

Jacksonville Aviation Authority Annual Report 2006

One Team. One Mission.

efficiency

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Jacksonville Aviation Authority
Annual Report 2006

www.jaa.aero

Letter from Executive Director /CEO

The Jacksonville Aviation Authority team has always taken a “can do” approach to accomplishing our primary mission, which is to provide Northeast Florida with a superior airport system that is unrelentingly focused on safety, security and customer service, yet flexible enough to quickly adapt to a changing world.

The JAA culture has enabled us to successfully maneuver through quick responses to security threats, manage big events like Super Bowl XXXIX, build terminal facilities on time and under budget and sustain our regional position as a key economic catalyst to the community of Jacksonville.

Our past performance has been good despite industry challenges such as high fuel costs, major U.S. airlines operating under bankruptcy protection and continuous terrorist threats on airports worldwide. In fact, JAA has been able to continuously operate profitably, growing our operating margins year after year. This year at Jacksonville International Airport (JAX), our passenger counts grew by over 3.5 percent, reaching 6 million passengers.



As a public entity, we recognize our unique role as owner and operator of Jacksonville International Airport, Craig Field, Herlong Airport and Cecil Field and we are very proud of what has been accomplished at each. However, as we look to the future our focus must be expanded beyond just a “can do” approach. We must become better and smarter at how we manage these public assets.

Five years ago, when the Florida Legislature created the Jacksonville Aviation Authority, we had a vision to be the best airport system in the world. We continue to embrace this vision more than ever. In order to achieve our lofty goal, we will be reshaping our business model over the next few years to make sure we are getting the highest return possible on our investments in our people, in our capital development projects and in our aviation facilities.

This coming year we will be concentrating on building a streamlined, highly efficient organization that is capable of delivering world-class customer satisfaction while at the same time meeting the financial challenges of an ever-changing aviation environment. This coming year we will be diligently working to identify those opportunities that enhance customer service and incorporate systemic operational and organizational efficiencies into our business model.

As we proceed with reshaping the JAA with our “can do” attitude, we appreciate your continued support and I promise I will keep you apprised of our progress. You, our stakeholders – the traveling public, our airline and retail customers, our elected officials and the business community at large – play a significant role in the success of our aviation system. Our pledge is to deliver to this region the best airport system in the world.

sincerely

JOHN CLARK

EXECUTIVE DIRECTOR / CEO
JACKSONVILLE AVIATION AUTHORITY



Jacksonville Aviation Authority Jacksonville, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2006

PREPARED BY:
FINANCE DIVISION

RICHARD A. ROSSI
CHIEF FINANCIAL OFFICER

DIANE PINKERMAN
CONTROLLER

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September 30, 2006

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Jacksonville, FL

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January 9, 2007

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, 2006. 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

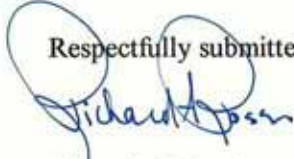
A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended. The 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 blue ink, appearing to read "Richard Rossi", is written over the phrase "Respectfully submitted,".

Richard A. Rossi
Chief Financial Officer



Jacksonville, Florida

Board of Directors

Jack C. Demetree.....	Chairman
Cyrus Jollivette.....	Vice Chairman
Charles F. Spencer.....	Secretary
John Falconetti	Treasurer
James E. McCollum	Member
Mary P. Burnett	Member
Ronald M. Weaver.....	Member

Executive Staff

John D. Clark, III.....	Executive Director/CEO
Richard A. Rossi.....	Chief Financial Officer
Ernestine Moody-Robinson.....	Chief Administrative 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, 2005

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.



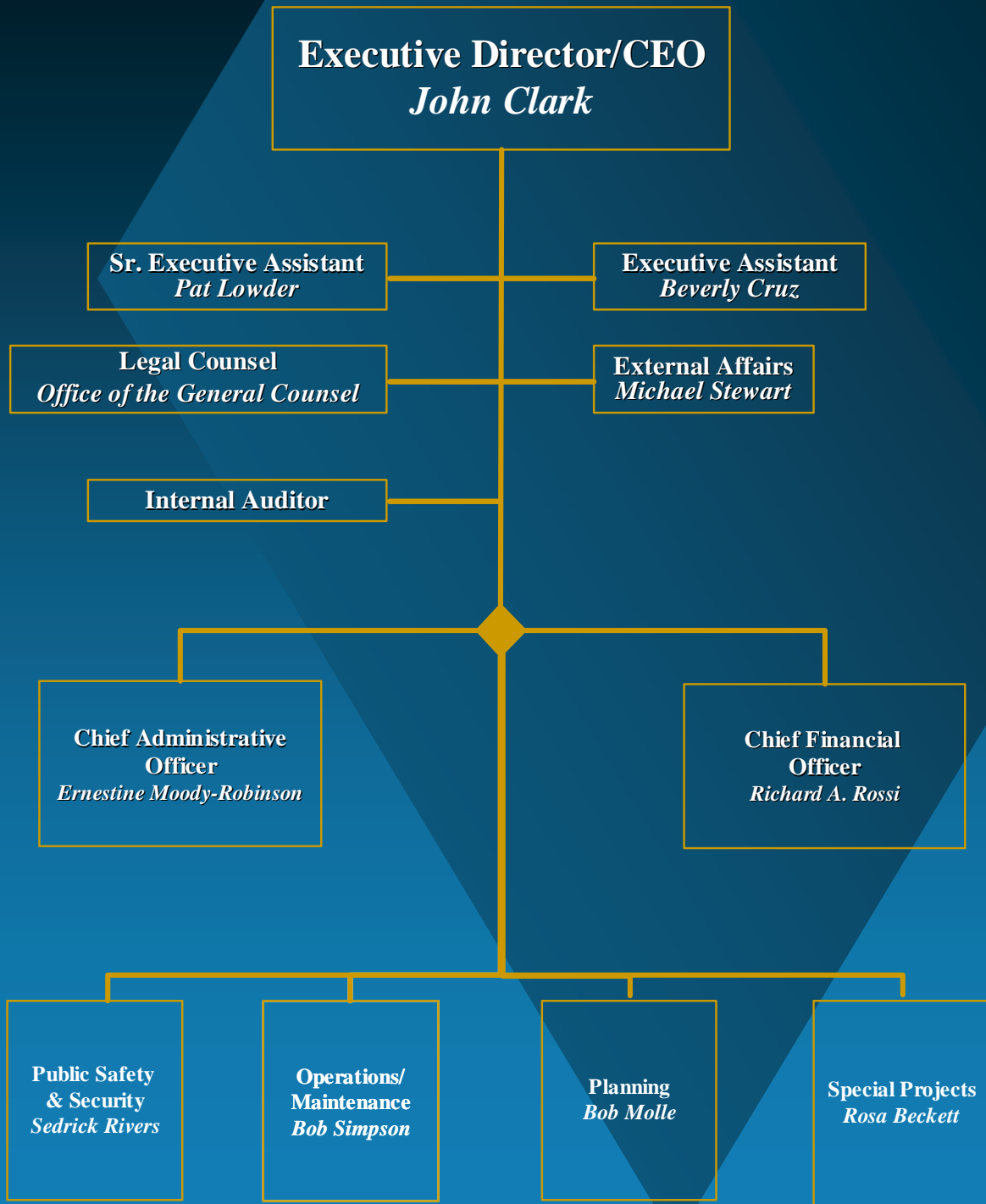
A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2006 and 2005 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 an opinion on these financial statements based on our audits.

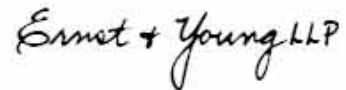
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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, 2006 and 2005 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2007 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, as listed in the table of contents, is not a required part of the basic financial statements but is 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 this required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections of this report 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.



January 4, 2007

Jacksonville Aviation Authority

Management's Discussion and Analysis

September 30, 2006 and 2005

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, 2006 and 2005. 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, Craig Airport, Herlong Airport and Cecil Field. The organization consists of approximately 230 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, 2006 and 2005, 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 showing 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, capital and related 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 Jacksonville International Airport. The major portion of demand for air travel at the Jacksonville International Airport 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. O&D passengers accounted for approximately 92 percent of total passengers at the Airport in 2004 according to a report issued by a third party. No information was available for fiscal year 2005. The report is being prepared for fiscal year 2006 but no information was available at the time this Management report was issued.

The Jacksonville International Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements.

Landed weight increased in 2006 by .95% from prior year and enplanement activity increased by 2.66% over 2005. As in 2005, Delta Airlines and Southwest Airlines dominated 2006 in both enplanement activity and landed weight. American, Continental, Jet Blue, Northwest, US Airways and AirTran comprise the remainder of the signatory airlines serving Jacksonville International Airport and generate the majority of the enplanements.

Passengers, Enplanements and Landed Weights for the fiscal years ending September 30, were as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Passengers	5,842,758	5,672,690	5,123,239
% increase	3.00%	10.72%	5.31%
Enplanements	2,924,527	2,848,830	2,567,586
% increase	2.66%	10.95%	5.52%
Landed Weight	4,279,841	4,239,674	3,941,621
% increase	0.95%	7.56%	1.08%

For fiscal year 2006, the Jacksonville International Airport daily air carrier departures decreased to 109 from 110 and 108 departures in 2005 and 2004, respectively.

Financial Highlights

The Authority's assets exceeded liabilities for fiscal year 2006 by approximately \$376.00 million compared to \$353.65 million and \$330.25 million in fiscal years 2005 and 2004, respectively. Unrestricted funds for fiscal years 2006, 2005 and 2004 were approximately \$23.21 million, \$26.88 million and \$21.59 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 2006 and 2005 is due primarily to grants-in-aid of construction and earnings from continuing operations.

The Authority's Total Debt decreased \$5.97 million in fiscal year 2006, as a result of normal scheduled debt service payments. The Total Debt decrease of \$7.95 million in fiscal year 2005, is primarily the result of the issuance of \$41.82 million of Revenue Refunding bonds, Series 2005, the defeasance of \$40.24 million of the Series 2000A Revenue Bonds, and normal scheduled debt service payments. The bond proceeds from the Series 2005 issue were used for the defeasance of the outstanding Series 2000A Bonds and to pay the costs of issuing the Series 2005 bonds. The total debt increase of \$34.16 million in FY04 is primarily a result of the issuance of \$37.95 million of Airport Revenue Bonds, Series 2003B and reduced by normal

scheduled debt service payments. Those bond proceeds are being used for the acquisition, construction, and installation of capital improvements at Jacksonville International Airport.

Changes in Net Assets

Operating Revenues

Fiscal year 2006 operating revenues increased by .96% over 2005, and fiscal year 2005 operating revenues exceeded 2004 by 10.67%. A large percentage of operating revenues at the Authority is directly related to passenger volumes and aircraft operations.

The decrease in Lease Rentals from 2006 to 2005 of 6.54% is primarily attributable to decreased airline rental revenues due to decreases in terminal rental rates as a result of decreased operating expenses which impact rates through the Signatory Airline Agreement. The increase in Parking revenue of 8.14% from the prior year is due to eliminating the 15 minute grace period in the parking garage. The increase in Other of 10.74% is primarily due to increases in the cost of electricity and fuel.

The increase in Landing and Ramp Fees and Lease Rentals from 2005 to 2004 of 20.47% and 24.29% respectively, is primarily attributable to increased passenger traffic and a Signatory airline being reclassified to a Non-signatory airline status for five (5) months due to bankruptcy. In addition, lease rental revenue increased at Cecil Field. The increase in parking revenue is primarily attributable to an entire year of parking fee increases being in place in comparison to four (4) months in the prior year. The increase in other revenue is primarily attributable to air cargo security fees being instituted in February 2004 coupled with the collection of revenues previously reserved as bad debts.

Operating Expenses

Fiscal Year 2006 operating expenses (before depreciation) increased by 1.75% over 2005. The primary increases were in Other operating expense of 35.41%, due to the increase in cost of insurance, Cost of Fuel for resale, 19.22%, due to rising fuel costs and Utilities & Taxes, 20.01%, due to rising utility costs. Promotion & Advertising decreased by 62.14% due to Super Bowl expenses in 2005.

Fiscal year 2005 operating expenses (before depreciation) increased by 7.85% over 2004. The increase over 2004 in Promotion, Advertising and Dues, of 62.79%, is primarily attributable to Super Bowl related sponsorships and promotions. The Utilities Services also increased by 45.50% due to JEA raising the cost of electricity several times during the year. Other Operating Expenses increased by 66.47% due to the significant increase in the cost of fuel purchased for resale. Repairs and Maintenance Projects decreased by (32.24)% due to CIP planning and project development costs that were expensed in 2004 when it was determined the projects would not go forward.

Non-operating Revenues

Non-operating revenues in fiscal year 2006 increased by 28.81% from 2005. The increase in non-operating revenues is primarily due to increased investment income from the 2005 Bond swap.

Non-operating revenues in fiscal year 2005 increased by 22.64% from 2004. The increase in non-operating revenue is primarily due to increased investment income and capital contributions over the prior year. Investment income increased due to the cash on hand and capital contributions are directly related to the amount of grant activity for the year.

Non-operating revenue in fiscal year 2004 increased 17.14% from 2003. The increase in non-operating revenues is primarily the result of having a full year of increased PFCs in fiscal year 2004 compared to five (5) months in 2003. Non-operating revenue in fiscal year 2003 was 4.54% higher than 2002 which is primarily a result of increased Passenger Facility Charges (PFCs) related to a May 1, 2003, increase in PFC levels charged by the Authority and payments from federal and state agencies that offset operating expenses. These increases were offset by reduced investment income and reduced payments from the Authority's primary government and federal and state agencies.

Non-operating expenses

Non-operating expenses increased by 10.29% in 2006 and are due to the increase in variable rates on the debt service.

Non-operating expenses increased by 14.14% in 2005. This is due to the increase in interest expense because of higher interest rates in 2005.

