

Jacksonville Aviation Authority

Annual Financial Report Fiscal Year 2016

Comprehensive Annual Financial Report for the
Fiscal Year Ended September 30, 2016
of the Jacksonville Aviation Authority
Jacksonville, Florida



flyjacksonville.com

**Jacksonville Aviation Authority
Jacksonville, Florida**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND SEPTEMBER 30, 2015**

PREPARED BY:
FINANCE DIVISION

RICHARD A. ROSSI
CHIEF FINANCIAL OFFICER

ROSS JONES
DIRECTOR OF FINANCE

www.flyjacksonville.com



September 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	i-iii
Board of Directors and Executive Staff.....	iv
Certificate of Achievement for Excellence in Financial Reporting.....	v
Organizational Chart.....	vi

FINANCIAL SECTION

Report of Independent Certified Public Accountant.....	1 - 2
Management's Discussion and Analysis (unaudited).....	3 - 17
Financial Statements:	
Summary Statements of Net Position.....	18 - 19
Statements of Revenues, Expenses, and Changes in Net Position.....	20
Statement of Cash Flows.....	21 - 22
Notes to Financial Statements.....	23 - 78

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Funding Progress.....	79
Schedule of the Authority's Proportionate Share of the Net Pension Liability Florida Retirement System Pension Plan.....	80
Schedule of Authority's Contributions Florida Retirement System Pension Plan.....	81
Schedule of Authority's Proportionate Share of the Net Pension Liability Health Insurance Subsidy Pension Plan.....	82
Schedule of Authority's Contributions - Health Insurance Subsidy Pension Plan.....	83

STATISTICAL SECTION (UNAUDITED)

Objectives of the Statistical Section.....	84
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FINANCIAL TRENDS INFORMATION

Changes in Cash and Cash Equivalents.....	85 - 86
Principal Operating Revenues, Airline Rates and Charges and Cost Per Enplaned Passenger...87 - 88	



September 30, 2016

TABLE OF CONTENTS (CONTINUED)

STATISTICAL-REVENUE CAPACITY INFORMATION

Total Revenues, Expenses, and Changes in Net Position.....89 - 90
Principal Revenues Payers.....91 - 93

STATISTICAL-DEBT CAPACITY INFORMATION

Ratio of Annual Bond Debt Service to Total Expenses Excluding Depreciation.....94
Debt Service Coverage.....95 - 96
Bond Tables.....97 - 101
Outstanding Debt by Type.....102

STATISTICAL-DEMOGRAPHIC AND ECONOMIC INFORMATION

Top 10 Employers of Jacksonville.....103 - 104
Demographic and Economic Statistics.....105

STATISTICAL-OPERATING INFORMATION

Enplanements.....106 - 108
Landed Weights.....109 - 111
Number of Employees.....112 - 113
Aircraft Operations.....114
Airlines Serving Jacksonville International Airport.....115
Primary Origination and Destination Passenger Markets.....116
Airport Capital Asset Information.....117 - 118

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Introductory

Annual Financial Report Fiscal Year 2016





April 29, 2017

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, 2016. 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, rest with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information of the financial position of the Authority.

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 a Chief Executive Officer 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 any other compensation for their services. The Board of Directors appoints the Chief Executive Officer who serves at its pleasure.

Steven Grossman, Chief Executive Officer 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, Jacksonville Executive at Craig Airport, Herlong Recreational Airport, and Cecil Airport.

Economic Condition and Outlook

Situated in the corner of Northeast Florida, Jacksonville is considered 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, 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 of 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.

Long-term Financial Planning

The Authority maintains a five year financial planning horizon. The controlling documents are a five year plan of operating and capital.

The Authority is maintaining, at a minimum, over nine months of operating cash on hand to guard against significant economic downturn. In an effort to provide revenue diversification the Authority is currently pursuing various options in real estate development and sources of non-aviation revenue.

In regards to the Authority's long-term debt obligations, the Authority had revenue notes of \$102.74 million outstanding as of September 30, 2016. Since the Authority no longer has any revenue bonds, no bond service coverage ratio is required.

Accounting Systems

The management of the Authority is responsible for establishing and maintaining internal control 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 provide reasonable assurance that accounting data is 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 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 RSM US, 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 Chief Executive Officer, Senior Management, and the Board of Directors for their leadership and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard A. Rossi". The signature is written in a cursive style with a large initial "R" and "A".

Richard A. Rossi
Chief Financial Officer



Jacksonville, Florida

Board of Directors

Patrick Kilbane.....	Chairman
Giselle Carson.....	Vice Chairman
Jay Demetree.....	Secretary
Russell Thomas.....	Treasurer
Ray Alfred.....	Member
Teresa H. Davlantes.....	Member
Frank Mackesy.....	Member

Senior Staff

Steve Grossman.....	Chief Executive Officer
Tony Cugno.....	Chief Operating Officer
Richard A. Rossi.....	Chief Financial Officer
Rosa Beckett.....	Chief Administrative Officer
Rusty Chandler.....	Chief Cecil Airport and General Aviation
Debra Braga.....	Chief Legal Officer



Government Finance Officers Association

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**Jacksonville Aviation Authority
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

