945)	(935)
Proceeds from sale and amturities of investment securities	950	725
Other	(404)	(31)
Net cash provided by investing activities	131	356
Net decrease in cash and cash equivalents	(12,675)	(5,967)
CASH AND CASH EQUIVALENTS		
Beginning of year	30,769	36,736
End of year	18,094	30,769

RECONCILIATION OF OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income before depreciation and amortization	9,050	8,571
Adjustment to reconcile operating income before depreciation and amortization to net cash provided by operating activities		
Provision for uncollectible accounts	36	43
Changes in assets and liabilities:		
Account receivable and other current assets	(2,864)	(150)
Accounts payable, accrued expenses and other current liabilities	613	484
Initial MOL contract payment	5,500	-
Net cash provided by operating activities	12,335	8,948

NOTES TO 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 ("JSA") as successor to the JPA to own and operate the marine facilities and assume the assets and liabilities of the Marine Division Fund. In 2003, the JSA changed its legal name to the Jacksonville Port Authority (the "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, (the "City") 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 revenue and expenses. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation. The principal operating revenue for the Authority's proprietary fund are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Fund structure (continued)

assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Basis of accounting

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

Revenue 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*.

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,

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

<u>6. Unrestricted cash and cash equivalents</u>

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

<u>7. Investments</u>

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

<u>8. Capital assets</u>

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.

Due to the prior industrial uses of Authority property and the suspected risks of contamination, land remediation costs are capitalized as land costs as the instances of contamination are identified and remediated.

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

NOTE - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 cost using the average cost method.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $3,900,000 and $2,200,000 in 2005 and 2004, respectively. In 2005, the Authority also recorded an additional $1,100,000, not included in the above numbers, related to a prior years' calculation correction. The correction included amounts understated for 1997 - 2004 (see Note O).

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 $98,000 in 2005 and $403,000 in 2004. The interlocal agreements were not renewed upon expiration at September 30, 2004; however, the Authority informally agreed to continue providing Information Technology support on a short term basis into 2005. Support services were terminated in mid-2005.

14. Use of estimates

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

NOTE B - 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.

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 replacement of outstanding bonds.

NOTE B - CASH AND INVESTMENTS (continued)

The Authority minimizes its *Custodial Risk* by ensuring 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.

The *Credit Risk* assumed by the Authority on all of its securities / investments held as of September 30, 2005 was AAA, as rated by the S&P.

The composition of securities held by the Authority as of September 30, 2005 poses *Concentration Risk* as both investments exceed the five percent concentration standard established by GASB 40. The Authority's investment policy allows the Authority to invest 100 percent of available funds in Federal Instrumentalities (United States Government sponsored agencies), with a maturity of five years or less.

The Authority has minimal *Interest Rate Risk* as all of its investments have maturity dates of less than one year. The Authority's investment policy requires the Authority to limit its weighted average duration of its portfolio to three years or less.

Schedule of Investments Held:
(In thousands of dollars)

Security Type	Fair Value at September 30, 2004	Purchases	Sales	Change in Fair Value	Fair Value at September 30, 2005	Cost at September 30, 2005
FNMA	950	-	(950)	-	-	-
FHLB	-	945	-	-	945	945
FHLMC	580	-	-	(8)	572	582
Total	$ 1,530	$ 945	$ (950)	$ (8)	$ 1,517	$ 1,527

Interest Rate Risk (Specific Identification Method):
(In thousands of dollars)

Security Type	Fair Value at September 30, 2005	Cost at September 30, 2005	Maturity Date	Fixed Rate of Interest
FHLB	945	945	Feb - 06	2.375%
FHLMC	572	582	Aug-06	2.750%
Total	$ 1,517	$ 1,527		

NOTE C - CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2005 and 2004 was as follows:

2005 *(In thousands of dollars)*	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated				
Land and improvements	$ 105,424	$ 614	$ (180)	$ 105,858
Construction in progress	20,244	21,914	(5,513)	36,645
Total capital assets not being depreciated	125,668	22,528	(5,693)	142,503
Other capital assets				
Buildings	54,541	199	(44)	54,696
Improvements	238,072	3,360	-	241,432
Equipment	73,776	2,391	(4)	76,163
Equipment under capital leases	22,242	-	-	22,242
Total other capital assets at historical cost	388,631	5,950	(48)	394,533
Less accumulated depreciation for:				
Buildings	21,994	1,888	(44)	23,838
Improvements	99,323	8,191	-	107,514
Equipment	42,705	2,929	(3)	45,631
Equipment under capital leases	3,965	894	-	4,859
Total accumulated depreciation	167,987	13,902	(47)	181,842
Other capital assets, net	220,644	(7,952)	(1)	212,691
Capital assets, net	$ 346,312	$ 14,576	$ (5,694)	$ 355,194