Non-operating expenses in fiscal year 2004 decreased 30.68% from 2003. This is primarily a result of a reduction in interest expense and contributions to other governments. Non-operating expenses in fiscal year 2003 was 5.17% lower than 2002 principally from a one-time reduction in contributions to other governments and a reduction in interest expense.

Capital contributions

Capital contributions decreased by 23.83% in 2006. Capital contributions in fiscal year 2005 increased by 31.59% over 2004. These fluctuations are influenced by factors such as grant availability and project timing.

Summary Statements of Net Assets

(amounts in thousands)

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.

	2006	2005	Increase/ (Decrease) from 2005	% Increase/ (Decrease) from 2005
Assets				
Current	\$ 33,506	\$ 39,570	\$ (6,064)	(15.32) %
Noncurrent (restricted/other)	74,298	57,368	16,930	29.51 %
Capital assets, net	436,056	428,240	7,816	1.83 %
Total assets	<u>543,860</u>	<u>525,178</u>	18,682	3.56 %
Liabilities				
Current	14,732	12,540	2,192	17.48 %
Restricted	10,105	8,866	1,239	13.97 %
Long-term	143,023	150,127	(7,104)	(4.73) %
Total liabilities	<u>167,860</u>	<u>171,533</u>	(3,673)	(2.14) %
Net assets				
Invested in capital assets, net of debt	302,987	289,098	13,889	4.80 %
Restricted	49,805	37,668	12,137	32.22 %
Unrestricted	23,208	26,879	(3,671)	(13.66) %
Total net assets	<u>\$ 376,000</u>	<u>\$ 353,645</u>	<u>\$ 22,355</u>	6.32 %
Unrestricted working capital				
Current assets	33,506	39,570	(6,064)	(15.32) %
Current liabilities	(14,732)	(12,540)	(2,192)	17.48 %
Working capital	<u>\$ 18,774</u>	<u>\$ 27,030</u>	<u>\$ (8,256)</u>	(30.54) %
Current ratio	2.27	3.16		

Summary Statements of Net Assets (amounts in thousands)

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Assets				
Current	\$ 39,570	\$ 39,806	\$ (236)	(0.59) %
Noncurrent (restricted)	57,368	53,616	3,752	7.00 %
Capital assets, net	428,240	423,498	4,742	1.12 %
Total assets	<u>525,178</u>	<u>516,920</u>	<u>8,258</u>	<u>1.60 %</u>
Liabilities				
Current	12,540	18,819	(6,279)	(33.37) %
Restricted	8,866	11,907	(3,041)	(25.54) %
Long-term	150,127	155,943	(5,816)	(3.73) %
Total liabilities	<u>171,533</u>	<u>186,669</u>	<u>(15,136)</u>	<u>(8.11) %</u>
Net assets				
Invested in capital as:	289,098	280,513	8,585	3.06 %
Restricted	37,668	28,152	9,516	33.80 %
Unrestricted	26,879	21,586	5,293	24.52 %
Total net assets	<u>\$ 353,645</u>	<u>\$ 330,251</u>	<u>\$ 23,394</u>	<u>7.08 %</u>
Unrestricted working capital				
Current assets	39,570	39,806	(236)	(0.59) %
Current liabilities	(12,540)	(18,819)	6,279	(33.37) %
Working capital	<u>\$ 27,030</u>	<u>\$ 20,987</u>	<u>\$ 6,043</u>	<u>28.79 %</u>
Current ratio	3.16	2.12		

The Authority enjoyed continued growth of its total assets during 2006, with an increase of 3.56%. Total liabilities decreased by 2.14% for a resulting increase in net assets of 6.32%.

Total assets grew by 1.6% during 2005 while total liabilities decreased by 8.11%. These changes resulted in a net assets increase of 7.08%.

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

(amounts in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues:			
Landing and ramp fees	\$ 13,943	\$ 13,623	\$ 11,308
Lease rentals	14,993	16,042	12,907
Parking	14,713	13,606	12,278
Concessions	12,841	12,844	11,268
Other revenue	1,867	1,686	4,469
Total operating revenues	<u>58,357</u>	<u>57,801</u>	<u>52,230</u>
Operating expenses: (including depreciation & amortization):			
Salaries and benefits	16,840	16,598	14,824
Services and supplies	11,641	11,728	12,056
Business training and travel	377	332	286
Promotion, advertising and dues	477	1,260	774
Utility services	3,646	3,038	2,088
Maintenance	1,979	1,950	2,878
Other operating expenses	2,245	1,658	996
Depreciation and amortization	21,922	21,726	19,796
Total operating expenses (including depreciation and amortization)	<u>59,127</u>	<u>58,290</u>	<u>53,698</u>
Operating loss	(770)	(489)	(1,468)
Nonoperating revenues (expenses):			
Passenger facility charges	12,450	12,060	10,668
Interest expense	(8,012)	(6,989)	(6,316)
Investment income	5,639	1,784	616
Payments from primary government	60	79	2
Payments from federal and state agencies	233	239	136
Contributions from other governments	9	116	(123)
Other	(334)	(578)	33
Total nonoperating revenues	<u>10,045</u>	<u>6,711</u>	<u>5,016</u>
Income before capital contributions	9,275	6,222	3,548
Capital contributions	<u>13,080</u>	<u>17,172</u>	<u>13,050</u>
Increases in net assets	<u>\$ 22,355</u>	<u>\$ 23,394</u>	<u>\$ 16,598</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 June 16, 1988 for approximately 20 years, which in part establishes how the airlines that signed the Agreement will be assessed annual rates and charges for their use of the Airport. 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 2006, 2005 and 2004.

The final rates and charges for the signatory airlines were as follows:

	2006	2005	2004
Landing fees (per 1,000 lbs. MGLW)	\$ 1.46	\$ 1.41	\$ 1.63
Apron fee rental (per linear foot)	317.22	305.86	339.83
Average terminal rental rate (per square foot)	54.54	63.22	55.58
Ticket counter	74.81	86.91	76.44
Bag claim	59.85	69.53	61.15

Operating Revenues

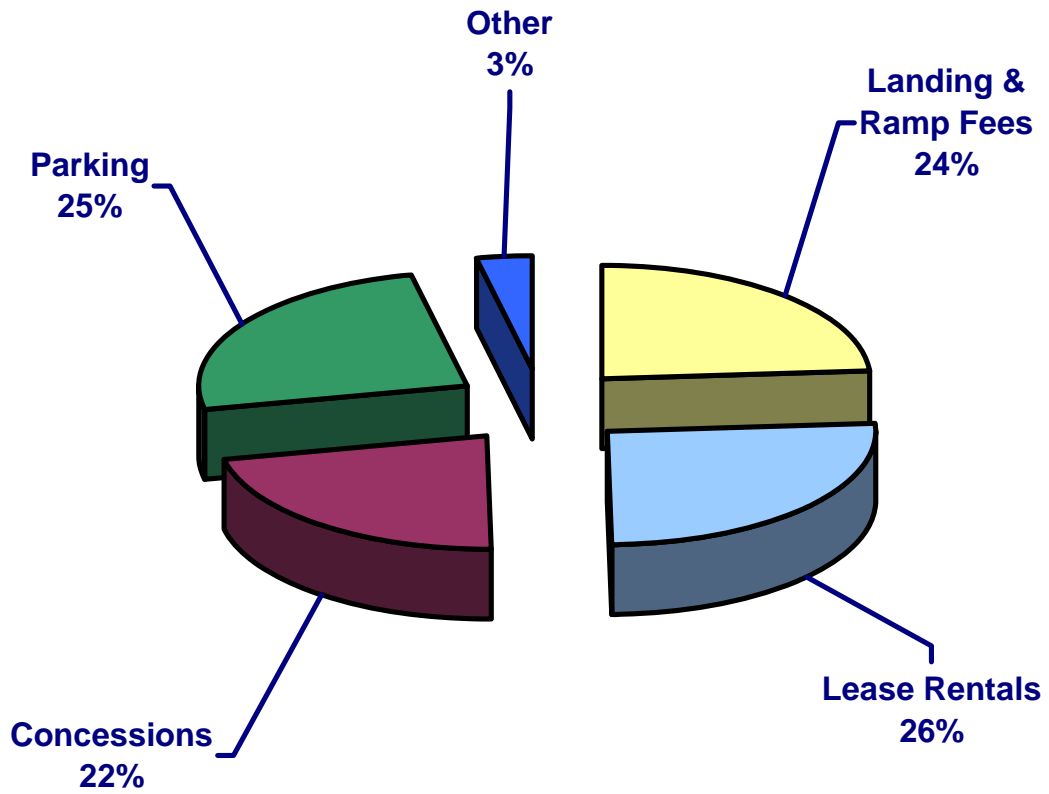
The following charts and tables show the major sources and the percentage of operating revenues for fiscal years 2006, 2005 and 2004.

Operating revenue continued to increase during fiscal year 2006. Operating revenue was up over fiscal year 2005 in Parking, Landing and ramp fees, and Other.

In fiscal year 2005 operating revenue for all source categories increased except for the category Other.

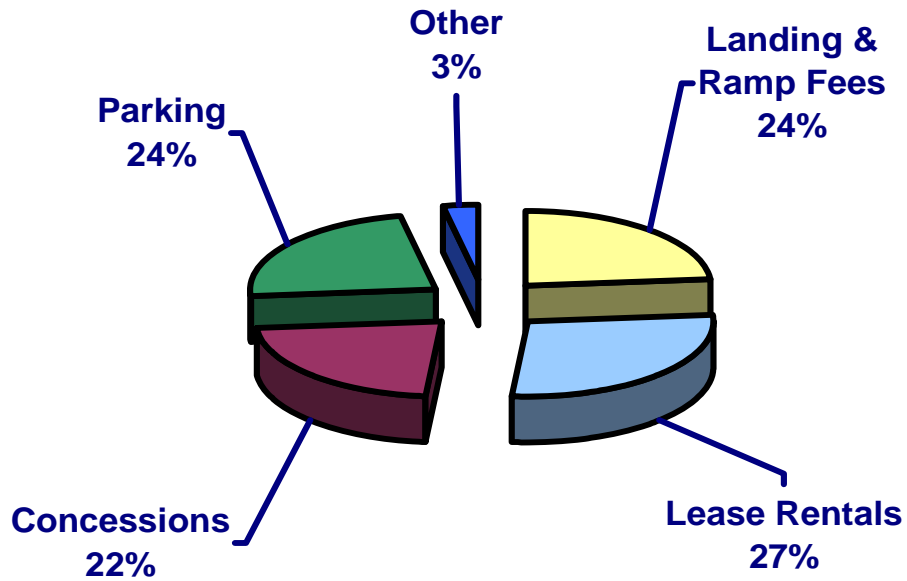
Refer to the Changes in Net Assets section of this MD&A for additional information related to operating revenues.

2006 Operating Revenues

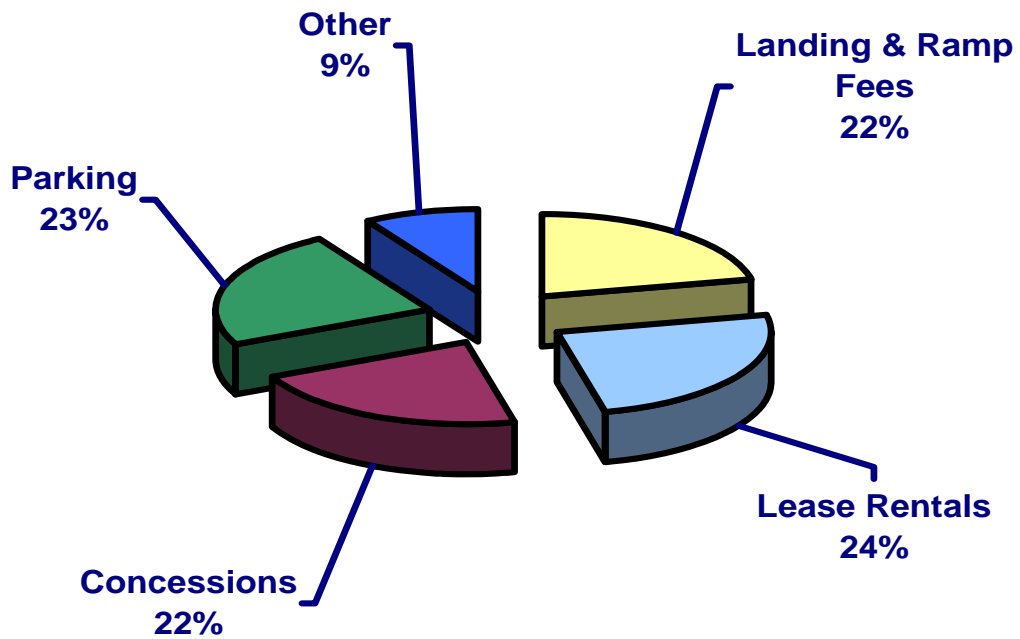


Operating Revenues

2005 Operating Revenues



2004 Operating Revenues



Operating Revenues by Major Source

(amounts in thousands)

	2006	2005	Increase/ (Decrease) from 2005	% Increase/ (Decrease) from 2005
Landing and ramp fees	\$ 13,943	\$ 13,623	\$ 320	2.35 %
Lease rentals	14,993	16,042	(1,049)	(6.54) %
Parking	14,713	13,606	1,107	8.14 %
Concessions	12,841	12,844	(3)	(0.02) %
Other	1,867	1,686	181	10.74 %
Total operating revenues	<u>\$ 58,357</u>	<u>\$ 57,801</u>	<u>\$ 556</u>	<u>0.96 %</u>

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Landing and ramp fees	\$ 13,623	\$ 11,308	\$ 2,315	20.47 %
Lease rentals	16,042	12,907	3,135	24.29 %
Parking	13,606	12,278	1,328	10.82 %
Concessions	12,844	11,268	1,576	13.99 %
Other	1,686	4,469	(2,783)	(62.27) %
Total operating revenues	<u>\$ 57,801</u>	<u>\$ 52,230</u>	<u>\$ 5,571</u>	<u>10.67 %</u>

