

Jacksonville Aviation Authority

Annual Financial Report Fiscal Year 2008

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2008
of the Jacksonville Aviation Authority
Jacksonville, Florida

(a component unit of the city of Jacksonville)





Jacksonville Aviation Authority Jacksonville, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2008

(A Component Unit of the city of Jacksonville, Florida)

PREPARED BY:
FINANCE DIVISION

RICHARD A. ROSSI
CHIEF FINANCIAL OFFICER

DIANE PINKERMAN
CONTROLLER

www.jaa.aero



September 30, 2008

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To the Board of Directors of the
Jacksonville Aviation Authority:

We present the Annual Financial Report of the Jacksonville Aviation Authority (the Authority) for the fiscal year ended September 30, 2008. The Finance Department prepared this report. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America.

This annual financial report consists of the following items:

- This Transmittal Letter, which includes a narrative of the Authority's history and background.
- The Report of Independent Certified Public Accountants.
- Management's Discussion and Analysis (MD&A) of the financial condition of the Authority.
- The Authority's Financial Statements (Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets and Statements of Cash Flows) and Notes to the Financial Statements
- The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

Reporting Entity and Its Services

The Authority, a public body corporate and politic, was established by the State of Florida on June 5, 2001, to own and operate aviation facilities in Duval County, Florida.

A seven member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints an Executive Director to implement it. The Board of Directors annually elects a Chairman, Vice-Chairman, Secretary and Treasurer. Directors serve a four year term. Directors may serve a maximum of two successive terms. Directors serve as volunteers and do not receive a salary or other

compensation for their services. The Board of Directors appoints an Executive Director who serves at its pleasure.

John D. Clark, Executive Director/CEO of the Authority, plans and directs all the programs and activities of the Authority, focusing on the future and the development of long-term business strategies.

The Authority airport system consists of Jacksonville International Airport, Craig Airport, Herlong Airport and Cecil Field.

The Authority is considered a component unit of the City of Jacksonville, Florida under the criteria set forth by the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The Authority does not have any component units and is not involved in any joint ventures.

Economic Condition and Outlook

Situated in the corner of Northeast Florida, Jacksonville is considered to be the metropolitan market for over ten Florida and South Georgia counties. The City of Jacksonville is the hub of an array of services that include an international airport and three general aviation airports, a deep-water port, travel and tourism, recreational and sports activities, medical and health, higher education and cultural amenities. With a Metropolitan Statistical Area (MSA) population of over one million, Jacksonville is on the verge of being classified as a first-tier city. The Jacksonville MSA consists of Baker, Clay, Duval, Nassau, Putnam, and St. Johns Counties.

The strength in Jacksonville's economy lies in its uniquely diversified structure, not heavily dependent on any one major employer or employment sector. The community enjoys a natural location for distribution and warehousing activities. Quality lifestyle, labor force, and cultural/educational/medical facilities are considered key resources in the market's ability to sustain future growth.

Accounting Systems

The management of the Authority is responsible for establishing and maintaining internal control that is designed to ensure that the assets of the Authority are safeguarded. In addition, as a recipient of federal financial assistance, the Authority is responsible for ensuring that adequate internal control is in place to ensure compliance with laws and regulations related to the Airport Improvement Program (AIP) and the Aviation Safety and Capacity Expansion Act.

The objectives of internal control are to provide management with reasonable assurance that the resources are safeguarded against waste, loss and misuse, and reliable data are recorded, maintained and fairly disclosed in reports. The current internal controls provide the Authority with a solid base of reliable financial records from which financial statements are prepared. These accounting controls ensure that accounting data are

reliable and available to facilitate the preparation of financial statements on a timely basis. Inherent limitations should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgment by management.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB).

Budgetary Control

The Authority's annual budget is a financial planning tool outlining the estimated revenues and expenses for the Authority. Prior to July 1 of each year, the Authority prepares and submits its budget to the City Council of the City of Jacksonville for the ensuing fiscal year. Budgetary control and evaluation are affected by comparing actual interim and annual results with budget. The Authority conducts periodic reviews to ensure compliance with the provisions of the annual operating budget approved by the Board of Directors and the City Council of the City of Jacksonville. Certain assumptions are made in determining the annual budget and accordingly subsequent results could differ substantially from those projected. In keeping with the requirements of a proprietary fund, budgetary comparisons have not been included in the financial section of this report; however, a narrative on the budget is included in the Notes to the Financial Statements.

Independent Audit

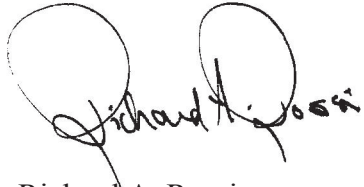
A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended. The Authority selected the firm of Ernst & Young LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. Each year, the independent certified public accountants meet with the Audit and Finance Committee of the Board of Directors to review the results of the audit.

Acknowledgements

The publication of this annual financial report is the culmination of a year of hard work by the Authority's Finance Department. I appreciate the commitment, effort, and perseverance of the Finance Department staff in the preparation of this report and for our annual accomplishments.

I also thank the Executive Director, Senior Management, and the Board of Directors for their leadership and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard A. Rossi". The signature is written in a cursive style with large, looping letters.

Richard A. Rossi
Chief Financial Officer



Jacksonville, Florida

Board of Directors

Jim McCollum	Chairman
Ronald M. Weaver.....	Vice Chairman
Dr. Chester Aikens.....	Secretary
Deborah Pass.....	Treasurer
Mary P. Burnett	Member
Jack Demetree.....	Member
Cyrus Jollivette.....	Member

Executive Staff

John D. Clark, III.....	Executive Director/CEO
Ernestine Moody-Robinson.....	Deputy Executive Officer
Richard A. Rossi.....	Chief Financial Officer

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Jacksonville
Aviation Authority
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



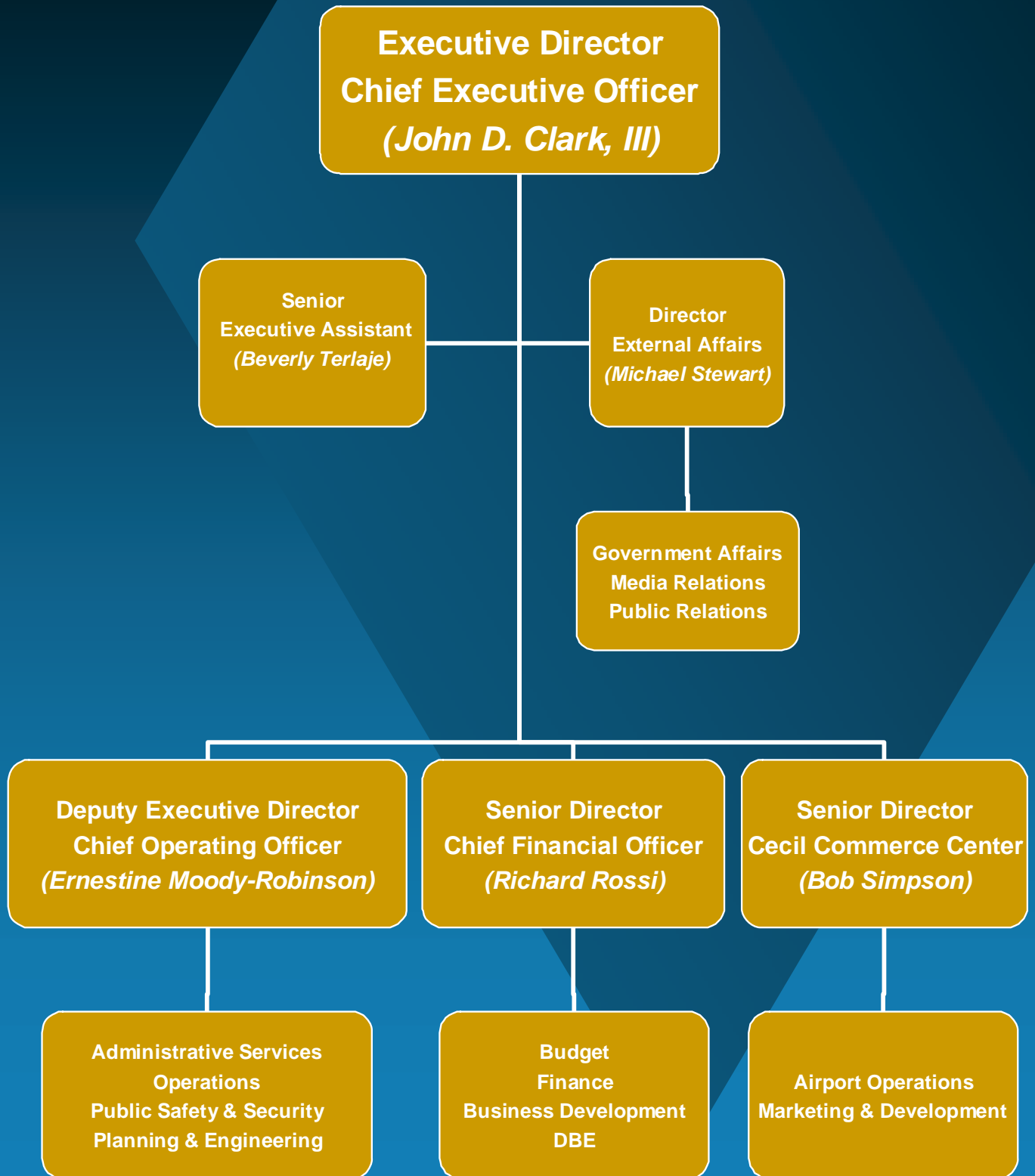
Oliver S. Cox

President

Jeffrey R. Emswiler

Executive Director

JAA Organizational Structure



Report of Independent Certified Public Accountants

The Board of Directors of
Jacksonville Aviation Authority

We have audited the accompanying balance sheets of Jacksonville Aviation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of September 30, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

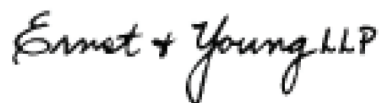
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jacksonville Aviation Authority, as of September 30, 2008 and 2007 and the changes in its financial position and cash flows for the years then ended in conformity accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the Schedule of Funding Progress, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

As discussed in Note 11 to the financial statements, the Authority has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

December 31, 2008

Jacksonville Aviation Authority

Management's Discussion and Analysis

September 30, 2008 and 2007

Introduction

The following discussion and analysis of the financial performance and activity of the Jacksonville Aviation Authority (the Authority) is meant to provide an introduction to and understanding of the Authority's basic financial statements for fiscal years ended September 30, 2008 and 2007. The discussion has been prepared by management and is unaudited and should be read in conjunction with the financial statements and associated notes thereto, which follow this section.

The Authority is a body corporate and politic, established by the state of Florida on June 5, 2001, pursuant to the provisions of Chapter 2001-319 of the Laws of Florida, to own and operate aviation facilities in Duval County, Florida. Prior to October 1, 2001, the Authority operated as a division of the Jacksonville Port Authority. Pursuant to the provisions of Chapter 2005-328 of the Laws of Florida, the Authority changed its name from Jacksonville Airport Authority to Jacksonville Aviation Authority effective June 10, 2005.

The Authority consists of a seven member board, four members appointed by the Governor of the State of Florida and confirmed by the State Senate and three members appointed by the Mayor of the City of Jacksonville and confirmed by the City Council of the City of Jacksonville.

The Authority operates an airport system that consists of four airports: Jacksonville International Airport (JIA), Craig Airport, Herlong Airport and Cecil Field. The organization consists of approximately 229 full-time employees in a structure that includes administration, airport management and operations, and police.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. The Authority is not taxpayer-funded. The capital construction program is funded by bonds issued by the Authority, federal and state grants, passenger facility charges (PFCs) and Authority revenues.

The Authority is a component unit within the City of Jacksonville, Florida's (the City's) basic financial statements based on the City's approval of the Authority's budget. As a component unit of the City, the Authority's financial statements are discretely presented in the City's basic financial statements. The accompanying financial statements present the financial position of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

Using the Financial Statements

The Authority's financial report includes three financial statements: the balance sheets, the statements of revenues, expenses and changes in net assets and the statements of cash flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital asset related costs are capitalized and are depreciated (except land and construction in progress) over their estimated useful lives. Certain net asset balances are restricted for debt service and, where applicable, for construction activities.

The balance sheets each present the Authority's financial position as of one point in time – September 30, 2008 and 2007, and include all assets and liabilities of the Authority. The balance sheets demonstrate that the Authority's assets equal liabilities plus net assets. Net assets represent the residual interest in the Authority's assets after liabilities are deducted. Net assets are displayed in three components – invested in capital assets net of related debt, restricted, and unrestricted.

The statements of revenues, expenses, and changes in net assets report total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net assets. Revenues and expenses are categorized as either operating or non-operating based upon management's policy as established and disclosed in the notes to the financial statements. Significant recurring sources of the Authority's revenues, including PFCs, investment income and federal, state and local grants, are reported as non-operating revenues. The Authority's interest expense is reported as non-operating expense.

The statements of cash flows present information about how the Authority's cash and cash equivalents position changed during the fiscal years. The statements of cash flows classify cash receipts and cash payments as resulting from operating activities, financing activities and investing activities.

Authority's Activity Highlights

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area served by an airport). This relationship is particularly true for origin-destination (O&D) passenger traffic, which has been the primary component of demand at JIA. The major portion of demand for air travel at the JIA is largely influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. JIA is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements.

Passenger enplanements at JIA for the fiscal year ended September 30, 2008, totaled 3,058,006, a decrease of 3.46% from the prior fiscal year. This decrease reflects the state of the economy and the reduced seat capacity into the JIA airport. In an effort to reduce operating costs, in response to high fuel prices and slowdown in the economy, most airlines have reduced seat capacity in US airports, either through the elimination or reduction in the number of daily flights. In fiscal year 2007, JIA had enplanements of 3,167,664, and increase of 8.31% over fiscal year 2006.

Landed weight totaled 4,483,698 for fiscal year 2008, a decreased of 1.29% from the prior year. These results for landed weights further demonstrate the changes in capacity mentioned above. In fiscal year 2007, JIA had landed weight of 4,542,233, an increase of 6.13% from fiscal year 2006.

As in 2007, Delta Airlines and Southwest Airlines dominated 2008 in both enplanement activity and landed weight. American, Continental, Express Jet, Frontier, Jet Blue, Northwest, United Airlines, US Airways, United Airlines and AirTran comprise the remainder of the signatory airlines serving JIA and generate the majority of the enplanements.

Passengers, enplanements and landed weights for the fiscal years ending September 30, were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total passengers	6,120,308	6,307,416	5,842,758
% increase	-2.97%	7.95%	3.00%
Enplanements	3,058,006	3,167,664	2,924,527
% increase	-3.46%	8.31%	2.66%
Landed weight	4,483,698	4,542,233	4,279,841
% increase	-1.29%	6.13%	0.95%

For fiscal year 2008, the Jacksonville International Airport daily air carrier departures decreased to 94 from 113 and 109 departures in 2007 and 2006, respectively.

Financial Highlights

The Authority's assets exceeded liabilities for fiscal year 2008 by approximately \$419.58 million compared to \$412.67 million and \$376.00 million in fiscal years 2007 and 2006, respectively. Unrestricted funds for fiscal years 2008, 2007 and 2006 were approximately \$40.78 million, \$37.44 million and \$23.21 million, respectively. The Authority may use these funds for any lawful purpose.

The overall financial position of the Authority has improved as indicated by consecutive increases in total net assets. The improving trend for fiscal years 2008 and 2007 is due primarily to grants-in-aid of construction and earnings from continuing operations.

The Authority's total debt decreased \$9.55 million in fiscal year 2008. This is the result of issuing a 2008 revenue note for \$41.49 million to pay off the 2005 revenue bonds in the amount of \$39.96 million, defeasing the 2000B revenue bonds in the amount of \$3.61 million, along with normal debt service reductions of \$7.47 million.

The Authority's total debt increased \$82.91 million in fiscal year 2007. The debt increased by \$129.19 million due to the issuance of the 2006 revenue bonds. The decreases were the result of \$7.23 million in scheduled debt service payments and early payoff of the 2003B1, 2003B2, 2002A bank loan, 2002B bank loan and the 2002D note payable in the amount of \$39.05 million.

Operating Revenues

Fiscal year 2008 operating revenues decreased by 7.04% over 2007, and fiscal year 2007 operating revenues exceeded 2006 by 9.40%. A large percentage of operating revenues at the Authority is directly related to passenger volumes and aircraft operations.

The decrease in landing and ramp fees of 20.16% from fiscal year 2008 over 2007 is due to a reduction in the landing fee for fiscal year 2008. The decrease in the lease rentals from 2008 to 2007 of 13.09% is primarily attributable to decreased airline rental revenues.

The decrease in other revenue from 2008 to 2007 of 21.18% is primarily attributable to the reclassification of debt expense from a contra-revenue account to an expense account. The increase in other revenue from 2007 to 2006 of 16.60% is primarily attributable to an adjustment to bad debt allowance for the collections received from bankruptcies.

The increase in parking revenue of 15.94% from fiscal year 2007 over 2006 is due to an increase in parking rates. In 2007 concession revenue increased by 14.79% over 2006 due to increases in concession gross revenues.

The decrease in lease rentals from 2007 to 2006 of 2.01% is primarily attributable to decreased airline rental revenues in terminal rental rates based on operating expenses which impact rates that are determined by signatory airline agreement.

Operating Expenses

In fiscal year 2008 operating expenses before depreciation and amortization increased by 9.19% over 2007. The primary increases were in utilities of 32.26%, due to the increase in cost of utilities and the implementation of storm water fees. Salaries and benefits increased in fiscal year 2008 over 2007 by 6.54%, due to increases in the cost of health insurance and merit increases. With the slowdown in passenger activity, and the uncertainty regarding the impact of the economy on the airline industry, the Authority in the fourth quarter of fiscal year 2008 evaluated all expenses for possible areas of savings.

In response to the recent slowdown in passengers and the weak economy, management prepared a pro-action plan that was presented to the Authority's board in September 2008. This analysis provided management's assessment of various scenarios that anticipate decreased revenue due to current economic conditions. Management has since implemented reductions in various operating expenses for fiscal year 2009, along with deferring capital to future years.

In fiscal year 2007 operating expense before depreciation and amortization increased by 0.62% over 2006. The primary increase was in maintenance operating expense of 23.98%, due to additional repair projects. Business training and travel in 2007 decreased by 9.81% over 2006 due to a reduction in business travel.

Nonoperating Revenues

Nonoperating revenues in fiscal year 2008 decreased 23.21% from 2007. The decrease in nonoperating revenues is primarily due to decreased investment income due to declining balances in the 2006 construction fund account.

Nonoperating revenues in fiscal year 2007 increased by 24.44% from 2006. The increase in nonoperating revenues is primarily due to increased investment income from the 2005 bond swap and increased cash reserves and the reclassification of timber sales.

Nonoperating Expenses

Non-operating expenses decreased by 13.88% in 2008 due to the reduction in interest expense associated with the reduction in debt and the refinancing of the 2005 variable bond debt to a fixed rate.

Nonoperating expenses increased in 2007 by 39.50% over 2006 and are due to the \$5.74 million increase in interest expense associated with the issuance of the 2006 bonds.

Capital contributions

Capital contributions decreased by 13.38% in 2008. Capital contributions in fiscal year 2007 increased by 80.42% over 2006. These fluctuations are influenced by factors such as grant availability and project timing.

Summary Statements of Net Assets

The summary statements of net assets present the financial position of the Authority at the end of each fiscal year. The summary statements of net assets include all assets and liabilities of the Authority. Net assets are the difference between total assets and liabilities and are an indicator of the current fiscal health of the Authority.

