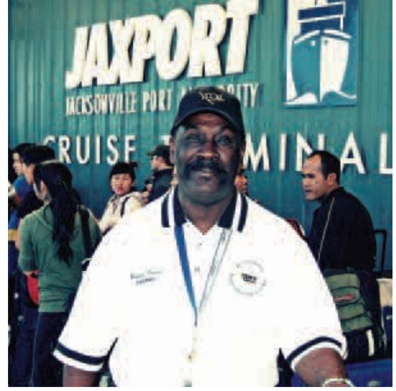
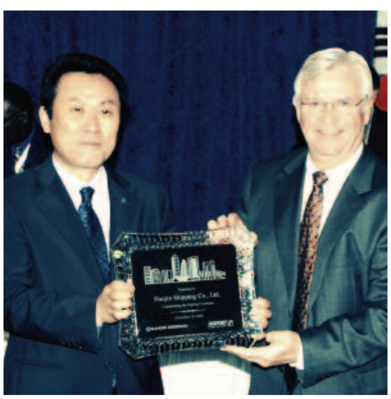




JAXPORT

2009 Annual Report

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 facilities (the Blount Island Marine Terminal, the Talleyrand Marine Terminal, and the Dames Point Marine Terminal), the JAXPORT Cruise Terminal, and the St. Johns River Ferry.

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 all major trade lanes throughout the world.

Our Mission

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.

A message from JAXPORT

As 2009 came to a close, JAXPORT joined the rest of the nation in hoping for a steadier year to come. However, it is with great satisfaction that we point out the diversity of cargo, the new business and the careful planning that resulted in a smoother ride for the port — and the community — through these tumultuous times.

William C. Mason, Ed.D.
2009 Chairman of the Board

JAXPORT earned $47.3 million in operating revenues in FY 2009, a nearly 12 percent increase over FY 2008, and the port's ninth consecutive year of record revenues. Even in this uncertain climate, we also saw a rise in operating income thanks to new container business. In addition, we instituted cost-saving measures at the first sign of distress helping us to finish FY 2009 just about where we had planned.

Frederick R. Ferrin
Chief Executive Officer

We also made history in 2009 with the opening of our new TraPac Container Terminal at Dames Point, Jacksonville's first direct shipping connection with Asia. The new terminal doubled JAXPORT's capacity to handle containerized cargo. There is no doubt this link with Asian and European markets will mean strong gains for us in the future. TraPac, along with other new container business, boosted JAXPORT containerized cargo volumes at a time when most U.S. ports suffered double digit drops. Now, JAXPORT is working diligently toward construction of a terminal for Hanjin Shipping Company of Korea. Hanjin remains bullish on plans to make Jacksonville its first East Coast hub, bringing increased employment opportunities to North Florida.

And yet more good news as our single homeported cruise ship, *Carnival Fascination*, attracted a record-setting number of passengers in FY 2009. Nearly 186,000 vacationers enjoyed a trip aboard the *Fascination* last year and 2010 is on track to be another record year for JAXPORT's cruise business.

All of this means we are fulfilling our mission to be a powerful generator of economic benefit for the region. Indeed, renowned maritime research firm Martin Associates confirmed that in 2009 more than 65,000 people are employed in positions either dependent or related to port activities, up a whopping 35 percent in the last five years alone.

There are challenges on the horizon. Just ahead is a critical project to deepen our harbor, a decision on how to best preserve our growing, thriving cruise business, and a need for funds to invest in our infrastructure so it will continue to provide economic opportunities for decades to come. We stand ready to meet these challenges with your support.

We are pleased to present you with the information in these pages and proud to represent an organization that means so much to the present and future success of our community.

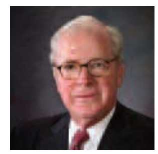
Board of Directors

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


Mason


Kulik


R. Gaffney


Fowler


Morales


Busey


Vinyard


J. Gaffney

JAXPORT 2009 Board of Directors

Board Chairman
William C. Mason, Ed.D.

Board Vice-Chairman
David G. Kulik

Board Secretary
Reginald Gaffney

Board Treasurer
L. Buck Fowler

Board Member
Ricardo Morales, Jr.

Board Member
Stephen D. Busey

Board Member
Herschel Vinyard, Jr.

City Council Board Liaison
Dr. Johnny Gaffney

2010 Board of Directors

Board Chairman
David G. Kulik

Board Vice-Chairman
L. Buck Fowler

Board Secretary
Reginald Gaffney

Board Treasurer
Herschel Vinyard, Jr.

Board Member
Stephen D. Busey

Board Member
James P. Citrano

Board Member
Joe York

City Council Board Liasion
Daniel Davis

Financial Health

JAXPORT earned $47.3 million in operating revenues in FY 2009, a nearly 12 percent increase over FY 2008 ($42.4 million) and the port's ninth consecutive year of record revenues. Operating expenses increased to $33 million, up from $30 million the previous year. At the same time, operating income rose to $14.3 million from $12 million in FY 2008 due to new JAXPORT business.

These financial results reflect JAXPORT's mixed year operationally. While total cargo shipped through JAXPORT facilities fell to 7,281,963 from 8,395,510 tons in FY2008, JAXPORT's cruise business set an all-time record for passenger totals. A record 185,434 people departed through JAXPORT's cruise terminal aboard the *Carnival Fascination*, the largest number of embarkations during JAXPORT's six years of cruise service.

In 2009, Moody's Investors Service assigned JAXPORT a financial rating of "A2" while Fitch Ratings assigned JAXPORT a rating of "A." Both agencies noted JAXPORT's competitive position as a container port, its status as one of the nation's largest vehicle processing centers, and its diverse revenue streams supported by long-term contracts with private tenants.

JAXPORT has budgeted $70 million for capital projects in FY 2010. This includes replacement of the two container cranes at Blount Island, initial costs related to the planned container terminal for Korea's Hanjin Shipping Company, Ltd., a railroad rehabilitation project at Blount Island, facilities rehabilitation projects at both Blount Island and Talleyrand Marine Terminals and the completion of the 40' harbor deepening project.

In 2009, JAXPORT successfully applied for and acquired competitive state and federal grant funding. More than $10 million was awarded to JAXPORT for capital improvement projects, which included an upgrade to Blount Island's 40-year-old rail system as well as the installation of a new hydraulic gantry ramp for the St. Johns River Ferry.


HORNBLOWER
MARINE-SERVICES
Pam

Economic Engine

There is no denying that JAXPORT is a crucial component of the area's present economic vitality and future growth. According to figures released in 2009 by the Pennsylvania-based consulting firm Martin Associates, Jacksonville's seaport generates the following impact:

Nearly 65,000 direct and indirect area jobs: everything from longshoremen, truck drivers and warehouse workers to engineering specialists, legal consultants, maintenance workers and hundreds of similar support positions. In Jacksonville alone, nearly 23,000 people are employed in port-dependent positions, jobs directly relying on the port. An additional 43,000 positions are related to cargo activity in the Port of Jacksonville; these are jobs within the region's manufacturing, retail, wholesale and distribution industries.

The latest research concludes these positions provide an average annual salary of $43,980, well above the Jacksonville average of $27,215 as cited by the Jacksonville Regional Chamber of Commerce.

The port accounts for $19 billion in economic impact annually, including $1.8 billion of personal wages paid by port-related companies and re-spending by workers; $1.9 billion in business revenue generated by port-related companies; $320 million generated in U.S. Customs revenue; $385 million in local purchases made by port-related businesses; and $130 million paid in state and local taxes by port businesses.

The 2009 Martin Associates study further shows that the cruise industry supports more than 460 jobs in Northeast Florida and more than $67 million in annual economic impact. Jobs at the JAXPORT Cruise Terminal include those 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.

In addition, the opening of the TraPac Container Terminal at Dames Point and the planned new terminal for Hanjin Shipping Co. have spurred demand for commercial real estate and warehouse space. Citing Jacksonville's outstanding intermodal connections and worldwide ocean carrier services, several companies have opened new warehousing and distribution center facilities in Jacksonville.

Cargo Highlights

In FY 2009, JAXPORT facilities handled 7,281,963 tons of cargo, a 13 percent drop from FY 2008 when JAXPORT handled 8,395,510 tons of cargo. While most U.S. container ports suffered volume losses during the same period, JAXPORT experienced an increase in container cargo tonnage. Containerized cargoes — primarily consumer goods — grew by eight percent to 3.9 million tons over FY 2008's figure of 3.6 million tons. Translated into twenty-foot equivalent units (TEUs), JAXPORT's container traffic for FY 2009 was just under 755,000 TEUs, up from 697,000 in FY 2008. The increase was largely due to new container business at JAXPORT's Dames Point and Blount Island terminals. JAXPORT remains the nation's 12th busiest container port.

JAXPORT also remains the second busiest vehicle handling port in the U.S. despite a 36 percent decline in the last fiscal year. The shipment of vehicles and other Ro/Ro cargoes – primarily passenger cars, trucks and heavy equipment – fell from an all-time high in 2008 of 656,805 units to 419,691 units in FY 2009. Bulk cargoes – including crushed limestone and other aggregates – also fell 31 percent to 1.7 million tons from 2.5 million tons and breakbulk cargoes – which include lumber, paper, steel, poultry and other non-containerized commodities – declined 19 percent to 775,000 tons.