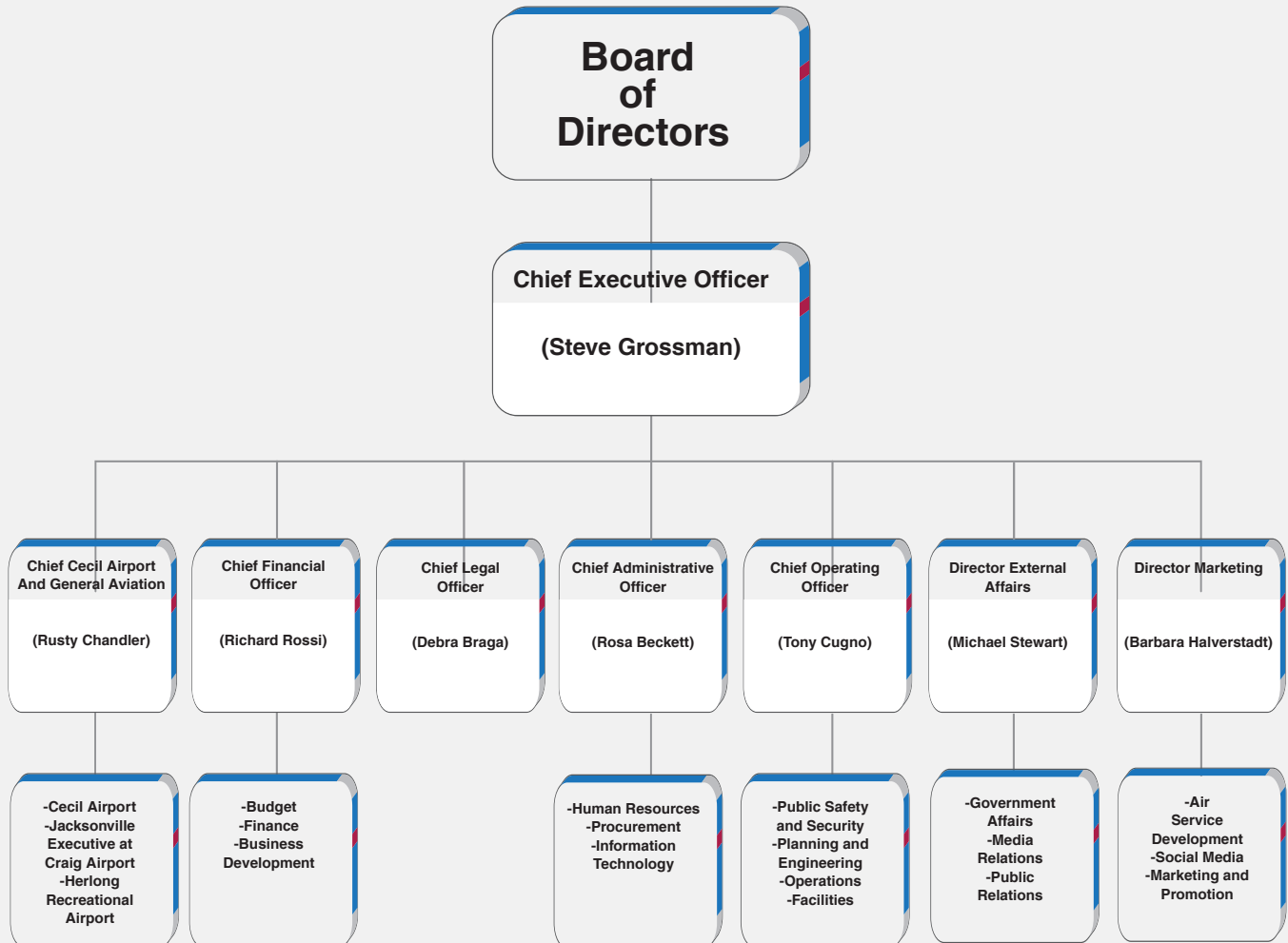
September 30, 2015

Executive Director/CEO

Jacksonville Aviation Authority Organizational Chart



JAA
Jacksonville
Aviation
Authority





RSM US LLP

Independent Auditor's Report

The Board of Directors
Jacksonville Aviation Authority
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Jacksonville Aviation Authority (the Authority), as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2016 and 2015, and the change in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedule of funding progress – other post-employment benefits plan, the schedules of the Authority' proportionate share of the net pension liability for FRS and HIS, and the schedules of Authority contributions for FRS and HIS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated April 29, 2017 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* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Jacksonville, Florida
April 29, 2017

Jacksonville Aviation Authority
Management's Discussion and Analysis

September 30, 2016 and 2015

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, 2016 and 2015. The discussion has been prepared by management and is unaudited and should be read in conjunction with the financial statements and associated notes thereto, which follow this section.

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

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

The Authority operates an airport system that consists of four airports: Jacksonville International Airport (JIA), Jacksonville Executive at Craig Airport, Herlong Recreational Airport and Cecil Airport. The organization consists of approximately 274 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 debt issued by the Authority, federal and state grants, passenger facility charges (PFCs) and Authority revenues.

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 statements of net position, the statements of revenues, expenses and changes in net position 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 components of net position are restricted for debt service and, where applicable, for construction activities.

The statements of net position each present the Authority's financial position as of one point in time, September 30, 2016 and 2015, and include all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Authority. The statements of net position demonstrate that the Authority's assets and deferred outflows of resources equal liabilities and deferred inflows of resources plus net position. Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position is displayed in three components: invested in capital assets, restricted, and unrestricted.

The statements of revenues, expenses, and changes in net position report total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net position. 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 PFC's, investment income and federal, state and local grants, are reported as non-operating revenues. The Authority's interest expense is reported as non-operating expense.

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

Authority's Activity Highlights

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

Passenger enplanements at JIA for the fiscal year ended September 30, 2016 totaled 2.80 million, an increase of 2.85% from the prior fiscal year. The increase is a result of an improving economy. In fiscal year 2015, JIA had enplanements of 2.72 million, an increase of 4.58% from fiscal year 2014.

Authority's Activity Highlights (continued)

Landed weight totaled 3.54 million for fiscal year 2016, an decrease of 0.03% from the prior year. In fiscal year 2015, JIA had landed weight of 3.54 million, an increase of 1.35% from fiscal year 2014.

As in 2015, Delta Airlines and American Airlines dominated 2016 in enplanements activity and landed weight. Southwest, JetBlue and United, comprise the remainder of the signatory airlines serving JIA and generated the majority of the enplanements.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total passengers	5,585,523	5,425,988	5,191,718
% (decrease) increase	2.94 %	4.51 %	1.28 %
Enplanements	2,799,587	2,722,032	2,602,821
% (decrease) increase	2.85 %	4.58 %	1.53 %
Landed weight	3,543,794	3,544,733	3,497,573
% (decrease) increase	(0.03)%	1.35 %	(2.65)%

For fiscal year 2016, the Jacksonville International Airport average daily air carrier departures were 86 compared to 81 and 90 departures in 2015 and 2014, respectively.

Financial Highlights

The Authority's assets and deferred outflows exceeded liabilities and deferred inflows of resources for fiscal year 2016 by approximately \$506.35 million compared to \$477.32 million and \$454.74 million in fiscal years 2015 and 2014, respectively. Unrestricted net position as of the end of fiscal years 2016, 2015 and 2014 was approximately \$49.65 million, \$41.00 million and \$37.75 million, respectively. The Authority may use these funds for any lawful purpose.

The overall financial position of the Authority has increased as indicated by this fiscal year's increase in total net position. The improving trend for fiscal years 2016 and 2015 is due primarily to earnings from increased passenger activity and concession revenues.

The Authority's total debt decreased by \$35.14 million and \$12.77 million in fiscal years 2016 and 2015, respectively. During fiscal year 2016, the Authority made normal scheduled debt service payments of \$11.10 million. During fiscal year 2015, the Authority made normal scheduled debt service payments of \$12.77 million.

Operating Revenues

In fiscal year 2016 operating revenues increased by 6.43% from 2015. The primary factor was an increase in Fees & charges of 8.82% due to an increase in landing fees.

In fiscal year 2015 operating revenues increased by 9.52% from 2014. The primary factor was an increase in Space & facility rentals of 13.14% due to space rented.

Operating Expenses

In fiscal year 2016 operating expenses before depreciation and amortization increased by 6.23% over 2015. Wages and benefits increased 17.37% due to increased headcount and pension expense.

In fiscal year 2015 operating expenses before depreciation and amortization increased by 6.85% over 2014. Promotions, advertising & dues increased 46.71% due to increased marketing airline incentives.

Operating Margin

In fiscal year 2016 the operating margin increased 0.12% from 36.04% in 2015 to 36.16% in 2016. The primary reason for the increase was that revenue growth outpaced increases in expense. In fiscal year 2015 the operating margin increased 1.60% from 34.44% in 2014 to 36.04% in 2015.

Non-operating Revenues

Non-operating revenues in fiscal year 2016 increased 12.49% from 2015. This was result of an increase in the fair value of investments.

Non-operating revenues in fiscal year 2015 increased 6.48% from 2014. This was result of an increase in Passenger Facility Revenue due to increased enplanements.

Non-operating Expenses

Non-operating expenses decreased by 11.83% and 25.16% in fiscal years 2016 and 2015, respectively. This was a result of reduction in interest expense.