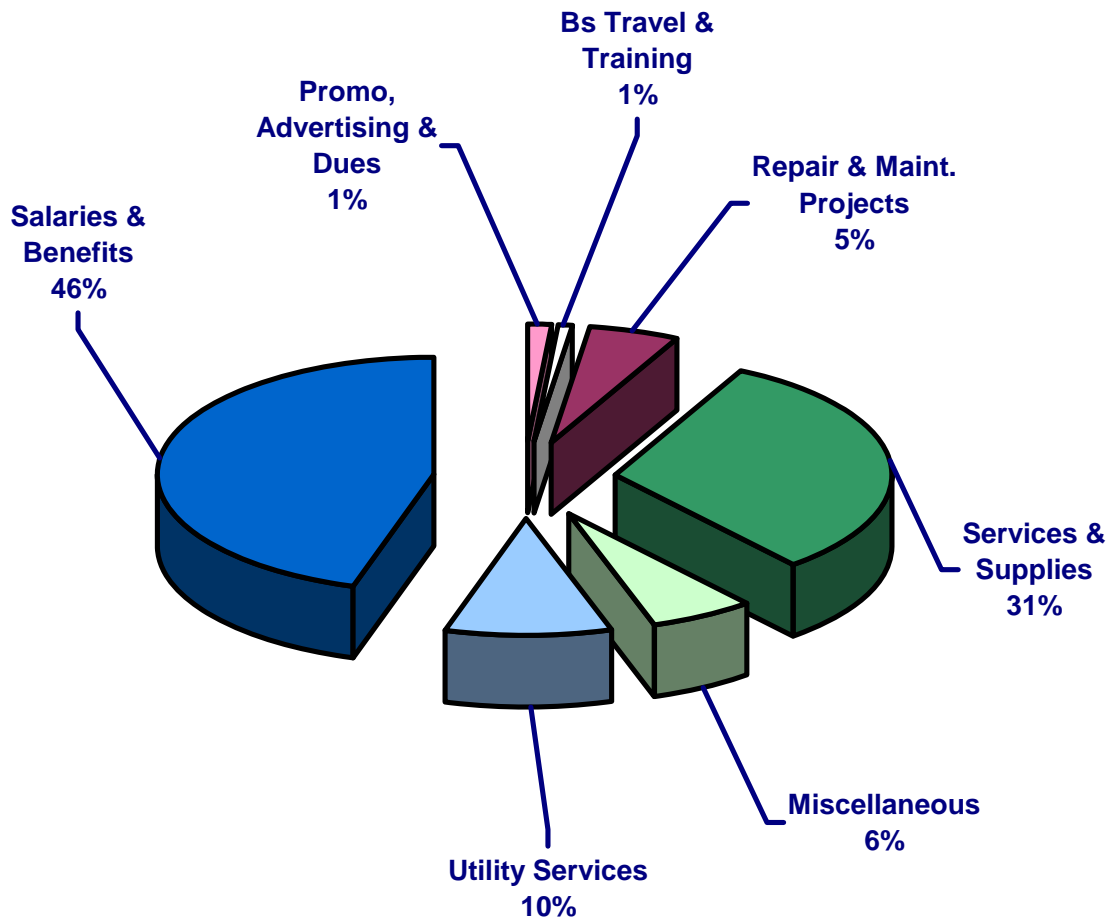
Operating Expenses

The following charts show the major cost categories for the Jacksonville Aviation Authority for fiscal years 2006, 2005 and 2004.

Operating Expenses, excluding depreciation and amortization, for fiscal year 2006 increased only 1.75% over 2005. Operating Expenses, excluding depreciation and amortization, for fiscal year 2005 increased 7.85% over 2004.

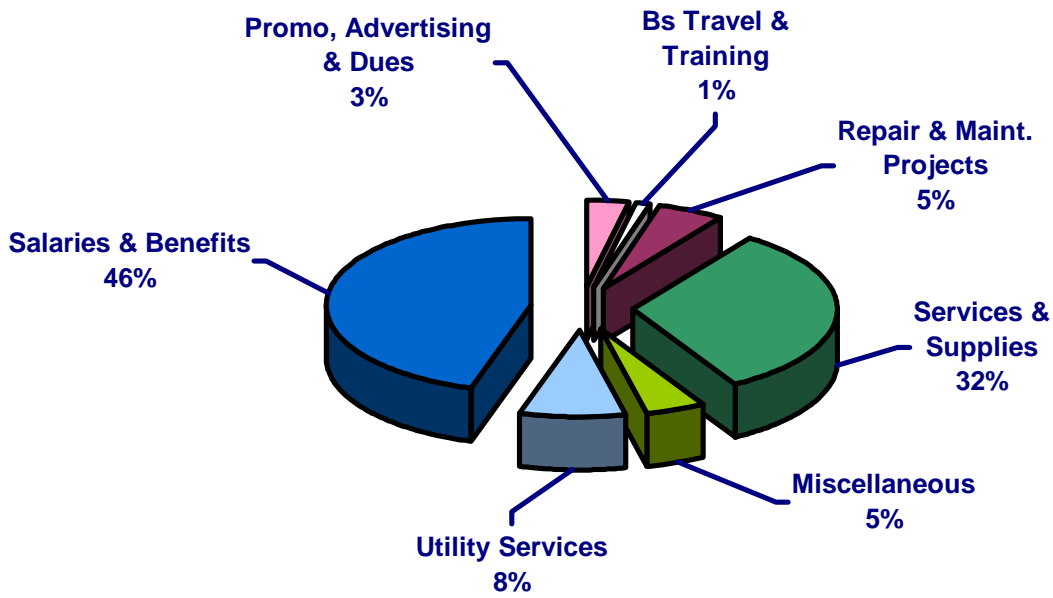
Refer to the Changes in Net Assets section of the MD&A for additional information related to operating expenses.

2006 Operating Expenses

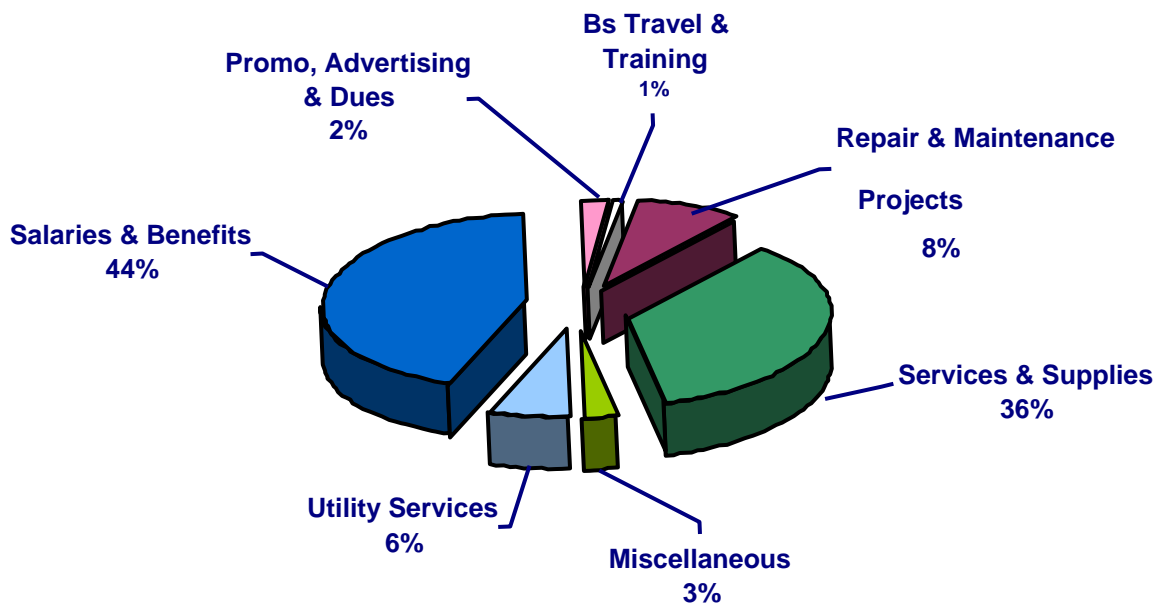


Operating Expense

2005



2004



Operating Expenses by Major Source

(amounts in thousands)

	2006	2005	Increase/ (Decrease) from 2005	% Increase/ (Decrease) from 2005
Salaries and benefits	\$ 16,840	\$ 16,598	\$ 242	1.46 %
Services and supplies	11,641	11,728	(87)	(0.74) %
Business training and travel	377	332	45	13.62 %
Promotion, advertising and dues	477	1,260	(783)	(62.14) %
Utilities	3,646	3,038	608	20.01 %
Maintenance	1,979	1,950	29	1.51 %
Other operating expenses	2,245	1,658	587	35.41 %
Total operating expenses	\$ 37,205	\$ 36,564	\$ 641	1.75 %

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Salaries and benefits	\$ 16,598	\$ 14,824	\$ 1,774	11.97 %
Services and supplies	11,728	12,056	(328)	(2.72) %
Business training and travel	332	286	46	16.08 %
Promotion, advertising and dues	1,260	774	486	62.79 %
Utilities	3,038	2,088	950	45.50 %
Maintenance	1,950	2,878	(928)	(32.24) %
Other operating expenses	1,658	996	662	66.47 %
Total operating expenses	\$ 36,564	\$ 33,902	\$ 2,662	7.85 %

Debt Activity

The Authority did not issue any new debt in 2006. Normal debt service payments reduced the overall debt by \$5.97 million.

The Authority issued \$41.82 million of Revenue Refunding Bonds in August 2005. These bonds were issued as Weekly Rate Bonds for the purpose of defeasing the Series 2000A Bonds, which took place in August 2005. The proceeds of these bonds also were used for their cost of issuance.

This activity, along with scheduled payments of existing debt, resulted in a decrease in debt during fiscal year 2005 of \$7.95 million.

Refer to the Notes to Financial Statements for a more detailed explanation on 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 (principal and interest) for year 2006, 2005 and 2004 was 2.27, 1.86 and 1.86, respectively.

Cash and Investment Management

The Authority's cash and cash equivalents increased by \$15.99 million for fiscal year 2006 from 2005. This was primarily due to an increase in cash provided by capital and related financing activities, primarily the collections on the Contributions-in-aid of construction. Cash and cash equivalents, unrestricted, increased by \$3.41 million and restricted cash and cash equivalents increased by \$12.58 million.

The Authority's cash and cash equivalents decreased by \$4.04 million for fiscal year 2005 from 2004. This was primarily attributable to the issuance of the 2005 Revenue Refunding Bonds. Cash and cash equivalents, unrestricted, decreased by \$7.76 million and restricted cash and cash equivalents increased by \$3.72 million.

Capital Construction

During 2006, the Authority expended approximately \$25.37 million on capital activities. Major projects in 2006 at JIA were construction and expansion of concourse A and C, along with the apron and taxiway.

During 2005, the Authority expended approximately \$34.22 million on capital activities. Major projects in 2005 at JIA were Phase 2 implementation of the Authority Information Management System, repaving Barnstormer and Younge Drives, and completion of the final phase of the JIA Air Cargo Access Road opening the Woodwings West area of the airport for development. Also in 2005, the Authority began the final design for major reconstruction of new Concourses A & C and expansion and rehabilitation of the Air Carrier apron. Construction is to begin in 2006 continuing through 2009. At Cecil Field, the rehabilitation and expansion of Hangar 815 was completed in partnership with Flightstar, Inc. This project allowed Flightstar to relocate from JIA to Cecil Field and to expand its business to include cargo conversions and maintenance on aircraft up to 757 in size. At Craig, a major overlay of the main runway was completed along with rehabilitation of taxiway and ramp pavements. At Herlong, a major apron expansion was completed. Capital asset acquisitions and improvements exceeding \$5,000 are capitalized at cost.

Acquisitions are funded using a variety of financing techniques, including federal grants with matching state grants and airport funds, private investment, debt proceeds, and Authority revenues.

Refer to the Notes to Financial Statements for a more detailed discussion on capital asset activity.

Average monthly capital construction spending was \$2.11 million, \$2.85 million and \$2.59 million for fiscal years 2006, 2005 and 2004, respectively.

Economic Factors and Next Years' Budgets

The Authority is projecting another increase in enplanements for fiscal year 2007 over the prior year. Revenues for fiscal year 2007 are forecasted to be approximately \$61.74 million or 5.89% over fiscal year 2006. Expenses (before depreciation) for fiscal year 2007 are forecasted to be approximately \$41.87 million or 12.52% over fiscal year 2006.

The Authority expects to face continued challenges in fiscal year 2007 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.

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Jacksonville Aviation Authority

Balance Sheets

	September 30	
	2006	2005
	<i>(dollar amounts in thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,927	\$ 11,516
Investments	10,092	9,194
Accounts receivable, net of allowance of \$2,661 and \$2,731	4,703	4,532
Grants receivable	2,420	13,262
Interest receivable	529	325
Notes receivable	89	-
Inventory and other assets	746	741
Total current assets	33,506	39,570
Noncurrent assets:		
Restricted cash and cash equivalents	50,379	37,796
Restricted investments	17,002	16,408
Notes receivable	4,434	-
Other noncurrent assets	2,483	3,164
Total noncurrent assets	74,298	57,368
Capital assets:		
Land	66,270	65,322
Construction in progress	25,714	58,240
Property, plant and equipment	548,833	488,397
Less: accumulated depreciation	(205,941)	(185,229)
Other capital assets, net of amortization	1,180	1,510
Total capital assets	436,056	428,240
Total assets	\$ 543,860	\$ 525,178

See accompanying notes.