MSC


LIBERTY ACE


COMBI


MOL


FASCINATION

Cruise Highlights

In FY 2009, JAXPORT's sixth year in the cruise business, 185,454 passengers embarked aboard Carnival Cruise Line's *Fascination*, a JAXPORT cruise terminal record. During the previous fiscal year, Carnival affirmed its commitment to Jacksonville as a home port by replacing the smaller *Celebration* with the newer, larger *Carnival Fascination*. The *Fascination* carries 2,052 passengers, a 38 percent increase in capacity over the *Celebration*.

The *Fascination* took a total of 78 voyages out of JAXPORT's temporary cruise terminal at Dames Point in FY 2009. The *Fascination* currently offers four- and five-day cruises to Key West and the Bahamas year-round. The ship recently underwent a multimillion dollar refurbishment adding balconied staterooms and other new amenities.

Passengers continue to enjoy their cruise experience at JAXPORT with a total of 95 percent of those surveyed saying they would consider choosing Jacksonville again for their next cruise departure. In recent years, Carnival awarded JAXPORT's Cruise Terminal Embarkation Team highest honors in its Quality Assurance Inspection Program. The same team has earned top honors in the company's annual guest comment card survey.

Community

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

Here are just some of the programs JAXPORT sponsored or participated in during FY 2009.

Environment
- Greenscape of Jacksonville's Root Ball and Annual Tree Sale
- Tree Hill Nature Center's environmental programs, including the Butterfly Festival
- Right Whale Protection and Ship Recognition Program; Right Whale Festival

Jobs / Workforce / Education
- The jaxportjobs.com website serving 92,000+ registered users and 220 companies
- Statewide partner for the Employ Florida Banner Center for Logistics and Distribution
- Duval, Baker, Columbia and St. John's County Public Schools "Career Academies"
- Mentoring program at R.L. Brown Elementary School
- JAXPORT/South Atlantic Caribbean Ports Association Annual UNF College Scholarship
- Economics–Destination JAXPORT, a support curriculum for Duval County Public High Schools

Small Business
- International Trade Certificate Programs and Education
- Florida Black Expo and Minority Business Outreach
- Minority Enterprise Development Week
- Asian, Puerto Rican, Indian, Hispanic, Brazilian and African-American Chambers and Alliances

Community
- JAXPORT's 150+ employees contributed over $30,000 to the United Way of Northeast Florida and the Community Health Charities' 2009 Campaign
- Hands-on Jacksonville's "Visit from St. Nick" providing books and toys to children
- Angel Tree of Giving, Heart for Children and other Talleyrand District Christmas events
- Safe Harbor Boys Home


JAXPORT


Right Whale
2009/2010
PORT OF JACKSONVILLE GREEN FLAG PROGRAM
JAXPORT

Future

JAXPORT made history in 2009 with the opening of the TraPac Container Terminal at Dames Point, but there's much more progress to come.

DEEPEN THE ST. JOHNS RIVER
Work is underway to complete the deepening of a 5.3 mile section of the St. Johns River's main shipping channel from its current depth of 38 feet to 40 feet, bringing Jacksonville's entire 21-mile shipping channel to a uniform depth. In addition, JAXPORT is currently awaiting a report from the federal government on the potential for additional deepening, a crucial component in the plan to attract future seaport business.

DEVELOPMENT OF THE HANJIN CONTAINER TERMINAL
Efforts continue on design/construction of the Hanjin Container Terminal at Dames Point. The agreement with Hanjin Shipping Co. of South Korea for the 90-acre, $300 million terminal marks JAXPORT's ascent into the top tier of U.S. seaports. Hanjin and JAXPORT's TraPac terminal together will triple JAXPORT's current container handling capability.

CONSTRUCTION OF A NEW CRUISE TERMINAL
JAXPORT's current Heckscher Drive cruise terminal has already attracted hundreds of thousands of passengers and the newly refurbished *Carnival Fascination* is poised to help JAXPORT continue to set embarkation records. However, height restrictions posed by the Dames Point Bridge mean the terminal must move. JAXPORT's Board of Directors soon plans to address the possibility of relocating the terminal, allowing Jacksonville to continue to benefit from a growing, thriving tourism-based industry.

ENHANCEMENT OF PORT SECURITY
JAXPORT was one of the first ports in the nation to implement the Federal Transportation Worker Identification Credential and the system is now fully operational at all port facilities. JAXPORT's security force is in the process of enhancing command and control capability by developing and installing a Mass Notification System. This advanced communication system will support all facilities providing the real-time critical information necessary to manage emergency situations.

CONTINUE EXPANSION OF FOREIGN TRADE ZONE #64
JAXPORT is currently pursuing designation of its Foreign Trade Zone under a newly established federal program called "Alternative Site Framework." This will give JAXPORT more flexibility in the management of FTZ approved land and allow inclusion of Nassau, Baker, St. Johns and Clay counties in the service area, the first time sites outside of Duval County would be activated. The new magnet location in Duval County will be the city-owned Cecil Commerce Center. These new sites will help attract new manufacturing and distribution operations to the region.

Jacksonville Port Authority
Annual Financial Report
For the Year Ended September 30, 2009 and 2008

Independent Auditor's Report

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

We have audited the accompanying basic 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, 2009. 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 for the year ended September 30, 2008, before they were restated for the matter discussed in Note O to the financial statements, were audited by other auditors whose report, dated January 14, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 business-type activities of the Jacksonville Port Authority as of September 30, 2009, and the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note O of the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 49 related to accounting for pollution remediation activities. We audited the adjustments necessary to restate the 2008 financial statements as disclosed in Note O. In our opinion, such adjustments are appropriate and have been properly applied.

The management's discussion and analysis ("MD&A") is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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.

Our audit was conducted for the purpose of forming an opinion on the Authority's 2009 basic financial statements. The accompanying reconciliation of revenue recognition is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Jacksonville Port Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Melbourne, Florida
January 20, 2010

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, 2009. 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

As with the other seaports nationally and internationally, the Authority experienced challenging times from a cargo perspective. While some revenue lines were down, others were flat, yet others were higher when compared to the prior year. Due to the opening of our new TraPac container terminal and the strong demand for cruise activity, our total revenues exceeded our prior year numbers. We were one of the few ports which experienced an increase in container/TEU activity. Cruise passengers reached their highest levels ever at Jaxport. Overall tonnage numbers were down, however, due to a diversified cargo base, a negative revenue impact was not observed. Our cargoes consist of containers, automobiles, breakbulk, liquid bulk, dry bulk aggregates, military, and cruise. In FY 2009, the Authority continued to expand its terminal operations footprint, grow its core lines of business, and enhance its role as an economic engine to both Jacksonville and North Florida economies. Significant accomplishments in the past five years include:

- Diversification of its revenue base through the addition of cruise business, the addition of a new major dry bulk aggregate tenant, and a newly completed $235 million container terminal, while retaining core business lines in a challenging economy. 2009 revenues are a record $47.3 million.

- Operates as the: #2 U.S. east coast port for vehicle handling; #1 U.S. port for Puerto Rico trade (by tonnage and value); #12 U.S. port for container handling.

- Enhanced cruise business, with an upgrade to a larger capacity fantasy class vessel (the Carnival Fascination). The newer vessel has capacity of over two-thousand passengers, and establishes Jacksonville as an attractive location for future cruise business growth. This vessel routinely embarked at 110% capacity and set a Jaxport record for passengers.

- Executed leases with tenants who process vehicles.

- Completed the 158 acre $235 million Mitsui OSK Lines (MOL) terminal in 2009 (along with a 30-year lease commitment).

- Additionally, to further expand its east-west shipping patterns, the Authority executed in early 2009, a 30 year contract with the South Korean shipping line, Hanjin Shipping Co., for the development of a new terminal to be operational in 2012.

- The Authority continues to maintain its strong credit rating with Moody's Investors Services and Fitch with a rating of "A2" and "A" respectively.

Further discussion of the Authority's performance is contained in the following comparative financial statements and related management's discussion and analysis.

2009 vs. 2008

Operating Revenues for 2009 were $47,344 up $4,981 (11.8%) from 2008. Revenue categories showing significant increases in 2009 were containers, up $3,728 (20.9%) and cruise revenues, up $2,292 (157%). Container revenue increases were largely the result of the completion and opening of the MOL terminal, which became fully operational in January 2009. Cruise revenue growth was related to the larger capacity fantasy class vessel, the Fascination, being in service for the full year in 2009. Military revenue increased $400 (37%) over prior year. Revenue categories showing declines included autos, which was down $926 (7.2%), reflective of a slowing economy in 2009. Other less notable declines were in break bulk, down $199 (5.2%) and liquid bulk, down $116 (13.6%).

Operating expenses for 2009, less depreciation and amortization, were $33,031, an increase of $2,687 (8.9%) over prior year. Most notable was dredging expenses of $3,377, up $2,276 over prior year, primarily weather related dredging. Other less significant expense categories showing increases were salaries, up $306 (2.3%), security services, up $414 (9.1%), and stormwater fees, up $399 (last year's fees had only been in effect three months). Expense categories showing declines were services and supplies, down $839 (13.2%), primarily from reduced fuel costs, and promotions and advertising costs down $209 (23%), reflecting spending cut backs in 2009. As a result of the above, operating income before depreciation and amortization was $14,313, an increase of $2,294 (19%) over prior year.