Summary Statements of Net Assets (continued)

	September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2008	2007	from 2007	from 2007
Assets				
<i>(dollar amounts in thousands)</i>				
Current	\$ 46,228	\$ 42,277	\$ 3,951	9.35 %
Noncurrent (restricted/other)	90,797	147,246	(56,449)	(38.34)
Capital assets, net	545,028	486,244	58,784	12.09
Total assets	<u>682,053</u>	<u>675,767</u>	<u>6,286</u>	0.93
Liabilities				
Current	23,649	21,829	1,820	8.34
Payable from restricted assets	11,778	13,058	(1,280)	(9.80)
Long-term debt	214,739	228,207	(13,468)	(5.90)
Total liabilities	<u>250,166</u>	<u>263,094</u>	<u>(12,928)</u>	(4.91)
Net assets				
Invested in capital assets, net of related debt	358,313	336,911	21,402	6.35
Restricted	32,793	38,323	(5,530)	(14.43)
Unrestricted	40,781	37,439	3,342	8.93
Total net assets	<u>\$ 431,887</u>	<u>\$ 412,673</u>	<u>\$ 19,214</u>	4.66
Unrestricted working capital				
Current assets	56,228	52,277	3,951	7.56
Current liabilities	(23,649)	(21,829)	(1,820)	8.34
Working capital	<u>\$ 32,579</u>	<u>\$ 30,448</u>	<u>\$ 2,131</u>	7.00

Summary Statements of Net Assets (continued)

	September 30,		Increase/ (Decrease) from	% Increase/ (Decrease)
	2007	2006	2006	from 2006
Assets				
<i>(dollar amounts in thousands)</i>				
Current	\$ 42,277	\$ 33,506	\$ 8,771	26.18 %
Noncurrent (restricted/other)	147,246	74,298	72,948	98.18
Capital assets, net	486,244	436,056	50,188	11.51
Total assets	<u>675,767</u>	<u>543,860</u>	<u>131,907</u>	24.25
Liabilities				
Current	21,829	14,732	7,097	48.17
Payable from restricted assets	13,058	10,105	2,953	29.22
Long-term debt	228,207	143,023	85,184	59.56
Total liabilities	<u>263,094</u>	<u>167,860</u>	<u>95,234</u>	56.73
Net assets				
Invested in capital assets, net of related debt	336,911	302,987	33,924	11.20
Restricted	38,323	49,805	(11,482)	(23.05)
Unrestricted	37,439	23,208	14,231	61.32
Total net assets	<u>\$ 412,673</u>	<u>\$ 376,000</u>	<u>\$ 36,673</u>	9.75
Unrestricted working capital				
Current assets	52,277	33,506	18,771	56.02
Current liabilities	(21,829)	(14,732)	(7,097)	48.17
Working capital	<u>\$ 30,448</u>	<u>\$ 18,774</u>	<u>\$ 11,674</u>	62.18
Current ratio	2.39	2.27		

Total assets increased by 0.93% during 2008 while total liabilities decreased by 4.91%. These changes resulted in an increase in net assets of 4.66%.

Total assets increased by 24.25% during 2007. Total liabilities increased by 56.73% for a resulting increase in net assets of 9.75%.

Summary of Statements of Revenues, Expenses, and Changes in Net Assets

	September 30,		
	2008	2007	2006
Operating revenues:	(dollar amounts in thousands)		
Landing and ramp fees	\$ 12,117	\$ 15,176	\$ 13,943
Lease rentals	12,769	14,692	14,993
Parking	17,956	17,058	14,713
Concessions	14,788	14,740	12,841
Other revenue	1,716	2,177	1,867
Total operating revenues	<u>59,346</u>	<u>63,843</u>	<u>58,357</u>
Operating expenses (including depreciation & amortization):			
Salaries and benefits	17,405	16,336	16,840
Services and supplies	12,438	12,000	11,641
Business training and travel	409	340	377
Promotions, advertising and dues	525	448	477
Utilities	4,723	3,571	3,646
Maintenance	2,590	2,454	1,979
Other operating expenses	2,788	2,287	2,245
Depreciation and amortization	26,273	23,880	21,922
Total operating expenses (including depreciation & amortization)	<u>67,151</u>	<u>61,316</u>	<u>59,127</u>
Operating (loss) income	(7,805)	2,527	(770)
Nonoperating revenues:			
Passenger facility charges	12,398	13,130	12,450
Investment income	6,037	10,992	5,639
Payments from primary government	8	12	60
Payments from federal and state agencies	226	206	233
Contributions from other governments	22	1	9
	<u>18,691</u>	<u>24,341</u>	<u>18,391</u>
Nonoperating expenses:			
Interest expense	10,226	13,569	8,012
Other expenses	1,888	226	334
Total nonoperating expenses	<u>12,114</u>	<u>13,795</u>	<u>8,346</u>
Capital contributions	<u>20,442</u>	<u>23,600</u>	<u>13,080</u>
Increases in net assets	<u>\$ 19,214</u>	<u>\$ 36,673</u>	<u>\$ 22,355</u>

Signatory Airline Rates and Charges

The Authority and certain airlines negotiated an airline use and lease agreement (the agreement) with an effective date of October 1, 2007 for 5 year term, which in part establishes how the airlines that signed the agreement will be assessed annual rates and charges for their use of JIA. Landing fees and terminal rental rates for non-signatory airlines are assessed at 125 percent of the signatory rates.

The agreement with the signatory airlines is hybrid in nature, with a residual rate-making methodology for the airfield and a compensatory methodology for the terminal. The Authority also has the ability under the agreement to adjust airline rates and charges at any time throughout the year to ensure adherence to all financial covenants in its bond resolutions. No such adjustments were made during fiscal years 2008, 2007 and 2006.

The rates and charges for the signatory airlines at September 30 were as follows:

	2008	2007	2006
Landing fees (per 1,000 lbs. MGLW)	\$ 1.14	\$ 1.50	\$ 1.52
Apron fee rental (per linear foot)	302.56	323.59	301.45
Average terminal rental rate (per square foot)	23.60	43.41	53.15
Ticket counter (per square foot)	32.27	59.31	72.99
Bag claim (per square foot)	25.82	47.44	58.39

Note: 2008 rates are estimates

Operating Revenues

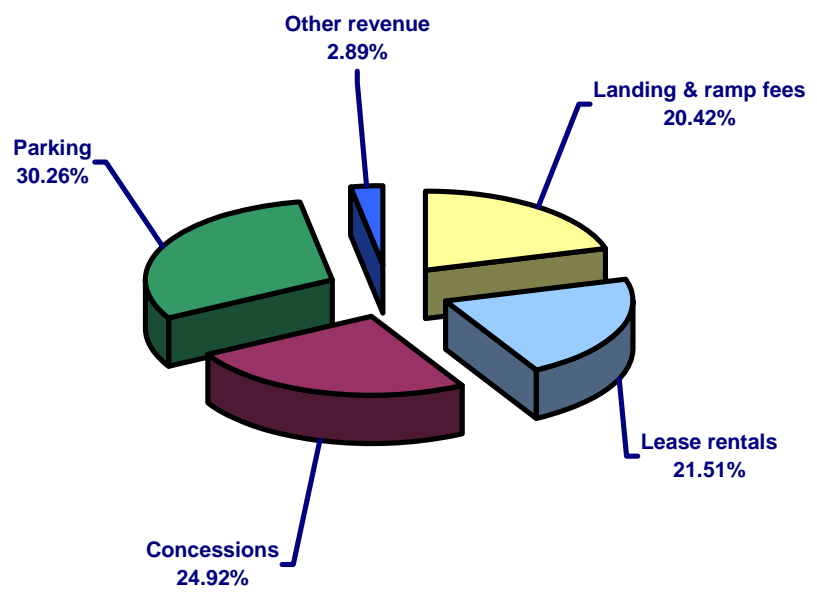
The following charts and tables show the major sources and the percentage of operating revenues for fiscal years 2008, 2007 and 2006.

Operating revenue for fiscal year 2008 decreased 7.04% over 2007. Operating revenue decreased over fiscal year 2007 in landing and ramp fees, lease rentals, and other revenue.

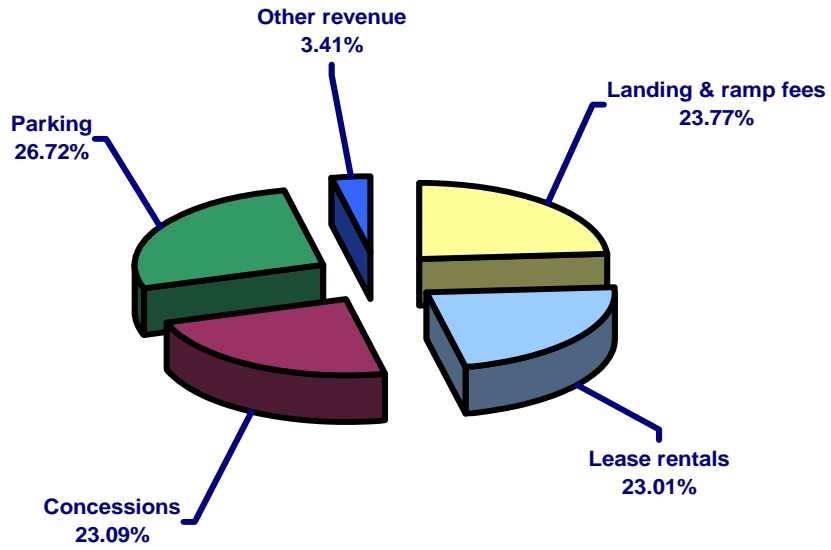
Operating revenue for fiscal year 2007 increased 9.40% over 2006. Operating revenue increased in landing and ramp fees, parking, concessions and other revenue.

Refer to the changes in net assets section of this MD&A for additional information related to operating revenues.

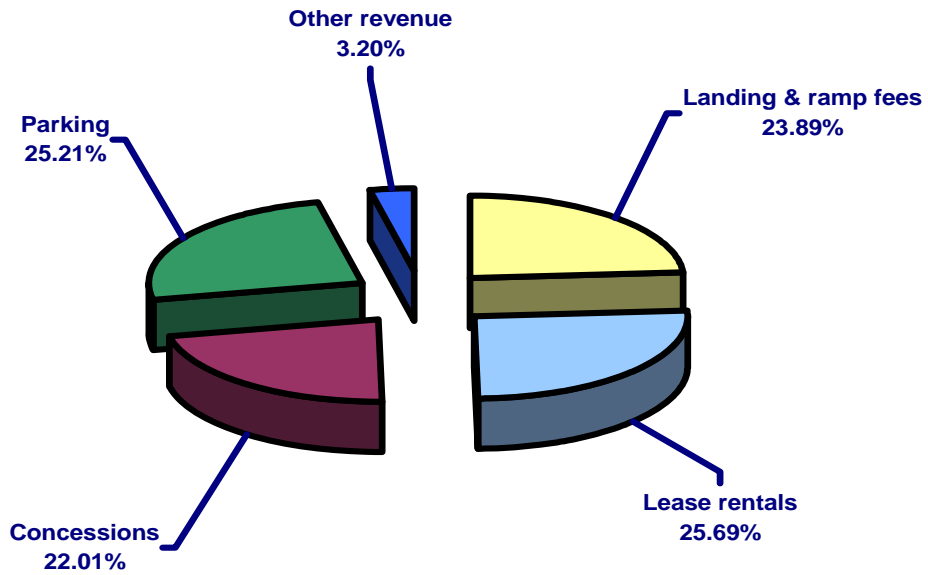
2008 Operating Revenues



2007 Operating Revenues



2006 Operating Revenues



Operating Revenues by Major Source

	September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2008	2007	from 2007	from 2007
<i>(dollar amounts in thousands)</i>				
Landing and ramp fees	\$ 12,117	\$ 15,176	\$ (3,059)	(20.16) %
Lease rentals	12,769	14,692	(1,923)	(13.09)
Parking	17,956	17,058	898	5.26
Concessions	14,788	14,740	48	0.33
Other revenue	1,716	2,177	(461)	(21.18)
Total operating revenues	\$ 59,346	\$ 63,843	\$ (4,497)	(7.04)

	September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2007	2006	from 2006	from 2006
<i>(dollar amounts in thousands)</i>				
Landing and ramp fees	\$ 15,176	\$ 13,943	\$ 1,233	8.84 %
Lease rentals	14,692	14,993	(301)	(2.01)
Parking	17,058	14,713	2,345	15.94
Concessions	14,740	12,841	1,899	14.79
Other revenue	2,177	1,867	310	16.60
Total operating revenues	\$ 63,843	\$ 58,357	\$ 5,486	9.40

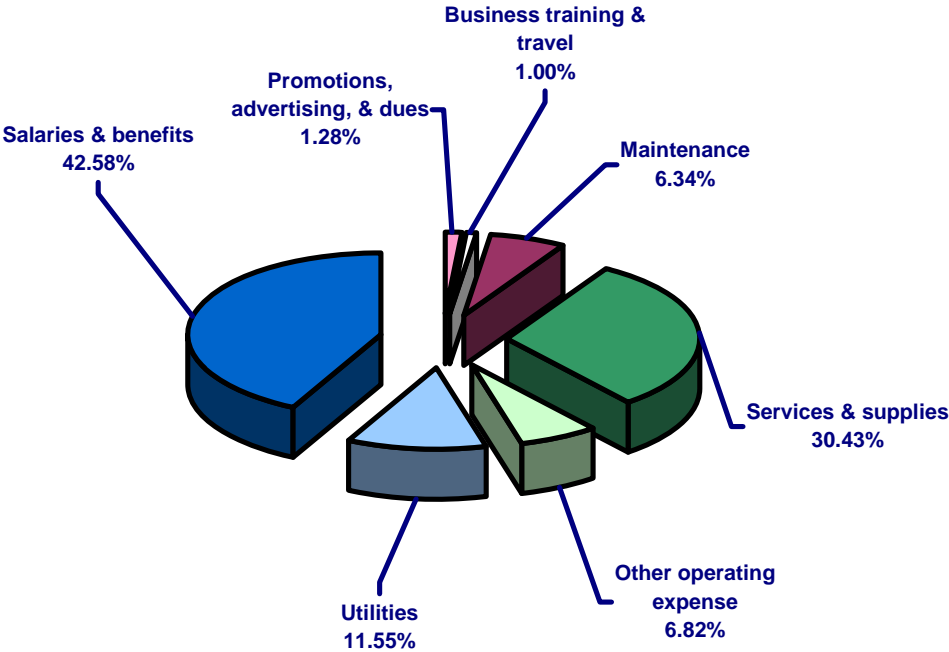
Operating Expenses

The following charts show the major cost categories for the Authority for fiscal years 2008, 2007 and 2006.

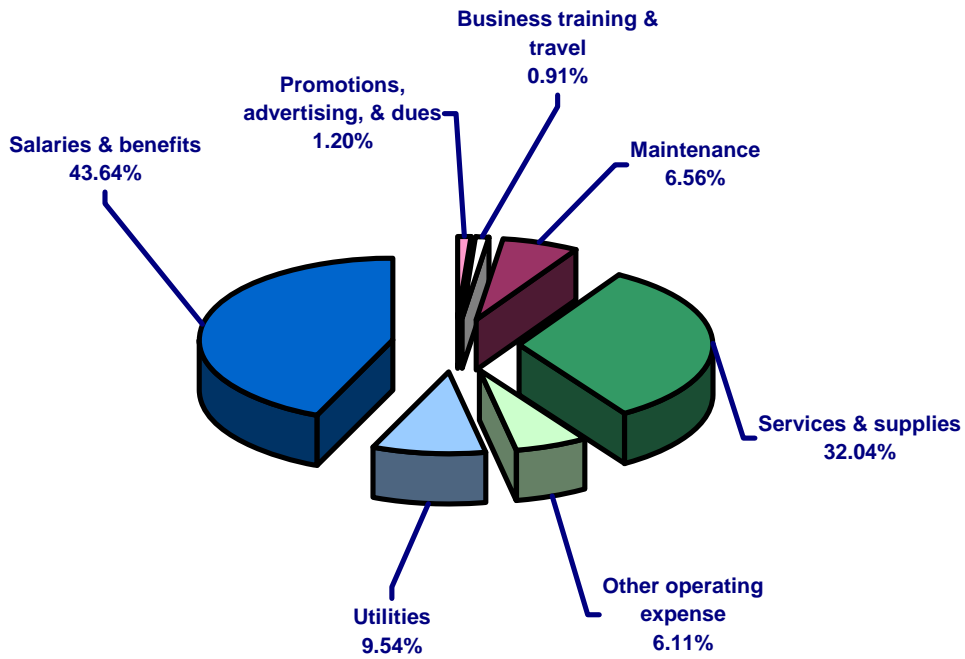
Operating expenses, before depreciation and amortization, for fiscal year 2008 increased 9.19% over 2007. Operating expenses, before depreciation and amortization, for fiscal year 2007 increased 0.62% over 2006.

Refer to the changes in net assets section of this MD&A for additional information related to operating expenses.

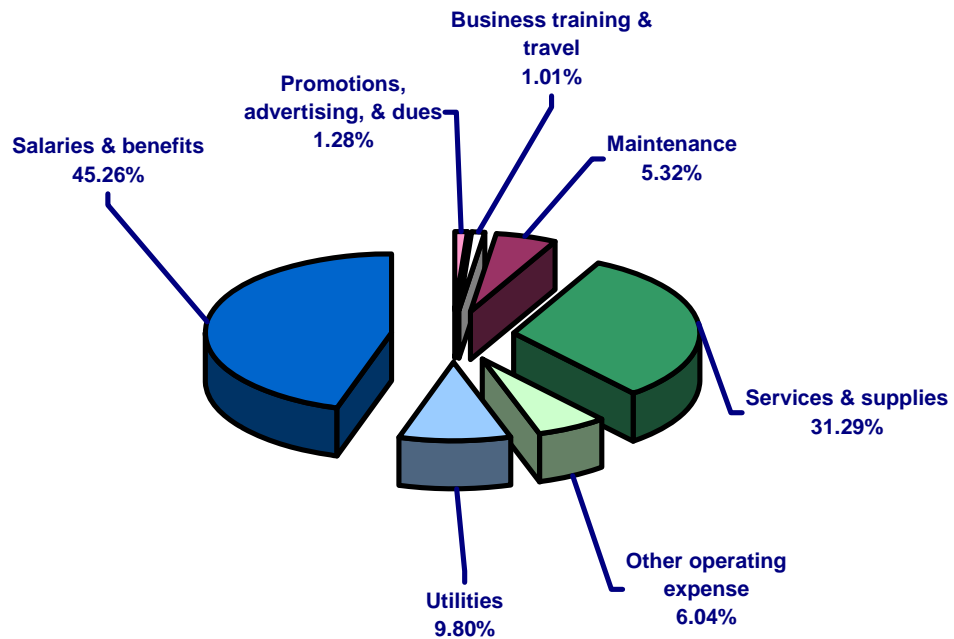
2008 Operating Expenses



2007 Operating Expenses



2006 Operating Expenses



Operating Expenses by Major Source

	September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2008	2007	from 2007	from 2007
<i>(dollar amounts in thousands)</i>				
Salaries and benefits	\$ 17,405	\$ 16,336	\$ 1,069	6.54 %
Services and supplies	12,438	12,000	438	3.65
Business training and travel	409	340	69	20.29
Promotions, advertising and dues	525	448	77	17.19
Utilities	4,723	3,571	1,152	32.26
Maintenance	2,590	2,454	136	5.54
Other operating expenses	2,788	2,287	501	21.91
Total operating expenses	\$ 40,878	\$ 37,436	\$ 3,442	9.19

	September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2007	2006	from 2006	from 2006
<i>(dollar amounts in thousands)</i>				
Salaries and benefits	\$ 16,336	\$ 16,840	\$ (504)	(2.99) %
Services and supplies	12,000	11,641	359	3.08
Business training and travel	340	377	(37)	(9.81)
Promotions, advertising and dues	448	477	(29)	(6.08)
Utilities	3,571	3,646	(75)	(2.06)
Maintenance	2,454	1,979	475	24.00
Other operating expenses	2,287	2,245	42	1.87
Total operating expenses	\$ 37,436	\$ 37,205	\$ 231	0.62

Debt Activity

The Authority issued \$41.49 million new debt in fiscal year 2008 in the form of a note from Compass Bank. This note refunded the 2005 revenue refunding bonds in the amount of \$39.96 million. The 2000B revenue bonds were also defeased in the amount of \$3.61 million. Normal debt service payments reduced the overall debt by \$7.47 million.