Capital Contributions

Capital contributions increased in fiscal year 2016 by 31.68% and increased in fiscal year 2015 by 17.65%. These fluctuations are influenced by factors such as grant availability and project timing.

Summary Statement of Net Position

The summary statement of net position presents the financial position of the Authority at the end of each fiscal year. The summary statement of net position includes all assets and deferred outflows of resources, liabilities and deferred inflow of resources, and net position of the Authority. Financial position is the difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources and are an indicator of the current fiscal health of the Authority.

Summary Statement of Net Position

(dollar amounts in thousands)

	2016	2015	Increase/ (Decrease) from 2015	% Increase/ (Decrease) from 2015
Assets				
Current	\$ 81,960	\$ 89,380	\$ (7,420)	(8.30)%
Noncurrent (restricted/other)	19,041	23,143	(4,102)	(17.72)
Capital assets, net	543,945	541,668	2,277	0.42
Total Assets	<u>644,946</u>	<u>654,191</u>	<u>(9,245)</u>	<u>(1.41)</u>
Deferred outflow of resources	16,349	11,304	5,045	44.63 %
Liabilities				
Current	22,823	26,356	(3,533)	(13.40)%
Current - Restricted	9,575	13,808	(4,233)	(30.66)
Long-term	118,608	143,509	(24,901)	(17.35)
Total liabilities	<u>151,006</u>	<u>183,673</u>	<u>(32,667)</u>	<u>(17.79)</u>
Deferred inflow of resources	3,942	4,505	(563)	(12.50)%
Net Position				
Net investment in capital assets	441,000	404,670	36,330	8.98 %
Restricted	15,693	31,646	(15,953)	(50.41)
Unrestricted	49,654	41,001	8,653	21.10
Total net position	<u>\$ 506,347</u>	<u>\$ 477,317</u>	<u>\$ 29,030</u>	<u>6.08</u>
Working capital				
Current assets	\$ 81,960	\$ 89,380	\$ (7,420)	(8.30)%
Current liabilities	(32,398)	(40,164)	7,766	(19.34)
Working capital	<u>\$ 49,562</u>	<u>\$ 49,216</u>	<u>\$ 346</u>	<u>0.70</u>
Current ratio	2.53	2.23		

During 2016 total assets decreased by 1.41%, deferred outflow of resources increased by 44.63%, total liabilities decreased by 17.79%, and total deferred inflow of resources decreased by 12.50%. These changes resulted in an increase in net position of 6.08%.

Summary Statement of Net Position (continued)

	<i>(dollar amounts in thousands)</i>			
	2015	2014	Increase/ (Decrease) from 2014	% Increase/ (Decrease) from 2014
Assets				
Current	\$ 89,380	\$ 83,106	\$ 6,274	7.55 %
Noncurrent (restricted/other)	23,143	22,464	679	3.02
Capital assets, net	541,668	540,871	797	0.15
Total Assets	<u>654,191</u>	<u>646,441</u>	7,750	1.20
Deferred outflow of resources	11,304	7,867	3,437	43.69 %
Liabilities				
Current	26,356	28,161	(1,805)	(6.41)%
Current - Restricted	13,808	13,669	139	1.02
Long-term	143,509	152,033	(8,524)	(5.61)
Total liabilities	<u>183,673</u>	<u>193,863</u>	(10,190)	(5.26)
Deferred inflow of resources	4,505	5,705	(1,200)	(21.03)%
Net Position				
Net investment in capital assets	404,670	386,557	18,113	4.69 %
Restricted	31,646	30,436	1,210	3.98
Unrestricted	41,001	37,750	3,251	8.61
Total net position	<u>\$ 477,317</u>	<u>\$ 454,743</u>	<u>\$ 22,574</u>	4.96
Working capital				
Current assets	\$ 89,380	\$ 83,106	\$ 6,274	7.55 %
Current liabilities	(40,164)	(41,830)	1,666	(3.98)
Working capital	<u>\$ 49,216</u>	<u>\$ 41,276</u>	<u>\$ 7,940</u>	19.24
Current ratio	2.23	1.99		

During 2015 total assets increased by 1.20%, deferred outflow of resources increased by 43.69%, total liabilities decreased by 5.26% and deferred inflow of resources decreased by 21.03%. These changes resulted in an increase in net position of 4.96%.

Signatory Airline Rates and Charges

The Authority entered into a new airline use and lease agreement (the agreement) effective October 1, 2012. This is a five year agreement that terminates on September 30, 2017. Airlines that have entered into the agreement are considered signatory airlines. The signatory airlines are responsible for their affiliates. The affiliates claimed by the signatory airlines receive the signatory rate. All other airlines will be assessed at 125 percent of the signatory rates.

In the agreement the terminal and airfield are residual. Under the residual method the Airlines agree to pay the cost of running the terminal and airfield that are not allocated to other airport users or covered by nonairline sources of revenue. The cost less the revenue associated with the terminal is divided by the airline terminal leased square footage to determine the average rental rate. The residual method guarantees the Authority will break even on the airfield and terminal cost centers.

The agreement with the signatory airlines was hybrid in nature, with a residual rate-making methodology for the airfield and a compensatory methodology for the terminal. The Authority also had the ability under the agreement to adjust airlines 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 2016, 2015, and 2014.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Landing fees (per 1,000 lbs. MGLW)	\$ 3.15	\$ 2.87	\$ 2.80
Average terminal rental rate (per square foot)	146.34	132.38	133.62
Conditioned space (per square foot)	186.15	168.62	171.31
Unconditioned space (per square foot)	65.15	59.02	59.96

Note: 2016 rates are estimates

Operating Revenues and Expenses

The following charts and tables show the major sources and the percentage of operating revenues and expenses for fiscal years 2016, 2015 and 2014.