Net non-operating revenues/(expenses) in 2009 were $10,297, compared to ($16,996) a year ago. Favorable in 2009 was an insurance recovery of $15,989, which compared to $1,182 in 2008. The largest part of the claim was recorded in 2009, as the Authority proceeded with plans to record the claim at replacement cost. The claim involves two fully impaired cranes damaged by a wind burst in late fiscal year 2008. Also in 2009 was a reduced settlement adjustment $3.9 million for eminent domain legal costs, previously accrued in 2008 at an estimated expense of $10.5 million. 2008 also included other costs totaling $4 million relating to eminent domain. Shared revenue from primary government was $2,716 as compared to $2,344 in 2008. Interest expense in 2009 was $12,518, as compared to $6,437 in 2008, an increase of $6,081, reflective of increased debt servicing cost in 2009 related to the MOL terminal expansion and other capital infrastructure.

Capital contributions in 2009 were $5,008, compared to $29,676 in 2008. Approximately $10.5 million of capital contributions in 2009 are classified as non-current liabilities associated with asset (road) improvements constructed for other agencies, discussed more fully in Note P of the notes to the financial statements. At close of fiscal year 2009, the Authority had net assets of $301,438, an increase of $7,845 compared to prior year net assets of $293,593.

2008 vs. 2007

The Authority's operating revenue for 2008 was $42,363, up $2,458 (6.2%) from 2007 revenues of $39,905. Fiscal year 2008 includes a new source of revenues from Ferry Operations of $1,124. Adjusted for Ferry Operations, revenues were up year to year $1,334, or 3.3%. Autos and Container revenues accounted for the notable increases, up $1,943 (18%) and $613 (4%), respectively. Cruise revenues were down $967, almost 40%, as the Authority had a five month pause without cruise ship activity (as Carnival transitioned from a holiday class ship to a fantasy class ship). As scheduled, the cruise business was brought back on line in September 2008, with the larger capacity ship, the Fascination. The remaining reduction in revenues, a net decline of $255, was attributable to declines in Military business of $456, partly offset by slight gains in Dry Bulk and Liquid Bulk business.

Operating expenses for 2008, less depreciation and amortization, were $30,344, up $4,947 (19.5%) over prior year. Included in FY08, is Ferry operations expense of $1,610, the largest expense item included in services and supplies expense. Also within services and supplies were other increased expenditures totaling $950, most significant was fuel related (up $417), and numerous other line item increases including legal, consultants, and worker compensation premiums. Salaries and benefits were up $1,050, or 8.4%. Security costs were up $582, an increase of 14.6%. Dredging cost totaled $1,101, up $328 (42%) from prior year. Utility costs were up $195, an increase of 22.4%. As a result of the above, operating income before depreciation and amortization was $12,019, a decrease of $2,489 compared to prior year.

Net non-operating revenues/(expense) in 2008, resulted in net expenses of ($16,996), as compared to net expense of ($546) in 2007. In 2008, the Authority recognized a significant charge of $14.5 million for legal fees and other costs related to eminent domain proceedings. Partially offset by a net insurance recovery of $1.2 million in 2008. Other significant non-operating items were debt service interest of $5,961 up $1,243, or 26.3% over 2007, and shared revenue from primary government of $2,344, down $1,162, compared to 2007. Some of the decline in 2008 shared revenue was a due to an adjustment for overestimated income in 2007 of $358.

Capital contributions in 2008 were $29,676, reflecting heavy capital grants activity associated with numerous construction projects in process. At close of fiscal year 2008, the Authority had net assets (total assets less total liabilities) of $293,593 an increase of $8,395 compared to prior year net assets of $285,198.

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 are a key indicator of an entity's financial position. At September 30, 2009, the Authority's net assets were $301,438, an increase of $7,845 from prior year net assets of $293,593. This increase was attributable to FY 2009 operating income before depreciation and amortization of $14,313, non-operations net revenues of $10,297 (favorably impacted by a large insurance recovery), and capital contributions of $5,008. Reducing net assets was depreciation and amortization of $21,773 ($4,771 for the new MOL container terminal).

(In thousands of dollars)	2009	2008 (Restated)	2007 (Restated)
NET ASSETS			
Current assets	$ 35,784	$ 91,751	$ 92,861
Noncurrent assets (excluding capital assets)	58,683	69,575	8,223
Capital assets	601,138	574,928	421,755
Total assets	695,605	736,254	522,839
Current liabilities	38,374	135,748	35,041
Revenue bonds outstanding (net of current portion)	191,298	198,732	73,529
Other noncurrent liabilities	164,495	108,181	129,071
Total liabilities	394,167	442,661	237,641
Net assets			
Invested in capital assets, net of related debt	261,640	270,265	259,210
Restricted for capital projects	17,931	-	-
Restricted for debt service	8,313	10,011	12,260
Restricted - other	2,331	3,147	378
Unrestricted	11,223	10,170	13,350
Total net assets	$ 301,438	$ 293,593	$ 285,198

In terms of three-year trends, capital assets have grown $179 million and include the completed MOL terminal - total project costs $235 million. Current assets at year end 2009 include approximately $20 million in restricted cash and cash equivalents designated for capital projects, down $33 million from a year ago. Additionally, $53 million in cash, combined with line of credit borrowings was used to pay off commercial paper debt in 2009. Current liabilities at year end 2009 were $39 million, a significant decrease from 2008, reflecting the payoff of $77 million in commercial paper classified as current in 2008. Construction related payables are also down approximately $15 million from 2008, reflecting the completion of MOL.

Other noncurrent liabilities at year end 2009 include balances on a line of credit of $35 million, MOL deferred revenue balances of approximately $112 million, and $10.5 million in grants attributable to a construction project to be contributed to the state in 2010. The decline in other noncurrent liabilities from 2007 to 2008 was primarily due to a payoff of a $23 million line of credit in early 2008.

The Authority is engaged in a capital-intensive industry, and as such, its largest portion of net assets is invested in capital assets, net of debt. The next largest components of net assets are restricted for capital projects, unrestricted, and restricted for future debt service payments, respectively.

Revenue, Expenses and Changes in Net Assets

(In thousands of dollars)	2009	2008 (Restated)	2007 (Restated)
CHANGES IN NET ASSETS			
Operating revenue	$ 47,344	$ 42,363	$ 39,905
Total operating revenue	47,344	42,363	39,905
Operating expenses	54,804	46,648	40,927
Operating loss	(7,460)	(4,285)	(1,022)
Non-operating revenue (expense)	10,297	(16,996)	(546)
Loss before capital contributions	2,837	(21,281)	(1,568)
Capital contributions	5,008	29,676	4,587
Changes in net assets	7,845	8,395	3,019
NET ASSETS			
Beginning of year	293,593	285,198	282,179
End of year	$ 301,438	$ 293,593	$ 285,198

Revenue, Expenses and Changes in Net Assets – 2009 vs. 2008

The Authority's operating revenue for 2009 was $47,344, an increase of $4,981 (11.8%) over prior year. Major revenue growth categories were containers up $3,728 (21%), reflecting both lease and cargo revenue resulting from the opening of the MOL terminal in January 2009. Also, cruise revenue increased $2,292 (157%), attributable to an upgrade to a fantasy class ship, the Fascination. Auto revenues declined $926 (7.2%), reflective of a slowing economy in 2009.

Operating expenses, before depreciation and amortization, were $33,031, up $2,687 (8.9%) over prior year. Most notable was dredging expense of $3,377, an increase of $2,276 (207%). Other expense categories up year to year, were security services, up $414 (9.1%), and stormwater fees, up $399 (a full year assessment in 2009). Services and supplies were down $839 (13.2%), primarily savings in fuel costs.

Depreciation and amortization was $21,773 in 2009, compared to $16,304 a year ago, a 33% increase. The largest component is the new MOL terminal, which accounted for $4,771 of the increase.

Non-operating revenue/(expenses) in 2009 was $10,297 revenue as compared to ($16,996) expense in 2008. The increase in non-operating revenue was impacted by two one-time events. First, an eminent domain liability for the land owner's legal cost was reduced from $10.5 million to $6.6 million, resulting in a favorable adjustment in 2009. And second, an insurance claim for replacement of two damaged cranes, recorded as a preliminary $1.2 million net gain for 2008, with the remaining estimate of $16 million gain recorded in 2009, when more complete claim information was available. Debt service interest expense increased $6,081 reflective of the additional debt for the MOL terminal and other infrastructure projects. Shared revenue from primary government was $2,716, up $372 (16%).

Capital Contributions, in 2009 were $5,008 compared to $29,676 in 2008. Note: Certain grants totalling $10,553 in 2009 were recorded as liabilities, as they pertain to a highway project asset constructed for other agencies (an MOL peripheral road project). Adjusting for grants accounted for as liabilities as described above, total 2009 capital contributions would have declined approximately $9 million this year. Large expenditures in 2008 included approximately $12 million for the MOL terminal project, and $4.1 million in terminal rehabilitation projects. 2009 grants included the completion of the MOL terminal $3.1 million, and other smaller projects.

As a result of the above activities, the Authority recorded an increase in net assets during fiscal year 2009 of $7,845 as compared to a net increase of $8,395 in 2008.