2004 *(In thousands of dollars)*	**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

NOTE D - 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, 2005 and 2004:

(In thousands of dollars)	2005	2004
Total interest expense incurred	$ 4,809	$ 4,959
Interest expense associated with construction	-	(158)
Net interest expense incurred	$ 4,809	$ 4,801

NOTE E - 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, 2005, was as follows:

(In thousands)	
2006	$ 10,222
2007	8,560
2008	8,034
2009	7,072
2010	4,776
Thereafter	37,375
	$ 76,039

The Authority receives contingent rentals under certain leases if cargo throughput receipts exceed minimum amounts. Contingent rentals or volume variable amounts of $558,000 and $585,000 were received in 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE F - 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 10.45 percent of senior management, 9.33 percent of deferred retirement option and 7.83 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 5.60 percent of eligible wages in 2005 and 10.18 percent in

NOTE F - PENSION PLANS (continued)

2004. 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 $623,000 and $666,000 for the years ended September 30, 2005 and 2004, respectively.

NOTE G - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan (the "457 Plan") created in accordance with IRS Code Section 457. The 457 Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus the assets and liabilities relating to the 457 Plan are not reflected on the Authority's balance sheet. The market value of the 457 Plan's investments was $3,074,000 and $2,742,000 as of September 30, 2005 and 2004, 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 $508,000 and $377,000 as of September 30, 2005 and 2004, respectively.

NOTE H - 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. Workers Compensation and General Liability insurance premiums amounted to $245,000 and $281,000 for the years ended September 30, 2005 and 2004, respectively.

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 $175,000 and $194,000 for the years ended September 30, 2005 and 2004, respectively.

As a part of the Authority's risk management program, certain commercial insurance policies are

NOTE H - RISK MANAGEMENT(continued)

purchased to cover designated exposures and potential loss situations.

NOTE I - LINE OF CREDIT

On August 30 2005, the Authority established a three-year, $25,000,000 Line of Credit Revenue Note with SunTrust Bank. Upon completion of the three-year initial term, the Authority has a two-year Term-Out period available. Interest is due semi-annually, while principal is due at the end of the three-year initial term unless the Authority elects the two-year Term-Out period, in which case principal will be due semi-annually. The Authority's draws are eligible for three different variable interest rates; AMT, Qualified or Taxable. During the three-year initial term, the AMT rate is 77% of the LIBOR Rate plus 12.6 basis points, the Qualified rate is 66% of the LIBOR Rate plus 14.7 basis points and the Taxable rate is the LIBOR Rate plus 26.4 basis points. During the two-year Term-Out period, the AMT rate is 77% of the LIBOR Rate plus 37.3 basis points, the Qualified rate is 66% of the LIBOR Rate plus 35.7 basis points and the Taxable rate is the LIBOR Rate plus 59 basis points. The purpose of the Line of Credit is to provide short term funding associated with the Authority's capital development plan. During the fiscal year ended September 30, 2005, the Authority made Taxable draws of $1,983,000. These borrowings are recorded as current liabilities, as the Authority may choose to pay all outstanding balances at its discretion.

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

Noncurrent liability activity for the years ended September 30, 2005 and 2004 was as follows:

	2005				
(In thousands of dollars)	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Amounts Due Within One Year**
Bonds payable, notes payable and capital leases					
Revenue bonds	$ 22,305	$ -	$ (890)	$ 21,415	$ 1,045
Revenue refunding bonds	58,615	-	(1,301)	57,314	1,380
Capital leases	9,810	-	(805)	9,005	840
	90,730	-	(2,996)	87,734	3,265
Less original issue discounts and deferred loss on refunding	(4,302)	-	285	(4,017)	-
Total noncurrent liabilities	$ 86,428	$ -	$ (2,711)	$ 83,717	$ 3,265

NOTE J - LONG-TERM DEBT, CAPITAL LEASES AND OTHER NONCURRENT LIABILITIES (continued)

(In thousands of dollars)	2004 Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
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	850
	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

Long-term debt and capital leases at September 30, 2005 and 2004 consisted of the following:

(In thousands of dollars)	2005	2004
Revenue Bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$ 21,415	$ 22,305
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%.	57,314	58,615
Subordinated Equipment Lease-Purchase Agreement, Series 199-A, with semi-annual principal and interest payments through 2014, with interest at an annual rate of 4.27%.	9,005	9,810
	87,734	90,730
Less current portion	3,265	2,995
	$ 84,469	$ 87,735

NOTE J - LONG-TERM DEBT, CAPITAL LEASES AND OTHER NONCURRENT LIABILITIES (continued)

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 no unspent proceeds as of September 30, 2005 or 2004.