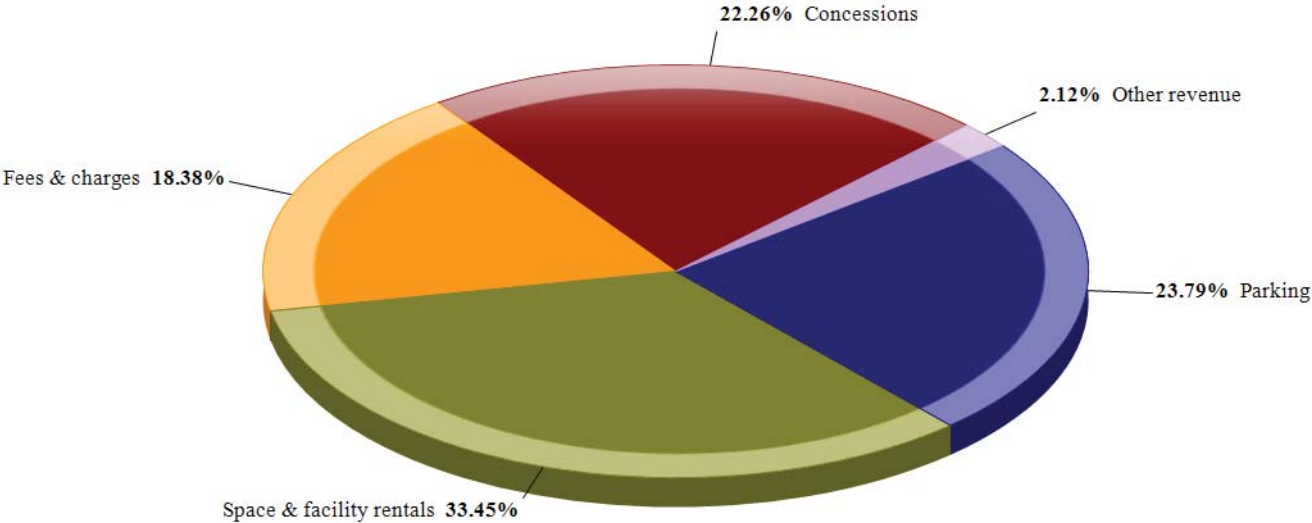
	<i>(dollar amounts in thousands)</i>		
	2016	2015	2014
Operating revenues:			
Concessions	\$ 17,771	\$ 16,933	\$ 15,504
Fees & charges	14,668	13,479	12,189
Space & facility rentals	26,705	24,608	21,751
Parking	18,993	18,191	17,257
Other revenue	<u>1,688</u>	<u>1,794</u>	<u>1,783</u>
Total operating revenues	<u>79,825</u>	<u>75,005</u>	<u>68,484</u>
Operating expenses:			
Wage & benefits	25,328	21,579	19,613
Services & supplies	14,581	14,537	14,208
Repairs & maintenance	2,607	2,097	2,209
Promotions, advertising & dues	1,052	2,453	1,672
Registration & travel	386	313	289
Utilities & taxes	4,855	5,116	5,223
Other operating expenses	2,151	1,877	1,682
Depreciation & amortization	<u>31,346</u>	<u>28,575</u>	<u>28,951</u>
Total operating expenses	<u>82,306</u>	<u>76,547</u>	<u>73,847</u>
Operating loss	(2,481)	(1,542)	(5,363)
Nonoperating revenues:			
Passenger facility charges	10,983	10,955	10,554
Investment income	1,451	926	667
Payments from federal & state agencies	318	369	483
Other revenues	<u>1,387</u>	<u>319</u>	<u>100</u>
Total nonoperating revenues	<u>14,139</u>	<u>12,569</u>	<u>11,804</u>
Nonoperating expenses:			
Interest expense	3,946	4,775	5,071
Other expenses	<u>444</u>	<u>204</u>	<u>1,582</u>
Total nonoperating expenses	<u>4,390</u>	<u>4,979</u>	<u>6,653</u>
Income (loss) before capital contributions	7,268	6,048	(211)
Capital contributions	<u>21,762</u>	<u>16,526</u>	<u>14,047</u>
Change in net position	<u>29,030</u>	<u>22,574</u>	<u>13,835</u>
Net position, beginning of year	<u>477,317</u>	<u>454,743</u>	<u>440,907</u>
Net position, end of year	<u>\$ 506,347</u>	<u>\$ 477,317</u>	<u>\$ 454,743</u>

*The beginning balance as of October 1, 2014 has been adjusted to reflect the adoption of GASB Statements No. 68 and 71.

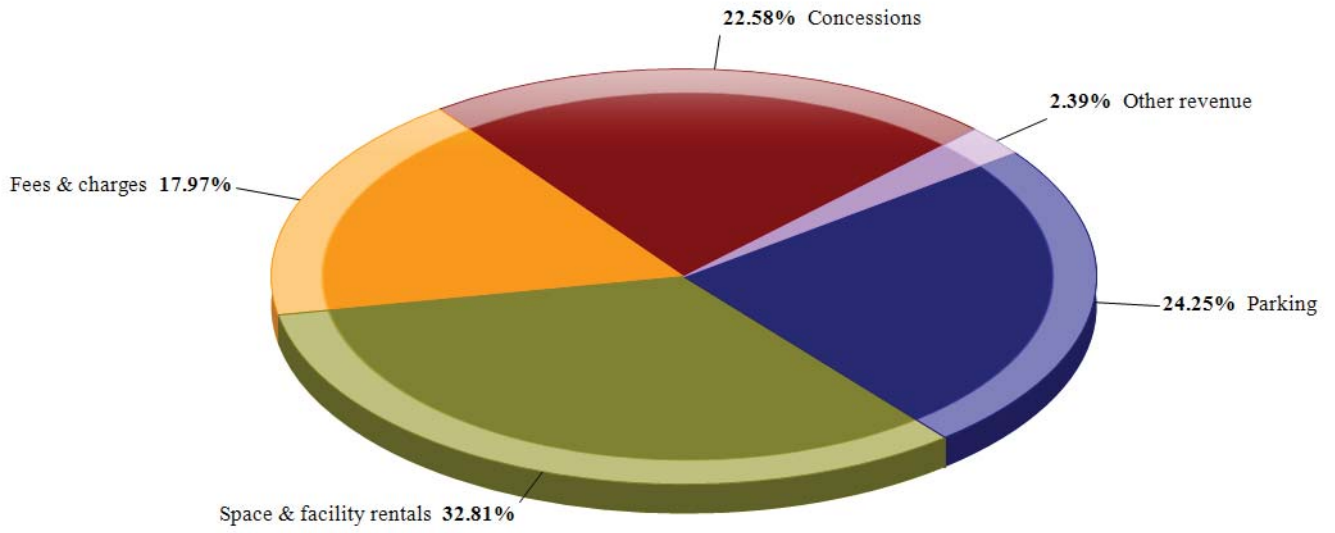
Operating Revenues

Operating revenue increased by 6.43% and 9.52% in fiscal years 2016 and 2015, respectively. Refer to the changes in net position section of this MD&A for additional information related to operating revenues.

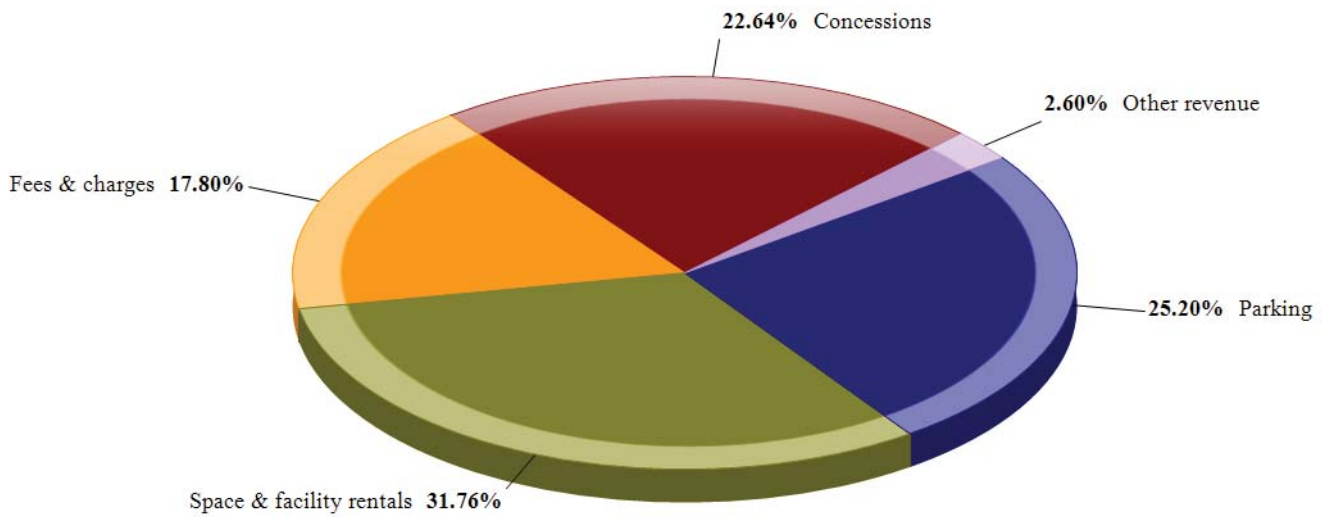
2016 Operating Revenues



2015 Operating Revenues



2014 Operating Revenues



Operating Revenues by Major Classification

(dollar amounts in thousands)