	September 30	
	<u>2006</u>	<u>2005</u>
	<i>(dollar amounts in thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 2,141	\$ 3,008
Accrued expenses	4,958	6,272
Construction contracts and retainage payable	7,633	3,260
Total current liabilities	<u>14,732</u>	<u>12,540</u>
Liabilities payable from restricted assets:		
Bonds and notes payable - current portion	7,204	6,071
Accrued interest payable	2,901	2,104
Other	-	691
Total current liabilities payable from restricted assets	<u>10,105</u>	<u>8,866</u>
Long-term debt		
Bonds and notes payable	143,023	150,127
Total liabilities	<u>167,860</u>	<u>171,533</u>
Net assets		
Invested in capital assets, net of related debt	302,987	289,098
Restricted	49,805	37,668
Unrestricted	23,208	26,879
Total net assets	<u>376,000</u>	<u>353,645</u>
Total liabilities and net assets	<u>\$ 543,860</u>	<u>\$ 525,178</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Revenues, Expenses, and Changes in Net Assets

	For the Year Ended September 30	
	2006	2005
	<i>(dollar amounts in thousands)</i>	
Operating revenues:		
Landing and ramp fees	\$ 13,943	\$ 13,623
Lease rentals	14,993	16,042
Parking	14,713	13,606
Concessions	12,841	12,844
Other revenue	1,867	1,686
Total operating revenues	<u>58,357</u>	<u>57,801</u>
Operating expenses:		
Salaries and benefits	16,840	16,598
Services and supplies	11,641	11,728
Business training and travel	377	332
Promotions, advertising, and dues	477	1,260
Utilities	3,646	3,038
Maintenance	1,979	1,950
Other operating expenses	2,245	1,658
Operating expenses before depreciation and amortization	<u>37,205</u>	<u>36,564</u>
Operating income before depreciation and amortization	21,152	21,237
Depreciation and amortization expense	<u>21,922</u>	<u>21,726</u>
Operating loss	<u>(770)</u>	<u>(489)</u>
Nonoperating revenues (expenses):		
Passenger facility charges	12,450	12,060
Interest expense	(8,012)	(6,989)
Investment income	5,639	1,784
Payments from primary government	60	79
Payments from federal and state agencies	233	239
Contributions from other governments	9	116
Other	(334)	(578)
Total nonoperating revenues	<u>10,045</u>	<u>6,711</u>
Income before capital contributions	9,275	6,222
Capital contributions	<u>13,080</u>	<u>17,172</u>
Change in net assets	22,355	23,394
Net assets, beginning of year	353,645	330,251
Net assets, end of year	<u>\$ 376,000</u>	<u>\$ 353,645</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows

	For the Year Ended September 30	
	2006	2005
	<i>(dollar amounts in thousands)</i>	
Cash flows from operating activities		
Receipts from customers and tenants	\$ 58,188	\$ 58,774
Payments to suppliers for goods and services	(22,457)	(19,009)
Payments to employees for services	(16,936)	(16,390)
Net cash provided by operating activities	18,795	23,375
Cash flows from non-capital and related financing activities		
Nonoperating grants received	301	434
Net cash provided by non-capital financing activities	301	434
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets, net	(25,374)	(34,221)
Payments on notes receivable	104	-
Principal paid on capital debt	(6,021)	(48,444)
Interest paid on capital debt	(7,164)	(9,373)
Proceeds from sale of equipment	72	40
Contributions-in-aid of construction	19,295	9,252
Passenger facility charges received	12,450	12,061
Proceeds from issuance of long-term debt	-	41,815
Net cash used in capital and related financing activities	(6,638)	(28,870)
Cash flows from investing activities		
Interest on investments	5,083	1,721
Purchase of investment securities	(32,990)	(21,558)
Proceeds from sale and maturities of investment securities	31,849	21,479
Other	(406)	(618)
Net cash provided by investing activities	3,536	1,024
Net change in cash and cash equivalents	15,994	(4,037)
Cash and equivalents, beginning of year	49,312	53,349
Cash and equivalents, end of year	\$ 65,306	\$ 49,312

See accompanying notes.

For the Year Ended September 30

2006

2005

(dollar amounts in thousands)

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$	(770)	\$	(489)
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Adjustment to reconcile operating loss to net cash provided by operating activities

Depreciation and amortization expense		21,922		21,726
Change in accounts receivable		(170)		973
Change in inventory and other assets		(5)		(368)
Change in accounts payable		(868)		(113)
Change in accrued expenses		(1,314)		1,646
Net cash provided by operating activities	\$	<u>18,795</u>	\$	<u>23,375</u>

Non-cash investing, capital and financing activities:

Change in fair market value of investments	\$	<u>(351)</u>	\$	<u>157</u>
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See accompanying notes.

Jacksonville Aviation Authority

Notes to Financial Statements

September 30, 2006 and 2005

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 of the City of Jacksonville.

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 of Jacksonville's (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 three sections: Invested in capital assets, net of related debt; restricted 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 the 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 Airport System. 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 is stated at weighted average cost.

Restricted Assets

Restricted assets consist of monies and other resources, which are restricted legally. 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 Passenger Facility Charges (PFC) collections based on an approved Federal Aviation Administration (FAA) application to “impose” such charges on enplaned passengers at the Jacksonville International Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects. The Authority recognizes and reports as non-operating revenue PFCs collected 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 Bond Funds – These assets represent 2000A&B and 2003B1&B2 airport revenue 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 expense incurred from the date of issuance of the debt to finance construction until completion of the capital project (See Note 6). 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>Years</u>
Buildings	5-50
Other improvements	3-50
Equipment	3-20
Intangibles	5-10

Capitalization of Interest

Interest costs incurred for the acquisition or construction of property, plant and equipment are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects.

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. Employees hired prior to October 1, 1997 were previously allowed to accumulate a maximum of 1,560 hours of annual leave. Those employees who had leave balances greater than 320 hours have been required to reduce their employee leave account balances downward over a five year period to the maximum annual leave limit of 320 hours. The declining maximum annual leave limits by fiscal year are shown below.

<u>Year</u>	<u>Maximum</u>
FY2006	600 hours
FY2007	400 hours
FY2008	320 hours

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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. Of these leave time-off hours, 40 must be taken consecutively. 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.

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 provides 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.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

PFC charges at the rate of \$3 per enplaned passenger have been levied by the Airport since April 1, 1994, under an FAA approved application to impose \$12,258,255. Since this first Record of Decision the Authority has submitted and received approval to collect, since inception, \$381,382,337 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 Jacksonville International Airport at a new level of \$4.50. This amendment also permits the Authority to finance certain PFC projects with PFC revenues. Through September 30, 2006, the Authority has collected, including interest earnings, PFCs totaling approximately \$99,432,000. 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 \$78,970,000 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 estimates no liability at September 30, 2006 and 2005.

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.

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>(in thousands)</i>		
U.S. Government and its agency Securities	\$ 23,042	\$ 4,052	\$ 27,094
Local Government investment pool	16,860	-	16,860
Investment in money market mutual funds	24,947	-	24,947
	<u>\$ 64,849</u>	<u>\$ 4,052</u>	<u>\$ 68,901</u>

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 the (a) Florida Local Government Surplus Funds Trust; (b) United States Government Securities, (c) United States Government Agencies, Federal Instrumentalities; (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 and "P-1" by Moody's Investor Services; (g) corporate notes that have a long-term debt rating at the time of purchase, at a minimum "AA" by Standard & Poor's and "Aa" by Moody's Investor Services; (h) bankers' acceptances rated, at a minimum, "A-1" by Standard and Poor's and "P-1" by Moody's Investor Services; (i) State and/or Local Government Taxable and/or Tax-Exempt Debt rated at least "AAA" by Standard and Poor's and "Aaa" by Moody's Investor Services or rated at least "SP-2" by Standard & Poor's or "MIG-2" by Moody's Investor Services for short-term debt; (j) Registered Investment Companies registered under the Federal Investment Company Act of 1940 and operate 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 and the bonds 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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

their purchase were rated AAA by Standard & Poor's; 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 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 Standard & Poor's Investors Services. 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, 2006, 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.

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 Instrumentality 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, and CMO's and REMIC's.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Concentration of Credit Risk

As of September 30, 2006, 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 are as follows: \$12.27 million (17.87%) invested in issues of the Federal National Mortgage Association, \$10.15 million (14.78%) invested in issues of the Federal Home Loan Mortgage Corporation, \$16.86 million (24.56%) invested in the Local Government Investment Pool, \$18.62 million (27.12%) invested in Milestone Treasury Obligations Investor Class M-8, and \$6.0 million (8.75%) invested in the Fidelity Institutional Money Market Treasury Class III Fund.

	Unrestricted	Restricted	Fair Value
	<i>(in thousands)</i>		
September 30, 2006			
Investments:			
U.S. Government and its agencies' securities	\$ 10,092	\$ 17,002	\$ 27,094
Local Government Surplus Trust Fund	4,190	12,670	16,860
Money market mutual funds	148	24,799	24,947
	\$ 14,430	\$ 54,471	\$ 68,901

	Unrestricted	Restricted	Fair Value
	<i>(in thousands)</i>		
September 30, 2005			
Investments:			
U.S. Government and its agencies' securities	\$ 9,194	\$ 16,408	\$ 25,602
Local Government Surplus Trust Fund	4,280	12,110	16,390
Money market mutual funds	400	21,787	22,187
	\$ 13,874	\$ 50,305	\$ 64,179

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

4. Receivables

Accounts receivable are recorded net of allowances for possible uncollectible accounts of \$2,661,000 and \$2,731,000 respectively, at September 30, 2006 and 2005. Accounts receivable at year-end are comprised of the following:

Receivable from:	Percent of Balance	
	September 30	
	2006	2005
Airlines	74%	79%
Concessionaires/non-aviation	20%	16%
Parking customers	6%	5%

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 is being amortized over twenty-five years at a rate of interest between 6% and 9%. The current rate of interest for 2006 is 6%.

	October, 1 2005			September, 30 2006			Amounts Due Within One Year
	Balance	Increases	Decreases	Balance	Balance	Balance	
Note Receivable	\$ 4,627	\$ -	\$ 104	\$ 4,523	\$ 4,523	\$ 89	

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

5. Restricted Assets

Restricted assets for the years ending September 30, 2006 and 2005 follows:

	2006	2005
	<i>(in thousands)</i>	
Restricted cash and cash equivalents		
Forfeited Cash - Vault	\$ -	\$ 1
Forfeited Cash - Federal, Justice	250	190
PFC Approved Project Reimb Acct	12,658	3,609
Capital Recovery	489	322
Forfeited Cash-State	101	99
PFC Approved Project Reimb Acct	7,745	7,388
Sig Airline Capital	1,543	1,543
R & R	68	68
O & M	2,724	2,224
Restricted Cash, Various	-	400
Restricted Cash, BRYNE Funds	-	67
Pooled Bond Reserve Fund	173	262
2000A Construction Fund	-	16
2003 B-1 Construction Fund	6,741	6,596
2003 B-2 Construction Fund	7,934	7,871
2000 Airport Debt Service	97	909
2003 A-1 & A-2 Debt Service	6,006	5,924
2003 B1 & B2 Debt Service	1,947	97
2005 Debt Service Fund	1,903	112
2005 Refunding 2000A COI	-	98
Total restricted cash and cash equivalents	\$ 50,379	\$ 37,796
 Restricted investments		
Pooled Bond Reserve Fund	\$ 10,834	\$ 10,267
Sig Airline Capital	958	988
R & R	990	935
O & M	4,220	4,218
Total restricted investments	\$ 17,002	\$ 16,408

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

6. Capital Assets

Capital asset activity for the years ending September 30, 2006 and 2005 follows:

	Beginning Balance October 1 2005	Transfers and Additions	Transfers and Deletions	Ending Balance September 30 2006
<i>(in thousands)</i>				
Capital assets not being depreciated:				
Land	\$ 65,322	\$ 948	\$ -	\$ 66,270
Construction in progress	58,240	25,558	(58,084)	25,714
Total capital assets not being depreciated	123,562	26,506	(58,084)	91,984
Other capital assets:				
Buildings	120,364	512	-	120,876
Other improvements	352,153	53,068	-	405,221
Equipment	15,880	7,355	(499)	22,736
Total other capital assets	488,397	60,935	(499)	548,833
Less: Accumulated depreciation				
Buildings	62,398	3,205	-	65,603
Other Improvements	114,253	14,809	-	129,062
Equipment	8,578	2,698	-	11,276
Total accumulated depreciation	185,229	20,712	-	205,941
Other capital assets, net of amortization	1,510	211	(541)	1,180
	<u>\$ 428,240</u>	<u>\$ 66,940</u>	<u>\$ (59,124)</u>	<u>\$ 436,056</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

6. Capital Assets (continued)

	Beginning Balance October 1 2004	Transfers and Additions	Transfers and Deletions	Ending Balance September 30 2005
<i>(in thousands)</i>				
Capital assets not being depreciated:				
Land	\$ 64,166	\$ 1,156	\$ -	\$ 65,322
Construction in progress	49,335	25,578	(16,673)	58,240
Total capital assets not being depreciated	113,501	26,734	(16,673)	123,562
Other capital assets:				
Buildings	119,766	598	-	120,364
Other improvements	337,937	14,216	-	352,153
Equipment	14,459	1,421	-	15,880
Total other capital assets	472,162	16,235	-	488,397
Less: Accumulated depreciation				
Buildings	59,118	3,280	-	62,398
Other Improvements	98,228	16,025	-	114,253
Equipment	7,072	1,506	-	8,578
Total accumulated depreciation	164,418	20,811	-	185,229
Other capital assets, net of amortization	2,253		(743)	1,510
	<u>\$ 423,498</u>	<u>\$ 22,158</u>	<u>\$ (17,416)</u>	<u>\$ 428,240</u>

Depreciation and amortization expense for the years ended September 30, 2006 and 2005 was \$21,922,000 and \$21,726,000 respectively.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Capitalized Interest

During the fiscal year ended September 30, 2006, the Authority did not acquire any material capital assets associated with the issuance of debt and did not therefore capitalize interest as part of the cost of construction in progress.