Revenue, Expenses and Changes in Net Assets – 2008 vs. 2007

The Authority's operating revenue for 2008 was $42,363, an increase of $2,458, part of which is attributable to Ferry revenues of $1,124, a new revenue line item for 2008. Adjusted for Ferry, revenues were up comparatively $1,334, a 3.3% increase over prior year revenues of $39,905. Most notable increases were in Autos, up $1,943 (17%), and Containers, up $613 (4%). Cruise revenues were down $967, almost 40%, as the Authority had a five month mid-year pause while Carnival transitioned to a larger capacity vessel (the Fascination with a capacity of 2,056 cruise customers), resuming full cruise operations September 20. Military revenues were $1,095, down $456 from prior year, a line of business subject to fluctuation. Other revenue fluctuations were minor.

Operating expenses, including depreciation and amortization were $46,648, an increase of $6,191. Depreciation and amortization increased $1,244 to $16,304, reflective of capital spending trends over the past several years. Operating expenses exclusive of depreciation were up $4,947. Increases of note were service and supplies, up $2,560 of which Ferry operations expenses were $1,610. Additionally, within the category of services and supplies, were increased fuel related expenses – up $417, legal services – up $419, and consultants – up $120. Other significant line item increases were in salaries and benefits – up $1,050 (8.4%), related to staffing, pay increases, and increased benefits costs. Other increases include, Security services – up $582 (14.6%), relating to securing expanding terminal properties, dredging – up $328, and utility services – up $195 (22%) due to rising electric rates.

Non-operating revenue/(expenses) in 2008 were ($16,996), compared to ($546) in 2007, an increased net expense of $16,450. The Authority incurred a significant charge in 2008 of $14,489 pertaining to legal fees and other costs related to eminent domain proceedings. While electing not to acquire the subject eminent domain property due to purchase price considerations, the Authority is still liable for the land owner's legal costs. The $14,489 amount includes both the Authority's and land owner's estimated cost. These amounts have been fully accrued as a charge to fiscal year 2008 non-operations expense; the disbursements will occur subsequent to fiscal year 2008. See commitments and contingencies note for further information. Also recognized in fiscal year 2008, is a net insurance recovery of $1,182 related to insured crane damages. The cranes are covered at replacement value; additional claim amounts are anticipated but not yet quantifiable as of the date of this report.

The remaining non-operating revenue/(expenses) related to increased interest expense of $1,719 ($6,437 in 2008 as compared to $4,718 in 2007), and a reduction in shared revenue from primary government of $1,162.

Capital contributions in 2008 were $29,676, an increase of $25,089 over 2007. Noteworthy capital grants related to both new construction (MOL infrastructure) as well as improvements at the existing Talleyrand terminal (Berth #3 reconstruction funding).

As a result of the above, the Authority recorded an increase in net assets during fiscal year 2008 of $8,395 as compared to a net increase of $3,019 in 2007.

Cash Flows

2009 vs 2008

Net cash provided by operating activities was $16,796 in 2009, compared to $14,890 in 2008, an increase of $1,906. Receipts from customers were up $5,213, reflective of revenue growth in 2009. Payments for services and supplies also increased $2,948, reflecting additional outlay for dredging expenses in 2009.

Net cash provided from noncapital financing activities in 2009 was $2,863. Receipts from primary government were $2,716, compared to $6,316 in 2008 (which included approximately $3.5 million in prior year catch up adjustments). Additionally, 2009 includes operating grants (FEMA) of $147.

Net cash flows from capital and related financing activities were ($107,511) net outflows in 2009, compared to $29,926 net inflows in 2008. Fiscal year 2009 outflows include capital spending of $77 million and debt service related payments (principal and interest) of $20,007. Additional outflows include the payoff of $77 million in commercial paper, partly offset by inflows from a line of credit for $35 million. Other 2009 inflows included grant proceeds of $16,144, contributions from customers of $10,942, and insurance proceeds net of claims expense of $3,804. Fiscal year 2008 was favorably impacted by significant borrowings, including proceeds from a new bond issue totalling $90 million, commercial paper of $77 million, and other net borrowings of $13.4 million. The most significant outflow in 2008, was capital spending of approximately $163 million.

Cash flows from investing activities, in 2009 and 2008, were negatively impacted by cash outlays related to eminent domain legal and other expenses of $1.8 million, and $2.3 million, respectively.

Cash and cash equivalents at end of year 2009 were $44,895, a decrease of $88,490. The balance of $44,895 at September 30, 2009 is comprised of approximately $19.5 million in construction cash, $5.5 million in unrestricted cash, and $20 million in restricted funds, primarily designated for debt service.

2008 vs. 2007

Net cash provided by operating activities was $14,890 in 2008, as compared to $17,048 in 2007, a $2,159 decrease. Cash receipts from customers increased $1,487 in 2008, primarily generated by increased revenues in 2008. Payments to suppliers increased $2,646 pertaining to increased vendor payments, including $1,610 associated with Ferry operations, and the remainder for numerous vendors for security, legal, dredging, etc. Payments to employees increased $1,000, relating to additional payroll and benefit costs in 2008.

Net cash provided from non-capital related financing activities (all attributable to receipts from primary government) was $6,316 in 2008, as compared to $5,094 in the prior year. 2007 receipts of $5,094 were positively impacted by additional prior year catch up receipts totalling $1.5 million. 2008 was also positively impacted, as the annual receipts collection of $3.8 million (representing a one-year lag receipt) were combined with $2.5 million of receipts collected under the new interlocal agreement which call for monthly receipts of these revenues, effective in 2008.

Net cash flows from capital and related financing activities were $29,926 in 2008, as compared to $46,779 in 2007. Both years include significant proceeds from debt proceeds, partly offset by major capital spending projects. The year to year changes are largely timing related; the Authority received $99,077 in conduit debt proceeds (MOL) in 2007, which were subsequently expended in 2007 and 2008 on the MOL capital project. Contributions in aid of construction were more significant in 2008 ($22,666 vs. $3,924), concurrently used to fund increased capital spending.

Net cash flows from investing activities were a negative ($1,040) in 2008, as compared to a positive $1,008 in 2007. Interest income declined $548, while proceeds from sale of investment securities increased $1,384, the former relating to a decreased interest rate/yield environment, and latter was a conversion of restricted investments to restricted cash driven by interest rate/yield considerations. The "other" category accounts for the legal costs associated with eminent domain proceedings, approximately $2.3 million expended in 2008.

Cash and cash equivalents at end of year 2008 were $133,385, an increase of $50,091. These funds are predominately associated with construction in progress, and funds associated with port expansion plans anticipated in fiscal year 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

2009 vs. 2008

The Authority had $601,138, net of accumulated depreciation, invested in capital assets as of September 30, 2009. This amount represents an increase of $26,210 over prior year capital assets of $574,928. Major project expenditures in 2009 were the MOL terminal $31 million, harbor deepening $12 million, and an existing terminal refurbishment project for $3 million. Depreciation of approximately $22.4 was recorded in 2009, an increase of $5,618 from 2008. Most significant was the completion of the MOL terminal, which accounted for $4,771 of the increase.

2008 vs. 2007

The Authority had $574,928, net of accumulated depreciation, invested in capital assets as of September 30, 2008 compared to $421,755 as of September 30, 2007, a net increase of $153,173. Construction spending in 2008 for the MOL Terminal was approximately $130 million, and land acquisitions accounted for $13.5 million. Various other projects in the $1 million to $8 million range make up the additional outlay. Depreciation of approximately $16.8 million was also recorded in fiscal year 2008, an increase of $1.2 million from 2007, reflecting increased capital spending trends in the past several years.

Long-Term Debt

2009 vs. 2008

As of September 30, 2009, the Authority had outstanding bonds and notes payable of $198,915, a decrease of $83,269, as compared to $282,185 at September 30, 2008, (both net of unamortized bond discounts, premiums, and deferred loss on refunding). Capital lease obligations were $5,278, and $6,242, respectively. The reduction in bonds and notes payable result primarily from a payoff of commercial paper borrowings of $77 million, partly from available cash funds and partly from line of credit borrowings. The total line of credit balance at September 30, 2009 was $35,295. The line of credit balance represents funding for several projects carried over from 2008 into 2009, and some new projects including land acquisitions, harbor deepening, and terminal improvements.

The Authority exceeded its required minimum debt service coverage ratio for the 2009 fiscal year.

2008 vs. 2007

As of September 30, 2008, the Authority had outstanding bonds and notes payable of $282,185 as compared to $81,184 at September 30, 2007 (both net of unamortized bond discounts and deferred loss on refunding). Also, outstanding capital lease obligations were $6,242, and $7,169, respectively.

Noteworthy increases in 2008 include the following:

Revenue Bonds, Series 2008 in the amount of $90 million (designated for both MOL and other Capital projects). Also significant, Commercial Paper issued in the amount of $77 million, primarily for potential land purchases and port expansion projects. The Commercial Paper balance will be paid off in early fiscal year 2009 (approximately $53 million of related cash proceeds were unspent at year end 2008), as certain land acquisitions will not be pursued as planned. Lastly, additional advances on the existing Florida State Infrastructure Bank loan – 2007, increased to $45,100 outstanding from $11,450 at prior year end.

The Authority exceeded its required minimum debt service coverage ratio for the 2008 fiscal year.

Budgetary Highlights

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2009 and 2008.