	2016	2015	Increase/ (Decrease) from 2015	% Increase/ (Decrease) from 2015
Concessions	\$ 17,771	\$ 16,933	\$ 838	4.95 %
Fees & charges	14,668	13,479	1,189	8.82
Space & facility rentals	26,705	24,608	2,097	8.52
Parking	18,993	18,191	802	4.41
Other revenue	1,688	1,794	(106)	(5.91)
Total operating revenues	<u>\$ 79,825</u>	<u>\$ 75,005</u>	<u>\$ 4,820</u>	<u>6.43 %</u>

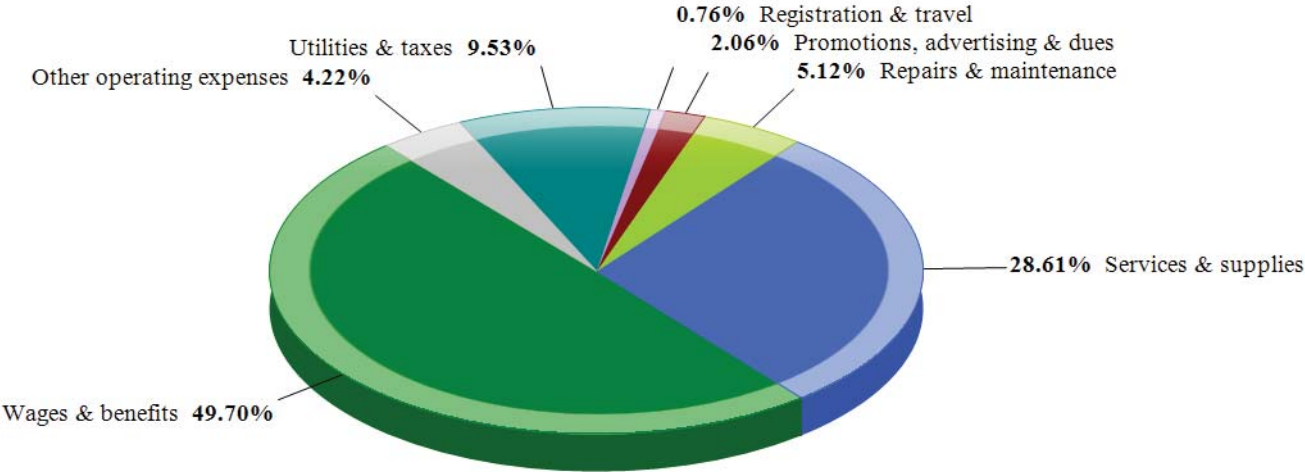
(dollar amounts in thousands)

	2015	2014	Increase/ (Decrease) from 2014	% Increase/ (Decrease) from 2014
Concessions	\$ 16,933	\$ 15,504	\$ 1,429	9.22 %
Fees & charges	13,479	12,189	1,290	10.58
Space & facility rentals	24,608	21,751	2,857	13.14
Parking	18,191	17,257	934	5.41
Other revenue	1,794	1,783	11	0.62
Total operating revenues	<u>\$ 75,005</u>	<u>\$ 68,484</u>	<u>\$ 6,521</u>	<u>9.52 %</u>

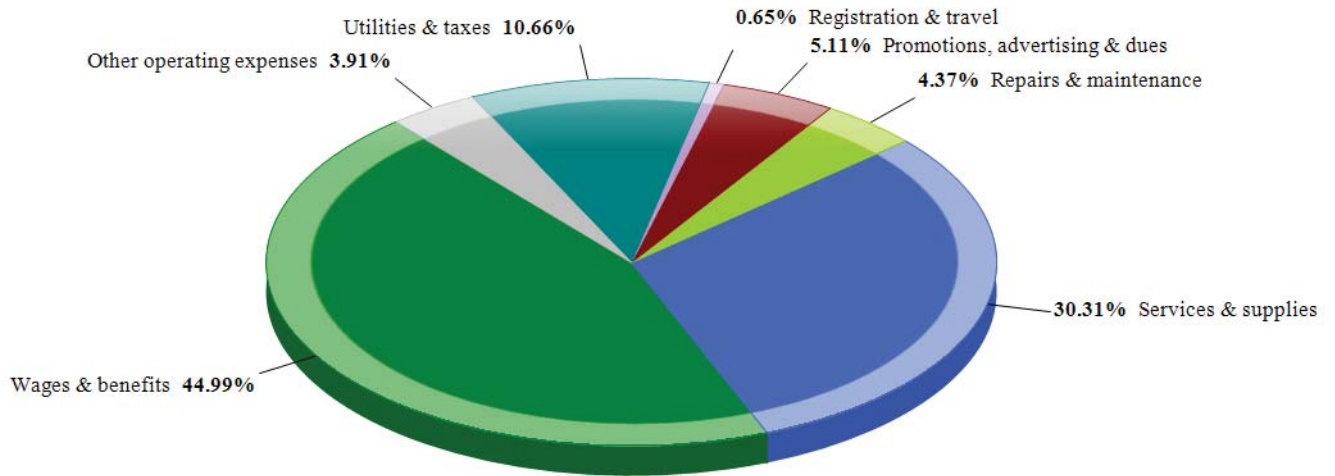
Operating Expenses

Operating expenses, before depreciation and amortization, increased 6.23% and 6.85% in fiscal years 2016 and 2015, respectively. Refer to the changes in net positions section of this MD&A for additional information related to operating expenses.