8. Pension Plan

Plan Description Florida Retirement System

The majority of the full-time employees of the Authority participate in the Florida State 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.; (2) or 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)

8. Pension Plan (continued)

City of Jacksonville, Florida General Employees' Pension Plan

The Authority also has four employees who participate in the City of Jacksonville's General Employees' Pension Plan (the Plan) at September 30, 2006. No further employees, either current or future, are eligible to participate in this 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)

8. 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 FRS the period from July 2005 through June 2006, the contribution percentage was 18.53%, for special risk participants, 9.11%, for deferred retirement option participants, 9.37%, for senior management participants, and 7.39%, for regular participants. Effective July 1, 2006 the contribution percentage was 20.92% for special risk, 10.91% for deferred retirement option participants, 13.12% for senior management participants, and 9.85% for regular participants. Covered employees are not required to make contributions to the System.

City of Jacksonville, Florida General Employees' Pension Plan

The Authority is required by City Ordinance to contribute 8.82% or 5.42% of eligible wages, depending on the employees' date of hire as of September 30, 2006 and 2005. 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% of eligible wages which are actuarially determined.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

8. Pension Plan (continued)

The contribution requirements to both the FRS and the Plan, were \$1,302,000 and \$1,181,000 respectively for the years ended September 30, 2006 and 2005 which was equal to the required contribution.

9. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with IRS Code Section 457. The 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 \$3,795,000 and \$3,336,000 respectively, for the years ended September 30, 2006 and 2005.

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 457 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 \$814,000 and \$689,000, respectively, for the years ended September 30, 2006 and 2005.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness

A summary of the long-term indebtedness changes follows (amounts in thousands):

	October 1, 2005 Balance	Increases	Decreases	September 30, 2006 Balance	Amounts Due Within One Year
Revenue bonds	\$ 39,225	\$ -	\$ 790	\$ 38,435	\$ 1,626
Revenue refunding bonds	112,615	-	4,355	108,260	5,285
Revenue notes	6,396	-	276	6,120	293
Notes payable	600	-	600	-	-
Line of credit	50	-	-	50	-
	<u>158,886</u>	-	<u>6,021</u>	<u>152,865</u>	<u>\$ 7,204</u>
Unamortized deferred loss on bond refunding	(7,738)	(129)	601	(7,266)	
Unamortized bond discount	(68)		4	(64)	
Unamortized bond premium	5,118	-	(426)	4,692	
Total bonds and notes payable	<u>\$ 156,198</u>	<u>\$ (129)</u>	<u>\$ 6,200</u>	<u>\$ 150,227</u>	

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

	October 1, 2004 Balance	Increases	Decreases	September 30, 2005 Balance	Amounts Due Within One Year
Revenue bonds	\$ 81,870	\$ -	\$ 42,645	\$ 39,225	\$ 790
Revenue refunding bonds	75,065	41,815	4,265	112,615	4,355
Revenue notes	6,655	-	259	6,396	276
Notes payable	1,875	-	1,275	600	600
Line of credit	50	-	-	50	50
	<u>165,515</u>	<u>41,815</u>	<u>48,444</u>	<u>158,886</u>	<u>\$ 6,071</u>
Unamortized deferred loss on bond refunding	(6,672)	(1,587)	521	(7,738)	
Unamortized bond discount	(240)	(68)	240	(68)	
Unamortized bond premium	5,544	-	(426)	5,118	
Total bonds and notes payable	<u>\$ 164,147</u>	<u>\$ 40,160</u>	<u>\$ 48,779</u>	<u>\$ 156,198</u>	

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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 Jacksonville International Airport. 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. The 2000A and B Bonds are insured by Financial Guaranty Insurance Company.

Maturities of the long-term outstanding revenue refunding bond 2000B issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ -	\$ 192	\$ 192
2008	-	192	192
2009	-	192	192
2010	370	182	552
2011	1,025	145	1,170
2012	2,215	121	2,336
	<u>\$ 3,610</u>	<u>\$ 1,024</u>	<u>\$ 4,634</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

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 Jacksonville International Airport. 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.

As of September 30, 2006, the Authority had \$6,120,000 outstanding principal balance on the Revenue Note.

Maturities of the long-term outstanding 2002A and 2002B Revenue Note will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ 293	\$ 343	\$ 636
2008	310	324	634
2009	330	304	634
2010	300	283	583
2011	55	268	323
2012 - 2016	2,057	1,109	3,166
2017 - 2021	2,775	423	3,198
	<u>\$ 6,120</u>	<u>\$ 3,054</u>	<u>\$ 9,174</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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, with 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. As of September 30, 2006, the Authority had an outstanding principal balance of \$50,000. The Revenue Note is subordinate to the 2000 and 2003B Revenue Bonds and the 2003A Revenue Refunding Bonds.

Maturities of the long-term outstanding Revolving Line of Credit will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ 50	\$ 3	\$ 53

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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%, with 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 revenue refunding bond 2003A-1 and 2003A-2 issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ 4,470	\$ 2,866	\$ 7,336
2008	4,620	2,702	7,322
2009	4,795	2,516	7,311
2010	4,985	2,337	7,322
2011	5,145	2,145	7,290
2012 - 2016	29,400	6,941	36,341
2017	13,030	640	13,670
	<u>\$ 66,445</u>	<u>\$ 20,147</u>	<u>\$ 86,592</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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 Jacksonville International Airport. 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.

Maturities of the long-term outstanding 2003 B-1 and 2003 B-2 revenue bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ 1,625	\$ 1,222	\$ 2,847
2008	1,750	1,162	2,912
2009	1,725	1,099	2,824
2010	1,850	1,035	2,885
2011	1,850	969	2,819
2012 - 2016	10,275	3,774	14,049
2017 - 2021	10,325	1,839	12,164
2022 - 2023	5,425	297	5,722
	<u>\$ 34,825</u>	<u>\$ 11,397</u>	<u>\$ 46,222</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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.

Maturities of the long-term outstanding revenue refunding 2005 bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2006 (amounts in thousands):

Year Ended	Principal	Interest	Total
2007	\$ 815	\$ 1,824	\$ 2,639
2008	1,040	1,783	2,823
2009	1,085	1,736	2,821
2010	765	1,696	2,461
2011	170	1,675	1,845
2012 - 2016	4,710	8,011	12,721
2017 - 2021	14,955	5,991	20,946
2022 - 2024	18,275	1,655	19,930
	<u>\$ 41,815</u>	<u>\$ 24,371</u>	<u>\$ 66,186</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

Notes Payable

In 2002, the Authority entered into an Interlocal Agreement with the City. The City transferred and assigned all of its right, title and interest to a Lease, and to the assets funded by the City in connection with the rehabilitation of facilities located on Authority property at Cecil Field to the Authority. In return, the Authority agreed to pay the City \$1,000,000 for the transfer of the improvements, with respect to the Lease, with no interest cost, with principal maturing in varying amounts through 2006. As of September 30, 2006, the Agreement was paid for in full.

Annual requirements to amortize all outstanding long-term debt as of September 30, 2006 are as follows (amounts in thousands):

Year Ended	Revenue		Revenue Notes	Line of Credit	Total Principal	Total Interest
	Revenue Bond Issue	Refunding Bond Issue				
2007	\$ 3,039	\$ 9,975	\$ 636	\$ 53	7,253	6,450
2008	\$ 3,104	\$ 10,145	\$ 634	\$ -	7,720	6,163
2009	\$ 3,016	\$ 10,132	\$ 634	\$ -	7,935	5,847
2010	\$ 3,437	\$ 9,783	\$ 583	\$ -	8,270	5,533
2011	\$ 3,989	\$ 9,135	\$ 323	\$ -	8,245	5,202
2012 - 2016	\$ 16,385	\$ 49,062	\$ 3,166	\$ -	48,657	19,956
2008 - 2012	\$ 12,164	\$ 34,616	\$ 3,198	\$ -	41,085	8,893
2022 - 2025	\$ 5,722	\$ 19,930	\$ -	\$ -	23,700	1,952
	<u>\$ 50,856</u>	<u>\$ 152,778</u>	<u>\$ 9,174</u>	<u>\$ 53</u>	<u>\$ 152,865</u>	<u>\$ 59,996</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. 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 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 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 Municipal rate 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.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

Fair Value

As of September 30, 2006 the fair value of the swap was approximately (\$2,744,028) which represents the amount the Authority would have to pay to exit the swap transaction as of that date based on prevailing interest rates.

Associated Bond Issue	Series 2000 Bonds
Notional Amount	\$41,815,000
Effective Date	8/26/2005
Termination Date	10/1/2024
Swap Fixed Rate	4.405%
Swap Variable Rate	BMA Index
Fair Value	(\$2,744,028)
Counterparty	UBS
Counterparty Credit Rating	Aa2/AA+

Risks

Credit Risk:

As of September 30, 2006, the Authority was not exposed to credit risk, or the risk of economic loss due to a counterparty default on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair values of the swap become positive the Authority would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain 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.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

Termination Risk:

The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, JAA would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt

Using rates as of September 30, 2006, debt service requirements of the auction rate bonds and net swap payments, assuming current interest rates remain the same, are as follows: as rates vary, auction rate bonds interest payments and new swap payments will vary.

Year Ended	Principal	Interest	Interest Swaps, Net	Total
2007	\$ 815	\$ 1,824	\$ 99	\$ 2,738
2008	1,040	1,783	97	2,920
2009	1,085	1,736	94	2,915
2010	765	1,696	92	2,553
2011	170	1,675	91	1,936
2012 - 2016	4,710	8,011	435	13,156
2017 - 2021	14,955	5,991	325	21,271
2022 - 2024	18,275	1,655	90	20,020
	<u>\$ 41,815</u>	<u>\$ 24,371</u>	<u>\$ 1,323</u>	<u>\$ 67,509</u>

The Weekly Rate, for the auction rate bonds, was 3.78% as of September 30, 2006.

The BMA Rate, for the swap payments received, was 3.54% as of September 30, 2006.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

11. 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 Jacksonville International Airport. The current Signatory Airline Agreement has a 20-year term and expires on September 30, 2007. Management is currently negotiating a new agreement and expects to execute the new contract prior to the expiration date. The new agreement will be for a 5-year term expiring on September 30, 2012. The new agreement contains essentially the same terms as the current agreement.

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 which constitute part of the Project 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)

11. 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 which constitute part of the Project 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, Series 2003A-2, and 2003B-2 Bonds 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 2003 through September, 2007, 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)

12. 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 2006 of \$8,957,000 by \$13,811,000. Revenues exceeded the MAG amounts due in 2005 of \$8,483,000 by \$13,280,000. 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, 2006, is as follows (amounts in thousands):

Year	Total
2007	\$ 16,954
2008	5,464
2009	4,040
2010	2,930
2011	2,930
2012-2016	12,798
2017-2021	8,415
2022-2026	4,295
2027-thereafter	1,418
	<u>\$ 59,244</u>

13. 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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

13. Capital Contributions (continued)

\$13,080,000 and \$17,172,000, respectively, for the years ended September 30, 2006 and 2005. The Authority estimates that no material disallowances will result from such audits.

The Authority received federal and state grants for operating and capital programs for the years ended September 30, 2006 and 2005 as summarized in the tables below (amounts in thousands):

	2006	2005
Capital programs:		
State grants for construction	\$ 4,161	\$ 5,629
Federal grants for construction	4,151	8,181
Other contributions for construction	4,768	3,362
	\$ 13,080	\$ 17,172

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.

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.

14. Operating Grants

	Year ended September 30	
	2006	2005
Operating programs:		
FAA Grant	\$ -	\$ 76
FAA K-9 program	223	143
State grant	9	32
State law enforcement forfeiture	9	65
Federal law enforcement forfeiture	60	2
	\$ 301	\$ 318

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

14. Operating Grants (continued)

The FAA and State Grant funds are used to offset the additional security and training related expenses incurred as a result of September 11. The FAA K-9 program funds are used to offset expenses of training, caring for and working with the explosive 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, 2006 and 2005 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, 2006 and 2005.

15. Payments to Other Governments

During fiscal years ended September 30, 2006 and 2005, the Authority spent approximately \$52,000 and \$443,000, respectively, in an effort to advance a study on the proposed Jacksonville International Airport North International Airport Boulevard Planning, Development and Engineering Study. Based on the results of the study the State of Florida may plan to construct a North Access Road which will provide an alternate gateway to Jacksonville International Airport from Interstate 95 and replace the circulation functions of Pecan Park Road. In addition, the Authority paid approximately \$15,000 and \$13,000 to the First Coast Metropolitan Planning Organization in each of the fiscal years ended September 30, 2006 and 2005.

16. Commitments and Contingencies

Terminal and Capital Improvement Program - As of September 30, 2006 and 2005, the Authority has outstanding contractual commitments for completion of certain capital improvement projects, totaling \$46,643,000 and \$19,223,000 of which an estimated \$11,593,000 and \$8,933,000 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 74% and 79% of accounts receivable and 28% and 30% of operating revenues for 2006 and 2005, respectively.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

16. 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, 2005 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, 2006. 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.

17. 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 amounted to \$374,000 and \$185,440 for the years ended September 30, 2006 and 2005, respectively. The Authority is also a participant in the City's property insurance program. Property insurance premium expenses amounted to \$646,000 and \$498,000 for the years ended September 30, 2006 and 2005, respectively. The Authority is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to \$90,000 and \$12,000 for the years ended September 30, 2006 and 2005, respectively.

As a part of the Authority's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs. In addition, all tenants and users of the Airport System are required to have commercial insurance coverage naming the Authority as additional insured.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

18. Subsequent Events

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 Jacksonville International Airport, 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 Investors Service, Inc. ("Moody's"), Standard & Poor'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" to the 2006 Bonds.