REQUESTS FOR INFORMATION

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

Jacksonville Port Authority

Statements of Net Assets
September 30, 2009 and 2008

(In thousands of dollars)	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 5,472	$ 11,731
Restricted cash and cash equivalents	17,559	67,344
Accounts receivable, net	3,341	4,288
Other receivables	3,971	563
Insurance claim receivable	2,127	-
Grants receivable	1,760	6,343
Inventories and other assets	1,554	1,482
Total current assets	35,784	91,751
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	2,269	1,222
Investments	-	891
Restricted for capital projects:		
Cash and cash equivalents	19,595	53,088
Insurance claim receivable	15,058	5,000
Grants receivable	4,000	-
Dredged soil replacement rights, net	733	1,071
Deferred charges, net	5,578	5,379
Assets constructed for other government agencies	11,450	2,924
Capital assets, net, primarily held for lease	601,138	574,928
Total noncurrent assets	659,821	644,503
Total assets	695,605	736,254

(continued)

	2009	2008
Liabilities		
Current liabilities		
Accounts payable	$ 10,684	$ 16,459
Accrued expenses	1,196	1,120
Accrued interest payable	6,310	6,386
Construction contracts payable	1,924	16,590
Retainage payable	515	5,638
Unearned revenue	6,307	5,061
Other current liabilities	18	78
Deposits	2,802	-
Capital lease obligations	1,001	964
Bonds and notes payable	7,617	83,452
Total current liabilities	38,374	135,748
Noncurrent liabilities		
Unearned revenue	111,630	100,211
Accrued expenses	2,740	2,691
Amounts due to other governmental agencies	10,553	-
Line of credit	35,295	-
Bonds and notes payable	191,298	198,732
Capital lease obligations	4,277	5,279
Total noncurrent liabilities	355,793	306,913
Total liabilities	394,167	442,661
Net Assets		
Invested in capital assets, net of related debt	261,640	270,265
Restricted for		
Capital projects	17,931	-
Debt service	8,313	10,011
Repair and replacement	2,269	2,113
Other	62	1,034
Unrestricted	11,223	10,170
Total net assets	$ 301,438	$ 293,593

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Activities
September 30, 2009 and 2008

(In thousands of dollars)	2009	2008
Operating revenue	$ 47,344	$ 42,363
Operating expenses		
Salaries and benefits	13,865	13,559
Services and supplies	5,539	6,378
Security services	4,975	4,561
Business travel and training	337	460
Promotions, advertising, dues and membership	700	909
Utility services	1,247	1,067
Repairs and maintenance	2,246	1,994
Dredging	3,377	1,101
Stormwater fees	529	130
Miscellaneous	216	185
Total operating expenses	33,031	30,344
Operating income before depreciation and amortization	14,313	12,019
Depreciation and amortization expense	21,773	16,304
Operating loss	(7,460)	(4,285)
Non-operating revenues (expenses)		
Interest expense	(12,518)	(6,437)
Investment income and other	319	404
Shared revenue from primary government	2,716	2,344
Intergovernmental revenue	147	-
Insurance recovery, net	15,989	1,182
Legal and other costs - eminent domain	3,644	(14,489)
Total non-operating revenue (expense)	10,297	(16,996)
Income (loss) before capital contributions	2,837	(21,281)
Capital contributions	5,008	29,676
Change in net assets	7,845	8,395
Net assets		
Beginning of year, as restated	293,593	285,198
End of year, as restated	$ 301,438	$ 293,593

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows
September 30, 2009 and 2008

(In thousands of dollars)	2009	2008
Cash flows from operating activities:		
Receipts from customers	$ 49,406	$ 44,193
Payments for services and supplies	(18,870)	(15,922)
Payments to/for employees	(13,740)	(13,381)
Net cash provided by operating activities	16,796	14,890
Cash flows from noncapital financing activities:		
Operating grants	147	-
Receipts from primary government	2,716	6,316
Net cash provided by noncapital financing activities	2,863	6,316
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	126,860
Line of credit activity	35,000	(23,457)
Commercial paper activity	(77,000)	77,000
Contributions-in-aid of construction (grants)	16,144	22,666
Contributions-in-aid of construction (customers)	10,942	3,441
Acquisition and construction of capital assets/custodial assets	(76,550)	(162,541)
Principal paid on capital debt	(7,224)	(8,582)
Interest paid on capital debt	(12,783)	(5,466)
Net proceeds from insurance claim	3,804	-
Proceeds from sale of assets	156	5
Net cash provided by (used in) capital and related financing	(107,511)	29,926
Cash flows from investing activities:		
Interest on investments	355	340
Purchase of investment securities	-	(855)
Proceeds from sale and maturities of investment securities	855	1,958
Other	(1,848)	(2,483)
Net cash used in investing activities	(638)	(1,040)
Net increase (decrease) in cash and cash equivalents	(88,490)	50,092
Cash and cash equivalents		
Beginning of year	133,385	83,293
End of year	$ 44,895	$ 133,385

(continued)

(In thousands of dollars)	2009	2008
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (7,460)	$ (4,285)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	21,773	16,304
Provision for uncollectible accounts	22	50
Amortization of dredged soil replacement rights	338	338
Loss on disposition of assets	96	7
(Increase) decrease in assets:		
Accounts receivable and other receivables	1,034	(1,054)
Inventory and other assets	(72)	15
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(88)	1,289
Accrued expenses	125	(178)
Unearned revenue	1,028	2,404
Total adjustments	24,256	19,175
Net cash provided by operating activities	$ 16,796	$ 14,890

Noncash investing, capital and financing activities:		
Construction costs paid on account	$ 2,439	$ 22,228
Increase (decrease) in fair value of investments	(36)	22
Grants receivable / contributed capital / unearned revenue	9,255	6,343
Amortization of deferred charges / unamortized discounts	404	101
Deferred charges paid from debt proceeds	295	-
Insurance recovery receivable, nonoperating revenue	15,058	5,000
Eminent domain - settlement adjustment	(3,950)	10,500

See Notes to the 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. 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, liabilities and residual equities, 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 assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Note A - Summary of Significant Accounting Policies (continued)

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.

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

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

The Authority applies all applicable Governmental Accounting Standards Board (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. The Authority has elected not to apply FASB statements issued subsequent to November 30, 1989.

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.

Note A - Summary of Significant Accounting Policies (continued)

5. Budgeting procedures (continued)

- The Authority is authorized to transfer within Operating/Non-Operating Schedules and the Capital Schedule as needed. Transfers between schedules are allowable up to $50,000. Once the $50,000 limit is reached, City Council approval must be obtained. Operating budget item transfers require Chief Executive Officer or Chief Financial Officer approval. Line-to-Line capital budget transfers of $50,000 or less require the same approval levels. Line-to-Line capital budget transfers of more than $50,000 require the same approval levels, with additional notification to the Board if deemed necessary by either of the above mentioned parties. Any Capital Budget transfer creating a new capital project greater than $1,000,000 requires Board approval.

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

6. Accounting Standards Adopted

In fiscal year 2009, the Authority adopted the following statement of financial accounting standards issued by the Governmental Accounting Standards Board ("GASB"):

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations. This adoption resulted in the restatement of prior period financial statements and in additional financial statement disclosures.

7. Cash and cash equivalents

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

8. Investments

Investments are stated at fair value, with the exception of investments in the Florida State Board of Administration Local Government Pooled Investment Fund ("SBA"), an external 2a7-like investment pool which is presented at share price. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA's underlying portfolio.

9. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets, as their use is limited by applicable bond agreements. Restricted cash for capital projects represent bond issuance proceeds that are specifically restricted for capital projects. Restricted cash and cash equivalents represent resources set aside for repayment of bond debt obligations in accordance with the terms of the debt obligation.

Note A - Summary of Significant Accounting Policies (continued)

10. 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 of more than one year.

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 with gains or losses on disposition reflected in current operations.

Costs for targeted land expansion, such as appraisals, legal costs, and feasibility studies associated with potential land purchases are capitalized initially, and subsequently included in the costs of the land asset when acquired. If determination is made that the land purchase is unsuccessful, not feasible, or determination is made not to proceed with the land purchase, any associated capitalized cost is expensed at the time the Authority determines or opts not to proceed.

11. Assets constructed on behalf of other government agencies

This asset consists of costs of infrastructure assets currently under construction for the benefit of the State of Florida Department of Transportation (FDOT). After completion, the State is responsible for maintaining the improved asset as a result of the discharge of the agreement between the Authority and FDOT. Therefore, the Authority transfers such assets upon completion of the related construction project.

These assets are reported as “assets constructed on behalf of other government agencies” on the statement of net assets because title of such assets does not transfer until such time as the project is completed and accepted by the State or the City, as appropriate. As these assets are being held in an agency-like capacity by the Authority, the revenues associated with the funding of these projects are reported as amounts due to other governments (liabilities) on the statement of net assets, reflecting the Authority’s obligation to the State.

12. Inventories and prepaid items

Inventories are stated at cost using the average cost method. Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items.

Note A - Summary of Significant Accounting Policies (continued)

13. 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.

14. Unearned revenue

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

15. Compensated absences (accrued leave plan)

Compensated absences are absences for which employees will be paid, such as vacation, or sick leave. Employees also have the option to sell accrued leave within certain guidelines. Individual leave accrual rates vary based upon position and years of service criteria. The Authority's accrued leave plan liability at the end of fiscal years 2009 and 2008 was $1,157,000 and $1,219,000, respectively. Maximum leave accrual balances cap at 520 hours for employees hired after October 1, 1997 and 1,000 hours for employees hired prior to that date. Additionally, non-union employees are required to take 40 consecutive hours of leave on an annual basis.

16. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2009, total conduit debt was $97,700,000. The original amount was $100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

17. Long-term obligations

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

Note A - Summary of Significant Accounting Policies (continued)

18. Net assets

In the financial statements, net assets are classified in the following categories:

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

Restricted Net Assets – This category represents the net assets of the Authority which are restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net asset of the Authority, which are not restricted for any project or other purpose.

19. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville ("City") and millage payments from the Jacksonville Electric Authority ("JEA") pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement was amended on December 12, 2007 to allow the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. It also concurrently modified payment of pledged revenues to be allocated on a monthly basis, no later than the last business day of each month following the month in which the city receives the pledged revenues. The Authority's share of the communications service tax was $2,716,000 and $2,344,000 in 2009 and 2008, respectively.

20. 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.

21. Reclassifications

Certain reclassifications were made to the 2008 financial statement presentation in order to conform to the 2009 financial statement presentation.

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2009 and 2008, the carrying amount of the Authority's cash deposit accounts, including certificates of deposit, was $21,402,000 and $19,150,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund. Certificates of deposit are recorded at their purchase price plus accrued interest, which approximates fair value.

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

Investments

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

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

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

As of September 30, 2009, all investments are maintained in highly liquid money market funds, which are presented as cash and cash equivalents in the Authority's financial statements.

Interest Rate Risk

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

Note B – Deposits and Investments (continued)

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

2009		Investment Maturities (in Years)			
(in thousands)	Fair	Less			More
Investment Type	Value	Than 1	1-5	6-10	Than 10
Investments Subject to Rate Risk:					
Money market funds	$ 23,493	$ 23,493	$ -	$ -	$ -
Total investments	$ 23,493	$ 23,493	$ -	$ -	$ -

2008		Investment Maturities (in Years)			
(in thousands)	Fair	Less			More
Investment Type	Value	Than 1	1-5	6-10	Than 10
Investments Subject to Rate Risk:					
Money market funds	$ 114,235	$ 114,235	$ -	$ -	$ -
Federal agency bonds/notes	891	891	-	-	-
Total investments	$ 115,126	$ 115,126	$ -	$ -	$ -

Credit Risk

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

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

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

Note B – Deposits and Investments (continued)

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

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

Money market funds shall be rated "AAm" or "AAm-G" or better by Standard & Poor's or the equivalent by another rating agency.

Pursuant to the Authority's Bond Resolution, unspent bond proceeds, scheduled bond payments held by a third party trustee, or other bond reserves as prescribed by bond covenants are to be held in money market funds having a rating by Standard & Poor's of AAAm-G, AAAm, or AAm, and if rated by Moody's, rated Aaa, Aa1, or Aa2.

As of September 30, the Authority had the following credit exposure as a percentage of total investments:

2009

Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	100%

2008

Security Type	Credit Rating	% of Portfolio
Money market funds	AAAm	99%
Federal Agency Bond/Note	A-1+	1%
Total		100%

Note B – Deposits and Investments (continued)

Custodial Credit Risk

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

As of September 30, 2008, the Authority's investment portfolio was held with third-party custodians as required by the Authority's investment policy. Money market funds are not subject to custodial credit risk.

Concentration of Credit Risk

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

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

As of September 30, 2009 and 2008, the Authority had no concentrations of credit risk.

Note C – Capital Assets, Primarily Held for Lease

Capital asset activity for the years ended September 30, 2009 and 2008 was as follows:

2009 *(in thousands)*	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 126,808	$ 82,808	$ -	$ 209,616
Construction in progress	242,331	52,831	(264,940)	30,222
Total capital assets not being depreciated	369,139	135,639	(264,940)	239,838
Other capital assets				
Buildings	69,898	29,832	-	99,730
Improvements	254,822	143,915	(1,400)	397,337
Equipment	88,606	3,537	(36)	92,107
Total other capital assets at historical cost	413,326	177,284	(1,436)	589,174
Less accumulated depreciation for:				
Buildings	30,125	4,028	-	34,153
Improvements	130,569	13,739	(1,400)	142,908
Equipment	46,843	4,006	(36)	50,813
Total accumulated depreciation	207,537	21,773	(1,436)	227,874
Other capital assets, net	205,789	155,511	-	361,300
Capital assets, net	$ 574,928	$ 291,150	$ (264,940)	$ 601,138

Note C – Capital Assets, Primarily Held for Lease (continued)

2008 *(in thousands)*	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 105,361	$ 21,447	$ -	$ 126,808
Construction in progress	102,211	172,612	(32,492)	242,331
Total capital assets not being depreciated	207,572	194,059	(32,492)	369,139
Other capital assets				
Buildings	69,898	-	-	69,898
Improvements	251,287	5,238	(1,703)	254,822
Equipment	97,518	5,576	(14,488)	88,606
Total other capital assets at historical cost	418,703	10,814	(16,191)	413,326
Less accumulated depreciation for:				
Buildings	28,324	2,507	(706)	30,125
Improvements	123,161	9,110	(1,702)	130,569
Equipment	53,035	4,687	(10,879)	46,843
Total accumulated depreciation	204,520	16,304	(13,287)	207,537
Other capital assets, net	214,183	(5,490)	(2,904)	205,789
Capital assets, net	$ 421,755	$ 188,569	$ (35,396)	$ 574,928

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, 2009 and 2008:

(In thousands of dollars)	2009	2008
Total interest expense incurred	$ 13,052	$ 8,278
Interest expense associated with construction	1,302	4,700
Interest earned in construction accounts capitalized	(139)	(2,383)
Net interest capitalized	1,163	2,317
Net interest expense incurred	$ 11,889	$ 5,961

Note E – Leasing Operations – Lessor

The Authority is the lessor on agreements with various tenants for their use of port facilities. Capital assets held for lease have a cost of $683,007,464 and accumulated depreciation of $182,789,929 as of September 30, 2009. Revenues recognized for facility leases for the fiscal year ended September 30, 2009 and 2008 were $16.9 million and $13.6 million, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2009, are as follows:

(Amounts in thousands)	MOL	All Other	Total
2010	$ 6,731	$ 11,247	$ 17,978
2011	6,784	9,254	16,038
2012	6,836	9,006	15,842
2013	6,899	8,685	15,584
2014	6,957	7,495	14,452
Thereafter	32,338	53,503	85,841
	$ 66,545	$ 99,190	$ 165,735

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

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

As of September 30, 2009, the completed project costs totaled approximately $235 million.

Financing

The lease agreement stipulates that MOL would provide project financing arrangements for the first $195 million, as described in paragraphs below. MOL also added $15 million for change orders requested and paid for by MOL (additional acreage and paving). The project financing arrangements are as follows:

$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the Mitsui O.S.K. Lines, Ltd. Project. The debt proceeds were remitted to the Authority for project construction and reported as unearned revenue. The Authority has no obligation to pay the Series 2007 bonds, which is payable by MOL and supported by an irrevocable direct-pay Letter of Credit by Sumitomo Mitsui Banking Corporation. As of September 30, 2009 the outstanding balance of this conduit debt was $97,700,000.

A Florida State Infrastructure Bank (SIB) Loan of $50 million issued in 2007 to the Authority, and Port Authority Bonds for the remaining $45 million were also used to finance project construction. The $45 million is included as part of the 2008 bond issue for $90 million, Revenue Bonds, Series 2008.

The Authority's $25 million contribution is a combination of State grant funds of $19 million, with remaining balances funded from Authority Revenue Bonds, series 2008.

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with Financial Accounting Standard Board (FASB) Number 13. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2038. In addition to the $100 million of prepaid lease revenue, MOL will provide scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2022. Unearned revenue at September 30, 2009 and 2008 totaled approximately $118 million and $105 million, respectively.

As noted in the previous paragraph, the scheduled monthly rent payments will be satisfied in 2022. No additional cash receipts for rent will be collected in years 2023 through 2038, although lease income will continue to be recognized over the remaining lease term as outlined above. However, ongoing cargo throughput fees and other tariff related charges will continue to be assessed pursuant to the tenant agreement.

Note G – Pension Plans

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 Division of Retirement, PO Box 9000, Tallahassee, Florida 32315 -9000, attention Research and Education, or by calling (850) 488-5706.

Some of the Authority's employees elect to participate in the System's Investment Plan instead of the Pension Plan. The Investment Plan is a defined contribution plan with shorter vesting requirements (one-year). Funding of the Investment Plan is identical to the Pension Plan.

Funding policy

Regardless of which System plan an employee selects, the Authority is required by Florida Statute to contribute 13.12 percent of senior management, 10.91 percent of deferred retirement option participants (DROP) and 9.85 percent of all other employee earnings. Covered employees are not required to make contributions to the System.

The total contribution requirement for both plans in the accompanying financial statements was $1,022,000, $1,091,000, and $906,000 for the years ended September 30, 2009, 2008, and 2007, respectively.

Note H – Deferred Compensation Plan

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

Note H – Deferred Compensation Plan (continued)

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 Authority's 401(a) matching contributions were $138,000, $136,000, and $129,000 for the years ended September 30, 2009, 2008, and 2007, respectively.

Note I – Other Post Employment Benefits (OPEB)

Plan Description

The Authority maintains a medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 117 active participants in the group medical plan, and one participating retiree.