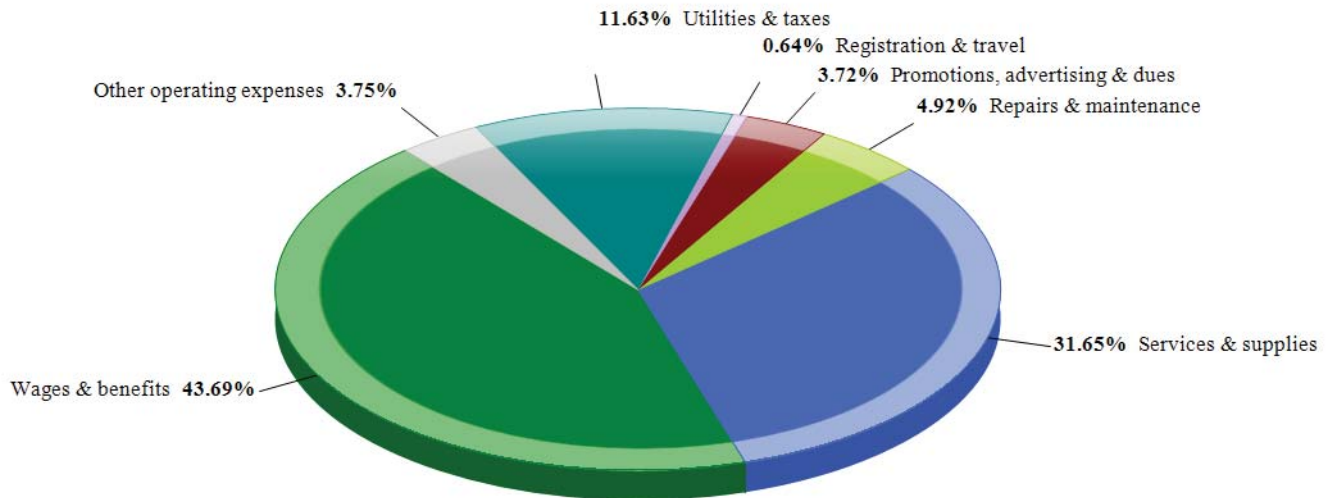
2016 Operating Expenses



2015 Operating Expenses



2014 Operating Expenses



Operating Expense by Major Classification

(dollar amounts in thousands)

	2016	2015	Increase/ (Decrease) from 2015	% Increase/ (Decrease) from 2015
Wages & benefits	\$ 25,328	\$ 21,579	\$ 3,749	17.37 %
Services & supplies	14,581	14,537	44	0.30
Repairs & maintenance	2,607	2,097	510	24.32
Promotions, advertising & dues	1,052	2,453	(1,401)	(57.11)
Registration & travel	386	313	73	23.32
Utilities & taxes	4,855	5,116	(261)	(5.10)
Other operating expenses	2,151	1,877	274	14.60
Total operating expenses	<u>\$ 50,960</u>	<u>\$ 47,972</u>	<u>\$ 2,988</u>	<u>6.23 %</u>

(dollar amounts in thousands)

	2015	2014*	Increase/ (Decrease) from 2014	% Increase/ (Decrease) from 2014
Wages & benefits	\$ 21,579	\$ 19,613	\$ 1,966	10.02 %
Services & supplies	14,537	14,208	329	2.32
Repairs & maintenance	2,097	2,209	(112)	(5.07)
Promotions, advertising & dues	2,453	1,672	781	46.71
Registration & travel	313	289	24	8.30
Utilities & taxes	5,116	5,223	(107)	(2.05)
Other operating expenses	1,877	1,682	195	11.59
Total operating expenses	<u>\$ 47,972</u>	<u>\$ 44,896</u>	<u>\$ 3,076</u>	<u>6.85 %</u>

*Amounts in 2014 column have been restated for effects of implementation of GASB Statements No. 68 and 71.

Debt Activity

The Authority issued new debt in fiscal year 2016 of \$26.50 million. In 2016, normal debt service payments reduced the overall debt by \$35.14 million. Additional payments were made in the amount of \$2.00 million. In July 2016, the Authority defeased the remaining portion of the 2006 airport revenue bond in the amount of \$47.62 million. In 2015, the debt service payments reduced the overall debt by \$12.77 million.

Refer to note 10 for a more detailed explanation of long-term debt activity.

Debt Service Coverage

Debt service coverage is a covenant of the bond resolutions requiring that a surplus of funds be available in the amount of 125% of principal and interest due in the subsequent year. In years in which the Authority held revenue bonds we presented our coverage ratio as an indication to bond holders that adequate funds were available for timely debt service. Since the Authority no longer holds any revenue

bonds no debt service coverage ratio is required for 2016. Historically, the Authority has maintained a coverage ratio in excess of its requirement. The actual debt service coverage ratio for the fiscal years 2015 and 2014 was 2.10 and 2.84, respectively.

Cash and Investment Management

The Authority's cash and cash equivalents decreased \$3.52 million for fiscal year 2016 over 2015. Cash and cash equivalents, unrestricted, decreased by \$2.55 million and restricted cash and cash equivalents decreased by \$0.97 million.

The Authority's cash and cash equivalents increased \$2.37 million for fiscal year 2015 over 2014. Cash and cash equivalents, unrestricted, increased by \$1.12 million and restricted cash and cash equivalents increased by \$1.25 million.

Capital Construction

During 2016, the Authority expended approximately \$32.50 million on capital activities. Major projects in 2016 include the HBS rehab and upgrade and the taxiway G and taxi lane G1 and apron reconstruction.

During 2015, the Authority expended approximately \$34.35 million on capital activities. Major projects in 2015 include the design and construction of Hangar 935 and the construction of a taxiway at Cecil Airport.

Average monthly capital construction spending was \$2.71 million, \$2.86 million and \$2.42 million for fiscal years 2016, 2015 and 2014, respectively.

Refer to note 6 for a more detailed discussion of capital activity.

Economic Factors and Next Years' Budget

The Authority projected a modest increase in enplanements for fiscal year 2017 in relation to the prior year. Revenues for fiscal year 2017 are forecasted to be approximately \$79.93 million or 0.13% above fiscal year 2016. Operating expenses before depreciation and amortization for fiscal year 2017 are forecasted to be approximately \$54.09 million or 6.14% above fiscal year 2016.

The Authority expects to see modest growth in fiscal year 2017 as we anticipate an increase in space and facility rentals and improving financial conditions of the nation's airlines. Cost for security and other operational expenses continue to increase. The Authority continues to seek opportunities to diversify its revenues.

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, 14201 Pecan Park Road, Jacksonville, Florida 32218.

Jacksonville Aviation Authority

Statements of Net Position

(dollar amounts in thousands)

	September 30,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,736	\$ 33,704
Investments	36,516	28,278
Restricted cash and cash equivalents	-	13,808
Accounts receivable, net of allowance of \$120 in 2016 and \$198 in 2015	6,598	4,444
Accounts receivable - restricted	-	1,231
Grants receivable	4,201	5,889
Interest receivable	126	134
Notes receivable	225	261
Inventory and other assets	1,558	1,631
Total current assets	<u>81,960</u>	<u>89,380</u>
Noncurrent assets:		
Restricted cash and cash equivalents	15,693	4,433
Restricted investments	-	15,154
Notes receivable	3,348	3,556
Total noncurrent assets	<u>19,041</u>	<u>23,143</u>
Capital assets:		
Land	71,120	71,120
Construction in progress	17,747	15,884
Property, plant and equipment	921,010	889,963
Less: accumulated depreciation	(467,145)	(436,615)
Other capital assets, net of amortization	1,213	1,316
Total capital assets	<u>543,945</u>	<u>541,668</u>
Total noncurrent and capital assets	562,986	564,811
Total assets	<u>644,946</u>	<u>654,191</u>
Deferred Outflows of Resources		
Derivative instrument - swap	2,251	2,466
Loss on refunding	2,992	3,514
Pension	11,106	5,324
Total deferred outflow of resources	<u>16,349</u>	<u>11,304</u>
Total assets and deferred outflows of resources	<u>\$ 661,295</u>	<u>\$ 665,495</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Net Position (continued)

(dollar amounts in thousands)

	September 30,	
	2016	2015
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 4,032	\$ 4,209
Accrued expenses	16,541	20,569
Construction contracts and retainage payable	2,250	1,578
Total current liabilities payable from unrestricted assets	22,823	26,356
Current liabilities payable from restricted assets:		
Bonds and notes payable - current portion	9,075	12,020
Accrued interest payable	500	1,788
Total current liabilities payable from restricted assets	9,575	13,808
Total current liabilities	32,398	40,164
Long-term liabilities		
OPEB liability	2,100	2,018
Bonds and notes payable	93,665	126,688
Derivative instrument - swap	2,251	2,466
Net pension liability	20,592	12,337
Total long-term liabilities	118,608	143,509
Total liabilities	151,006	183,673
Deferred Inflow of Resources		
Gain on refunding	947	227
Pension	2,995	4,278
Total deferred inflow of resources	3,942	4,505
Net Position		
Net investment in capital assets	441,000	404,670
Restricted for debt service	-	10,040
Restricted for capital acquisition and construction	5,282	11,202
Restricted other	10,411	10,404
Unrestricted	49,654	41,001
Total net position	506,347	477,317
Total liabilities and net position	\$ 661,295	\$ 665,495

See accompanying notes.