The Authority issued \$129.19 million of 2006 revenue bonds in October, 2006. In March of 2007 the 2003B1 and B2 series bonds were refunded in the amount of \$33.18 million. The 2002A and B bank notes were paid in full in the amount of \$5.83 million and the line of credit was paid for \$50 thousand. The result of this activity and normal debt service payments of \$7.23 million resulted in an overall increase in debt of \$82.91 million, from 2006 to 2007. Refer to the note 12 for a more detailed explanation of long-term debt activity.

Debt Service Coverage

Debt service coverage is a covenant of the bond resolutions requiring that a surplus of funds be available in the amount 125% of principal and interest due in the subsequent year. This coverage serves as an indicator to bond holders that funds are available for timely debt service payments. Historically, the Authority has maintained a coverage ratio higher than its requirement. The actual debt service coverage ratio for the fiscal years 2008, 2007 and 2006 was 1.77, 1.49 and 2.27, respectively.

Cash and Investment Management

The Authority's cash and cash equivalents decreased by \$58.54 million for fiscal year 2008 from 2007. This was primarily due to an increase in cash used by capital and related financing activities. Cash and cash equivalents, unrestricted, increased by \$2.12 million and restricted cash and cash equivalents decreased by \$60.66 million.

The Authority's cash and cash equivalents increased by \$66.72 million for fiscal year 2007 from 2006. This was primarily due to proceeds from long term debt. Cash and cash equivalents, unrestricted, increased by \$5.41 million and restricted cash and cash equivalents increased by \$61.31 million.

Capital Construction

During 2008, the Authority expended approximately \$90.15 million on capital activities. Major projects in 2008 at JIA continue to be construction and expansion of concourses A and C.

During 2007 the Authority expended approximately \$70.88 million on capital activities. Major projects in 2007 at JIA were the construction and expansion of concourse A and C, along with the apron and taxiway.

Average monthly capital construction spending was \$7.51 million, \$5.91 million and \$2.11 million for fiscal years 2008, 2007 and 2006, respectively.

Refer to the notes to financial statements for a more detailed discussion of capital activity.

Economic Factors and Next Years' Budget

The Authority originally projected another increase in enplanements for fiscal year 2009 over the prior year. Due to changing economic conditions those projections have been revised to reflect a decrease of 10% from the prior year. Revenues for fiscal year 2009 were originally forecasted to be approximately \$65.20 million or 9.85% above fiscal year 2008. This projection has also been revised to \$58.68 million or a 1.13% decrease over fiscal year 2008. Operating expenses before depreciation and amortization for fiscal year 2009 are forecasted to be approximately \$45.45 million or 11.12% from fiscal year 2008.

The Authority expects to face continued challenges in fiscal year 2009 because of the troubled financial condition of the nation's airlines and reduced federal resources. Costs for security and other operational issues remain on the increase. The Authority continues to seek opportunities to diversify its revenues through new revenue-generating sources such as real estate development and aviation consulting.

Contacting the Authority's Financial Management

The financial report is designed to provide the Authority's board of directors, management, investors, creditors and customers with a general view of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact Chief Financial Officer, P.O. Box 18018, Jacksonville, Florida 32229-0018.

Jacksonville Aviation Authority

Balance Sheets

	September 30,	
	2008	2007
	<i>(dollar amounts in thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,458	\$ 20,339
Investments	12,862	10,877
Accounts receivable, net of allowance of \$731 in 2008 and \$1,856 in 2007	4,100	5,073
Grants receivable	5,372	4,495
Interest receivable	481	697
Note receivable	100	94
Inventory and other assets	855	702
Total current assets	<u>46,228</u>	<u>42,277</u>
Noncurrent assets:		
Restricted cash and cash equivalents	51,025	111,684
Restricted investments	19,098	15,577
Deposits with other agencies	10,000	10,000
Grants receivable	4,121	2,770
Note receivable	4,240	4,340
Other noncurrent assets	2,313	2,875
Total noncurrent assets	<u>90,797</u>	<u>147,246</u>
Capital assets:		
Land	70,098	66,533
Construction in progress	75,454	88,440
Property, plant and equipment	638,870	558,222
Less: accumulated depreciation	(241,229)	(227,920)
Other capital assets, net of amortization	1,835	969
Total capital assets	<u>545,028</u>	<u>486,244</u>
Total noncurrent assets	<u>635,825</u>	<u>623,490</u>
Total assets	<u>\$ 682,053</u>	<u>\$ 675,767</u>

See accompanying notes.

Jacksonville Aviation Authority

Balance Sheets

	September 30,	
	<u>2008</u>	<u>2007</u>
	<i>(dollar amounts in thousands)</i>	
Liabilities and net assets		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 3,915	\$ 3,086
Accrued expenses	9,846	7,530
Construction contracts and retainage payable	9,888	11,213
Total current liabilities payable from unrestricted assets	<u>23,649</u>	<u>21,829</u>
Current liabilities payable from restricted assets:		
Bonds and notes payable - current portion	7,335	7,475
Accrued interest payable	4,443	5,583
Total current liabilities payable from restricted assets	<u>11,778</u>	<u>13,058</u>
Total current liabilities	<u>35,427</u>	<u>34,887</u>
Long-term debt		
Bonds and notes payable	214,739	228,207
Total liabilities	<u>250,166</u>	<u>263,094</u>
Net assets		
Invested in capital assets, net of related debt	358,313	336,911
Restricted for debt service	20,489	25,006
Restricted for capital	3,939	4,859
Restricted for other	8,365	8,458
Unrestricted	40,781	37,439
Total net assets	<u>431,887</u>	<u>412,673</u>
Total liabilities and net assets	<u>\$ 682,053</u>	<u>\$ 675,767</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Revenues, Expenses, and Changes in Net Assets

	For the Year Ended September 30,	
	2008	2007
	<i>(dollar amounts in thousands)</i>	
Operating revenues:		
Landing and ramp fees	\$ 12,117	\$ 15,176
Lease rentals	12,769	14,692
Parking	17,956	17,058
Concessions	14,788	14,740
Other revenue	1,716	2,177
Total operating revenues	59,346	63,843
Operating expenses:		
Salaries and benefits	17,405	16,336
Services and supplies	12,438	12,000
Business training and travel	409	340
Promotions, advertising, and dues	525	448
Utilities	4,723	3,571
Maintenance	2,590	2,454
Other operating expenses	2,788	2,287
Operating expenses before depreciation and amortization	40,878	37,436
Operating income before depreciation and amortization	18,468	26,407
Depreciation and amortization expense	26,273	23,880
Operating (loss) income	(7,805)	2,527
Nonoperating revenues (expenses):		
Passenger facility charges	12,398	13,130
Interest expense	(10,226)	(13,569)
Investment income	6,037	10,992
Payments from primary government	8	12
Payments from federal and state agencies	226	206
Contributions from other governments	22	1
Other	(1,888)	(226)
Total nonoperating revenues	6,577	10,546
(Loss) income before capital contributions	(1,228)	13,073
Capital contributions	20,442	23,600
Change in net assets	19,214	36,673
Net assets, beginning of year	412,673	376,000
Net assets, end of year	\$ 431,887	\$ 412,673

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows

	For the Year Ended September 30,	
	2008	2007
	<i>(dollar amounts in thousands)</i>	
Cash flows from operating activities		
Receipts from customers and tenants	\$ 60,318	\$ 63,474
Payments to suppliers for goods and services	(20,900)	(17,671)
Payments to employees for services	(16,987)	(16,203)
Other sources (uses)	130	(271)
Net cash provided by operating activities	<u>22,561</u>	<u>29,329</u>
Cash flows from non-capital and related financing activities		
Deposits with other agencies	-	(10,000)
Nonoperating grants received	256	218
Net cash provided by non-capital financing activities	<u>256</u>	<u>(9,782)</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets, net	(90,153)	(70,880)
Payments received from notes receivable	94	89
Principal paid on capital debt	(51,045)	(46,280)
Interest paid on capital debt	(11,083)	(8,343)
(Loss) gain from sale of equipment	(2,018)	44
Contributions-in-aid of construction	18,214	18,755
Passenger facility charges received	12,398	13,130
Proceeds from issuance of long-term debt	41,490	129,190
Net cash (used in) provided by capital and related financing activities	<u>(82,103)</u>	<u>35,705</u>
Cash flows from investing activities		
Interest on investments	6,089	10,400
Purchase of investment securities	(50,051)	(36,226)
Proceeds from sale and maturities of investment securities	44,708	37,291
Net cash provided by investing activities	<u>746</u>	<u>11,465</u>
Net change in cash and cash equivalents	(58,540)	66,717
Cash and equivalents, beginning of year	132,023	65,306
Cash and equivalents, end of year	<u>\$ 73,483</u>	<u>\$ 132,023</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows

For the Year Ended September 30,

2008 2007

(dollar amounts in thousands)

Reconciliation of operating income (loss) to net cash provided by operating activities

Operating (loss) income	\$ (7,805)	\$ 2,527
Adjustment to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	26,273	23,880
Decrease (Increase) in accounts receivable	973	(370)
(Increase) Decrease in inventory and other assets	(154)	44
Increase in accounts payable	829	945
Increase in accrued expenses	2,315	2,574
Increase (Decrease) other	130	(271)
Net cash provided by operating activities	<u>\$ 22,561</u>	<u>\$ 29,329</u>
Non-cash investing, capital and financing activities:		
Change in fair market value of investments	\$ (265)	\$ (243)
Capitalized interest	<u>\$ (1,664)</u>	<u>\$ (230)</u>

Jacksonville Aviation Authority

Notes to Financial Statements

September 30, 2008 and 2007

1. Organization and Reporting Entity

Organization

The Jacksonville Aviation Authority (the Authority), a body corporate and politic, was established by the State of Florida (State) on June 5, 2001, pursuant to the provisions of Chapter 2001-319 which was amended on June 17, 2004 by Chapter 2004-464, of the Laws of Florida to own and operate aviation facilities in Duval County, Florida. The Authority is independent, distinct from, and not an agent of the State or any other of the State's political subdivisions, including the County of Duval (County). Prior to October 1, 2001, the Authority operated as a division of the Jacksonville Port Authority. Pursuant to the provisions of Chapter 2005-328 of the laws of Florida, the Authority changed its name from Jacksonville Airport Authority to Jacksonville Aviation Authority effective June 10, 2005.

The Authority's Board of Directors consists of seven members, four appointed by the Governor of the State of Florida and confirmed by the State Senate and three appointed by the Mayor of the City of Jacksonville and confirmed by the City Council. The Authority is not subject to Federal, State or local income or sales taxes.

Reporting Entity

The Authority meets the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City's basic financial statements based on the City's approval of the Authority's budget. As a component unit of the City, the Authority's financial statements are discretely presented in the City's basic financial statements. The accompanying financial statements present the financial activities of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. The Authority reports as a business type activity, as defined by the GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, rental cars, parking and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of five sections: invested in capital assets, net of related debt; restricted for debt service, restricted for capital, restricted for other and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserves. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

Proprietary Accounting and Financial Reporting

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Budgeting Requirements

The Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for the Authority. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actual, current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results are periodically reviewed throughout the year to ensure compliance with the provisions of the Authority's entity-wide annual operating budget, which is approved by the Board of Directors and the City Council of the City.

Prior to July 1 of each year, the Authority prepares and submits its budget to the City Council for the ensuing fiscal year. The City Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis. The Authority's Executive Director has been delegated the authority to approve budgetary changes to the budget within all categories, subject to the following limitations: once adopted, the total budget may only be increased through action of the City Council, operating budget item transfers may be made with the approval of the Executive Director or his designee, ;line-to-line capital budget transfers may be made with the approval of the Executive Director or his designee if it is cumulatively less than or equal to \$100,000; or with the approval of the Board if over \$100,000. In keeping with the requirements of a proprietary fund, budget comparisons have not been included in the financial section of this report.

Revenue Recognition

Airfield Landing Fee Charges – Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually based on full cost recovery, pursuant to an agreement between the Authority and the signatory airlines based on the operating budget of the Authority, and is adjusted at year-end for the actual landed weight of all aircraft. Landing fees are recognized as a component of operating revenue when the related facilities are utilized.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Terminal Rents, Concession and Ground Transportation – Rentals and concession fees are generated from airlines, parking structures and lots, rental cars, fixed base operators, food and beverage, retail, advertising and other commercial tenants. Leases with the airlines are based on compensatory cost recovery, through rates and charges pursuant to an agreement. Leases are typically for terms from one or more years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concession revenue and typically partially based on a minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses, and Changes in Net Assets.

Other - All other types of operating revenue are recognized when earned.

Cash, Cash Equivalents and Investments

The deposit and investment of Authority monies is governed by provisions of its enabling legislation and by an investment policy adopted by the Authority. The Governing Body has authorized the Authority to establish bank accounts with a qualified public depository pursuant to Chapter 280 of the Florida Statutes. Accordingly, all of the Authority's deposits are considered fully insured.

For purposes of reporting cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents, which are stated at cost, consist of money market funds and cash investment pools payable on demand.

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

Inventory

Inventory consists of spare parts and fuel and they are stated at weighted average cost and FIFO, respectively.

Restricted Assets

Restricted assets consist of monies and other resources, which are legally restricted. Major classes of restricted assets are discussed below.

Construction funds – These assets represent capital debt proceeds that are restricted for designated capital projects and cannot be expended for any other purpose.

Capital recovery fund – These assets represent capital recovery proceeds that are restricted for capital improvements or bond retirement or are in the renewal and replacement fund.

Operations and maintenance fund – These assets represent proceeds restricted to pay the next succeeding two months of budgeted operations and maintenance expenses.

Passenger facility charges funds – These assets represent PFC collections based on an approved Federal Aviation Administration (FAA) application to “impose” such charges on enplaned passengers at JIA. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects. The Authority recognizes and reports PFC’s as non-operating revenue when all conditions have been met that entitle the Authority to retain the PFCs.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and revenue refunding bond funds – These assets represent 2003A1, 2003A2 and 2006 airport bond debt service and reserve accounts. The debt service funds represent the principal amounts required for the annual October bond payment and the interest amounts required for the semi-annual interest payments. The reserve funds contain the maximum amount of required principal and interest payments for the bonds scheduled to come due in one year.

Renewal and replacement fund – This fund is deemed to be fully funded when the balance therein is one million dollars. These assets are to be used only to make unusual or extraordinary repairs to facilities included as a part of the airport system, to make required deposits to the debt service fund if available amounts in other funds are not sufficient for such purposes and to make required deposits to the reserve fund and rebate fund if amounts in other funds are not sufficient for such purposes.

Capital Assets

Capital assets are stated at historical cost, net of accumulated depreciation. The Authority's capitalization threshold is \$5,000. The costs for property and facilities include net interest cost incurred from the date of issuance of the debt to finance construction until completion of the capital project (see Note 8). Tenants have funded some construction and improvements of airport facilities from their own working capital. Under agreements with the Authority, the property reverts to the Authority upon termination or expiration of the agreement. These assets, when obtained by the Authority, are recorded at fair market value as of date of transfer. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed as incurred.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is reflected in current operations.

Depreciation of capital assets is computed using the straight-line method at various rates considered adequate to allocate costs over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

<u>Asset Class</u>	<u>Life in Years</u>
Buildings	5-50
Other improvements	3-50
Equipment	3-20
Intangibles	5-10

Capitalization of Interest

Interest costs incurred during the construction of property, plant and equipment are capitalized. The amount of interest to be capitalized is calculated by offsetting the interest cost incurred from accumulated expenditures from the date of the construction until completion of the project, with interest earned on invested debt proceeds over the same period.

Bond Issuance Costs

Bond issuance costs represent costs incurred in the process of issuing bonds and are amortized over the life of the respective issue on a straight-line basis.

Compensated Absences

Employees accrue annual leave in varying amounts based on length of service combined with position level, up to a maximum of 320 hours.

Once an employee has a leave balance of at least 160 hours, they must take at least 80 hours of leave time-off each fiscal year. Unused annual leave can be liquidated for cash upon request, separation, retirement or death.

The liability for compensated absences earned through year-end, but not yet taken, is accrued by charging the expense for the change in the liability from the prior year.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Pension Plan

The provision for retirement pension cost is recorded when the related payroll is accrued and the obligation is incurred.

Capital Contributions: Federal and State Grants

The Authority receives federal and state grants in support of its capital construction program. The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airport and Airways Trust Fund in the form of both entitlement and discretionary grants for eligible projects. The State of Florida and individual tenants also provide funds for capital programs.

Certain expenditures for airport capital improvements are funded through the airport improvement program (AIP) of the FAA, with certain matching funds provided by the State of Florida's Department of Transportation and the Authority, or from various state allocations or grant programs. Capital funding provided under government grants is considered earned as the allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the statement of revenues, expenses and changes in net assets, after non-operating revenues and expenses, as capital contributions.

Passenger Facility Charges

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

PFC charges at the rate of \$3 per enplaned passenger have been levied by the Authority since April 1, 1994, under an FAA approved application to impose \$12,258,255 in PFC fees. Since this first record of decision the Authority has submitted and received approval to collect \$371,954,476, since inception through December 1, 2023. In February 2003, with an earliest charge effective date of May 1, 2003, the FAA approved an amendment to impose and use passenger facility charge, at JIA at a new rate of \$4.50. This amendment also permits the Authority to finance certain projects with PFC revenues. Through September 30, 2008, the Authority has collected, including interest earnings, PFCs totaling approximately \$126,103,000. PFCs, along with related interest earnings are recognized and recorded as non-operating revenue in the year collected by the air carriers.

The Authority has expended approximately \$124,128,000 of PFCs on projects funded on a pay-as-you-go and financing basis.

Arbitrage Rebate Liability

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Authority had a liability of \$449,241 on the 2006 bonds as of September 30, 2008. The Authority had a liability of \$33,552 on the 2003B-1 and B-2 bonds and \$380,111 on the 2006 bonds as of September 30, 2007.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, through subsequent events, actual results could differ from those estimated.

Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments

Investment Maturity Distribution

Type of investments	Less than One Year	One to Five Years	Total
	<i>(dollar amounts in thousands)</i>		
U.S. Government and agency securities	\$ 24,679	\$ 7,281	\$ 31,960
Local Government investment pool	470	-	470
Investment in money market mutual funds	53,269	-	53,269
	\$ 78,418	\$ 7,281	\$ 85,699

The primary objectives of the Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of the investments. Bond proceeds may be invested in securities as permitted in the bond indentures. Otherwise, assets of the Authority may be invested in (a) the Florida Local Government Surplus Funds Trust Fund; (b) United States government securities, (c) United States government agencies, federal instruments; (d) interest bearing time deposit or savings accounts, provided that any such deposits are secured by the Security for Public Deposits Act, Chapter 280, Florida Statutes; (e) repurchase agreements; (f) commercial paper at the time of purchase rated "A-1" by Standard & Poor's (S&P) and "P-1" by Moody's Investor Services (Moody's); (g) corporate notes that have a long-term debt rating at the time of purchase, at a minimum "AA" by S&P and "Aa" by Moody's (h) bankers' acceptances rated, at a minimum, "A-1" by S&P and "P-1" by Moody's; (i) state and/or local government taxable and/or tax-exempt debt rated at least "AAA" by S&P and "Aaa" by Moody's or rated at least "SP-2" by S&P or "MIG-2" by Moody's for short-term debt; (j) registered investment companies registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7; and (k) intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

Consistent with the Authority's investment policy bond resolutions: 1) all of the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency of the United States of America and at the time of their purchase were rated

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

AAA by S&P; 2) the Local Government Surplus Funds Trust Fund is unrated; it is administered by the State Board of Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. The value of the Authority's investment position in the Local Government Surplus Funds Trust Fund external investment pool (2a-7-like pool) is the same as the value of the pool shares; 3) the money market mutual funds are each rated AAA by S&P. The investments in the Local Government Surplus Funds Trust Fund and the money market mutual funds are classified as cash equivalents on the accompanying balance sheet.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires the investment portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the bond resolution relating to those bonds issues. The Authority's investment policy also limits investments in commercial paper to maturities not to exceed 270 days.