Prior to implementation of GASB 45 (implemented September 30, 2008), the Authority had previously followed a pay-as-you-go policy for these benefits. However, under GASB 45, an implicit rate subsidy (an age adjusted premium benefit), is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligations for years ending 2009 and prior year (initial year of implementation):

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Annual Required Retiree Cost	$	121,441
Interest on Plan Obligation		-
Contributions Made (estimated premium paid by Authority)		42,476
Change in Plan Obligation		78,965
Plan Obligation - Beginning of Year		80,035
Plan Obligation - End of Year	$	159,000

Note I – Other Post Employment Benefits (OPEB) (continued)

Fiscal Year Ended		Annual OPEB Cost	% of Annual OPEB Cost Contributed		Net OPEB Obligation
9/30/2008	$	121,075	33.9%	$	80,035
9/30/2009		121,441	35.0%		159,000

Actuarial Assumptions, Methods and Valuation

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status, could result in actual costs being greater or less than estimated.

OPEB Funding Status

The following data presents the GASB 45 funding status as of September 30, 2009:

1. Actuarial Accrued Liability	$	1,279,807
2. Actuarial Value of Assets		-
3. Unfunded Actuarial Accrued Liability (UAAL)	$	1,279,807
4. Funded Ratio		0.0%
5. Annual Covered Payroll	$	7,295,000
6. UAAL as a percentage of payroll		17.5%

The following criteria were used: 4% discount rate, standardized mortality tables, medical industry based cost trend assumptions, and an assumed inflation rate of 3.5% annually.

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 and the changes in estimated liability for claims incurred but not reported. Workers Compensation and General Liability insurance premiums amounted to $197,000 and 126,000 for the years ended September 30, 2009 and 2008, respectively. The Authority recorded an additional estimated liability to account for claims incurred but not reported.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. This allows the Authority to receive the best available property insurance rates. Premium expense amounted to $524,000 and, $301,000, for the years ended September 30, 2009 and 2008, respectively.

As a part of the Authority's risk management program, the Authority purchases certain additional commercial insurance policies to cover designated exposures and potential loss situations. The Authority does not retain any risk on their policies and settlements have not exceeded insurance coverage for each of the last three fiscal years.

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities

Capital Leases

On February 15, 2006, the Authority entered into a lease-purchase agreement in the amount of $8,589,655 with Banc of America Leasing & Capital, LLC for the acquisition of six cranes. The agreement has an 8 year fixed term rate of 3.88% and call for semi annual payments of $598,265.

The following is a schedule of future minimum lease payments:

(In thousands of dollars)

Years ending		
2010	$	1,197
2011		1,197
2012		1,196
2013		1,196
2014		1,060
Total minimum lease payments		5,846
Less: Amount representing interest		568
Present value of minimum lease payments	$	5,278

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Assets acquired through capital leases are as follows:

(In thousands of dollars)	2009	2008
Assets:		
Equipment	$ 24,471	$ 24,471
Less: accumulated depreciation	(9,453)	(8,457)
	$ 15,018	$ 16,014

Long-term Debt

Long-term debt activity for the years ended September 30, 2009 and 2008 was as follows:

	2009				
(In thousands of dollars)	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 108,130	$ -	$ (1,190)	$ 106,940	$ -
Revenue refunding bonds	53,295	-	(1,715)	51,580	3,960
Commercial Paper	77,000	-	(77,000)	-	-
State Infrastructure Bank Loan	45,100	-	(3,650)	41,450	3,657
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(1,340)	-	285	(1,055)	-
Total bonds and notes payable	282,185	-	(83,270)	198,915	7,617
Liability for pollution remediation	1,568	-	-	1,568	-
Capital leases	6,242	-	(964)	5,278	1,001
Compensated absences & other	1,298	576	(496)	1,378	396
Line of Credit	-	35,295	-	35,295	-
	$ 291,293	$ 35,871	$ (84,730)	$ 242,434	$ 9,014

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Long-term Debt (continued)

(In thousands of dollars)	2008 Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds	$ 19,275	$ 90,000	$ (1,145)	$ 108,130	$ 1,190
Revenue refunding bonds	54,905	-	(1,610)	53,295	1,715
Commercial Paper	-	77,000	-	77,000	77,000
State Infrastructure Bank Loan	11,450	38,550	(4,900)	45,100	3,547
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(4,446)	(38)	3,144	(1,340)	-
Total bonds and notes payable	81,184	205,512	(4,511)	282,185	83,452
Liability for pollution remediation	1,568	-	-	1,568	-
Capital leases	7,169	-	(927)	6,242	964
Compensated absences & other	1,146	503	(350)	1,298	375
Line of Credit	23,457	-	(23,457)	-	-
	$ 114,524	$ 206,015	$ (29,245)	$ 291,293	$ 84,791

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Long-term debt at September 30, 2009 and 2008 consisted of the following:

(in thousands of dollars)	2009	2008
Revenue Bonds, Series 2000, including serial bonds due in varying amounts through 2030. Interest rates range from 4.50% to 5.7%.	$ 16,940	$ 18,130
Revenue Refunding Bonds, Series 2006, due in varying amounts through 2018. Interest rates are at a fixed rate of 4.375% until November 1, 2009 (see below paragraph for further details for interest rate swap).	51,580	53,295
Florida State Infrastructure Bank Loan - 2007, Subordinate Obligation due in varying amounts through 2018. Interest is at an annual rate of 3%.	41,450	45,100
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2038. Interest rates range from 5.75% to 6.0%.	90,000	90,000
Commercial Paper, Subordinate Obligation, due in varying amounts and interest rates. Interest rates range from .75% to 3.75%.	-	77,000
$50 million Line of Credit, Subordinate Obligation, interest due semi-annually in varying interest rates, principal due January 27, 2012. Interest rates range from 1.62% to 2.15% in 2009.	35,295	-
	$ 235,265	$ 283,525
Less current portion	7,617	83,452
	$ 227,648	$ 200,073

In November 2000, the Authority issued $39,625,000 principal amount of Revenue Bonds, Series 2000. The proceeds of the bonds were used for the acquisition, construction and installation of capital improvements to the Authority's facilities.

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. 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 principal balances at September 30, 2009 and 2008 were $11,815,000 and $12,645,000, respectively.

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

In November of 2006, the Authority issued $54,905,000 in Revenue Refunding Bonds, Series 2006 Auction Rate Certificates. The proceeds of the bonds were used for the purpose of refunding the Authority's outstanding Port Facilities Revenue Refunding Bonds, Series 1996. The bonds were variable rate with the initial rate of 3.5%. Interest on the bonds are payable on November 1 and May 1 with principal payments due each November 1. In March 2008, the Authority converted the Series 2006 Bonds to a fixed rate of 4.375% until November 1, 2009. This conversion was done due to the instability of the Auction Rate bond market which was causing the bonds to be reset at higher than historical interest rates. On November 2, 2009, the Series 2006 Bonds were called and replaced with a $52 million bank note. See subsequent events for further information regarding the bank note, 2009 Revenue Note.

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to $50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance as of September 30, 2009 and 2008 was $41,450,000, and $45,100,000, respectively.

In January 2008 the Authority entered into an $85 million Commercial Paper program. As of September 30, 2008, the balance on the line was $77 million. The Commercial Paper maturities ranged from 1 day to 270 days at variable rates. The proceeds of the Commercial Paper were designated for land acquisitions and capital improvements. The Authority paid off the Commercial Paper balance in 2009, partly from unspent proceeds, and partly with a new line of credit.

In May 2008, the Authority issued $90,000,000 in Revenue Bonds, Series 2008. The proceeds of the bonds were used in part for the construction of the MOL terminal, $45 million and $45 million designated for other port projects, including the Authority's contribution to the MOL project.

On January 28, 2009, the Authority established a $50 million multi-year Line of Credit with Regions Bank due to mature on January 27, 2012. The purpose of the line was to liquidate the $77 million commercial paper program together with unspent commercial paper proceeds. The additional balance on the line is designated for the Authority capital spending program. The outstanding balance on the Line of Credit at September 30, 2009 was $35,295,000.

The Series 2000, 2006, and 2008 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 Authority has agreed to maintain net operating revenues in excess of 125% of the senior debt service obligations and 100% of the total subordinate debt service obligations. The Series 2000, 2006 and 2008 bonds also place restrictions on the Authority's issuance of additional bonds.

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

Debt maturities

Required debt service for the outstanding bonds and notes payable for the next five years and thereafter to maturity as of September 30, 2009 was as follows:

(In thousands of dollars)	Interest	Principal
Years ending		
2010	$ 13,042	$ 7,613
2011	12,542	7,943
2012	11,523	43,596
2013	10,723	8,672
2014	6,298	9,062
2015 - 2019	36,864	51,542
2020 - 2024	29,248	16,410
2025 - 2029	23,821	21,835
2030 - 2034	16,420	29,240
2035 - 2039	6,201	39,352
	$ 166,682	$ 235,265

Original Issue Discount, Premiums, and Deferred Loss on Refundings

Unamortized original issue discounts on Bonds and Notes Payable were $446 and $477 in 2009 and 2008, respectively. Unamortized premiums on Bonds were ($2,635) and (2,728).

Unamortized deferred loss on refundings was $3,244 and $3,591 in 2009 and 2008, respectively.

Other Noncurrent Liabilities

Deferred revenue balances were $117,937 and $105,272 for years ending September 30, 2009 and 2008, respectively. The current portion was $6,132, and represent one year of rent amortization on MOL rent receipts collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

In 2009, the Authority implemented GASB 49, Accounting for Pollution Remediation Obligations, and has recorded an estimated liability of $1,568,000 for specific pollution remediation estimates.