Jacksonville Aviation Authority

Statements of Revenues, Expenses, and Changes in Net Position

	<i>(dollar amounts in thousands)</i>	
	For the Year Ended September 30,	
	2016	2015
Operating revenues:		
Concessions	\$ 17,771	\$ 16,933
Fees & charges	14,668	13,479
Space & facility rentals	26,705	24,608
Parking	18,993	18,191
Other revenue	1,688	1,794
Total operating revenues	79,825	75,005
Operating expenses:		
Wages & benefits	25,328	21,579
Services & supplies	14,581	14,537
Repairs & maintenance	2,607	2,097
Promotions, advertising & dues	1,052	2,453
Registration & travel	386	313
Utilities & taxes	4,855	5,116
Other operating expenses	2,151	1,877
Operating expenses before depreciation and amortization	50,960	47,972
Operating income before depreciation and amortization	28,865	27,033
Depreciation & amortization	31,346	28,575
Operating loss	(2,481)	(1,542)
Nonoperating revenues:		
Passenger facility charges	10,983	10,955
Investment income	1,451	926
Payments from federal & state agencies	318	369
Other revenues	1,387	319
Total nonoperating revenues	14,139	12,569
Nonoperating expenses:		
Interest expense	3,946	4,775
Other expenses	444	204
Total nonoperating expenses	4,390	4,979
Income before capital contributions	7,268	6,048
Capital contributions	21,762	16,526
Change in net position	29,030	22,574
Net position, beginning of year	477,317	454,743
Net position, end of year	\$ 506,347	\$ 477,317

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows

	For the Year Ended September 30, (dollar amounts in thousands)	
	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and tenants	\$ 78,901	\$ 74,815
Payments to suppliers for goods and services	(29,972)	(23,573)
Payments to employees for services	(23,847)	(22,012)
Other nonoperating (expense) revenue	936	203
Net cash provided by operating activities	<u>26,018</u>	<u>29,433</u>
Cash flows non-capital and related financing activities		
Nonoperating grants received	202	253
Net cash provided by non-capital financing activities	<u>202</u>	<u>253</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(25,090)	(34,348)
Principal paid on capital debt	(61,640)	(12,765)
Interest paid on capital debt	(4,821)	(4,478)
Proceeds on new debt	26,500	-
Proceeds from sale of equipment	221	39
Contributions-in-aid of construction	15,493	13,769
Passenger facility charges received	10,983	10,955
Net cash used in capital and related financing activities	<u>(38,354)</u>	<u>(26,828)</u>
Cash flows from investing activities		
Collections on notes receivable	244	264
Interest on investments	990	875
Purchase of investment securities	(60,743)	(44,425)
Proceeds from sale and maturities of investment securities	68,126	42,793
Net cash provided by (used in) investing activities	<u>8,617</u>	<u>(493)</u>
Net change in cash and cash equivalents	(3,517)	2,365
Cash and equivalents, beginning of year	51,945	49,580
Cash and equivalents, end of year	<u>\$ 48,429</u>	<u>\$ 51,945</u>

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows (continued)

	For the Year Ended September 30, <i>(dollar amounts in thousands)</i>	
	<u>2016</u>	<u>2015</u>
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating loss	\$ (2,481)	\$ (1,542)
Adjustment to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	31,346	28,575
Increase in accounts receivable	(923)	(192)
Increase (decrease) in inventory and other assets	73	(220)
Increase (decrease) in accounts payable	(177)	196
Increase in pension deferred outflow	(5,782)	(3,761)
Increase in accrued expenses	4,309	7,339
Increase in pension deferred inflow	(1,283)	(1,166)
Other nonoperating revenue	936	203
Net cash provided by operating activities	<u>\$ 26,018</u>	<u>\$ 29,432</u>
Non-cash investing, capital and financing activities:		
Change in fair value of investments	<u>\$ 468</u>	<u>\$ 6</u>
Capital assets acquired through contracts payable and accruals	<u>\$ 2,250</u>	<u>\$ 39,787</u>
Capital Contributions Receivable	<u>\$ 4,201</u>	<u>\$ 5,889</u>
Capital assets contributed to the Authority	<u>\$ 7,956</u>	<u>\$ -</u>

See accompanying notes.

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Notes to Financial Statements

Annual Financial Report Fiscal Year 2016

Notes



Jacksonville Aviation Authority

Notes to Financial Statements

September 30, 2016 and 2015

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 (City) and confirmed by the City Council. The Authority is not subject to Federal, State or local income or sales taxes.

Reporting Entity

The Authority follows the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Government Accounting Standards Board (GASB). 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

New Accounting Guidance

GASB 72: Fair Value Measurement and Application

The objective of Statement No. 72 is to address accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair-value to certain investments and disclosures related to all fair-value measurements. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015, which is the Authority's fiscal year 2016. The Authority adopted GASB 72 in the current fiscal year financial statements, in Note 3, to the financial statements. The implementation of GASB Statement No.75 will require the Authority to record

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

the net OPEB liability where we currently record the net OPEB obligation. Management believes that this change in accounting principle will not result in a significant change to the Authority's financial position.

GASB 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017, which is the Authority's fiscal year 2018.

GASB 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The objective of Statement No. 76 is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting these principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015, which is the Authority's fiscal year 2016. The implementation of this statement did not have a material impact on the Authority's financial statements.

GASB 77: Tax Abatement Disclosures

The objective of Statement No. 77 is to provide additional disclosures and information necessary for end users to evaluate the financial health of government and access accountability. This Statement will provide additional disclosures to assess how tax abatements affect the financial position and results of operations, including the ability to raise resources in the future. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015, which is the Authority's fiscal year 2017. The Authority is still evaluating the impact of this statement on the financial statements.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

GASB 78: Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

The objective of Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015, which is the Authority's fiscal year 2017. The Authority is still evaluating the impact of this statement on the financial statements.

GASB 79: Certain External Investment Pools and Pool Participants

The objective of Statement No. 79 is to address accounting and financial reporting for certain external investment pools and pool participants. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. The provisions of this statement are effective for reporting periods beginning after December 15, 2015, which is the Authority's fiscal year 2017. The Authority is still evaluating the impact of this statement on the financial statements.