Custodial Credit Risk

All securities purchased by, and all collateral obtained by, the Authority under its investment policy shall be properly designated as assets of the Authority and may be held in safekeeping by a third party custodial bank or other third party custodial institution. As of September 30, 2008, all investments of the Authority are held with an appropriate custodian or trustee or are held in accounts in the name of, and belonging to, the Authority.

Concentration of Credit Risk

Total money market funds held by the Authority shall not exceed 50% of the total value of the investment portfolio, exclusive of restricted funds. The Authority's investment in the Local Government Surplus Funds Trust Fund shall not exceed 50% of the total investment portfolio, exclusive of restricted funds. Maximum exposure to any one government instrument shall be limited to 30% of the total investment portfolio, exclusive of restricted funds. The Authority shall not exceed 10% of its portfolio value, exclusive of restricted funds, for each of the following: commercial paper, corporate bonds, CMO's and REMIC's.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

As of September 30, 2008, all investment holdings of the Authority are in compliance with these policies. Investments in any one issuer representing 5% or more of the Authority's total investments at September 30, 2008 are as follows: \$5.27 million (6.15%) invested in issues of the Federal National Mortgage Association, \$9.80 million (11.43%) invested in issues of the Federal Home Loan Mortgage Corporation, \$8.89 million (10.37%) invested in Milestone Treasury Obligations Investor Class M-8, \$8.29 million (9.67%) invested in the Federal Home Loan Bank, and \$4.72 million (5.50%) invested in the Federal Farm Credit Bank.

<u>September 30, 2008</u>	Unrestricted	Restricted	Fair Value
	<i>(dollar amounts in thousands)</i>		
Investments:			
U.S. Government and agencies' securities	\$ 12,862	\$ 19,098	\$ 31,960
Local Government Surplus Trust Fund	-	470	470
Money market mutual funds	4,981	48,288	53,269
Total investments	\$ 17,843	\$ 67,856	\$ 85,699

<u>September 30, 2007</u>	Unrestricted	Restricted	Fair Value
	<i>(dollar amounts in thousands)</i>		
Investments:			
U.S. Government and agencies' securities	\$ 10,877	\$ 15,577	\$ 26,454
Local Government Surplus Trust Fund	4,551	5,842	10,393
Money market mutual funds	75	104,735	104,810
Total investments	\$ 15,503	\$ 126,154	\$ 141,657

The Authority follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustment of the carrying value of investments to fair value to be represented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The Local Government Surplus Funds Trust Fund Investment Pool (the "Pool"), created by Section 218.405, Florida Statutes, is operated by the Florida State Board of Administration and is a "2a-7 like" pool in accordance with GASB No 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. A 2a-7 like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Surplus Funds Trust Funds is administered by the State Board of Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

the Florida Administrative Code. The money market mutual funds are 2a-7 funds registered with SEC.

During November 2007 it became apparent that the Pool was encountering difficulty in meeting increased cash withdrawals from various investors due to a portion of its investments being held in downgraded securities. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration split the Pool into two funds. Pool A, with higher quality securities, which was approximately 86% of total Pool assets. Pool B consisted of assets that had actual or perceived credit or liquidity risk, which was approximately 14% of total Pool assets. At the time of the restructuring, all pool participants had their existing balances proportionately allocated into Pool A and Pool B. As of September 30, 2007 the Authority had investments with SBA in the amount of \$10.4 million. As payments are received from the assets in Pool B, cash is transferred periodically to Pool A and participants may withdraw such distributions. Therefore, as Pool B is no longer operating as a 2a-7 like pool, the Authority has classified the \$470 thousand as an investment for balance sheet purposes at fair market value. As of September 30, 2008 the Authority had no money invested in Pool A and \$470 thousand in Pool B.

4. Deposits with Other Agencies

On January 31, 2007 the Authority entered into a Letter of Agreement with Florida Community College (FCCJ) in Jacksonville Florida. The Authority and FCCJ agreed to work together to develop an aircraft painting and education facility at the Cecil Commerce Center at the Cecil Airport.

FCCJ received a grant from the State of Florida Department of Education in the amount of \$10 million under a program where FCCJ is eligible for state matching funds equal to cash received from local or private sources. The Authority contributed \$10 million dollars to the FCCJ Foundation (a direct support organization to FCCJ) on behalf of FCCJ.

The Authority conducted a search for a company to manage and operate the painting facility and is in the process of negotiating the managerial contract and lease of the property. In the event the project is terminated, the FCCJ Foundation will immediately return to the Authority its deposit plus accrued interest. Construction of the aircraft painting and education facility will not begin until a management agreement is in place. Accordingly, the amount of the deposit is reported in noncurrent assets.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

5. Receivables

Accounts receivable are recorded net of allowances for uncollectible accounts of \$731,000 and \$1,856,000, at September 30, 2008 and 2007, respectively. In 2007 the allowance included \$852,000 for Delta Airlines and Northwest Airlines due to their bankruptcy. Both airlines emerged from bankruptcy in 2007. Accounts receivable at year-end are comprised of the following:

Receivable from:	Percent of Balance September 30,	
	2008	2007
Airlines	66.58%	66.95%
Concessionaires/non-aviation	28.40%	22.43%
Parking customers	5.02%	10.62%

The Authority and one of its tenants entered into an operating and lease agreement on February 25, 2005 wherein the Authority renovated and expanded Hangar 815. In consideration for this renovation, a note receivable was issued for \$4,626,660 to the tenant and the receivable is being repaid over twenty-five years at a rate of interest between 6% and 9%. The current rate of interest for 2008 is 6%.

	October 1, 2007		September 30, 2008		Amounts Due Within One Year
	Balance	Increases	Decreases	Balance	
	<i>(dollar amounts in thousands)</i>				
Note receivable	\$ 4,434	\$ -	\$ 94	\$ 4,340	\$ 100

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

6. Restricted Assets

Restricted assets, as of September 30, are as follows:

	2008	2007
	<i>(dollar amounts in thousands)</i>	
Restricted cash and cash equivalents		
Forfeited cash - Federal Justice	\$ 322	\$ 232
PFC approved project reimb	1,946	875
Capital recovery	85	571
Forfeited cash-State	4	102
PFC approved project reimb	30	657
Signatory airline capital	-	1,724
Operating and maintenance	409	2,788
Pooled bond reserve fund	3,908	3,749
2006 Construction fund	33,046	83,474
2000 Airport debt service	-	3,706
2003 A-1 & A-2 Debt service	6,126	6,087
2005 Debt service fund	-	2,051
2006 Debt service fund	4,610	4,974
2006 Cap interest fund	539	694
Total restricted cash and cash equivalents	\$ 51,025	\$ 111,684
Restricted investments		
Pooled bond reserve fund	\$ 9,591	\$ 9,209
Signatory airline capital	1,390	1,032
Renewal and replacement	975	987
Operating and maintenance	6,653	4,349
Capital recovery	489	-
Total restricted investments	\$ 19,098	\$ 15,577

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Capital Assets

Capital asset activity for the years ended September 30, 2008 and 2007 follows:

	Beginning Balance October 1, 2007	Transfers and Additions	Transfers and Disposals	Ending Balance September 30, 2008
<i>(dollar amounts in thousands)</i>				
Capital assets not being depreciated:				
Land	\$ 66,533	\$ 3,565	\$ -	\$ 70,098
Construction in progress	88,452	87,004	(100,002)	75,454
Total capital assets not being depreciated	154,985	90,569	(100,002)	145,552
Other capital assets:				
Buildings	120,876	1,365	(7,988)	114,253
Other improvements	412,865	86,564	(5,679)	493,750
Equipment	24,469	7,076	(678)	30,867
Total other capital assets	558,210	95,005	(14,345)	638,870
Less: Accumulated depreciation				
Buildings	52,595	3,187	(7,987)	47,795
Other improvements	161,502	19,410	(3,581)	177,331
Equipment	13,823	2,956	(676)	16,103
Total accumulated depreciation	227,920	25,553	(12,244)	241,229
Other capital assets, net of amortization	969	1,432	(566)	1,835
	\$ 486,244	\$ 161,453	\$ (102,669)	\$ 545,028

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Capital Assets (continued)

	Beginning Balance October 1, 2006	Transfers and Additions	Transfers and Disposals	Ending Balance September 30, 2007
<i>(dollar amounts in thousands)</i>				
Capital assets not being depreciated:				
Land	\$ 66,270	\$ 263	\$ -	\$ 66,533
Construction in progress	25,714	71,586	(8,848)	88,452
Total capital assets not being depreciated	91,984	71,849	(8,848)	154,985
Other capital assets:				
Buildings	120,876	-	-	120,876
Other improvements	405,221	7,644	-	412,865
Equipment	22,737	2,160	(428)	24,469
Total other capital assets	548,834	9,804	(428)	558,210
Less: Accumulated depreciation				
Buildings	49,422	3,173	-	52,595
Other improvements	144,653	16,849	-	161,502
Equipment	11,866	2,379	(422)	13,823
Total accumulated depreciation	205,941	22,401	(422)	227,920
Other capital assets, net of amortization	1,180	205	(416)	969
	<u>\$ 436,057</u>	<u>\$ 59,457</u>	<u>\$ (9,270)</u>	<u>\$ 486,244</u>

Depreciation expense for the years ended September 30, 2008 and 2007 was \$25,553,000 and \$22,401,000, respectively.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

8. Capitalized Interest

During the fiscal year ended September 30, 2008 and 2007 the Authority capitalized interest of \$1,663,602 and \$230,302, respectively, as part of the cost of construction in progress.

9. Pension Plans

Plan Description

Florida Retirement System

The majority of the full-time employees of the Authority participate in the Florida Retirement System (the FRS), a cost sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. The FRS is administered by the State of Florida, Division of Retirement.

The FRS provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after they have met one of the following: (1) six years of service and age 62, or the age after age 62 that the member becomes vested, or thirty years of service regardless of age (may include four years military), whichever comes first.; or (2) six years of special risk service and age 55, or twenty-five total years of special risk services and age 52 (may include four years wartime military service), or twenty-five total years special risk service, regardless of age, or thirty years of any creditable service, regardless of age (may include four years wartime military service). Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement age. Benefits are computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five highest years of earnings. The FRS also provides death and disability benefits. Benefits are established by Florida Statutes.

The FRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Florida State Retirement System, Division of Policy, Cedars Executive Center Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560, attention Research and Education; or by contacting Research & Education by email at rep@frs.state.fl.us, or by phone at (850) 488-5706.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Pension Plan (continued)

City of Jacksonville, Florida General Employees' Pension Plan

The Authority also has three employees who participate in the City's General Employees' Pension Plan (the Plan) at September 30, 2008. No further employees, either current or future, are eligible to participate in the Plan. The Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan. The Plan is administered by a seven-member board of trustees that makes recommendations to the City Council. The City Council is responsible for establishing or amending the pension plan provisions.

The Plan provides for retirement, survivor, death and disability benefits. Under normal retirement provisions, a member may retire after reaching the age of 55 with 20 years of creditable service or at 65 with 5 years or more of creditable service. The requirements for early retirement are: (1) when an employee reaches age 50 and has 20 years of service, reduced ½% per month for retirement prior to age 55; (2) any age after 25 years of service adjusted to a benefit accrual rate of 2% per year; and (3) any age after 30 years of creditable service at an unreduced rate of 2 1/2 % per year.

Benefits vest after 10 years of creditable service equal to 2½% of a member's average earnings for each year of creditable service up to 32 years with a maximum of 80%. Average earnings are the average monthly salary or wages for the highest 36 months of employment within the ten years preceding retirement. The regular benefit is increased by 3% on the April 1 nearest the fifth anniversary of the initial benefit commencement date, and on each April 1 thereafter. A monthly supplement is payable equal to \$5 times the number of years of creditable service to subsidize retiree's health insurance. However, only that portion of the increase in excess of the supplement is payable. Members who terminate covered employment with less than ten years of creditable service shall be paid a refund of 100% of their contributions to the Plan. There is no mandatory retirement age. The City issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the City of Jacksonville, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202, attention City Comptroller, or by calling (904) 630-1250.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Pension Plan (continued)

Funding Policy

Florida Retirement System

The Authority is required by Florida Statute to contribute monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level-percentage-of-payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, as a result of future plan benefit changes, assumption changes, or methodology changes it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. For the period from July 2007 through June 2008 the contribution percentage was 20.92% for special risk participants, 10.91% for deferred retirement option participants, 13.12% for senior management participants, and 9.85%, for regular participants. Effective July 1, 2008 the contribution percentages were unchanged from the prior year. Covered employees are not required to make contributions to FRS.

City of Jacksonville, Florida General Employees' Pension Plan

The Authority is required by city ordinance to contribute 10.43% of eligible wages, depending on the employees' date of hire, as of September 30, 2008 and 2007. The City's funding policy provides for contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry-age actuarial cost method. Under this method, the cost of each member's projected retirement benefit is funded through a series of payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. The level-percentage-of-payroll method is also used to amortize the unfunded liability and changes in Plan provisions, actuarial assumptions and gains and losses over a period of 30 years. If the Plan is in a surplus position, the surplus is recognized as an amortization credit in a level dollar amount over 10 years. The amortization period is closed. The employees participating in this Plan are required to contribute 8.00% of eligible wages which are actuarially determined.

Contributions made to both the FRS and the Plan were \$1,461,525, \$1,492,072 and \$1,302,000 for the years ended September 30, 2008, 2007 and 2006, which were equal to the required contribution.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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. Investments are managed by the 457 Plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

All 457 Plan assets are held by trustees for the exclusive benefit of participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority's balance sheet. The market value of the 457 Plan's investments was \$4,030,116 and \$4,604,046 respectively, as of September 30, 2008 and 2007.

The Authority also offers its employees a deferred compensation plan (the 401(a) Plan), created in accordance with the IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 401(a) Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of participants and beneficiaries. The market value of the 401(a) Plan's investments was \$1,000,296 and \$1,020,419, respectively, as of September 30, 2008 and 2007.

11. Postretirement Health and Other Benefits

Plan Description

The Authority provides medical, pharmacy, dental, vision and life insurance benefits for eligible retirees and their dependents under a single-employer healthcare plan administered by the Authority. An employee is eligible to receive benefits from the plan upon retirement under FRS plan provisions. To be eligible for retiree benefits, the employee must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Retiree and spousal coverage is provided for the lifetime of the participants. However, benefits are valued as payable only until age 65, as the option of enrolling in Medicare is a much more attractive option at a lower cost.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

11. Postretirement Health and Other Benefits (continued)

For fiscal year ended September 30, 2008, the Authority implemented GASB Statement 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), for certain postemployment healthcare plans provided by the Authority. The requirements of the statement were applied prospectively, with the actuarially determined liability of \$2.63 million at the October 1, 2007 date of transition being amortized over 30 years. Accordingly, no liability is reported for the postemployment health care benefits at the date of transition.

Due to its size, vision benefits are not being included in the valuation. Life insurance benefits are provided on a fully insured basis and are provided by unsubsidized retiree contributions. As such, life insurance benefits are not being included in the valuation.

Funding Policy

The contribution requirements of plan members and the Authority are established by the Authority. The required contribution is based on a projected pay-as-you-go financing requirement. Plan members receiving benefits contributed \$44 thousand, or approximately 11.30% of the total premiums, through their required contribution. Plan members are required to pay 100% of the premium for the plans selected. Monthly premium amounts vary depending on the plans selected and choice of coverage for employee only or employee plus spouse.

Annual OPEB Cost and Net OPEB Obligation

The Authority's OPEB cost is calculated based on the annual required contribution of the employer, (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability, or funding excess, over a period not to exceed thirty years.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

11. Postretirement Health and Other Benefits (continued)

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation.

	September 30, 2008	
	<i>(dollar amounts in thousands)</i>	
Determination of Annual Required Contribution		
Normal cost at year end	\$	237
Amortization of UAAL		152
Annual required contribution (ARC)	\$	389
Determination of net OPEB obligation		
Annual required contribution	\$	389
Interest on prior year net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost	\$	389
Contributions made*		44
Increase in net OPEB obligation	\$	345
Net OPEB obligation - beginning of year		-
Net OPEB obligation - end of year	\$	345

*Assuming no additional funding, employer contributions will be equal to the net expected employer benefit payments (gross benefit cost offset by the retiree's contributions) during the 2007-08 fiscal year. GASB 45 defines contributions for this purpose to be actual benefit payments during the year plus contributions, if any, made to a separate, irrevocable trust.

The following table shows the annual OPEB cost and net OPEB obligation at September 30, 2008:

Fiscal Year Ended	Annual OPEB Cost	Authority Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
<i>(dollar amounts in thousands)</i>				
9/30/2008	\$389	\$44	11.31%	\$345

Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$2.63 million and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.63 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.45 million, and the ratio of the UAAL to the covered payroll was 21.11%.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

11. Postretirement Health and Other Benefits (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents the current year information relating to the actuarial accrued liability.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with long-term perspective of the calculations.

The September 30, 2008, actuarial valuation was computed using the unit credit actuarial cost method, which consists of the following components: (1) the normal cost is the actuarial present value of benefits allocated to the valuation year; (2) the actuarial liability is the actuarial present value of benefits accrued as of the valuation date; (3) valuation assets are equal to the market value of assets as of the valuation date, if any; and (4) unfunded actuarial liability is the difference between the actuarial liability and the valuation assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

It should be noted that GASB 45 allows a variety of cost methods to be used. The Authority elected this method because it is generally easy to understand and is widely used for the valuation of postemployment benefits other than pensions. Other methods used do not change the ultimate liability, but do allocate it differently between what has been earned in the past and what will be earned in the future.

The actuarial assumptions used for the calculation of costs and liabilities are as follows: The September 30, 2008 accumulated postretirement benefit obligation (APBO) for pre-65 years of age employees was determined using assumed medical care cost trend rates of 9.30% decreasing one half percent each year to an ultimate rate of 5%. Dental care cost trend rates were 5% for each year. The discount rate used was 4%.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness

A summary of changes to long-term indebtedness follows:

	September 30, 2007			September 30, 2008		Amounts Due Within One Year
	Balance	Increases	Decreases	Balance		
	<i>(dollar amounts in thousands)</i>					
Revenue bonds	\$ 132,800	\$ -	\$ 5,425	\$ 127,375	\$	2,000
Revenue refunding bonds	102,975	-	45,620	57,355		4,795
Revenue note	-	41,490		41,490		540
	<u>235,775</u>	<u>41,490</u>	<u>51,045</u>	<u>226,220</u>	<u>\$</u>	<u>7,335</u>
Unamortized deferred loss on bond refunding	(6,663)	(4,281)	733	(10,211)		
Unamortized bond discount	(60)	-	3	(57)		
Unamortized bond premium	6,630	-	(508)	6,122		
Total bonds and notes payable	<u>\$ 235,682</u>	<u>\$ 37,209</u>	<u>\$ 51,274</u>	<u>\$ 222,074</u>		

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

	October 1, 2006			September 30, 2007	Amounts Due Within One Year
	Balance	Increases	Decreases	Balance	
	<i>(dollar amounts in thousands)</i>				
Revenue bonds	\$ 38,435	\$ 129,190	\$ 34,825	\$ 132,800	\$ 1,815
Revenue refunding bonds	108,260	-	5,285	102,975	5,660
Revenue notes	6,120	-	6,120	-	-
Line of credit	50	-	50	-	-
	<u>152,865</u>	<u>129,190</u>	<u>46,280</u>	<u>235,775</u>	<u>\$ 7,475</u>
Unamortized deferred loss on bond refunding	(7,266)	-	603	(6,663)	
Unamortized bond discount	(64)	-	4	(60)	
Unamortized bond premium	4,692	2,446	(508)	6,630	
Total bonds and notes payable	<u>\$ 150,227</u>	<u>\$ 131,636</u>	<u>\$ 46,379</u>	<u>\$ 235,682</u>	

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2000 Airport Revenue Bonds, Series A & B

In 2000, the Authority issued \$47,460,000 of Jacksonville Port Authority, Airport Revenue Bonds, with interest rates ranging from 4.5% to 6.25%, with principal maturing in varying amounts through October 1, 2024 for the Series A bonds and October 1, 2012 for the Series B bonds. The bond proceeds were used for the acquisition, construction and installation of capital improvements at JIA. The Series A bonds were refunded with proceeds from the Series 2005 bonds, which were issued August 25, 2005. The 2000A bonds were legally defeased on August 25, 2005.