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 as of September 30, 2005 was as follows:

(In thousands)	Interest	Principal
Years ending		
2006	$ 4,340	$ 2,425
2007	4,212	2,555
2008	4,074	2,700
2009	3,926	2,850
2010	3,737	3,905
Thereafter	28,056	64,294
	$ 48,345	$ 78,729

NOTE J - LONG-TERM DEBT, CAPITAL LEASES AND OTHER NONCURRENT LIABILITIES (continued)

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, 2005:

(In thousands)	
Years ending	
2006	$ 1,216
2007	1,216
2008	1,216
2009	1,215
2010	1,215
Thereafter	4,862
Total minimum lease payments	10,940
Less: Amount representing interest	1,935
Present value of minimum lease payments	$ 9,005

2. Advance refunding of revenue bonds

The Authority defeased its Revenue Bond, series 1993, 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.

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, 2005 and 2004 were as follows:

	2005		**2004**	
	Principal Balance	**Investment Balance With Escrow Agent**	**Principal Balance**	**Investment Balance With Escrow Agent**
(In thousands of dollars)				
Revenue Bonds, Series 2000	$ 14,935	$ 16,113	$ 15,550	$ 16,973

NOTE K - 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, 2005, the underlying swap had a negative fair value of $2,321,967, 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 L - OPERATING GRANTS

In 2005, the Authority recorded $1,874,000 of operating grants. The largest portion of which were Federal Emergency Management Agency (FEMA) grants, totaling $1,516,000. These grants all pertain to the 2004 hurricane season (Charley and Frances), and include $1,349,000 of dredging-related funding. The remaining operating grants recorded in 2005 were related to Security Operations.

In 2004, the Authority recorded $1,402,000 of operating grants, all of which pertained to Security Operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

At September 30, 2005 and 2004, the Authority had commitments for purchases of equipment and future construction work of approximately $2,238,000 and $11,059,000, respectively.

The Authority owns over 175 acres of property at the Talleyrand Marine Terminal, property which historically has had varying types of industrial activity. Environmental testing of both terminal and adjoining properties is conducted periodically. At present, The Authority has no known exposure or specific findings which would indicate potential liability.

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's 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.

NOTE N - CAPITAL CONTRIBUTIONS (continued)

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 $0 and $1,328,000 were recognized as contributions in the Statements of Revenue, Expenses and Changes in Net Assets for the years ended September 30, 2005 and 2004, 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. The Authority has utilized all of the $50,479,000 of eligible expenditures.

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.

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, 2005, the Authority had drawn approximately $35,057,000 of eligible expenditures. The Authority currently maintains a nominal active account balance in the event funds are reallocated.

NOTE N - CAPITAL CONTRIBUTIONS (continued)

4. Federal contributions

In 2005, The Authority received $268,000 of US HUD funds designated for property development. Prior to 2005, 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 $2,053,000 and $2,502,000 were recognized as contributions in the Statements of Revenue, Expenses and Changes in Net Assets for the years ended September 30, 2005 and 2004, respectively. As of September 30, 2005, the Authority had drawn approximately $2,184,000 of eligible expenditures. The Authority has an available balance of $4,584,000 as of September 30, 2005.

5. Other capital contributions

The Authority has received additional capital funding, in the amount of $3,670,000, from other state grants. Approximately $0 and $811,000 were recognized as contributions in the Statements of Revenue, Expenses and Changes in Net Assets for the years ended September 30, 2005 and 2004, respectively. As of September 30, 2005, the Authority had drawn approximately $1,170,000 of eligible expenditures. The Authority has an available balance of $2,500,000 as of September 30, 2005.

NOTE O - PRIOR YEAR RESTATEMENT

In 2005, a $1,108,000 calculation error was discovered which had resulted in understating Shared revenue from primary government for the periods 1997 through 2004. The most significant year was 2004, which comprised $677,000 of the total. The 2004 Shared revenue from primary government and Due from primary government accounts have been restated to reflect the increased amount due from the City of Jacksonville.

Additionally, 2004 amounts have been restated by approximately $542,000 due to the reversal of estimated land remediation expenditures recorded in error. This decrease has been reflected in the Statement of Revenues, Expenses and Changes in Net Assets in the Services and supplies and related accrued expenses accounts.

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