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

The Board of Directors of
Jacksonville Aviation Authority

We have audited the balance sheets of Jacksonville Aviation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of September 30, 2006 and 2005 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and have issued our report thereon dated January 4, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 January 4, 2007.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Ernst & Young LLP

January 4, 2007

Statistical (Unaudited)

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash flows from operating activities	\$ 18,795	\$ 23,375	\$ 19,167	\$ 12,893
Cash flows from non-capital financing Activities	301	434	204	842
Cash flows from capital and related financing Activities	(6,638)	(28,870)	20,850	(29,009)
Cash flows from investing activities	<u>3,536</u>	<u>1,024</u>	<u>(7,742)</u>	<u>5,358</u>
Net change in cash and cash equivalents	15,994	(4,037)	32,479	(9,916)
Cash and equivalents, beginning of year	<u>49,312</u>	<u>53,349</u>	<u>20,870</u>	<u>30,786</u>
Cash and equivalents, end of year	<u><u>65,306</u></u>	<u><u>49,312</u></u>	<u><u>53,349</u></u>	<u><u>20,870</u></u>
Non-cash investing, capital and financing activities				
Acquisition of assets through notes payable	<u>\$ (102)</u>	<u>\$ 157</u>	<u>\$ 279</u>	<u>\$ 311</u>

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2001-2006 and formerly Port Authority Aviation Division 1995-2001) audited financial statements

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 13,003	\$ 11,084	\$ 15,050	\$ 15,180	\$ 14,918	\$ 11,894
861	-	-	-	-	-
(40,846)	(45,091)	18,069	(12,150)	(22,694)	(11,201)
<u>12,585</u>	<u>49,136</u>	<u>(16,632)</u>	<u>(24,755)</u>	<u>21,312</u>	<u>195</u>
(14,397)	15,129	16,487	(21,725)	13,536	888
<u>45,183</u>	<u>30,054</u>	<u>13,297</u>	<u>35,022</u>	<u>21,486</u>	<u>20,598</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>	<u><u>35,022</u></u>	<u><u>21,486</u></u>
<u>\$ 4,326</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,

	2006	2005	2004	2003	2002
Operating revenues:	(in thousands)				
Landing and ramp fees					
Landing fees - Signatory	\$ 4,752	\$ 4,338	\$ 4,211	\$ 4,319	\$ 4,251
Landing fees - Non-signatory	943	780	1,827	749	571
Passenger Screening - Signatory	1,071	1,312	-	-	-
Passenger Screening - Non-signatory	244	230	-	-	-
Security User Fees	4,225	4,074	3,046	-	-
Other Fees	2,708	2,889	2,224	1,404	1,310
Total Landing and Ramp fees	13,943	13,623	11,308	6,471	6,132
Lease rentals					
Air Cargo Building	931	943	977	952	950
Ramp Use - Signatory	781	652	-	-	-
Ramp Use - Non-signatory	68	69	-	-	-
Hangar Spaces	1,716	252	-	-	-
Terminal Space Rentals - Signatory	5,954	6,880	4,421	4,575	5,561
Terminal Space Rentals - Non-Signatory	955	1,226	2,340	708	138
Other Lease Rentals	4,588	6,020	5,169	4,114	3,923
Total Lease Rentals	14,993	16,042	12,907	10,350	10,572
Parking					
Economy Lots	3,057	2,865	2,598	2,223	1,901
Garage/Daily	11,461	10,582	8,996	7,662	6,779
Other Parking	196	159	684	683	596
Total Parking	14,713	13,606	12,278	10,568	9,276
Concessions					
Rent-A-Car	8,091	7,826	7,420	7,255	6,661
Food & Beverage	1,486	1,553	1,298	1,198	1,128
Retail	1,095	1,384	1,145	1,157	1,114
Gas & Oil Commissions	725	684	-	-	-
Other Concessions	1,444	1,397	1,406	1,493	1,639
Total Concessions	12,841	12,844	11,268	11,103	10,542
Other Revenue					
Fuel Sales	948	812	-	-	-
Electric	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	390	521	938	176	(463)
Total Other revenues	1,867	1,686	4,469	5,042	3,787
Total Operating Revenue	\$ 58,357	\$ 57,801	\$ 52,230	\$ 43,534	\$ 40,309
Signatory Airline Rates and Charges					
Gross landing fee (per 1,000 lbs.)	\$ 1.46	\$ 1.46	\$ 1.62	\$ 1.44	\$ 1.21
Average annual terminal rent (per sq. ft.)	\$ 54.54	\$ 65.17	\$ 55.25	\$ 33.25	\$ 35.01
Enplaned passengers	2,924,527	2,848,830	2,567,586	2,433,317	2,425,734
Cost per enplaned passenger	\$ 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)

	2006	2005	2004	2003	2002
Operating revenues:					
Landing and ramp fees	\$ 13,943	\$ 13,623	\$ 11,308	\$ 6,471	\$ 6,132
Lease rentals	14,993	16,042	12,907	10,350	10,572
Parking	14,713	13,606	12,278	10,568	9,276
Concessions	12,841	12,844	11,268	11,103	10,542
Other revenue	1,867	1,686	4,469	5,042	3,787
Total operating revenues	58,357	57,801	52,230	43,534	40,309
Operating expenses: (including depreciation & amortization):					
Salaries and benefits	16,840	16,598	14,824	14,035	12,290
Services and supplies	11,641	11,728	12,056	10,603	8,041
Business training and travel	377	332	286	206	131
Promotion, advertising and dues	477	1,260	774	467	468
Utility services	3,646	3,038	2,088	2,084	1,950
Maintenance	1,979	1,950	2,878	1,865	2,278
Other operating expenses	2,245	1,658	996	99	168
Depreciation and amortization	21,922	21,726	19,796	18,166	17,977
Total operating expenses (including depreciation & amortization)	59,127	58,290	53,698	47,525	43,303
Operating loss	(770)	(489)	(1,468)	(3,991)	(2,994)
Nonoperating revenues:					
Passenger facility charges	12,450	12,060	10,668	8,015	6,654
Investment income	5,639	1,784	616	709	1,525
Payments from primary government	60	79	2	89	512
Payments from federal and state agencies	233	239	136	1,089	697
Other revenues	9	63	177	0	84
	18,391	14,225	11,599	9,902	9,472
Nonoperating expenses:					
Interest expense	8,012	6,989	6,316	7,014	7,338
Contributions to other governments	0	340	123	2,457	2,677
Other expenses	334	185	144	26	0
Total Nonoperating expenses	8,346	7,514	6,583	9,497	10,015
Capital contributions	13,080	17,172	13,050	19,251	18,261
Increases in net assets	\$ 22,355	\$ 23,394	\$ 16,598	\$ 15,665	\$ 14,724
Net Assets at End of Year:					
Investments in Capital Assets net of related debt	302,987	289,098	280,513	274,654	248,889
Restricted	49,805	37,668	28,152	18,092	21,874
Unrestricted	23,208	26,879	21,586	20,907	27,225
Total Net Assets	\$ 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.

Jacksonville Aviation Authority
Principal Revenue Payers
Year Ended September 30,
(unaudited- amounts in thousands)

	2006	% Of	2005	% Of	2004	% Of	2003	% Of	2002	% Of
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Southwest Airlines Co.	\$ 2,986	5.12%	\$ 2,900	5.02%	\$ 3,001	5.75%	\$ 2,551	5.86%	\$ 1,927	4.78%
Hertz Corporation, The	2,852	4.89%	2,612	4.52%	2,692	5.15%	2,534	5.82%	2,234	5.54%
Delta Air Lines	2,737	4.69%	4,292	7.43%	3,734	7.15%	3,989	9.16%	2,774	6.88%
US Airways Group, Inc.	2,617	4.49%	2,391	4.14%	2,169	4.15%	3,297	7.57%	1,859	4.61%
Avis Rent A Car	2,093	3.59%	2,160	3.74%	1,979	3.79%	1,987	4.56%	1,696	4.21%
Vanguard Car Rental USA Inc.	2,015	3.45%	1,899	3.29%	1,854	3.55%	2,091	4.80%	1,606	3.98%
HMSHost Corporation	1,671	2.86%	1,676	2.90%	1,441	2.76%	1,349	3.10%	1,269	3.15%
Continental Airlines	1,607	2.75%	1,716	2.97%	1,448	2.77%	1,609	3.70%	-	-
Budget Rent a Car System, Inc	1,291	2.21%	1,323	2.29%	-	-	1,310	3.01%	1,287	3.19%
Atlantic Coast Airlines	-	-	-	-	1,430	2.74%	-	-	-	-
Signature Flight Support Corp	-	-	-	-	1,327	2.54%	-	-	1,381	3.43%
Paradies Shops	-	-	1,373	2.38%	-	-	-	-	1,214	3.01%
American Airlines	1,330	2.28%	-	-	-	-	1,257	2.89%	-	-
Total Principal Revenue Payers	\$ 21,199	36.33%	\$ 22,342	38.65%	\$ 21,075	40.35%	\$ 21,974	50.48%	\$ 17,247	42.79%
Total operating revenues	\$ 58,357		\$ 57,801		\$ 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.

Source: Authority Records

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenses Other than Depreciation</u>	<u>Ratio of Debt Service to Expenditures</u>
2006	6,021	7,837	13,858	37,205	37.2
2005	7,029	6,906	13,935	36,564	38.1
2004	3,788	6,459	10,247	33,902	30.2
2003	8,105	6,774	14,879	29,359	50.7
2002	4,510	7,051	11,561	25,326	45.6

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

Jacksonville Aviation Authority
Jacksonville, Florida
Debt Service Coverage
Last Ten Fiscal Years (in thousands)
(unaudited)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Landing and ramp fees	\$ 13,943	\$ 13,623	\$ 11,308	\$ 6,471
Lease rentals	14,993	16,042	12,907	10,350
Parking	14,713	13,606	12,278	10,568
Concessions	12,841	12,844	11,268	11,103
Other revenue	1,867	1,686	4,469	5,042
Interest income	5,639	1,483	779	939
Other, net	-	41	33	(26)
Transfers – Signatory Airline Agreement	-	-	2,143	3,616
Transfers – PFC Series 2003B-1 Bonds	1,966	2,302	2,210	-
Total revenues and transfers	<u>65,962</u>	<u>61,627</u>	<u>57,395</u>	<u>48,063</u>
Less: Operating and maintenance expenses (excluding depreciation and expenses asso- ciated with payments from other governments)	<u>37,205</u>	<u>36,246</u>	<u>33,764</u>	<u>28,472</u>
Net operating revenues	28,757	25,381	23,631	19,591
Revenues Bond Service Charges for:				
Series 2005 RR Bonds	3,228	300	-	-
Series 2003B-1 Bonds (PFC backed)	865	2,283	1,768	-
Series 2003B-2 Bonds	291	205	88	-
Series 2003A Bonds	7,294	7,367	7,410	769
Series 2000 Bonds	982	3,455	3,471	3,473
Series 1998 Bonds (defeased 7/3/03)	-	-	-	1,329
Series 1993 Bonds (defeased 7/3/03)	-	-	-	716
Series 1998 Bonds	-	-	-	-
Total Revenue Bond Service	<u>\$ 12,660</u>	<u>\$ 13,610</u>	<u>\$ 12,737</u>	<u>\$ 6,287</u>
Revenue Bond Service Coverage	2.27	1.86	1.86	3.12
Required Bond Service Coverage	1.25	1.25	1.25	1.25
Total Enplanements	<u>2,924,527</u>	<u>2,848,830</u>	<u>2,567,586</u>	<u>2,433,317</u>
Debt Per Enplanement	<u>\$ 4.33</u>	<u>\$ 4.78</u>	<u>\$ 4.96</u>	<u>\$ 2.58</u>

2002	2001	2000	1999	1998	1997
\$ 6,132	\$ 6,123	\$ 5,760	\$ 5,749	\$ 5,558	\$ 4,823
10,572	10,572	7,658	7,357	7,376	7,998
9,276	9,276	11,172	9,368	8,590	6,994
10,542	10,542	10,256	9,327	8,602	7,299
3,787	3,787	2,912	2,710	2,660	2,575
1,733	1,733	2,879	2,776	2,753	3,328
87	87	(27)	244	126	(22)
3,194	3,194	4,960	4,501	3,309	2,392
-	-	-	-	-	-
<u>45,323</u>	<u>45,314</u>	<u>45,570</u>	<u>42,032</u>	<u>38,974</u>	<u>35,387</u>
24,125	27,443	22,691	19,487	17,669	15,848
<u>21,198</u>	<u>17,871</u>	<u>22,879</u>	<u>22,545</u>	<u>21,305</u>	<u>19,539</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,470	3,474	-	-	-	-
5,276	5,283	5,276	5,275	1,013	-
2,641	2,646	2,640	2,641	2,645	2,638
-	-	-	-	2,535	6,490
<u>\$ 11,387</u>	<u>\$ 11,403</u>	<u>\$ 7,916</u>	<u>\$ 7,916</u>	<u>\$ 6,193</u>	<u>\$ 9,128</u>
1.86	1.57	2.89	2.85	3.44	2.14
1.25	1.25	1.25	1.25	1.25	1.25
2,425,734	2,645,551	2,603,168	2,437,169	2,280,131	2,069,730
<u>\$ 4.69</u>	<u>\$ 4.31</u>	<u>\$ 3.04</u>	<u>\$ 3.25</u>	<u>\$ 2.72</u>	<u>\$ 4.41</u>

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2006**

Bond Year	Date	Fiscal Year	Series 2000A (AMT)				Series 2000B (Non-AMT)			
			Principal	Coupon	Interest	Debt Svs. Yr	Principal	Coupon	Interest	Debt Svs. Yr
2006	10/01/06	2007						95,791	191,583	
2007	04/01/07	2007						95,791	-	
2007	10/01/07	2008						95,791	191,583	
2008	04/01/08	2008						95,791	-	
2008	10/01/08	2009						95,791	191,583	
2009	04/01/09	2009						95,791	-	
2009	10/01/09	2010					370,000	5.200%	95,791	551,963
2010	04/01/10	2010						86,171	-	
2010	10/01/10	2011					1,025,000	5.250%	86,171	1,170,436
2011	04/01/11	2011						59,265	-	
2011	10/01/11	2012					1,080,000	5.300%	59,265	1,169,910
2012	04/01/12	2012						30,645	-	
2012	10/01/12	2013					1,135,000	5.400%	30,645	1,165,645
2013	04/01/13	2013								
2013	10/01/13	2014								
2014	04/01/14	2014								
2014	10/01/14	2015								
2015	04/01/15	2015								
2015	10/01/15	2016								
2016	04/01/16	2016								
2016	10/01/16	2017								
2017	04/01/17	2017								
2017	10/01/17	2018								
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								
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								
TOTAL			-		-	-	3,610,000	1,022,701	4,632,701	
Call Feature			10/01/2005 @ 102% DTP 07				11/01/2005 @ 102% DTP 07			
Purpose			Capital Improvements to JIA 100% New Money				Capital Improvements to JIA 100% New Money			
Refunding			AMT bonds are not advance refundable				Advance Refundable			
Eligibility			Forward Refundable							

(1) The Series 2003B-1 and B-2 Auction Rate Securities interest is calculated using the interest rate in effect as of September 30, 2006.
(2) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2006.
(3) The Series 2005 securities interest is calculated using the interest rate in effect as of September 30, 2006.