In October 2007, the 2000 Airport Revenue Bond Series B was legally defeased in the amount of \$3.61 million.

2002 Revenue Note

In 2002, the Authority entered into an \$8,000,000 revenue note for the acquisition, construction and installation of a three-story administrative building to be located at JIA. The revenue note consists of two series, 2002A subordinated tax-exempt revenue note which will not exceed \$5,666,667 and a 2002B subordinated taxable revenue note which will not exceed \$2,333,333, with variable interest rates calculated by taking the one month LIBOR plus 18 basis points for the tax-exempt portion of the revenue note and plus 125 basis points for the taxable portion of the revenue note. The term for the 2002A revenue note is October 1, 2021 and the 2002B revenue note is October 1, 2011. The revenue note is subordinate to the 2000 revenue bonds and 2003A revenue refunding bonds.

On August 21, 2007 the remaining principal of \$6,120,040 and interest on the 2002A and B revenue notes were paid.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2002 Subordinated Revenue Notes (Revolving Line of Credit), Series 2002C & 2002D

In October 2002, the Authority entered into a \$25,000,000 revolving line of credit to provide interim financing for the acquisition, construction and installation of certain capital improvements to the airport system. The revolving line of credit consists of two series; a 2002C subordinated taxable revenue note and a 2002D subordinated tax exempt revenue note which when both series are combined will not exceed \$25,000,000, with variable interest rates calculated by taking the one month LIBOR plus 115 basis points for the taxable revenue note and plus 70 basis points for the tax exempt portion of the revenue note, and principal maturing in varying amounts through October 1, 2017. The revolving credit period extends to and includes the third anniversary of the revenue note, which is October 31, 2006. The revolving credit period is subject to extension through amendment to the loan agreement. In September, 2007 the 2002C, 2002D and revolving line of credit and the revenue notes were paid off in the amount of \$6,170,041.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2003 Airport Revenue Refunding Bonds, Series A-1 & A-2

In 2003, the Authority issued \$75,065,000 of airport revenue refunding bonds, with interest rates ranging from 2.0% to 5.25%, and principal maturing in varying amounts through October 1, 2017. The proceeds of the Series 2003A-1 bonds were used to refund the Jacksonville Port Authority airport revenue refunding bonds, Series 1993, fund the reserve requirement for the bonds and pay the cost of issuance of the bonds. The proceeds of the Series 2003A-2 bonds were used to refund the Jacksonville Port Authority airport revenue refunding bonds, Series 1998, fund the reserve requirement for the bonds and pay the cost of issuance of the bonds. The 2003A-1 and A-2 bonds are insured by Financial Guaranty Insurance Company. The 2003A-1 and A-2 bonds were assigned an underlying rating “A3” by Moody’s and “A” by Fitch.

The Authority through the defeasance of the 1993 and 1998 revenue refunding bonds reduced its aggregate debt service payments by \$8,195,000 over the next 15 years and will obtain an economic gain (difference between the present value of debt service of the refunded bonds and cash escrow) of \$5,786,000.

Maturities of the long-term outstanding 2003 revenue refunding bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2008:

Year Ending September 30,	Principal	Interest	Total
	<i>(dollar amounts in thousands)</i>		
2009	\$ 4,795	\$ 2,516	\$ 7,311
2010	4,985	2,337	7,322
2011	5,145	2,145	7,290
2012	5,375	1,918	7,293
2013	5,610	1,673	7,283
2014 - 2018	31,445	3,990	35,435
Total	<u>\$ 57,355</u>	<u>\$ 14,579</u>	<u>\$ 71,934</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2003 Airport Revenue Bonds, Series B-1 and B-2

In fiscal year 2004, the Authority issued \$37,950,000 of airport revenue bonds, Series 2003B-1 and B-2, which were initially issued as auction rate certificates. These bonds were remarketed during the fiscal year and now operate under the weekly rate period. At any given time, any particular Series 2003B bonds may operate in any one (but not more than one) of the following rate periods: the auction period, daily rate period, weekly rate period, short-term rate period, long-term rate period or fixed rate period. Interest payment dates and auction dates will generally occur every 35 days with principal maturing in varying amounts through October 1, 2023. The proceeds of the Series 2003B-1 and 2003B-2 bonds will be used for the acquisition, construction and installation of capital improvements at JIA. The 2003B-1 and B-2 bonds are insured by Financial Security Assurance, Inc. The 2003B-1 and B-2 bonds were assigned an underlying rating of “A2” by Moody’s and “A” by Fitch.

On May 1, 2007 the Authority defeased the remaining balance on the 2003B-1 and B-2 bonds, in the principal amounts of \$24,425,000 and \$8,775,000 respectively. Proceeds to payoff the bonds came from excess in the construction fund, the pooled bond reserve fund and the PFC revenue account. The defeasance resulted in a net present value savings of over \$4,850,000 on the 2003B-1 bonds and over \$3,400,000 on the 2003B-2 bonds.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2005 Airport Revenue Refunding Bonds

In 2005, the Authority issued \$41,815,000 of airport revenue refunding bonds, which were initially issued as weekly certificates. At any given time, any particular Series 2005 bonds may operate in any one (but not more than one) of the following rate periods: the auction period, daily rate period, weekly rate period, short-term rate period, long-term rate period or fixed rate period. Interest payment dates will occur the first business day of each calendar month with principal maturing in varying amounts through October 1, 2024. The proceeds of the Series 2005 bonds will be used to refund the Authority's outstanding airport revenue bonds, Series 2000A, and to pay the costs of issuing the Series 2005 bonds. The 2005 bonds are insured by Financial Guaranty Insurance Company. The 2005 bonds were assigned an underlying rating of "A2" by Moody's and "A" by Fitch.

On April 1, 2008 the 2005 airport revenue refunding bond was legally defeased by the 2008 Compass note in the amount of \$39.96 million.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2006 Airport Revenue Bonds

On October 11, 2006, revenue bonds Series 2006 (AMT) were issued in the amount of \$129,190,000. They were issued in fully registered form in initial denominations of \$5,000 or any integral multiple thereof at a fixed rate of interest between 4.4% and 5%. The purpose of the 2006 bonds are for financing the costs of acquisition, construction and installation of capital improvements to JIA, paying the cost of a municipal bond insurance policy, funding a portion of the reserve requirement and paying issuance costs.

Concurrently with the issuance of the 2006 bonds, Ambac Assurance Company issued its municipal bond insurance policy for the 2006 bonds. The policy guarantees the scheduled principal payment of and interest on the 2006 bonds when due.

Moody's, S&P, and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "Aaa", "AAA" and "AAA" to the 2006 bonds. Moody's, S&P and Fitch have also assigned underlying ratings of "A2", "A-" and "A", respectively, to the 2006 bonds.

Maturities of the long-term outstanding 2006 revenue bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2008:

Year Ending September 30,	Principal	Interest	Total
	<i>(dollar amounts in thousands)</i>		
2009	\$ 2,000	\$ 5,998	\$ 7,998
2010	2,055	5,896	7,951
2011	2,225	5,789	8,014
2012	2,300	5,676	7,976
2013	2,440	5,557	7,997
2014 - 2018	15,380	25,737	41,117
2019 - 2023	23,115	20,465	43,580
2024 - 2028	22,295	15,389	37,684
2029 - 2033	28,135	9,448	37,583
2034 - 2036	27,430	2,534	29,964
Total	<u>\$ 127,375</u>	<u>\$ 102,489</u>	<u>\$ 229,864</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

2008 Compass Note

On April 1, 2008 a note was issued from Compass Bank (Compass) in the amount of \$41,490,000. The purpose of the note was to refund the 2005 airport revenue refunding bonds, pay a portion of the 2005 swap termination fee and pay issue costs. The note has a variable interest rate of 65% of 1-month LIBOR plus 64.35 basis points (0.6435%). The interest rate at September 30, 2008 was 2.2592%.

Payments of the long-term outstanding note will require the following principal and interest payments based on the amounts outstanding at September 30, 2008:

Year Ended	Principal	Interest	Total
	<i>(dollar amounts in thousands)</i>		
2009	\$ 540	\$ 931	\$ 1,471
2010	1,965	903	2,868
2011	2,030	858	2,888
2012	2,100	810	2,910
2013	2,170	763	2,933
2014 - 2018	12,030	3,031	15,061
2019 - 2023	14,245	1,550	15,795
2024 - 2025	6,410	146	6,556
	\$ 41,490	\$ 8,992	\$ 50,482

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

Annual Requirements

Annual requirements to repay all outstanding long-term debt as of September 30, 2008 are as follows:

Year Ending September 30,	Revenue			Total	Total
	Revenue Bonds	Refunding Bonds	Notes	Principal	Interest
	<i>(dollar amounts in thousands)</i>				
2009	\$ 7,997	\$ 7,312	\$ 1,471	7,335	9,445
2010	\$ 7,950	\$ 7,322	\$ 2,868	9,005	9,135
2011	\$ 8,014	\$ 7,290	\$ 2,888	9,400	8,792
2012	\$ 7,975	\$ 7,293	\$ 2,911	9,775	8,404
2013	\$ 7,997	\$ 7,283	\$ 2,933	10,220	7,993
2014 - 2018	\$ 41,117	\$ 35,435	\$ 15,061	58,855	32,758
2019 - 2023	\$ 43,583	-	\$ 15,795	37,360	22,018
2024 - 2028	\$ 37,685	-	\$ 6,556	28,705	15,536
2029 - 2033	\$ 37,583	-	-	28,135	9,448
2034 - maturity	\$ 29,963	-	-	27,430	2,533
Total	\$ 229,864	\$ 71,935	\$ 50,483	\$ 226,220	\$ 126,062

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

Interest Rate Swap Agreement between UBS AG and the Jacksonville Airport Authority

In April 2003 the Authority identified the airport revenue bonds, Series 2000 (the “Series 2000 bonds”) as strong candidates for a fixed rate refunding given their relatively high coupon in comparison to prevailing interest rates. The Authority decided to take advantage of historically low interest rates by entering into a synthetic advance refunding by using a floating-to-fixed interest rate swap with UBS to generate significant savings. The combination of auction-rate securities and a floating-to-fixed swap together create synthetic fixed-rate debt. After the refunding, the swap serves as a hedge of the Authority’s Series 2005 refunding bonds (the “Series 2005 bonds”), which were issued as auction-rate securities. The Series 2005 refunding bonds were issued to refund the Authority’s airport revenue bonds, Series 2000 (the “Series 2000 bonds”).

The swap consists of a \$41,815,000 19-year interest rate swap under which the Authority pays UBS a fixed rate of 4.405 percent and receives the floating Bond Market Association (BMA) Index. The fixed interest rate is recorded as interest expense and the interest received from the floating BMA index is recorded as interest income. The swap’s notional amount of \$41.815 million matches the \$41.815 million auction rate bonds. The Authority’s obligations under the swap are insured by Financial Guaranty Insurance Company. The bonds bear interest at a weekly rate, based on weekly periods commencing on Wednesday of each week. The bonds and the related swap agreement mature on October 1, 2024. The BMA index was 2.49% for the week of August 25, 2005, which was the effective date of the swap agreement.

The Authority received no upfront fees related to the swap transaction executed on July 14, 2003. As per the terms of the swap, on behalf of the Authority, an advisory fee of approximately \$36,000 was paid by UBS in respect of the swap to the Financial Advisor, Public Financial Management. This fee was contingent upon completion of the swap transaction.

The refunding of the Series 2000 Bonds using this synthetic fixed rate structure generated an expected net present value savings of \$4.84 million, or 12.02 percent of the refunded Bonds.

On March 18, 2008 the Authority terminated this swap. The swap termination fee was \$3.76 million, and was recorded as a deferred loss on refunding, and will be amortized over the life of the refunding debt.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

Interest Rate Swap Agreement between Compass Bank and the Jacksonville Airport Authority

On March 18, 2008 the Authority entered into a new interest rate swap with Compass as part of a refunding of the Authority's outstanding series 2005 revenue refunding bonds and issuance of the 2008 Compass note. The objective of the swap is to synthetically create a fixed-rate debt.

The executed transactions consisted of a new \$41,490,000 floating-to-fixed "matched rate" swap effective April 1, 2008 whereby the Authority pays to Compass a fixed rate of 3.4116% and receives from Compass 65% of 1-month LIBOR plus 64.35 basis points (0.6435%). The fixed interest rate is recorded as interest expense and the interest received from Compass is recorded as interest income. The swap's notional amount of \$41.49 million matches the \$41.49 million Compass note. The note and the related swap agreement mature on October 1, 2024.

The Authority received no upfront fees related to the swap transaction executed on March 18, 2008. As per the terms of the swap, on behalf of the Authority, an advisory fee of approximately \$25,000 was paid by the Authority to the Financial Advisor, Public Financial Management. This fee was contingent upon completion of the swap transaction.

As of September 30, 2008, the fair value of the swap was \$105,456.71, which represents the amount the Authority would receive to exit the swap transaction as of that date based on prevailing interest rates.

Associated note	2008 Compass Note
Notional amount	\$ 41,490,000 (amortizing)
Trade date	3/18/2008
Effective date	4/1/2008
Maturity date	10/1/2024
Swap fixed rate	3.4116% (monthly, Act/360)
Swap variable rate	65%*1-Mo LIBOR (monthly, Act/360)
Margin	64.35 basis points (0.6435%)
Counterparty	Compass
Counterpart credit rating	Aa3/A+/A+

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

Risks

Credit Risk:

As of September 30, 2008, the Authority is exposed to credit risk or the risk of economic loss due to a counterparty default on its outstanding swap because the swap had a positive fair value. However, should interest rates change and the fair values of the swap become negative the Authority would not be exposed to credit risk in the amount of the swap's fair value. Moody's, S&P, and Fitch have assigned ratings of Aa3, A+ and A+, respectively, to Compass. The swap agreement contains varying collateral agreements with the counterparties. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest Rate Risk:

The Authority has no interest rate risk associated with the outstanding swap that would adversely affect the Authority's cash flow, since interest paid and received on the swap are based on the same index. The Authority is exposed to interest rate risk as it relates to the fair value of the swap in the event of termination.

Basis Risk:

The Authority has no basis risk associated with the outstanding swap. The interest rate for the swap interest expense is based on the same index as the interest received from the swap, 65% of the one monthly LIBOR rate plus .6435 basis points.

Termination Risk:

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contracts. As of September 30, 2008 the swap termination fee had a positive fair value, therefore the Authority would not incur any additional expenses relating to termination.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Long-Term Indebtedness (continued)

Swap Payments and Associated Debt

Using rates as of September 30, 2008, debt service requirements of the Compass note and net swap payments, assuming current interest rates remain the same, are below. As rates vary, bond interest payments and swap payments will vary.

Year Ending September 30,	Principal	Interest	Interest Swap, Net	Total
<i>(dollar amounts in thousands)</i>				
2009	\$ 540	\$ 931	\$ 475	\$ 1,946
2010	1,965	903	461	3,329
2011	2,030	858	438	3,326
2012	2,100	810	415	3,325
2013	2,170	763	389	3,322
2014 - 2018	12,030	3,031	1,546	16,607
2019 - 2023	14,245	1,550	791	16,586
2024 - 2025	6,410	146	75	6,631
Total	\$ 41,490	\$ 8,992	\$ 4,590	\$ 55,072

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

13. Airline Lease and Use Agreements

The Airline Agreements provide for the lease to signatory airlines of exclusive use of certain premises, non-exclusive use of certain public use premises in the terminal and in the ramp area and non-exclusive use of the landing area at JIA. The current signatory airline agreement has a 5-year term and expires on September 30, 2012.

For the purposes of accounting for costs, expenses and revenues and establishing signatory airline rentals, fees and charges, the airline agreements provide for dividing the airport system into separate cost centers. Certain cost centers are designated direct cost centers and others are designated indirect cost centers. The indirect cost centers are used to accumulate indirect costs which are then allocated to the direct cost centers. Two direct cost centers, the terminal and the airfield are included in the establishment of rentals, fees and charges for signatory airlines. The airline agreements provide that the aggregate of rentals, fees and charges of all signatory airlines will be sufficient to pay for the net costs attributable to the airfield and that percentage of the terminal derived by dividing the aggregate number of square feet of rentable space in the terminal demised to signatory airlines as exclusive use premises and joint use premises by the total aggregate number of square feet of rentable space in the terminal, which costs will include the satisfaction of all of the Authority's obligations to make deposits and payments under the bond resolution which are properly attributable to such areas. Notwithstanding the foregoing, no signatory airline will be obligated under the airline agreements to pay terminal rentals, fees and charges properly charged against another signatory airline and not paid by such other signatory airline. In addition, satisfaction of all of the Authority's obligations to make deposits and payments under the bond resolution which are properly attributable to new loading bridges, baggage make-up conveyors and devices and other terminal equipment will be paid by the signatory airlines to which such equipment is leased.

The remaining cost centers (excluded cost centers) of the airport system are ground transportation, non-aviation, Craig Airport, Herlong Airport, aviation and Cecil Field. The signatory airlines have no responsibility under the airline agreements for the payment of any costs incurred by the Authority and attributable to the excluded cost centers.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

13. Airline Lease and Use Agreements (continued)

Approximately ninety percent of the net costs attributable to the airfield are allocated among the signatory airlines on the basis of landed weight of aircraft and paid as landing fees. The net costs of the ramp area are deemed to be approximately ten percent of the net costs attributable to the airfield and are allocated among the signatory airlines on the basis of linear footage of aircraft parking positions and paid as aircraft parking position fees. All costs attributable to the terminal, except for costs attributable to terminal equipment which are payable by the signatory airlines to which such equipment is leased, are allocated on the basis of total rentable space in the terminal. Each signatory airline is responsible for the payment of rentals, fees and charges sufficient to pay those costs allocated to the premises in the terminal leased to such airline.

Rentals, fees and charges for the signatory airlines will be sufficient to provide for the payment of all net costs attributable to the airfield and to new loading bridges, baggage make-up conveyors and devices and other terminal equipment and approximately sixty-six percent of all other costs attributable to the terminal. It is anticipated that revenues of the terminal other than rentals, fees and charges of signatory airlines, together with the net revenues of the excluded cost centers, will be sufficient to pay the operation and maintenance expenses and bond service charges for the Series 2003A-1 bond, Series 2003A-2 bond, and the 2008 revenue note attributable to the remaining rentable space in the terminal and to all excluded cost centers.

The Authority is obligated under the airline agreements to make transfers for each fiscal year of a portion of any excess of (1) net operating revenues plus the required transfer for the prior fiscal year over (2) payments necessary to establish and maintain the operation and maintenance reserve requirement, capital charges, capital charge coverage attributable to terminal equipment and any required deposits to the reserve fund for such fiscal year, which transfers will reduce the rentals, fees and charges otherwise payable by the signatory airlines for such fiscal year.

From 2007 through September 2012, the sharing will be 40% to the signatory airlines and 60% to the Authority, based on the signatory airline agreement.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

14. Airport Tenant Agreements

The Authority has entered into concession agreements with tenants for the use of certain airport facilities including, but not limited to, ready/return rental car parking areas, buildings, terminals, customer service areas, advertising, food and beverage, retail, on-airport rental cars and vending machines. Normally, the terms of the agreement include a fixed minimum annual guarantee (MAG) payment to the airport as well as additional contingent payments based on the tenants' annual sales volume of business. Revenues exceeded the MAG amounts due in 2008 of \$9,768,000 by \$3,280,000. Revenues exceeded the MAG amounts due in 2007 of \$9,483,000 by \$3,199,000. Some of the agreements provide for a periodic review and re-determination of the payment amounts.