Note K – Long-term Debt, Capital Leases and Other Noncurrent Liabilities (continued)

The Authority is currently constructing a road improvement (interchange) project, which will be contributed to the Florida Department of Transportation (FDOT) upon completion in 2010. Grant funds received on this project total $10,553 and $2,670, for fiscal year 2009 and 2008, respectively. The Authority is recording these grant receipts as a liability until such time that the project is completed and transferred to the FDOT.

The Authority also carries a liability for estimated claims outstanding as part of the overall city managed workers compensation and general liability insurance program. Estimated liability balances were $189,000, and $200,000 for 2009 and 2008, respectively.

Note L – Interest Rate Swap Agreement

In conjunction with the issuance of Revenue Refunding Bonds, Series 2006, variable rate bonds, the Authority entered into an Interest Rate Swap Agreement ("Swap") through November 1, 2018, synthetically fixing the interest rate at 5.215%.

The debt obligation exposes the Authority to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into the Swap to manage fluctuations in cash flows resulting from interest rate risk. The Swap has changed the variable-rate cash flows exposure on the debt obligations to fixed-cash flows. Under the terms of the interest rate swap, the Authority receives variable interest rate payments based on 67% of the London Interbank Offered Rate (LIBOR) and makes fixed interest payments; thereby creating the equivalent of fixed-rate debt.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Authority exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Authority, which creates credit risk for the Authority. When the fair value of a derivative contract is negative, the Authority owes the counterparty, and therefore it does not possess credit risk. The Authority minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

The contract/notional amount and estimated fair value of the Authority's derivative financial instruments at September 30, were as follows:

2009		2008	
Contract/Notional Amount	Fair Value	Contract/Notional Amount	Fair Value
$ 51,580,000	$ (6,618,000)	$ 53,295,000	$ (4,996,000)

Note L – Interest Rate Swap Agreement (continued)

Changes in the fair market value of the Swap are not reported in the accompanying financial statements since the Authority is not required to record the asset or liability at fair value.

In early fiscal year 2010, due to the downgrade of the swap insurer, the counterparty elected to terminate the swap agreement. The swap termination payment was $5,675,000, and was part of the Compass Bank refunding discussed in Note Q.

Note M – Commitments and Contingencies

Construction related

At September 30, 2009, the Authority had commitments for future construction work of approximately $7.5 million. Major project commitments are a highway infrastructure project - $2.9 million (related to the completed MOL terminal - see paragraph below) and terminal rehabilitation projects totaling $2.2 million.

In connection with the MOL terminal project, the Authority has expended to date approximately $11.4 million for peripheral highway improvements on behalf of the Florida Department of Transportation (FDOT). The total costs of the project will be approximately $13.4 million and will be transferred to the FDOT upon completion of the project in fiscal year 2010. This asset is accounted for as assets constructed on behalf of other government agencies, and is not part of the capital assets of the Authority. Grant funding commitments for the project from the FDOT is currently $10.6 million.

Insurance Claim (Cranes)

In August 2008, a total of five cranes were damaged as a result of a wind microburst at the Blount Island terminal. The damages were confined primarily to equipment (five cranes). Two cranes were destroyed in total; three cranes incurred minor damages and have subsequently been repaired. The cranes are insured at replacement value.

As of year end 2009, the Authority has recorded a insurance claims receivable of $17.1 million, reflecting proceeds due for the replacement of two cranes and other related expenses. This amount is net of payments received through September 30, 2009 of $5 million. The Authority has recorded a non-operating recovery on the claim in 2009, in the amount of $16 million (insurance claim gain of $17.3 million less related expenses of $1.3 million).

At year end 2008, the Authority had recorded a portion of this claim, a $5 million claim recovery, less impairment losses and related expenses of for $3.8 million.

The Authority has currently chosen a contractor to build the two replacement cranes at an estimated cost of $20 million, to be constructed over the next 18 months.

Note M – Commitments and Contingencies (continued)

Eminent Domain Settlement in Progress

In 2008, the Authority recorded a $14.5 million charge for costs associated with eminent domain proceedings. These costs included the port's legal and other related costs as well as the legal costs incurred by the land owner. The Authority made a decision not to proceed with the purchase, due to price considerations.

The $14.5 million charge from 2008 included an estimate of $10.5 million associated with the legal costs of the land owner that were to be paid by the Authority, based upon information available at that time. The legal cost estimate has subsequently been reduced to $6.6 million, based upon a settlement agreement with the land owner. As a result, the Authority recorded a $3.9 million reduction of this non-operating charge in 2009. It is anticipated that these amounts will be settled in early 2010.

Hanjin Shipping Co. Ltd.

On December 10, 2008, the Authority executed a 30 year lease agreement for a new container terminal operation with a South Korean company, Hanjin Shipping. The proposed 88 acre terminal facility is slated to begin operations in 2014 or earlier. At full capacity, the new terminal would have the capacity to handle 1 million TEU (twenty foot equivalent) containers annually. The Authority is currently in the process of hiring an engineering firm for the design services element of the project.

FBI Investigation

In April 2008, the Federal Bureau of Investigation (FBI) initiated an investigation of a board member, three employees, and certain companies which had performed services for the Authority. The Authority has complied with the FBI records request. This investigation is still in progress as of the date of this report.

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 150 employees. Union employees represent about 46% of the total. The current union contract was renewed in 2007 for a three-year term, expiring on September 30, 2009. The current contract remains effective until a new contract is in place. An agreement is expected in early 2010.

Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. Assessments from such audits, if any, are recorded when the amounts of such assessments become reasonably determinable.

Note N – Significant Customers

For the fiscal year ended September 30, 2009, 14% of operating revenues resulted from sales to a single significant customer. At September 30, 2009, no accounts receivable were due from this same customer.

Note O – Prior Period Restatement

In 2009, the Authority adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, whereby restatement of prior periods is preferred if amounts are known and quantifiable. As a result of this implementation, the Authority reduced net assets, invested in capital assets in the amount of $777,000 for amounts previously capitalized, and reduced unrestricted net assets in the amount of $1,568,000 for estimated liabilities recognized in accordance with this accounting pronouncement.

The effects of these restatements on the financial statements are as follows:

			Net Assets	
	Capital Assets, Net	Liability for Pollution Remediation	Invested in Capital Assets	Unrestricted
(in thousands)				
As of September 30, 2007:				
Balance as previously reported	$ 422,532	$ -	$ 259,987	$ 14,918
Adjustment - implement GASB 49	(777)	1,568	(777)	(1,568)
Balance, as restated	$ 421,755	$ 1,568	$ 259,210	$ 13,350
As of September 30, 2008 :				
Balance as previously reported	$ 575,705	$ -	$ 271,042	$ 11,738
Adjustment - 2007 implementation	(777)	1,568	(777)	(1,568)
Balance, as restated	$ 574,928	$ 1,568	$ 270,265	$ 10,170

Note P – Capital Contributions

Federal Contributions

The Authority received monies from Federal funding awards designated for constructing capital assets in order to comply with the State of Florida Seaport Security compliance requirements. Contributions of $1,334,000 and $2,823,000 were recorded for the years ended September 30, 2009 and 2008, respectively.

State and Other Contributions

The Authority also received receipts from State funding awards in 2009. Amounts recorded as intergovernmental revenues or capital contributions in the Statement of Revenues, Expenses, and Changes in Net Assets were $3,821,000 and $26,853,000 for the years ended September 30, 2009 and 2008, respectively.

Additional capital funding from State grants totaled $10,553,000, specifically designated for an FDOT highway project to be contributed upon completion by the Authority to the FDOT in 2010. Amounts received for this grant are recorded on the statement of net assets, as a liability for amounts due to other governmental agencies. The Authority has an uncollected balance of $4,000,000 on this grant at September 30, 2009. These funds will be paid by FDOT to the Authority over a three-year period from 2012 to 2014. The Authority changed its accounting for this agreement in fiscal 2009 to report this similar to an agency type transaction, whereby assets equal liabilities. Management believes the reduction of capital contributions of $2.6 million in 2009 to recognize the change in accounting since the inception of the agreement as of the fiscal year end is not material to the Authority's 2009 financial statements.

Note Q – Subsequent Events

Series 2006 Bonds Redemption and Swap Termination

On November 2, 2009, the Authority executed a loan agreement and tax-exempt variable rate note with Compass Bank in the not-to-exceed amount of $60 million for the purpose of refunding the Series 2006 bonds. A variable rate structure was used due to the related outstanding swap agreement. However, because of the rating agencies downgrade of the swap insurer, the counterparty elected to terminate the swap agreement. As such, the Authority converted the loan agreement to a fixed rate tax-exempt note (3.76%) for $52 million and a fixed rate taxable note (5.68%) for $6.4 million. The tax-exempt note was issued to refund the bonds and fund a debt service reserve; while the taxable note was used for the swap termination, funding of a reserve and cost of issuance.

Note R – New Accounting Pronouncements

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Management has not currently determined what, if any, impact implementation of the following will have on the financial statements.

- *GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets.* This statement establishes standards of accounting and financial reporting for intangible assets. The requirements of this statement are effective for the fiscal year beginning October 1, 2009.

- *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.* This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for fiscal year beginning October 1, 2009.

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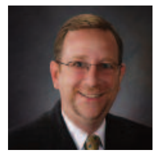
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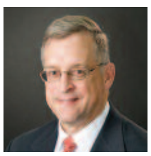
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