Source: Jacksonville Aviation Authority

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2006**

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
2006	10/01/06	2007	1,620,000	2.000%	387,251	2,007,251	2,850,000	4.000%	1,082,144	3,932,144
2007	04/01/07	2007	-		371,051	-	-		1,025,144	-
2007	10/01/07	2008	1,655,000	2.000%	371,051	2,397,103	2,965,000	5.000%	1,025,144	5,015,288
2008	04/01/08	2008	-		354,501	-	-		951,019	-
2008	10/01/08	2009	1,685,000	2.000%	354,501	2,394,003	3,110,000	5.000%	951,019	5,012,038
2009	04/01/09	2009	-		337,651	-	-		873,269	-
2009	10/01/09	2010	1,720,000	2.250%	337,651	2,395,303	3,265,000	4.000%	873,269	5,011,538
2010	04/01/10	2010	-		318,301	-	-		807,969	-
2010	10/01/10	2011	1,755,000	2.625%	318,301	2,391,603	3,390,000	5.000%	807,969	5,005,938
2011	04/01/11	2011	-		295,267	-	-		723,219	-
2011	10/01/11	2012	1,805,000	2.800%	295,267	2,395,534	3,570,000	5.250%	723,219	5,016,438
2012	04/01/12	2012	-		269,997	-	-		629,506	-
2012	10/01/12	2013	1,855,000	3.000%	269,997	2,394,994	3,755,000	5.250%	629,506	5,014,013
2013	04/01/13	2013	-		242,172	-	-		530,938	-
2013	10/01/13	2014	1,915,000	3.125%	242,172	2,399,344	3,950,000	5.250%	530,938	5,011,875
2014	04/01/14	2014	-		212,250	-	-		427,250	-
2014	10/01/14	2015	1,970,000	5.000%	212,250	2,394,500	4,155,000	5.000%	427,250	5,009,500
2015	04/01/15	2015	-		163,000	-	-		323,375	-
2015	10/01/15	2016	2,070,000	5.000%	163,000	2,396,000	4,355,000	5.000%	323,375	5,001,750
2016	04/01/16	2016	-		111,250	-	-		214,500	-
2016	10/01/16	2017	2,170,000	5.000%	111,250	2,392,500	4,580,000	5.000%	214,500	5,009,000
2017	04/01/17	2017	-		57,000	-	-		100,000	-
2017	10/01/17	2018	2,280,000	5.000%	57,000	2,394,000	4,000,000	5.000%	100,000	4,200,000
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								
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								
TOTAL			22,500,000		5,852,133	28,352,133	43,945,000		14,294,519	58,239,519
			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			

- (1) The Series 2003B-1 and B-2 Auction Rate Securities interest is calculated using the interest rate in effect as of September 30, 2006.
(2) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2006.
(3) The Series 2005 securities interest is calculated using the interest rate in effect as of September 30, 2006.

Source: Jacksonville Aviation Authority

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2006**

Bond Year	Date	Fiscal Year	Series 2003B-1 Auction Rate Securities (AMT)*				Series 2003B-2 Auction Rate Securities (AMT)*			
			Principal	Coupon	Interest	Debt Svs. Yr	Principal	Coupon	Interest	Debt Svs. Yr
2006	10/01/06	2007	1,625,000	3.594%	468,119	2,093,119		3.594%	157,687	157,687
2007	04/01/07	2007			438,917	-			157,687	-
2007	10/01/07	2008	1,750,000	3.594%	438,917	2,627,835		3.594%	157,687	315,374
2008	04/01/08	2008			407,470	-			157,687	-
2008	10/01/08	2009	1,725,000	3.594%	407,470	2,539,940		3.594%	157,687	315,374
2009	04/01/09	2009			376,472	-			157,687	-
2009	10/01/09	2010	1,850,000	3.594%	376,472	2,602,943		3.594%	157,687	315,374
2010	04/01/10	2010			343,227	-			157,687	-
2010	10/01/10	2011	1,850,000	3.594%	343,227	2,536,454		3.594%	157,687	315,374
2011	04/01/11	2011			309,983	-			157,687	-
2011	10/01/11	2012	1,950,000	3.594%	309,983	2,569,965		3.594%	157,687	315,374
2012	04/01/12	2012			274,941	-			157,687	-
2012	10/01/12	2013	2,000,000	3.594%	274,941	2,549,882		3.594%	157,687	315,374
2013	04/01/13	2013			239,001	-			157,687	-
2013	10/01/13	2014	2,025,000	3.594%	239,001	2,503,002		3.594%	157,687	315,374
2014	04/01/14	2014			202,612	-			157,687	-
2014	10/01/14	2015	2,125,000	3.594%	202,612	2,530,224		3.594%	157,687	315,374
2015	04/01/15	2015			164,426	-			157,687	-
2015	10/01/15	2016	2,175,000	3.594%	164,426	2,503,851		3.594%	157,687	315,374
2016	04/01/16	2016			125,341	-			157,687	-
2016	10/01/16	2017	2,250,000	3.594%	125,341	2,500,682		3.594%	157,687	315,374
2017	04/01/17	2017			84,908	-			157,687	-
2017	10/01/17	2018	2,325,000	3.594%	84,908	2,494,817		3.594%	157,687	315,374
2018	04/01/18	2018			43,128	-			157,687	-
2018	10/01/18	2019	2,400,000	3.594%	43,128	2,486,256		3.594%	157,687	315,374
2019	04/01/19	2019				-			157,687	-
2019	10/01/19	2020					1,650,000	3.594%	157,687	1,965,374
2020	04/01/20	2020							128,036	-
2020	10/01/20	2021					1,700,000	3.594%	128,036	1,956,073
2021	04/01/21	2021							97,487	-
2021	10/01/21	2022					1,750,000	3.594%	97,487	1,944,975
2022	04/01/22	2022							66,040	-
2022	10/01/22	2023					1,800,000	3.594%	66,040	1,932,080
2023	04/01/23	2023							33,694	-
2023	10/01/23	2024					1,875,000	3.594%	33,694	1,942,388
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								-
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	2029								-
2030	04/01/30	2030								-
TOTAL			26,050,000		6,488,967	32,538,967	8,775,000		4,908,056	13,683,056
Call Feature			Variable rate ARS Bonds - Callable every 35 days				Variable rate ARS Bonds - Callable every 35 days			
Purpose			Project construction for PFC approved projects 100% New Money				Project construction for PFC approved projects 100% New Money			
Refunding Eligibility			Currently Refundable				Currently Refundable			

- (1) The Series 2003B-1 and B-2 Auction Rate Securities interest is calculated using the interest rate in effect as of September 30, 2006.
(2) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2006.
(3) The Series 2005 securities interest is calculated using the interest rate in effect as of September 30, 2006.

Source: Jacksonville Aviation Authority

**Jacksonville Aviation Authority
Debt Service
As of September 30, 2006**

Bond Year	Date	Fiscal Year	Series 2005 Weekly Rate Securities (AMT)				Series 2002D Bank Loan (Tax Exempt Note)			
			Principal	Coupon	Interest	Debt Svs. Yr	Principal	Coupon	Interest	Debt Svs. Yr
2006	10/01/06	2007	815,000	4.405%	920,975	1,735,975	50,000	6.240%	3,120	3,120
2007	04/01/07	2007			903,025					
2007	10/01/07	2008	1,040,000	4.405%	903,025	2,846,050				
2008	04/01/08	2008	-		880,119					
2008	10/01/08	2009	1,085,000	4.405%	880,119	2,845,238				
2009	04/01/09	2009	-		856,222					
2009	10/01/09	2010	765,000	4.405%	856,222	2,477,444				
2010	04/01/10	2010	-		839,373					
2010	10/01/10	2011	170,000	4.405%	839,373	1,848,746				
2011	04/01/11	2011	-		835,629					
2011	10/01/11	2012	175,000	4.405%	835,629	1,846,257				
2012	04/01/12	2012	-		831,774					
2012	10/01/12	2013	185,000	4.405%	831,774	1,848,548				
2013	04/01/13	2013	-		827,700					
2013	10/01/13	2014	1,385,000	4.405%	827,700	3,040,399				
2014	04/01/14	2014	-		797,195					
2014	10/01/14	2015	1,450,000	4.405%	797,195	3,044,390				
2015	04/01/15	2015	-		765,259					
2015	10/01/15	2016	1,515,000	4.405%	765,259	3,045,517				
2016	04/01/16	2016	-		731,891					
2016	10/01/16	2017	1,580,000	4.405%	731,891	3,043,782				
2017	04/01/17	2017	-		697,091					
2017	10/01/17	2018	1,655,000	4.405%	697,091	3,049,183				
2018	04/01/18	2018	-		660,640					
2018	10/01/18	2019	3,735,000	4.405%	660,640	5,056,280				
2019	04/01/19	2019	-		578,377					
2019	10/01/19	2020	3,905,000	4.405%	578,377	5,061,753				
2020	04/01/20	2020	-		492,369					
2020	10/01/20	2021	4,080,000	4.405%	492,369	5,064,738				
2021	04/01/21	2021	-		402,507					
2021	10/01/21	2022	4,270,000	4.405%	402,507	5,075,014				
2022	04/01/22	2022	-		308,460					
2022	10/01/22	2023	4,460,000	4.405%	308,460	5,076,920				
2023	04/01/23	2023	-		210,229					
2023	10/01/23	2024	4,665,000	4.405%	210,229	5,085,457				
2024	04/01/24	2024	-		107,482					
2024	10/01/24	2025	4,880,000	4.405%	107,482	5,094,964				
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								
TOTAL			41,815,000		24,371,654	66,186,654	50,000		3,120	
Call Feature										
Purpose					100% New Money				100% New Money	
Refunding Eligibility										

(1) The Series 2003B-1 and B-2 Auction Rate Securities interest is calculated using the interest rate in effect as of September 30, 2006.

(2) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2006.

(3) The Series 2005 securities interest is calculated using the interest rate in effect as of September 30, 2006.

Source: Jacksonville Aviation Authority

Jacksonville Aviation Authority
 Top 10 Employers of Jacksonville
 (unaudited)

<u>Employer</u>	<u>Employees</u>
Naval Air Station Jacksonville	25,190
Naval Station Mayport	16,250
Duval County Public Schools	15,000
City of Jacksonville	9,400
Blue Cross & Blue Shield of Florida	8,080
Publix Super Markets	7,110
Baptist Health	6,930
Winn-Dixie Stores	6,540
Wal-Mart Stores	6,000
Mayo Clinic of Jacksonville	5,030
Total	<u><u>105,530</u></u>

Source: The Business Journal, Jacksonville & Northeast Florida, 2006 Book of Lists as of July 2005 / Table 1.5 Airport Consultant Report 2006

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
2005 (1)	1,623,662	51,569,116	31,761	3.9%
2004	1,593,243	48,240,520	30,278	4.7
2003	1,563,839	45,136,442	28,863	5.2
2002	1,538,017	43,129,161	28,042	5.4
2001	1,509,546	41,607,915	27,563	4.1
2000	1,483,872	40,674,890	27,411	3.2
1999	1,465,332	37,436,630	25,548	3.1
1998	1,448,286	35,825,588	24,737	3.2
1997	1,426,151	33,058,592	23,180	3.8
1996	1,395,487	31,182,641	22,345	3.7

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

Note: 2006 data not available at time of report

*Sources: Bureau of Economic Analysis: Regional Economic Accounts - Jacksonville, FL
Unemployment Rate from the US Department of Labor, Bureau of Labor Statistics*