Minimum future rental income for each of the next five years and thereafter, excluding contingent amounts on non-cancelable operating leases at September 30, 2008, is as follows (amounts in thousands):

Year	Total
	<i>(dollar amounts in thousands)</i>
2009	\$ 21,503
2010	21,012
2011	20,375
2012	19,982
2013	8,375
2014-2018	26,581
2019-2023	16,566
2024-2028	7,037
2029-thereafter	3,425
	<u>\$ 144,856</u>

15. Capital Contributions

The Authority receives, on a reimbursement basis, grants from the State of Florida and the U.S. Government for certain capital construction projects through the AIP. As a recipient of state and federal financial assistance, the Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. This program is subject to federal and state audit. Total federal and state grant work performed was \$20,442,000 and \$23,600,000, respectively, for the years ended September 30, 2008 and 2007. The Authority estimates that no material disallowances will result from such audits.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

15. Capital Contributions (continued)

The Authority received federal and state grants for capital programs for the years ended September 30, 2008 and 2007 as summarized in the table below.

	2008	2007
	<i>(dollar amounts in thousands)</i>	
Capital programs:		
State grants for construction	\$ 6,476	\$ 12,823
Federal grants for construction	13,855	10,756
TSA grants for construction	51	-
Other contributions for construction	60	21
	\$ 20,442	\$ 23,600

The Authority receives federal and state grants in support of its capital construction program. The federal program provides funding for airport development, airport planning and other eligible programs from the airports and airways trust funds in the form of entitlement and discretionary grants for eligible projects. The State also provides discretionary funds for capital programs. On September 30, 2008 and 2007 the Authority had a long term grant receivable due from the State in the amount of \$4,121,000 and \$2,770,000, respectively. Funds approval and encumbrance processing is contingent upon annual legislative appropriation.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the statements of revenues, expenses and changes in net assets as capital contributions.

16. Operating Grants

The Authority received federal and state grants for operating programs for the years ended September 30, 2008 and 2007 as summarized in the tables below.

	Year ended September 30,	
	2008	2007
	<i>(dollar amounts in thousands)</i>	
Operating programs:		
FAA K-9 program	\$ 211	\$ 200
Other	22	1
State government	14	-
State law enforcement forfeiture	1	5
Federal law enforcement forfeiture	8	12
	\$ 256	\$ 218

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

16. Operating Grants (continued)

The FAA and state grant funds are awarded based on the additional security and training related expenses incurred as a result of September 11, 2001. The FAA K-9 program funds are awarded based on expenses of training, caring for and working with the explosive device detection dogs. The state and federal law enforcement forfeiture programs fund certain expenses associated with law enforcement.

Grants for operating programs for the year ended September 30, 2008 and 2007 are reported in the statement of revenues, expenses and changes in net assets as non-operating revenue. All of the amounts above were used to offset operating expenses in the statements of revenues, expenses and changes in net assets for the years ended September 30, 2008 and 2007.

17. Payments to Other Governments

During fiscal years 2008 and 2007, the Authority paid approximately \$4.62 million and \$4.73 million to the City for expenses relating to legal, insurance, fire fighting and miscellaneous services.

18. Commitments and Contingencies

Terminal and Capital Improvement Program

As of September 30, 2008 and 2007, the Authority has outstanding contractual commitments for completion of certain capital improvement projects, totaling \$38,823,000 and \$79,039,000 of which an estimated \$15,099,000 and \$17,221,000 is eligible for partial reimbursement, respectively, from both the FAA and the State of Florida. The remaining amount is expected to be funded from existing PFCs, debt instruments and/or future debt issuance, and Authority funds.

Concentration of Credit Risk

The Authority leases facilities to the airlines under certain leases and/or use agreements and to other businesses under agreements to operate concessions within the airport system. Amounts due from airlines represent approximately 66.58% and 66.95% of accounts receivable for 2008 and 2007, respectively. Airline operating revenues represent approximately 23.93% and 30.38% for 2008 and 2007, respectively.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

18. Commitments and Contingencies (continued)

Compliance Audits

The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government or agency. An independent audit of these programs has been performed for the year ended September 30, 2007 in compliance with the Single Audit Act of 1984 and OMB Circular A-133 and is currently being conducted for the year ended September 30, 2008. The amount, if any, of expenditures which may be disallowed by the granting government or agency is expected to be immaterial.

Litigation

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's attorney the resolution of these matters will not have a material adverse effect on the financial position of the Authority.

19. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability, and workers' compensation coverage. The Authority's expense is the premium charged by the City's self-insurance plan. The Authority has excess coverage for individual workers' compensation claims above \$1,200,000. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis depending on the claims experience of the Authority and other participants in the City's self-insurance programs. The Authority's workers' compensation expense is the premium charged by the City's self-insurance plan. Premium expense in 2008 amounted to \$334,000. In 2007 the premium was \$232,000, which included a refund of prior year credits in the amount of \$254,000 and an additional assessment of \$177,000. The Authority is also a participant in the City's property insurance program. Property insurance premium expenses amounted to \$1,028,000 and \$841,000 for the years ended September 30, 2008 and 2007, respectively. The Authority is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to \$50,000 and \$139,000 for the years ended September 30, 2008 and 2007, respectively. In 2007 there was an additional premium of \$96,000. As a part of the Authority's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

19. Risk Management (continued)

During the last three years the amounts of settlements did not exceed the insurance coverage. In addition, all tenants and businesses accessing the airport system are required to have commercial insurance coverage naming the Authority as additional insured.

20. Subsequent Events

The recent events in the financial marketplace and the downturn of the economy, both from a worldwide and United States perspective has, and will continue to have, an impact on JIA. The information below is a brief overview of the recently taken measures regarding these circumstances.

On September 29, 2008, management presented to the Authority's board a recently completed analysis of the trends for revenue, expenses and enplanements. The title of the report was "Pro-Action Plan". The result of the report indicated that revenues were expected to decrease 10% from the 2009 budgeted amounts and that enplanements were also projected to decrease by 10%. In anticipation of this projected revenue shortfall, approximately \$3.76 million of budgeted 2009 capital expenditures were being deferred. In addition to capital projects being deferred, the Authority detailed reductions in operating expenditures and reduction in staff of approximately \$810 thousand that would be initiated for the 2009 budget year.

Jacksonville Aviation Authority
 Required Supplementary Information
 September 30, 2008

(dollar amounts in thousands)

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percent Funded	Annual Covered Payroll	UAAL as a Percent of Payroll
9/30/2008	\$ 2,628	\$ -	\$ 2,628	0.00%	\$ 12,445	21.11%

Independent Certified Public Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

The Board of Directors of
Jacksonville Aviation Authority

We have audited the financial statements of Jacksonville Aviation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the years ended September 30, 2008 and 2007, and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

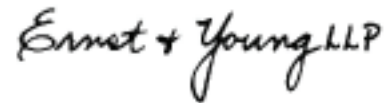
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 31, 2008.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 31, 2008

A handwritten signature in black ink that reads 'Ernst + Young LLP'.

Statistical (Unaudited)

Jacksonville Aviation Authority

The objectives of the Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the Authority's economic condition.

Statistical information is presented in the following five categories:

Financial Trend Information

Assists users in understanding and assessing how the Authority's financial position has changed over time.

Revenue Capacity Information

Assists users in understanding and assessing the factors affecting the Authority's ability to generate its own source revenue.

Debt Capacity Information

Assists users in understanding and assessing the Authority's debt burden and its ability to issue additional debt.

Demographic and Economic Information

Assist users in understanding and assessing the Authority's socioeconomic environment within which it operates and to provide information that facilitates comparisons of financial statement information over time among other airports.

Operating Information

Provides contextual information about the Authority's operations and resources to assist readers in using financial statement information to understand and assess the Authority's economic condition.

Jacksonville Aviation Authority
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years
(unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
		<i>(dollar amounts in thousands)</i>		
Cash flows from operating activities	\$ 22,561	\$ 29,600	\$ 18,795	\$ 23,375
Cash flows from non-capital financing Activities	256	(9,782)	301	434
Cash flows from capital and related financing Activities	(82,103)	35,705	(6,638)	(28,870)
Cash flows from investing activities	<u>746</u>	<u>11,194</u>	<u>3,536</u>	<u>1,024</u>
Net change in cash and cash equivalents	(58,540)	66,717	15,994	(4,037)
Cash and equivalents, beginning of year	<u>132,023</u>	<u>65,306</u>	<u>49,312</u>	<u>53,349</u>
Cash and equivalents, end of year	<u><u>73,483</u></u>	<u><u>132,023</u></u>	<u><u>65,306</u></u>	<u><u>49,312</u></u>
Non-cash investing, capital and financing activities				
Changes in FMV of Investments	\$ (265)	\$ (243)	\$ (351)	\$ 157
Capitalized Interest	<u><u>\$ (1,664)</u></u>	<u><u>\$ (230)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2001-2005 and formerly Port Authority Aviation Division 1998-2001) audited financial statements

Jacksonville Aviation Authority
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years
(unaudited)

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 19,167	\$ 12,893	\$ 13,003	\$ 11,084	\$ 15,050	\$ 15,180
204	842	861	-	-	-
20,850	(29,009)	(40,846)	(45,091)	18,069	(12,150)
<u>(7,742)</u>	<u>5,358</u>	<u>12,585</u>	<u>49,136</u>	<u>(16,632)</u>	<u>(24,755)</u>
32,479	(9,916)	(14,397)	15,129	16,487	(21,725)
<u>20,870</u>	<u>30,786</u>	<u>45,183</u>	<u>30,054</u>	<u>13,297</u>	<u>35,022</u>
<u><u>53,349</u></u>	<u><u>20,870</u></u>	<u><u>30,786</u></u>	<u><u>45,183</u></u>	<u><u>29,784</u></u>	<u><u>13,297</u></u>
\$ 279	\$ 311	\$ 4,326	\$ -	\$ -	\$ -
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Jacksonville Aviation Authority
Principal Operating Revenues, Airline Rates and
Charges and Cost Per Enplaned Passenger
Years Ended September 30,
(unaudited)

	2008	2007	2006	2005	2004	2003	2002
Operating revenues:	(dollar amounts in thousands)						
Landing and ramp fees							
Landing fees - signatory	\$ 2,310	\$ 4,806	\$ 4,752	\$ 4,338	\$ 4,211	\$ 4,319	\$ 4,251
Landing fees - non-signatory	471	1,081	943	780	1,827	749	571
Passenger screening - signatory	1,416	1,337	1,071	1,312	-	-	-
Passenger screening - non-signatory	142	236	244	230	-	-	-
Security user fees	4,600	4,693	4,225	4,074	3,046	-	-
Other fees	3,178	3,023	2,708	2,889	2,224	1,404	1,310
Total landing and ramp fees	12,117	15,176	13,943	13,623	11,308	6,471	6,132
Lease rentals							
Air cargo building	950	931	931	943	977	952	950
Ramp use - signatory	798	745	781	652	-	-	-
Ramp use - non-signatory	100	53	68	69	-	-	-
Hangar spaces	2,230	2,108	1,716	252	-	-	-
Terminal space rentals - signatory	3,313	5,493	5,954	6,880	4,421	4,575	5,561
Terminal space rentals -non-signatory	553	876	955	1,226	2,340	708	138
Other lease rentals	4,825	4,486	4,588	6,020	5,169	4,114	3,923
Total lease rentals	12,769	14,692	14,993	16,042	12,907	10,350	10,572
Parking							
Economy lots	4,238	3,538	3,057	2,865	2,598	2,223	1,901
Garage/daily	13,447	13,254	11,461	10,582	8,996	7,662	6,779
Other parking	271	267	196	159	684	683	596
Total Parking	17,956	17,058	14,713	13,606	12,278	10,568	9,276
Concessions							
Rental car	9,456	9,469	8,091	7,826	7,420	7,255	6,661
Food & beverage	1,850	1,751	1,486	1,553	1,298	1,198	1,128
Retail	1,442	1,415	1,095	1,384	1,145	1,157	1,114
Gas & oil commissions	758	776	725	684	-	-	-
Other concessions	1,282	1,329	1,444	1,397	1,406	1,493	1,639
Total concessions	14,788	14,740	12,841	12,844	11,268	11,103	10,542
Other revenue							
Fuel sales	998	890	948	812	-	-	-
Electric	499	474	529	353	548	547	520
Gas & oil commissions	-	-	-	-	1,426	1,037	943
Security use fees	-	-	-	-	-	1,976	1,485
Passenger screening - signatory	-	-	-	-	1,146	1,087	1,127
Passenger screen - non-signatory	-	-	-	-	411	219	176
Other revenue	219	813	390	521	938	176	(463)
Total other revenues	1,716	2,177	1,867	1,686	4,469	5,042	3,787
Total operating revenue	\$ 59,346	\$ 63,843	\$ 58,357	\$ 57,801	\$ 52,230	\$ 43,534	\$ 40,309
Signatory airline rates and charges							
Gross landing fee (per 1,000 lbs.)	\$ 1.14	\$ 1.50	\$ 1.46	\$ 1.46	\$ 1.62	\$ 1.44	\$ 1.21
Average annual terminal rent (per sq. ft.)	\$ 23.60	\$ 43.41	\$ 54.54	\$ 65.17	\$ 55.25	\$ 33.25	\$ 35.01
Enplaned passengers	3,058,006	3,167,664	2,924,527	2,848,830	2,567,586	2,433,317	2,425,734
Cost per enplaned passenger	\$ 3.93	\$ 4.88	\$ 4.93	\$ 5.74	\$ 6.34	\$ 4.69	\$ 6.08

Note: Comparable information is not available for the full ten year period. Jacksonville Aviation Authority separated from the Port Authority at the end of FY 2001.

Jacksonville Aviation Authority

Total Revenues, Expenses and Changes in Net Assets
Years Ended September 30,
(in thousands)

	2008	2007	2006	2005	2004	2003	2002
Operating revenues:	<i>(dollar amounts in thousands)</i>						
Landing and ramp fees	\$ 12,117	\$ 15,176	\$ 13,943	\$ 13,623	\$ 11,308	\$ 6,471	\$ 6,132
Lease rentals	12,769	14,692	14,993	16,042	12,907	10,350	10,572
Parking	17,956	17,058	14,713	13,606	12,278	10,568	9,276
Concessions	14,788	14,740	12,841	12,844	11,268	11,103	10,542
Other revenue	1,716	2,177	1,867	1,686	4,469	5,042	3,787
Total operating revenues	59,346	63,843	58,357	57,801	52,230	43,534	40,309
Operating expenses:							
Salaries and benefits	17,405	16,336	16,840	16,598	14,824	14,035	12,290
Services and supplies	12,438	12,000	11,641	11,728	12,056	10,603	8,041
Business training and travel	409	340	377	332	286	206	131
Promotions, advertising and dues	525	448	477	1,260	774	467	468
Utilities	4,723	3,571	3,646	3,038	2,088	2,084	1,950
Maintenance	2,590	2,454	1,979	1,950	2,878	1,865	2,278
Other operating expenses	2,788	2,287	2,245	1,658	996	99	168
Depreciation and amortization	26,273	23,880	21,922	21,726	19,796	18,166	17,977
Total operating expenses	67,151	61,316	59,127	58,290	53,698	47,525	43,303
Operating loss (gain)	(7,805)	2,527	(770)	(489)	(1,468)	(3,991)	(2,994)
Nonoperating revenues:							
Passenger facility charges	12,398	13,130	12,450	12,060	10,668	8,015	6,654
Investment income	6,037	10,992	5,639	1,784	616	709	1,525
Payments from primary government	8	12	60	79	2	89	512
Payments from federal and state agencies	226	206	233	239	136	1,089	697
Other revenues	22	1	9	63	177	0	84
Total nonoperating revenues	18,691	24,341	18,391	14,225	11,599	9,902	9,472
Nonoperating expenses:							
Interest expense	10,226	13,569	8,012	6,989	6,316	7,014	7,338
Contributions to other governments	0	0	0	340	123	2,457	2,677
Other expenses	1,888	226	334	185	144	26	0
Total nonoperating expenses	12,114	13,795	8,346	7,514	6,583	9,497	10,015
Capital contributions	20,442	23,600	13,080	17,172	13,050	19,251	18,261
Increases in net assets	\$ 19,214	\$ 36,673	\$ 22,355	\$ 23,394	\$ 16,598	\$ 15,665	\$ 14,724
Net assets at end of year:							
Investments in capital assets net of related debt	358,313	336,911	302,987	289,098	280,513	274,654	248,889
Restricted	32,793	38,323	49,805	37,668	28,152	18,092	21,874
Unrestricted	40,781	37,439	23,208	26,879	21,586	20,907	27,225
Total net assets	\$ 431,887	\$ 412,673	\$ 376,000	\$ 353,645	\$ 330,251	\$ 313,653	\$ 297,988

Note: Comparable information is not available for the full ten year period. Jacksonville Aviation Authority separated from the Port Authority at the end of FY 2001.

Source: Jacksonville Aviation Authority audited financial statements

Jacksonville Aviation Authority
Principal Revenue Payers
Year Ended September 30,
(unaudited)

	2008	% Of	2007	% Of	2006	% Of	2005	% Of
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
	<i>(dollar amounts in thousands)</i>							
Delta Air Lines	\$ 3,519	5.38%	\$ 3,857	6.04%	\$ 2,737	4.69%	\$ 4,292	7.43%
Southwest Airlines Co.	3,042	4.65%	3,128	4.90%	2,986	5.12%	2,900	5.02%
Hertz Corporation, The	2,519	3.85%	2,522	3.95%	2,852	4.89%	2,612	4.52%
US Airways Group, Inc.	2,489	3.80%	2,812	4.40%	2,617	4.49%	2,391	4.14%
Avis Rent A Car	2,347	3.59%	2,368	3.71%	2,093	3.59%	2,160	3.74%
Vanguard Car Rental USA Inc.	2,438	3.73%	2,448	3.83%	2,015	3.45%	1,899	3.29%
Federal Express Corporation	2,204	3.37%	2,259	3.54%	-	-	-	-
HMSHost Corporation	2,197	3.36%	2,017	3.16%	1,671	2.86%	1,676	2.90%
Budget Rent a Car System, Inc	1,629	2.49%	1,573	2.46%	1,291	2.21%	1,323	2.29%
Continental Airlines	1,528	2.34%	1,752	2.74%	1,607	2.75%	1,716	2.97%
Paradies Shops	1,301	1.99%	-	-	-	-	1,373	2.38%
American Airlines	1,158	1.77%	-	-	1,330	2.28%	-	-
Signature Flight Support Corp	757	1.16%	-	-	-	-	-	-
Atlantic Coast Airlines	-		-	-	-	-	-	-
Total Principal Revenue Payers	\$ 27,128	41.46%	\$ 24,736	38.75%	\$ 21,199	36.33%	\$22,342	38.65%
Total operating revenues	\$ 59,346		\$ 63,843		\$ 58,357		\$57,801	

Note: Comparable information is not available for the full ten year period. Jacksonville Aviation Authority separated from the Port Authority at the end of FY2001.

Source: Authority Records

Jacksonville Aviation Authority
Principal Revenue Payers
Year Ended September 30,
(unaudited)

	2004	% Of	2003	% Of	2002	% Of
	Amount	Revenue	Amount	Revenue	Amount	Revenue
	<i>(dollar amounts in thousands)</i>					
Delta Air Lines	\$ 3,734	7.15%	\$ 3,989	9.16%	\$ 2,774	6.88%
Southwest Airlines Co.	3,001	5.75%	2,551	5.86%	1,927	4.78%
Hertz Corporation, The	2,692	5.15%	2,534	5.82%	2,234	5.54%
US Airways Group, Inc.	2,169	4.15%	3,297	7.57%	1,859	4.61%
Avis Rent A Car	1,979	3.79%	1,987	4.56%	1,696	4.21%
Vanguard Car Rental USA Inc.	1,854	3.55%	2,091	4.80%	1,606	3.98%
Federal Express Corporation	-	-	-	-	-	-
HMSHost Corporation	1,441	2.76%	1,349	3.10%	1,269	3.15%
Budget Rent a Car System, Inc	-	-	1,310	3.01%	1,287	3.19%
Continental Airlines	1,448	2.77%	1,609	3.70%	-	-
Paradies Shops	-	-	-	-	1,214	3.01%
American Airlines	-	-	1,257	2.89%	-	-
Signature Flight Support Corp	1,327	2.54%	-	-	1,381	3.43%
Atlantic Coast Airlines	1,430	2.74%	-	-	-	-
Total Principal Revenue Payers	\$ 21,075	40.35%	\$ 21,974	50.48%	\$ 17,247	42.79%
Total operating revenues	\$ 52,230		\$ 43,534		\$ 40,309	

Note: Comparable information is not available for the full ten year period. Jacksonville Aviation Authority separated from the Port Authority at the end of FY2001.

Jacksonville Aviation Authority
Ratio of Annual Bond Debt Service to
Total Expenses Excluding Depreciation
Years Ended September 30,
(unaudited)

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenses Other than Depreciation</u>	<u>Ratio of Debt Service to Expenditures</u>
	<i>(dollar amounts in thousands)</i>				
2008	\$ 7,475	\$ 11,911	\$ 19,386	\$ 40,878	47.42
2007	7,228	13,060	20,288	37,436	54.19
2006	6,021	7,837	13,858	37,205	37.25
2005	7,029	6,906	13,935	36,564	38.11
2004	3,788	6,459	10,247	33,902	30.23
2003	8,105	6,774	14,879	29,359	50.68
2002	4,510	7,051	11,561	25,326	45.65

Note 1: The principal related to bond defeasance is not included in order for the Ratio of Debt to be comparable.

Note: Comparable information is not available for the full ten year period. Jacksonville Aviation Authority separated from the Port Authority at the end of FY 2001.

Source: Authority Records

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Jacksonville Aviation Authority
Debt Service Coverage
Last Ten Fiscal Years
(unaudited)

	2008	2007	2006	2005
Revenues:				
		<i>(dollar amounts in thousands)</i>		
Landing and ramp fees	\$ 12,117	\$ 15,176	\$ 13,943	\$ 13,623
Lease rentals	12,769	14,692	14,993	16,042
Parking	17,956	17,058	14,713	13,606
Concessions	14,788	14,740	12,841	12,844
Other revenue	1,716	2,177	1,867	1,686
Interest income	6,037	10,992	5,639	1,483
Other, net	-	-	-	41
Transfers – signatory airline agreement	-	-	-	-
Transfers – PFC Series 2003B1 & B2, 2006	7,861	41,264	1,966	2,302
Total revenues and transfers	<u>73,244</u>	<u>116,099</u>	<u>65,962</u>	<u>61,627</u>
Less: Operating and maintenance expenses (excluding depreciation and expenses associated with payments from other governments)	<u>40,878</u>	<u>37,436</u>	<u>37,205</u>	<u>36,246</u>
Net operating revenues	32,366	78,663	28,757	25,381
Revenues bond service charges for:				
Series 2008 note	1,209	-	-	-
Series 2006 bonds (PFC backed)	7,861	5,737	-	-
Series 2005 RR bonds	1,945	4,148	3,228	300
Series 2003B-1 bonds (PFC backed)	-	26,561	865	2,283
Series 2003B-2 bonds	-	8,966	291	205
Series 2003A bonds	7,231	7,262	7,294	7,367
Series 2000 bonds	-	192	982	3,455
Series 1998 bonds (defeased 7/3/03)	-	-	-	-
Series 1993 bonds (defeased 7/3/03)	-	-	-	-
Total revenue bond service	<u>\$ 18,246</u>	<u>\$ 52,866</u>	<u>\$ 12,660</u>	<u>\$ 13,610</u>
Revenue bond service coverage	1.77	1.49	2.27	1.86
Required bond service coverage	1.25	1.25	1.25	1.25
Total enplanements	<u>3,058,006</u>	<u>3,167,664</u>	<u>2,924,527</u>	<u>2,848,830</u>
Debt per enplanement	<u>\$ 5.97</u>	<u>\$ 16.69</u>	<u>\$ 4.33</u>	<u>\$ 4.78</u>

Jacksonville Aviation Authority
Debt Service Coverage
Last Ten Fiscal Years
(unaudited)

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 11,308	\$ 6,471	\$ 6,132	\$ 6,123	\$ 5,760	\$ 5,749
12,907	10,350	10,572	10,572	7,658	7,357
12,278	10,568	9,276	9,276	11,172	9,368
11,268	11,103	10,542	10,542	10,256	9,327
4,469	5,042	3,787	3,787	2,912	2,710
779	939	1,733	1,733	2,879	2,776
33	(26)	87	87	(27)	244
2,143	3,616	3,194	3,194	4,960	4,501
2,210	-	-	-	-	-
<u>57,395</u>	<u>48,063</u>	<u>45,323</u>	<u>45,314</u>	<u>45,570</u>	<u>42,032</u>
<u>33,764</u>	<u>28,472</u>	<u>24,125</u>	<u>27,443</u>	<u>22,691</u>	<u>19,487</u>
23,631	19,591	21,198	17,871	22,879	22,545
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,768	-	-	-	-	-
88	-	-	-	-	-
7,410	769	-	-	-	-
3,471	3,473	3,470	3,474	-	-
-	1,329	5,276	5,283	5,276	5,275
-	716	2,641	2,646	2,640	2,641
<u>\$ 12,737</u>	<u>\$ 6,287</u>	<u>\$ 11,387</u>	<u>\$ 11,403</u>	<u>\$ 7,916</u>	<u>\$ 7,916</u>
1.86	3.12	1.86	1.57	2.89	2.85
1.25	1.25	1.25	1.25	1.25	1.25
<u>2,567,586</u>	<u>2,425,734</u>	<u>2,645,551</u>	<u>2,603,168</u>	<u>2,437,169</u>	<u>2,280,131</u>
<u>\$ 4.96</u>	<u>\$ 2.59</u>	<u>\$ 4.30</u>	<u>\$ 4.38</u>	<u>\$ 3.25</u>	<u>\$ 3.47</u>

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2008
(unaudited)**

Bond Year	Date	Fiscal Year	Series 2003A-1 (Non-AMT)				Series 2003A-2 (AMT)			
			Principal	Coupon	Interest	Debt Svs. Yr	Principal	Coupon	Interest	Debt Svs. Yr
2008	10/01/08	2009	1,685,000	2.000%	354,501	2,377,153	3,110,000	5.000%	951,019	4,934,288
2009	04/01/09	2009	-		337,651	-	-		873,269	-
2009	10/01/09	2010	1,720,000	2.250%	337,651	2,375,953	3,265,000	4.000%	873,269	4,946,238
2010	04/01/10	2010	-		318,301	-	-		807,969	-
2010	10/01/10	2011	1,755,000	2.625%	318,301	2,368,568	3,390,000	5.000%	807,969	4,921,188
2011	04/01/11	2011	-		295,267	-	-		723,219	-
2011	10/01/11	2012	1,805,000	2.800%	295,267	2,370,264	3,570,000	5.250%	723,219	4,922,725
2012	04/01/12	2012	-		269,997	-	-		629,506	-
2012	10/01/12	2013	1,855,000	3.000%	269,997	2,367,169	3,755,000	5.250%	629,506	4,915,444
2013	04/01/13	2013	-		242,172	-	-		530,938	-
2013	10/01/13	2014	1,915,000	3.125%	242,172	2,369,422	3,950,000	5.250%	530,938	4,908,188
2014	04/01/14	2014	-		212,250	-	-		427,250	-
2014	10/01/14	2015	1,970,000	5.000%	212,250	2,345,250	4,155,000	5.000%	427,250	4,905,625
2015	04/01/15	2015	-		163,000	-	-		323,375	-
2015	10/01/15	2016	2,070,000	5.000%	163,000	2,344,250	4,355,000	5.000%	323,375	4,892,875
2016	04/01/16	2016	-		111,250	-	-		214,500	-
2016	10/01/16	2017	2,170,000	5.000%	111,250	2,338,250	4,580,000	5.000%	214,500	4,894,500
2017	04/01/17	2017	-		57,000	-	-		100,000	-
2017	10/01/17	2018	2,280,000	5.000%	57,000	2,337,000	4,000,000	5.000%	100,000	4,100,000
2018	04/01/18	2018								
2018	10/01/18	2019								
2019	04/01/19	2019								
2019	10/01/19	2020								
2020	04/01/20	2020								
2020	10/01/20	2021								
2021	04/01/21	2021								
2021	10/01/21	2022								
2022	04/01/22	2022								
2022	10/01/22	2023								
2023	04/01/23	2023								
2023	10/01/23	2024								
2024	04/01/24	2024								
2024	10/01/24	2025								
2025	04/01/25	2025								
2025	10/01/25	2026								
2026	04/01/26	2026								
TOTAL			19,225,000		4,368,278	23,593,278	38,130,000		10,211,069	48,341,069
			Call Feature: 10/01/2013 @ 100%				10/01/2013 @ 100%			
			Purpose: Refunding of all Series 1993 Bonds 100% New Money				Refunding of all Series 1998 Bonds 100% New Money			
			Refunding Eligibility: Advance Refundable				AMT bonds are not advance refundable Forward Refundable			

Source: Jacksonville Aviation Authority

Jacksonville Aviation Authority
Debt Service
As Of September 30, 2008
(unaudited)

Bond Year	Date	Fiscal Year	Series 2006 Revenue Bonds			
			Principal	Coupon	Interest	Debt Svs. Yr
2008	10/01/08	2009	2,000,000	5.000%	3,023,504	7,997,009
2009	04/01/09	2009	-		2,973,504	
2009	10/01/09	2010	2,055,000	5.000%	2,973,504	7,950,634
2010	04/01/10	2010	-		2,922,129	
2010	10/01/10	2011	2,225,000	5.000%	2,922,129	8,013,634
2011	04/01/11	2011	-		2,866,504	
2011	10/01/11	2012	2,300,000	5.000%	2,866,504	7,975,509
2012	04/01/12	2012	-		2,809,004	
2012	10/01/12	2013	2,440,000	5.000%	2,809,004	7,997,009
2013	04/01/13	2013	-		2,748,004	
2013	10/01/13	2014	2,620,000	5.000%	2,748,004	8,050,509
2014	04/01/14	2014	-		2,682,504	
2014	10/01/14	2015	2,735,000	5.000%	2,682,504	8,031,634
2015	04/01/15	2015	-		2,614,129	
2015	10/01/15	2016	2,910,000	5.000%	2,614,129	8,065,509
2016	04/01/16	2016	-		2,541,379	
2016	10/01/16	2017	3,070,000	5.000%	2,541,379	8,076,009
2017	04/01/17	2017	-		2,464,629	
2017	10/01/17	2018	4,045,000	4.000%	2,464,629	8,893,359
2018	04/01/18	2018	-		2,383,729	
2018	10/01/18	2019	8,810,000	5.000%	2,383,729	13,357,209
2019	04/01/19	2019	-		2,163,479	
2019	10/01/19	2020	3,320,000	5.000%	2,163,479	7,563,959
2020	04/01/20	2020	-		2,080,479	
2020	10/01/20	2021	3,485,000	5.000%	2,080,479	7,558,834
2021	04/01/21	2021	-		1,993,354	
2021	10/01/21	2022	3,660,000	5.000%	1,993,354	7,555,209
2022	04/01/22	2022	-		1,901,854	
2022	10/01/22	2023	3,840,000	5.000%	1,901,854	7,547,709
2023	04/01/23	2023	-		1,805,854	
2023	10/01/23	2024	4,035,000	5.000%	1,805,854	7,545,834
2024	04/01/24	2024	-		1,704,979	
2024	10/01/24	2025	4,235,000	5.000%	1,704,979	7,539,084
2025	04/01/25	2025	-		1,599,104	
2025	10/01/25	2026	4,450,000	5.000%	1,599,104	7,536,961
2026	04/01/26	2026	-		1,487,856	
2026	10/01/26	2027	4,670,000	5.000%	1,487,856	7,528,959
2027	04/01/27	2027	-		1,371,104	
2027	10/01/27	2028	4,905,000	4.625%	1,371,104	7,533,781
2028	04/01/28	2028	-		1,257,676	
2028	10/01/28	2029	5,130,000	4.625%	1,257,676	7,526,721
2029	04/01/29	2029	-		1,139,045	
2029	10/01/29	2030	5,370,000	4.625%	1,139,045	7,523,909
2030	04/01/30	2030	-		1,014,864	
2030	10/01/30	2031	5,615,000	4.625%	1,014,864	7,514,881
2031	04/01/31	2031	-		885,017	
2031	10/01/31	2032	5,875,000	4.625%	885,017	7,509,174
2032	04/01/32	2032	-		749,158	
2032	10/01/32	2033	6,145,000	4.400%	749,158	7,508,125
2033	04/01/33	2033	-		613,968	
2033	10/01/33	2034	6,415,000	4.400%	613,968	7,501,805
2034	04/01/34	2034	-		472,838	
2034	10/01/34	2035	6,700,000	4.500%	472,838	7,494,925
2035	04/01/35	2035	-		322,088	
2035	10/01/35	2036	7,000,000	4.500%	322,088	7,486,675
2036	04/01/36	2036	-		164,588	
2036	10/01/36	2037	7,315,000	4.500%	164,588	7,479,588
TOTAL			127,375,000		102,489,152	229,864,152
Call Feature						
Purpose			100% New Money			
Refunding Eligibility						

Source: Jacksonville Aviation Authority

**Jacksonville Aviation Authority
Debt Service
As Of September 30, 2008
(unaudited)**

Bond Year	Date	Fiscal Year	2008 Revenue Note			
			Principal	Coupon	Interest	Debt Svs. Yr
2008	10/01/08	2009	540,000	2.2592%	468,663	1,471,226
2009	04/01/09	2009	-	-	462,563	
2009	10/01/09	2010	1,965,000	2.2592%	462,563	2,867,930
2010	04/01/10	2010	-	-	440,367	
2010	10/01/10	2011	2,030,000	2.2592%	440,367	2,887,803
2011	04/01/11	2011	-	-	417,436	
2011	10/01/11	2012	2,100,000	2.2592%	417,436	2,911,151
2012	04/01/12	2012	-	-	393,715	
2012	10/01/12	2013	2,170,000	2.2592%	393,715	2,932,918
2013	04/01/13	2013	-	-	369,203	
2013	10/01/13	2014	2,245,000	2.2592%	369,203	2,958,047
2014	04/01/14	2014	-	-	343,844	
2014	10/01/14	2015	2,325,000	2.2592%	343,844	2,986,426
2015	04/01/15	2015	-	-	317,581	
2015	10/01/15	2016	2,405,000	2.2592%	317,581	3,012,996
2016	04/01/16	2016	-	-	290,415	
2016	10/01/16	2017	2,485,000	2.2592%	290,415	3,037,760
2017	04/01/17	2017	-	-	262,345	
2017	10/01/17	2018	2,570,000	2.2592%	262,345	3,065,660
2018	04/01/18	2018	-	-	233,315	
2018	10/01/18	2019	2,660,000	2.2592%	233,315	3,096,583
2019	04/01/19	2019	-	-	203,268	
2019	10/01/19	2020	2,750,000	2.2592%	203,268	3,125,472
2020	04/01/20	2020	-	-	172,204	
2020	10/01/20	2021	2,845,000	2.2592%	172,204	3,157,272
2021	04/01/21	2021	-	-	140,068	
2021	10/01/21	2022	2,945,000	2.2592%	140,068	3,191,870
2022	04/01/22	2022	-	-	106,802	
2022	10/01/22	2023	3,045,000	2.2592%	106,802	3,224,208
2023	04/01/23	2023	-	-	72,406	
2023	10/01/23	2024	3,150,000	2.2592%	72,406	3,259,230
2024	04/01/24	2024	-	-	36,824	
2024	10/01/24	2025	3,260,000	2.2592%	36,824	3,296,824
2025	04/01/25	2025	-	-	-	
2025	10/01/25	2026	-	-	-	
2026	04/01/26	2026	-	-	-	
2026	10/01/26	2027	-	-	-	
2027	04/01/27	2027	-	-	-	
2027	10/01/27	2028	-	-	-	
2028	04/01/28	2028	-	-	-	
2028	10/01/28	2029	-	-	-	
2029	04/01/29	2029	-	-	-	
2029	10/01/29	2030	-	-	-	
2030	04/01/30	2030	-	-	-	
2030	10/01/30	2031	-	-	-	
2031	04/01/31	2031	-	-	-	
2031	10/01/31	2032	-	-	-	
2032	04/01/32	2032	-	-	-	
2032	10/01/32	2033	-	-	-	
2033	04/01/33	2033	-	-	-	
2033	10/01/33	2034	-	-	-	
2034	04/01/34	2034	-	-	-	
2034	10/01/34	2035	-	-	-	
2035	04/01/35	2035	-	-	-	
2035	10/01/35	2036	-	-	-	
2036	04/01/36	2036	-	-	-	
2036	10/01/36	2037	-	-	-	
	TOTAL		41,490,000		8,993,377	50,483,377
	Call Feature					
	Purpose					
				Refunded 2005 Revenue Bonds		
	Refunding Eligibility					

Source: Jacksonville Aviation Authority

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2008
(unaudited)**

TOTAL			Bond Year	Date	Fiscal Year
Principal	Interest	Debt Sys. Yr			
7,335,000	4,797,687		2008	10/01/08	2009
-	4,646,987	16,779,675	2009	04/01/09	2009
9,005,000	4,646,987		2009	10/01/09	2010
-	4,488,766	18,140,754	2010	04/01/10	2010
9,400,000	4,488,766		2010	10/01/10	2011
-	4,302,426	18,191,192	2011	04/01/11	2011
9,775,000	4,302,426		2011	10/01/11	2012
-	4,102,223	18,179,649	2012	04/01/12	2012
10,220,000	4,102,223		2012	10/01/12	2013
-	3,890,317	18,212,540	2013	04/01/13	2013
10,730,000	3,890,317		2013	10/01/13	2014
-	3,665,849	18,286,166	2014	04/01/14	2014
11,185,000	3,665,849		2014	10/01/14	2015
-	3,418,086	18,268,934	2015	04/01/15	2015
11,740,000	3,418,086		2015	10/01/15	2016
-	3,157,544	18,315,630	2016	04/01/16	2016
12,305,000	3,157,544		2016	10/01/16	2017
-	2,883,974	18,346,519	2017	04/01/17	2017
12,895,000	2,883,974		2017	10/01/17	2018
-	2,617,044	18,396,018	2018	04/01/18	2018
11,470,000	2,617,044		2018	10/01/18	2019
-	2,366,747	16,453,791	2019	04/01/19	2019
6,070,000	2,366,747		2019	10/01/19	2020
-	2,252,684	10,689,431	2020	04/01/20	2020
6,330,000	2,252,684		2020	10/01/20	2021
-	2,133,422	10,716,106	2021	04/01/21	2021
6,605,000	2,133,422		2021	10/01/21	2022
-	2,008,656	10,747,078	2022	04/01/22	2022
6,885,000	2,008,656		2022	10/01/22	2023
-	1,878,260	10,771,917	2023	04/01/23	2023
7,185,000	1,878,260		2023	10/01/23	2024
-	1,741,804	10,805,064	2024	04/01/24	2024
7,495,000	1,741,804		2024	10/01/24	2025
-	1,599,104	10,835,908	2025	04/01/25	2025
4,450,000	1,599,104		2025	10/01/25	2026
-	1,487,856	7,536,961	2026	04/01/26	2026
4,670,000	1,487,854		2026	10/01/26	2027
-	1,371,104	7,528,959	2027	04/01/27	2027
4,905,000	1,371,104		2027	10/01/27	2028
-	1,257,676	7,533,781	2028	04/01/28	2028
5,130,000	1,257,676		2028	10/01/28	2029
-	1,139,045	7,526,721	2029	04/01/29	2029
5,370,000	1,139,045		2029	10/01/29	2030
-	1,014,864	7,523,909	2030	04/01/30	2030
5,615,000	1,014,864		2030	10/01/30	2031
-	885,017	7,514,881	2031	04/01/31	2031
5,875,000	885,017		2031	10/01/31	2032
-	749,158	7,509,174	2032	04/01/32	2032
6,145,000	749,158		2032	10/01/32	2033
-	613,968	7,508,125	2033	04/01/33	2033
6,415,000	613,968		2033	10/01/33	2034
-	472,838	7,501,805	2034	04/01/34	2034
6,700,000	472,838		2034	10/01/34	2035
-	322,088	7,494,925	2035	04/01/35	2035
7,000,000	322,088		2035	10/01/35	2036
-	164,588	7,486,675	2036	04/01/36	2036
7,315,000	164,588	7,479,588	2036	10/01/36	2037
226,220,000	126,061,875	352,281,875		TOTAL	