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

	2006	Market Share 2006	2005	Market Share 2005	2004
Southwest Airlines	638,860	21.84%	559,189	19.63%	524,727
Delta Airlines	512,706	17.53%	663,066	23.28%	655,680
US Airways	470,872	16.10%	404,611	14.20%	338,709
Valuejet d/b/a Air Tran	196,583	6.72%	156,876	5.51%	100,546
American Airlines	160,401	5.48%	135,798	4.77%	103,978
Continental Airlines	131,352	4.49%	132,766	4.66%	124,340
Northwest Airlines	118,589	4.05%	138,656	4.87%	131,971
JetBlue	34,684	1.19%	-	0.00%	-
Delta Connection (Comair)	152,333	5.21%	179,572	6.30%	143,187
Continental Express (Jet Express)	109,468	3.74%	76,733	2.69%	62,679
American Eagle	96,343	3.29%	63,757	2.24%	44,647
Go Jet (United)	60,611	2.07%	-	0.00%	-
United Express (mesa)	45,030	1.54%	-	0.00%	-
American (Trans States)	39,237	1.34%	26,737	0.94%	23,887
Northwest AirlinK (Pinnacle)	35,599	1.22%	34,385	1.21%	41,807
Delta Connection (Skywest)	22,450	0.77%	4,028	0.14%	1,829
Independence Air	21,187	0.72%	63,409	2.23%	117,881
Air Tran Express (Air Wisconsin)	17,800	0.61%	126,734	4.45%	38,875
Continental Connection (Gulfstream)	13,187	0.45%	17,171	0.60%	16,426
Mesaba (Northwest)	11,290	0.39%	14,653	0.51%	-
Delta (Chautauqua)	9,896	0.34%	5,502	0.19%	3,160
Mesa / Freedom (Delta)	8,066	0.28%	-	0.00%	-
PSA Airlines (US Airways)	6,249	0.21%	19,342	0.68%	3,914
Florida Gulf (Mesa)	5,308	0.18%	7,326	0.26%	33,364
Charters	4,733	0.16%	8,471	0.30%	5,586
Republic (US Airways)	1,693	0.06%	-	0.00%	-
Delta Connection (Atlantic SE Airlines)	-	0.00%	10,365	0.36%	48,522
Midway Airlines (US Airways)	-	0.00%	-	0.00%	1,871
US Airways Express (Piedmont)	-	0.00%	-	0.00%	-
TWA L.L.C.	-	0.00%	-	0.00%	-
Air Canada	-	0.00%	-	0.00%	-
United Airlines	-	0.00%	-	0.00%	-
Florida Air c/o Midway	-	0.00%	-	0.00%	-
Corporate Express Airlines	-	0.00%	-	0.00%	-
Air South	-	0.00%	-	0.00%	-
Midway Connection	-	0.00%	-	0.00%	-
Total Enplanements	2,924,527	100.00%	2,848,830	100.00%	2,567,586

Source: Jacksonville Airport Authority (formerly Jacksonville Airport Authority 2002-2006 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

Jacksonville, Florida
Jacksonville International Airport
Enplanements (continued)

2003	2002	2001	2000	1999	1998	1997
501,883	519,955	453,597	400,659	338,167	291,781	183,444
694,553	680,333	742,114	748,365	697,668	651,302	602,230
308,045	342,633	538,210	508,855	496,436	505,833	471,988
107,265	93,698	109,938	99,437	102,475	70,139	50,030
126,527	160,331	76,901	88,472	89,953	87,968	73,726
144,335	169,080	165,621	176,744	169,134	168,333	166,889
152,108	154,141	143,938	148,442	144,911	134,124	124,791
-	-	-	-	-	-	-
91,786	57,742	16,568	15,842	7,265	14,574	18,475
27,072	1,442	19,815	13,775	2,740	-	-
47,837	50,645	54,487	63,406	65,446	63,682	64,498
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,499	-	-	-	-	-	-
18,148	2,771	-	-	-	-	-
6,565	-	-	-	-	-	-
-	-	-	-	-	-	-
9,246	-	-	-	-	-	-
5,356	479	8,505	10,688	11,896	10,808	14,703
119,459	106,866	50,378	36,193	46,835	30,857	-
21,803	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,180	9,939	7,306	7,237	8,119	31,557	56,666
7,252	5,068	7,646	7,253	10,209	8,853	9,029
-	-	-	-	-	-	-
9,941	-	2,295	16,708	-	-	-
18,300	8,492	52,667	50,226	34,486	17,000	-
7,157	47,075	54,755	60,887	60,971	47,305	46,845
-	13,455	90,221	88,702	83,132	76,762	68,449
-	1,589	2,023	-	-	-	-
-	-	48,511	61,277	67,326	67,534	63,898
-	-	55	-	-	-	-
-	-	-	-	-	1,719	3,386
-	-	-	-	-	-	45,079
-	-	-	-	-	-	5,604
<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>	<u>2,280,131</u>	<u>2,069,730</u>

Jacksonville Aviation Authority
 Jacksonville, Florida
 Landed Weights (unaudited)

	2006	Market Share 2006	2005	Market Share 2005	2004
Southwest Airlines	947,608	22.14%	855,204	20.18%	816,057
Delta Airlines	672,714	15.72%	980,596	23.14%	969,045
US Airways	609,737	14.25%	518,833	12.24%	430,872
Valuejet d/b/a Air Tran	229,528	5.36%	171,184	4.04%	131,454
American Airlines	185,101	4.32%	165,280	3.90%	138,474
Northwest Airlines	159,241	3.72%	185,064	4.37%	182,994
Continental Airlines	149,838	3.50%	157,930	3.73%	169,830
JetBlue	51,899	1.21%	-	0.00%	-
Delta Connection (Comair)	186,539	4.36%	227,052	5.36%	184,526
Continental Express (Jet Express)	109,128	2.55%	74,934	1.77%	63,243
American Eagle	102,305	2.39%	67,353	1.59%	52,692
Go Jet (United)	81,204	1.90%	-	0.00%	-
United Express (Mesa)	47,952	1.12%	-	0.00%	-
American (Trans States)	41,597	0.97%	29,848	0.70%	29,189
Northwest AirlinK (Pinnacle)	41,501	0.97%	37,506	0.88%	45,966
Independence Air	36,549	0.85%	98,069	2.31%	144,525
Delta Connection (Skywest)	26,110	0.61%	4,938	0.12%	2,115
United Express (Atlantic Coast Airlines)	24,055	0.56%	22,865	0.54%	-
Continental Connection (Gulfstream)	23,790	0.56%	26,281	0.62%	23,073
Air Tran Express (Air Wisconsin)	20,022	0.47%	136,864	3.23%	44,650
Delta (Chautauqua)	16,403	0.38%	9,781	0.23%	3,676
Mesa / Freedom (Delta)	10,073	0.24%	-	0.00%	-
PSA Airlines (US Airways)	7,537	0.18%	21,029	0.50%	4,981
Florida Gulf (Mesa)	5,208	0.12%	7,303	0.17%	40,611
Republic	2,169	0.05%	-	0.00%	-
Delta Connection (Atlantic SE Airlines)	-	0.00%	12,455	0.29%	58,186
Midway Airlines (US Airways)	-	0.00%	-	0.00%	2,303
US Airways Express (Piedmont)	-	0.00%	-	0.00%	-
TWA L.L.C.	-	0.00%	-	0.00%	-
Air Canada	-	0.00%	-	0.00%	-
United Airlines	-	0.00%	-	0.00%	-
Florida Air c/o Midway	-	0.00%	-	0.00%	-
Corporate Express Airlines	-	0.00%	-	0.00%	-
Air South	-	0.00%	-	0.00%	-
Midway Connection	-	0.00%	-	0.00%	-
Total Commercial Airlines	3,787,808	88.50%	3,810,369	89.90%	3,538,462
UPS	230,313	5.38%	169,765	4.01%	131,441
FedEx	221,203	5.17%	224,302	5.29%	233,947
Airborne Express	33,337	0.78%	27,806	0.66%	27,917
Miscellaneous	7,182	0.17%	4,996	0.12%	5,054
North Star	-	0.00%	2,438	0.06%	3,190
Emery	-	0.00%	-	0.00%	1,610
Air Cargo Carriers	-	0.00%	-	0.00%	-
Total Cargo Airlines	492,033	11.50%	429,136	10.13%	403,159
Total Landed Weights	4,279,841	100.00%	4,238,358	100.03%	3,941,621

Source: Jacksonville Airport Authority (formerly Jacksonville Airport Authority 2002-2006 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

Jacksonville Aviation Authority
Jacksonville, Florida
Landed Weights (unaudited)

2002	2001	2000	1999	1998	1997
893,413	790,317	668,594	577,469	541,273	384,423
1,110,749	1,161,835	1,096,744	1,018,741	958,532	909,914
483,275	744,256	707,351	658,072	631,163	591,965
141,404	143,990	150,611	150,987	129,774	103,851
250,532	104,542	119,572	116,058	117,032	108,976
186,718	185,105	188,235	184,866	172,100	174,835
225,058	222,924	246,048	245,831	257,338	258,403
-	-	-	-	-	-
68,338	21,291	17,014	11,054	25,643	34,865
1,567	21,231	13,769	2,845	-	-
71,552	73,234	81,475	78,737	75,929	76,533
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,539	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
134,091	62,040	51,747	64,390	47,470	-
789	12,719	17,259	17,501	17,742	25,436
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,462	13,894	14,796	17,469	65,480	103,526
-	-	-	-	-	-
-	4,371	26,085	-	-	-
18,863	64,910	67,492	51,488	27,282	-
83,620	99,768	101,632	97,519	89,628	91,793
23,598	129,759	131,311	110,928	108,673	109,276
2,765	3,421	-	-	-	-
-	64,327	91,283	89,990	81,564	80,559
-	645	-	-	-	-
-	-	-	-	3,122	5,682
-	-	-	-	-	138,945
-	-	-	-	-	10,366
3,735,333	3,924,579	3,791,018	3,493,945	3,349,745	3,209,348
121,794	146,582	133,930	135,063	127,653	83,216
196,303	105,292	90,233	101,197	98,844	94,102
26,519	33,547	43,335	42,499	34,533	27,195
13,983	31,547	5,122	3,367	883	2,185
3,138	3,138	400	3,116	2,915	-
304	118,919	168,001	171,475	160,747	92,062
-	1,695	6,757	6,736	8,816	-
362,041	440,807	447,778	463,453	434,391	298,760
4,097,374	4,365,386	4,238,796	3,957,398	3,784,136	3,508,108

Jacskonville Aviation Authority
 Number of Employees
 Year Ended September 30, 2006
 (unaudited)

Department	Department	Number of Employees	
	Number	FT	PT
Chief Executive Office	11001	3	0
Chief Administrative Office	21001	2	0
Customer Service	22001	3	1
Disadvantaged Business Entity	23001	1	1
Information Technologies	24001	6	1
External Affairs	25001	3	1
Employee Relations	26101	7	0
Procurement	26201	6	0
Training & Development	26301	2 **	1
Chief Financial Office	31001	11	1 *
Chief Operating Office	41001	2	0
Planning & Engineering	42001	12	0
Business Development	43101	4	0
Ground Transportation/Parking	43605	1	0
Air Trade Development	43701	1	0
General Aviation Management	44102	2	0
Cecil Field Airport	44202	6	3
Craig Airport	44302	4	1
Herlong Airport	44402	6	3
Building Maintenance	45123	19	0
Field Maintenance	45133	31	1
Hold Baggage System	45143	11	
Landside Operations	45511	4	0
Custodial	45523	29	0
Airside Operations	45531	8	0
Operations Security	45541	3	0
Police	46104	36	0
Communications Center	46204	5	0
Enterprise Dept	51001	3	0
Total Employees		231	14

Source: Authority Records

* FT count includes former CFO

** PT position is an intern

Jacksonville Aviation Authority
Aircraft Operations
Year Ended September 30, 2006
(unaudited)

<u>Type of Operation</u>	<u>Number of Operations</u>
Air Carrier	59,285
Air Taxi	34,912
Gen Aviation	17,699
<u>Military</u>	<u>6,608</u>
Total Aircraft Operations	118,504

Source : Aviation Records

Jacksonville Aviation Authority
Airlines Serving Jacksonville International Airport
Year Ended September 30, 2006
(unaudited)

Signatory

AirTrans
American Airlines
Continental Airlines
Delta Airlines
Jet Blue
Northwest Airlines
Southwest Airlines
US Airways

Non-Signatory

Scheduled/Domestic

Air Wisconsin (Handled by DAL)
Air Wisconsin (US Airways)
Atlantic Southeast Airlines
Chautauqua Airlines
Continental Express
GoJet/United
Gulfstream
Mesa (US Airways)
Mesaba
Pinnacle
PSA
PSA Airlines
Republic
Skywest Airlines
Trans States Airlines
United Express (Mesa)

Cargo

ABX
Emery
Federal Express
Kitty Hawk
Mountain Air
North Star
UPS

Non-Signatory

Scheduled/Domestic

Billed as a Signatory Airlines

American Eagle
Comair

Source: Authority Records

Jacksonville Aviation Authority
 Primary Origination and Destination Passenger Markets
 Year Ended September 30, 2006
 (unaudited)

Rank	Market	Trip Length
1	New York	MH
2	Fort Lauderdale	SH
3	Washington	MH
4	Atlanta	SH
5	Philadelphia	MH
6	Chicago	MH
7	Baltimore	MH
8	Dallas	MH
9	Nashville	SH
10	Norfolk	SH
11	Boston	MH
12	Las Vegas	MH
13	Los Angeles	LH
14	Detroit	MH
15	Indianapolis	MH
16	Houston	MH
17	Denver	MH
18	Tampa	SH
19	Hartford	MH
20	Pittsburgh	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
 Shares of Total Enplanements
 Largest Air Carrier Airports in Florida
 (unaudited)

Calendar Year	Jacksonville	Orlando	Miami	Tampa	Fort Lauderdale/ Hollywood	Fort Myers	West Palm Beach
2005	0.41 %	2.23 %	2.00 %	1.27 %	1.46 %	0.50 %	0.47 %
2004	0.38	2.15	2.04	1.21	1.40	0.46	0.46
2003	0.38	2.04	2.17	1.19	1.31	0.43	0.45
2002	0.39	2.07	2.25	1.24	1.29	0.40	0.43
2001	0.39	2.11	2.34	1.22	1.21	0.40	0.45
2000	0.38	2.10	2.39	1.14	1.09	0.36	0.40
1999	0.37	2.01	2.47	1.12	1.00	0.34	0.41
1998	0.36	1.99	2.56	1.06	0.91	0.34	0.44
1997	0.34	0.02	0.03	0.01	0.01	0.00	0.00

Note: Due to change in the source of the data, comparable information is not available for a full ten-year period

Source: US DOT T100 Database

Jacksonville Aviation Authority
 Airport Capital Asset Information
 Year Ended September 30, 2006
 (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, 2006
(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