Source: Jacksonville Aviation Authority

Jacksonville Aviation Authority
 Top 10 Employers of Jacksonville
 (unaudited)

Employer	2008 Employees	2007 Employees	2006 Employees
Jacksonville Naval Air Station (U.S. Navy)	22,245	25,245	25,190
Mayport Naval Station (U.S. Navy)	15,293	15,293	16,250
Duval County Public Schools	14,489	14,284	15,000
City of Jacksonville	8,828	8,828	9,400
Blue Cross/Blue Shield of Florida	7,000	7,000	8,080
Baptist Health System	7,000	7,000	6,930
Mayo Clinic	5,000	-	5,030
CSX	4,400	-	-
Citi	4,200	-	-
Bank of America	4,000	-	-
Public Distribution Center	-	6,615	7,110
Winn-Dixie Stores	-	6,200	6,540
Wal-Mart	-	5,800	6,000
State of Florida	-	7,056	-
Total	92,455	103,321	105,530

Source: 2008 Jacksonville Cornerstone, 2007 and 2006 Data The Florida Times-Union, Largest Employers in Jacksonville Area
 Information was not available for the prior 7 years

Jacksonville Aviation Authority
Demographic and Economic Statistics
Metropolitan Statistical Area of Jacksonville
(unaudited)

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2007	1,304,199	* 48,931,673	* 40,633	* 4.3%
2006	1,278,626	47,972,228	37,519	3.3%
2005	1,247,828	42,785,474	34,288	3.8%
2004	1,222,134	40,347,961	33,014	4.6%
2003	1,194,785	37,185,391	31,123	5.0%
2002	1,172,966	35,123,316	29,944	5.3%
2001	1,148,173	33,804,492	29,442	4.1%
2000	1,126,248	33,150,664	29,435	3.2%
1999	1,109,951	30,306,376	27,304	3.1%
1998	1,094,889	28,954,199	26,445	3.2%
1997	1,077,069	26,567,529	24,667	3.8%

(1) Projected amounts from the Bureau of Economic Analysis: Accelerated Metropolitan Statistical Area Income Summary, Jacksonville, FL MSA

*Note: *2007 data are estimates*

*Sources: Bureau of Economic Analysis: Regional Economic Accounts - Jacksonville, FL
2006 Population Estimate from US Census Bureau*

Jacksonville Aviation Authority
 Jacksonville, Florida
 Jacksonville International Airport
 Enplanements
 (unaudited)

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	2008	Market Share 2008	2007	Market Share 2007	2006
Southwest Airlines	624,289	20.41%	657,338	20.75%	638,860
Delta Airlines	563,394	18.42%	579,370	18.29%	512,706
US Airways	460,583	15.06%	487,063	15.38%	470,872
AirTran	182,364	5.96%	185,536	5.86%	196,583
American Airlines	153,956	5.03%	154,886	4.89%	160,401
Comair (Delta Connection)	133,481	4.36%	146,296	4.62%	152,333
Continental Airlines	128,916	4.22%	137,554	4.34%	131,352
American Eagle	123,084	4.02%	120,006	3.79%	96,343
JetBlue	114,510	3.74%	111,377	3.52%	34,684
Northwest Airlines	94,628	3.09%	128,731	4.06%	118,589
United Airlines	88,149	2.88%	22,622	0.71%	-
Continental Express (Jet Express)	77,426	2.53%	103,739	3.27%	109,468
Express Jet	54,531	1.78%	29,042	0.92%	-
United Express (mesa)	36,684	1.20%	65,563	2.07%	45,030
Chautauqua (Delta)	34,746	1.14%	11,126	0.35%	9,896
Trans States (American)	33,075	1.08%	40,486	1.28%	39,237
Compass Airline	32,493	1.06%	-	0.00%	-
Pinnacle (Northwest AirlinK)	30,892	1.01%	42,338	1.34%	35,599
Go Jet (United)	26,151	0.86%	60,106	1.90%	60,611
Republic (US Airways)	20,742	0.68%	11,764	0.37%	1,693
Frontier	20,719	0.68%	11,694	0.37%	-
Mesaba (Northwest)	6,373	0.21%	-	0.00%	11,290
Gulfstream (Continental Connection)	5,606	0.18%	14,053	0.44%	13,187
Charters	3,792	0.12%	6,835	0.22%	4,733
Air Wisconsin (US Airways)	2,878	0.09%	3,855	0.12%	-
Mesa (US Airways)	1,653	0.05%	2,786	0.09%	-
PSA Airlines (US Airways)	1,626	0.05%	1,697	0.05%	6,249
Atlantic Southeast Airlines (ASA)	803	0.03%	13,727	0.43%	-
Skywest (Delta Connection)	462	0.02%	18,074	0.57%	22,450
Air Tran Express (Air Wisconsin)	-	0.00%	-	0.00%	17,800
Delta Connection (Atlantic SE Airlines)	-	0.00%	-	0.00%	-
Florida Gulf (Mesa)	-	0.00%	-	0.00%	5,308
Independence Air	-	0.00%	-	0.00%	21,187
Mesa / Freedom (Delta)	-	0.00%	-	0.00%	8,066
Midway Airlines (US Airways)	-	0.00%	-	0.00%	-
Total Enplanements	3,058,006	100.00%	3,167,664	100.00%	2,924,527

Source: Jacksonville Airport Authority (formerly Jacksonville Airport Authority 2002-2007 and formerly Jacksonville Port Authority Aviation Division 1999-2001)

Jacksonville Aviation Authority
Jacksonville, Florida
Jacksonville International Airport
Enplanements
(unaudited)

2005	2004	2003	2002	2001	2000	1999
559,189	524,727	694,553	680,333	742,114	748,365	697,668
663,066	655,680	501,883	519,955	453,597	400,659	338,167
404,611	338,709	308,045	342,633	538,210	508,855	496,436
156,876	100,546	91,786	57,742	16,568	15,842	7,265
135,798	103,978	152,108	154,141	143,938	148,442	144,911
179,572	143,187	107,265	93,698	109,938	99,437	102,475
132,766	124,340	144,335	169,080	165,621	176,744	169,134
63,757	44,647	9,941	-	2,295	16,708	-
-	-	126,527	160,331	76,901	88,472	89,953
138,656	131,971	-	-	-	-	-
-	-	-	-	-	-	-
76,733	62,679	27,072	1,442	19,815	13,775	2,740
-	-	18,148	2,771	-	-	-
5,502	3,160	18,300	8,492	52,667	50,226	34,486
26,737	23,887	9,246	-	-	-	-
-	-	-	-	-	-	-
34,385	41,807	5,180	9,939	7,306	7,237	8,119
-	-	47,837	50,645	54,487	63,406	65,446
-	-	-	1,589	2,023	-	-
-	-	-	-	-	-	-
14,653	-	21,803	-	-	-	-
17,171	16,426	-	-	-	-	-
8,471	5,586	-	13,455	90,221	88,702	83,132
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,342	3,914	119,459	106,866	50,378	36,193	46,835
-	-	-	-	-	-	-
4,028	1,829	3,499	-	-	-	-
126,734	38,875	7,252	5,068	7,646	7,253	10,209
10,365	48,522	-	-	48,511	61,277	67,326
7,326	33,364	7,157	47,075	54,755	60,887	60,971
63,409	117,881	5,356	479	8,505	10,688	11,896
-	-	6,565	-	-	-	-
-	1,871	-	-	55	-	-
<u>2,848,830</u>	<u>2,567,586</u>	<u>2,433,317</u>	<u>2,425,734</u>	<u>2,645,551</u>	<u>2,603,168</u>	<u>2,437,169</u>

Jacksonville Aviation Authority
Jacksonville, Florida
Landed Weights (continued)
(unaudited)

	2008	Market Share 2008	2007	Market Share 2007	2006
Southwest Airlines	980,788	21.87%	970,542	21.37%	947,608
Delta Airlines	733,464	16.36%	768,877	16.93%	672,714
US Airways	573,721	12.80%	584,664	12.87%	609,737
Air Tran - ValuJet	215,674	4.81%	222,352	4.90%	229,528
American Airlines	181,777	4.05%	179,773	3.96%	185,101
Continental Airlines	155,645	3.47%	159,848	3.52%	149,838
Comair - Delta Connection	152,776	3.41%	166,499	3.67%	186,539
JetBlue	148,825	3.32%	133,747	2.94%	51,899
American Eagle	145,095	3.24%	137,487	3.03%	102,305
United Airlines	115,232	2.57%	28,118	0.62%	-
Northwest Airlines	112,817	2.52%	165,429	3.64%	159,241
Continental Express (Jet Express)	80,619	1.80%	104,876	2.31%	109,128
Express Jet Airlines	74,862	1.67%	50,733	1.12%	-
Go Jet (United)	42,681	0.95%	75,040	1.65%	81,204
United Express (Mesa)	40,321	0.90%	73,408	1.62%	47,952
Pinnacle - Northwest Airlink	37,150	0.83%	46,671	1.03%	41,501
Compass Airline	36,776	0.82%	-	0.00%	-
Trans States Airline	36,235	0.81%	43,128	0.95%	-
Frontier Airlines	33,574	0.75%	15,926	0.35%	-
Chautauqua - Delta	32,547	0.73%	10,707	0.24%	16,403
Republic	20,112	0.45%	15,041	0.33%	2,169
Gulfstream - Continental	13,266	0.30%	26,646	0.59%	23,790
Air Wisconsin - US Airways	3,854	0.09%	4,277	0.09%	-
Mesaba (Northwest)	2,867	0.06%	-	0.00%	-
PSA Airlines (US Airways)	2,295	0.05%	1,900	0.04%	7,537
Mesa (US Airways)	2,132	0.05%	3,363	0.07%	-
Atlantic SE Airlines - Delta Connection	899	0.02%	14,792	0.33%	-
Independence Air	294	0.01%	-	0.00%	36,549
Skywest - Delta Connection	289	0.01%	21,735	0.48%	26,110
Air Wisconsin - Air Tran Express	-	0.00%	-	0.00%	20,022
American (Trans States)	-	0.00%	-	0.00%	41,597
Atlantic Coast Airlines - United Express	-	0.00%	-	0.00%	24,055
Florida Gulf (Mesa)	-	0.00%	-	0.00%	5,208
Mesa / Freedom (Delta)	-	0.00%	-	0.00%	10,073
Midway Airlines (US Airways)	-	0.00%	-	0.00%	-
TWA L.L.C.	-	0.00%	-	0.00%	-
US Airways Express (Piedmont)	-	0.00%	-	0.00%	-
Total Commercial Airlines	3,976,587	88.69%	4,025,579	88.63%	3,787,808
UPS	249,001	5.55%	265,114	5.84%	230,313
FedEx	215,057	4.80%	216,005	4.76%	221,203
ABX	26,293	0.59%	28,491	0.63%	-
Miscellaneous	16,760	0.37%	5,918	0.13%	7,182
DHL	-	0.00%	1,126	0.02%	-
Air Cargo Carriers	-	0.00%	-	0.00%	-
Airborne Express	-	0.00%	-	0.00%	33,337
North Star	-	0.00%	-	0.00%	-
Emery	-	0.00%	-	0.00%	-
Total Cargo Airlines	507,111	11.31%	516,654	11.37%	492,033
Total Landed Weights	4,483,698	100.00%	4,542,233	100.00%	4,279,841

Source: Jacksonville Airport Authority (formerly Jacksonville Airport Authority 2002-2007 and formerly Jacksonville Port Authority Aviation Division 1999-2001)

Jacksonville Aviation Authority
Jacksonville, Florida
Landed Weights (continued)
(unaudited)

2005	2004	2003	2002	2001	2000	1999
855,204	816,057	1,036,969	1,110,749	1,161,835	1,096,744	1,018,741
980,596	969,045	836,967	893,413	790,317	668,594	577,469
518,833	430,872	435,565	483,275	744,256	707,351	658,072
171,184	131,454	125,067	68,338	21,291	17,014	11,054
165,280	138,474	219,372	186,718	185,105	188,235	184,866
157,930	169,830	-	-	-	-	-
227,052	184,526	145,899	141,404	143,990	150,611	150,987
-	-	188,903	250,532	104,542	119,572	116,058
67,353	52,692	16,638	-	4,371	26,085	-
-	-	-	-	-	-	-
185,064	182,994	198,218	225,058	222,924	246,048	245,831
74,934	63,243	32,640	1,567	21,231	13,769	2,845
-	-	-	-	-	-	-
-	-	60,468	71,552	73,234	81,475	78,737
-	-	20,022	20,539	-	-	-
37,506	45,966	6,390	18,462	13,894	14,796	17,469
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,781	3,676	7,144	-	-	-	-
-	-	10,585	83,620	99,768	101,632	97,519
26,281	23,073	24,999	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,029	4,981	-	-	-	-	-
-	-	-	-	-	-	-
12,455	58,186	-	23,598	129,759	131,311	110,928
98,069	144,525	4,553	-	-	-	-
4,938	2,115	7,661	789	12,719	17,259	17,501
136,864	44,650	23,077	18,863	64,910	67,492	51,488
29,848	29,189	11,468	-	-	-	-
22,865	-	-	-	-	-	-
7,303	40,611	-	-	-	-	-
-	-	138,039	134,091	62,040	51,747	64,390
-	2,303	-	2,765	3,421	-	-
-	-	-	-	645	-	-
-	-	-	-	64,327	91,283	89,990
3,810,369	3,538,462	3,550,644	3,735,333	3,924,579	3,791,018	3,493,945
169,765	131,441	186,294	196,303	105,292	90,233	101,197
224,302	233,947	123,335	121,794	146,582	133,930	135,063
-	-	-	-	-	-	-
4,996	5,054	6,932	13,983	31,547	5,122	3,367
-	-	-	-	-	-	-
-	-	-	-	1,695	6,757	6,736
27,806	27,917	26,878	26,519	33,547	43,335	42,499
2,438	3,190	3,138	3,138	3,138	400	3,116
-	1,610	2,375	304	118,919	168,001	171,475
429,136	403,159	348,952	362,041	440,807	447,778	463,453
4,238,358	3,941,621	3,899,596	4,097,374	4,365,386	4,238,796	3,957,398

Jacksonville Aviation Authority
Number of Employees
Year Ended September 30, 2008
(unaudited)

Department	Department	Number of Employees	
	Number	FT	PT
Executive Director	11001	3	0
DBE	23001	1	1
Information Technology	24001	6	0
External Affairs	25001	2	1
Administrative Services	26101	10	0
Procurement	26201	7	1
Accounting & Finance	31001	8	0
Planning & Engineering	42001	13	0
Business Development	43101	5	0
Cecil Field Airport	44202	10	4
Craig Airport	44302	3	2
Herlong Airport	44402	6	2
Building Maintenance	45123	26	0
Field Maintenance	45133	24	1
HBS	45143	10	0
Custodial	45523	30	0
Police /Security	46104	44	0
AOCC	46204	21	0
Total		<u>229</u>	<u>12</u>

Jacksonville Aviation Authority
Aircraft Operations
Year Ended September 30,
(unaudited)

Type of Operation	2008	2007	2006	2005	2004	2003	2002
Air Carrier	61,937	61,997	59,285	81,866	77,536	70,346	72,502
Air Taxi	32,227	37,163	34,912	10,121	8,912	9,525	9,658
Gen Aviation	12,098	15,447	17,699	21,293	24,369	27,965	29,699
Military	4,407	5,908	6,608	9,180	12,583	12,665	13,391
Total Aircraft Operations	110,669	120,515	118,504	122,460	123,400	120,501	125,250

Source : Aviation Records
Comparative information not available prior to 2000

Jacksonville Aviation Authority
Airlines Serving Jacksonville International Airport
Year Ended September 30, 2008
(unaudited)

Signatory

AirTran
American Airlines
Continental
Delta
Express Jet
Frontier
Jet Blue
Northwest
Southwest
US Airways
United Airlines

Non-Signatory

Scheduled/Domestic

Air Wisconsin (US Airways)
Chautauqua Airlines
GoJet/United
Gulfstream
Mesa (US Airways)
Mesaba (Northwest)
Pinnacle (Northwest)
Republic
Skywest Airlines
Trans States Airlines
United Express (Mesa)

Cargo

ABX
Federal Express
UPS

Non-Signatory

Scheduled/Domestic

Billed as a Signatory Airlines

American Eagle
Comair
Continental Express
PSA Airlines

Source: Authority Records

UPS

Source: Authority Records

Jacksonville Aviation Authority
 Primary Origination and Destination Passenger Markets
 Year Ended September 30, 2008
 (unaudited)

Rank	Market	
1	Atlanta	SH
2	Charlotte	MH
3	New York	MH
4	Fort Lauderdale	SH
5	Washington	MH
6	Nashville	SH
7	Dallas	MH
8	Philadelphia	MH
9	Tampa	SH
10	Baltimore	MH
11	Chicago O'Hare	MH
12	Houston	MH
13	Memphis	SH
14	Detroit	MH
15	New York La Guardia	MH
16	Cincinnati	MH
17	Birmingham	MH
18	Houston	MH
19	Indianapolis	MH
20	Las Vegas	MH

Source: Aviation Records

Trip Length:

SH (short haul) = 0 to 600 miles

MH (medium haul) = 601 to 1,800 miles

LH (long haul) = over 1,801 miles

Jacksonville Aviation Authority
 Airport Capital Asset Information
 Year Ended September 30, 2008
 (unaudited)

Jacksonville International Airport

Location	18 Miles North of Downtown Jacksonville
Area	8,200 Acres
Airport Code	JAX
Runways	10,000 Feet Runway 7/25 (Primary) 7,700 Feet Runway 13/31
Taxiways	8 75 Foot Wide 2 50 Foot Wide
Aprons	200,000 Sq Yards
Terminal with 3 Concourses	618,000 Sq Ft
Aircraft Gates	19 Gates leased by Signatory Airlines 8 Ground Loaded Gates Operated By JAA 3 Gates used by non- signatory Airlines 1 Internation/Charter Gate 1 Regional Jet Loading Bridge Gate
Cargo	South of Terminal 225,000 Sq. Ft. Consisting of 4 Buildings 86,600 Sq. Yrds Consisting of 3 Cargo Ramps 34,000 Sq. Ft. Aircraft Maintenance Facility
Parking	820 Short-term Hourly Garage 1,947 Daily Garage 1,963 Daily Surface Lot 4,470 Economy Lots <hr/> 9,200
Hotel	200 Rooms - Clarion 153,000 Sq Ft

General Aviation Airports

Craig Airport

Location	9 Miles East of Downtown Jacksonville
Area	1,400 Acres
Runways	4,000 Feet 4,000 Feet
Fixed Based Operators (FBO)	Craig Air Center Sky Harbor

Source: Authority Records

Jacksonville Aviation Authority
Airport Capital Asset Information
Year Ended September 30, 2008
(unaudited)

Herlong Airport

Location 9 Miles Southwest of Downtown Jacksonville

Area 1,434 Acres

Runways 4,000 Feet
3,500 Feet

Cecil Field Airport

Location 13 Miles Southwest of Downtown Jacksonville

Area 6,100 Acres

Runways 12,500 Feet
8,000 Feet
8,000 Feet
8,000 Feet

Aprons 530,000 Sq. Yrds.

Source: Authority Records