GASB 82: Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73

The objective of Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of the Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the Authority's fiscal year 2018.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

GASB 83: Certain Asset Retirement Obligations

The objective of Statement No. 83 is to improve financial reporting by developing requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority is still evaluating the impact of this statement on the financial statements.

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 charges to external parties for goods or services.

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, 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 investment 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 expenses.

The Authority's bond resolutions specify the flow of funds from revenues and specify the requirements for the use of certain restricted and unrestricted assets.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt net of debt service reserves. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted net position is expendable.

In certain cases, the Authority may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position.

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.

Budgeting Requirements

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 Chief Executive Officer 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 to the Chief Executive Officer or his designee, line-to-line capital budget transfers may be made with the approval of the Chief Executive Officer 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, 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 the residual cost recovery method, pursuant to an agreement between the Authority and the signatory airlines based on the operating budget of the Authority, and it 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. See separate note on Airline Lease and Use Agreement for further details.

Terminal Rents, Concession and Ground Transportation – Rentals and concession fees are generated from airlines, parking structures and lots, rental cars, fixed based operators, food and beverage, retail, advertising and other commercial tenants. Leases with the airlines are based on residual cost recovery method, through rates and charges pursuant to the 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 on a straight line basis over the life of the respective leases and concession revenue is recognized based on reported concession revenue and typically based on a minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 depository pursuant to Chapter 280 of the Florida Statutes. Accordingly, all of the Authority's deposits are considered fully collateralized.

For purposes of reporting cash flows, the Authority considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents. Cash equivalents, which are stated at amortized 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.

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 supplies and parts, and fuel and is stated at the lower of cost or market on a weighted average and FIFO basis, respectively.

Restricted Assets

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

Operations and maintenance (O&M) fund is an asset representing proceeds restricted to pay the next succeeding two months of budgeted operations and maintenance expenses.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

Renewal and replacement fund is deemed to be fully funded when the balance therein is one million dollars. The 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 includes capitalized interest during the period of construction (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 acquisition 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:

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capitalization of Interest

Interest costs incurred during the construction of eligible capital assets projects are capitalized.

Bond Issuance Costs

Bond issuance costs represent costs incurred in the process of issuing bonds and are expensed in the year of issuance.

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 who will accrue more than 320 hours of annual leave by December 31 will be paid for the excess hours on the last pay period of the calendar year. 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

For purposes of measuring the net pension liability, deferred outflows of resource and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) defined benefit plans (Plans), additions to/deductions from both Plans fiduciary net position have been determined on the same basis as they are reported by the Plans and are recorded in the Authority's financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported a fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The Authority currently reports an accumulated decrease in fair value of a derivative swap (see note 10), the net deferred loss on refunding of debt, as well as deferred outflows related to pensions in this category.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently reports deferred inflows related to the net deferred gain on refunding of debt, as well as deferred inflows related to pensions in this category.

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 Funds in the form of both entitlement and discretionary grants for eligible projects. The State of Florida and individual tenants also provide funds for capital programs.

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

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

Passenger Facility Charges

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

PFC charges at the rate of \$3.00 per enplaned passenger have been levied by the Authority since April 1, 1994, under an FAA approved application to impose \$12.26 million in PFC fees. Since this first record of decision the Authority has submitted and received approval to collect \$363.39 million since inception through November 1, 2024. In February 2003, with an earliest charge effective date of May 1, 2003, the FAA approved an amendment to impose and use passenger facility charges, at JIA at a new rate of \$4.50. This amendment also permits the Authority to finance certain projects with PFC revenues. Through September 30, 2016, the Authority has collected, including interest earnings, PFCs totaling approximately \$210.70 million. PFCs, along with related interest earnings are recognized and recorded as non-operating revenue in the year collected by the air carriers.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Authority has expended approximately \$208.50 million 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. As of September 30, 2016 and 2015 the Authority did not have an arbitrage liability.

Management Estimates

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments

Credit Risk

The primary objectives of the Authority's investment policy are the safety of capital, the liquidity of the portfolio, and the yield of the investments. Bond proceeds may be invested in securities as permitted in the bond indentures. Otherwise, assets of the Authority may be invested in: (a) the Florida Local Government Surplus Funds Trust Fund (Florida PRIME); (b) United States government securities; (c) United States government agencies, federal instruments; (d) federal instrumentalities; (e) 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; (f) repurchase agreements; (g) commercial paper at the time of purchase rated "A-1" by Standard & Poor's (S&P) and "P-1" by Moody's Investor Services (Moody's); (h) corporate notes that have a long-term debt rating at the time of purchase, at a minimum "AA" by S&P and "Aa" by Moody's; (i) bankers' acceptances rated, at a minimum, "A-1" by S&P and "P-1" by Moody's; (j) state and/or local government taxable and/or tax-exempt debt rated at least "AA" by S&P and "Aa" by Moody's or rated at least "SP-1" by S&P or "MIG-1" by Moody's for short term debt; (k) registered investment companies (money market mutual funds) registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7; (l) mortgage-backed securities; (m) asset-backed securities; and (n) short term bond funds.

Consistent with the Authority's investment policy bond resolutions: 1) all of the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency of the United States of America and at the time of their purchase were rated AA+ by S&P; 2) the Local Government Surplus Funds Trust Fund is rated AAAM by S&P; 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 is the same as the value of the pool shares; 3) the money market mutual funds are each rated AAA by S&P. The investments in the Local Government Surplus Funds Trust Fund and the money market mutual funds are classified as cash equivalents on the accompanying statements of net position.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

The Authority's investments are rated as follows:

<i>September 30, 2016</i>		<i>(dollar amounts in thousands)</i>
<u>Investment Type</u>	<u>Rating S&P</u>	<u>Fair Value</u>
US Treasury and government agency securities	AAA	\$ 6,529
US Treasury and government agency securities	AA+	19,461
Money market mutual funds	AAA	10,720
Commercial Paper	A-1	1,395
Corporate Bonds	AAA	2,943
Corporate Bonds	AA+	225
Corporate Bonds	AA	299
Corporate Bonds	AA-	1,504
Corporate Bonds	A	2,486
Corporate Bonds	A-	1,361
Corporate Bonds *	BBB+	214
Corporate Bonds *	BB-	99
Total		<u>\$ 47,236</u>

Note * - These bonds were rated A- or better at the time of purchase, as required by policy. The bonds were downgraded after the purchase date.

<i>September 30, 2015</i>		<i>(dollar amounts in thousands)</i>
<u>Investment Type</u>	<u>Rating S&P</u>	<u>Fair Value</u>
US Treasury and government agency securities	AAA	\$ 1,809
US Treasury and government agency securities	AA+	1,403
US Treasury and government agency securities	AA	30,756
Money market mutual funds	AAA	7,643
Commercial Paper	A-1	2,867
Corporate Bonds	AAA	2,354
Corporate Bonds	AA-	50
Corporate Bond	A	3,760
Corporate Bonds	A-	433
Total		<u>\$ 51,075</u>

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.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Additionally, maturity limitations for investments related to the issuance of debt are outlined in the bond resolution relating to those bond issues. The Authority's investment policy also limits investments in commercial paper to maturities not to exceed 270 days.

Investment Maturity Distribution

Type of investments	<i>(dollar amounts in thousands)</i>		
	Less than One Year from 9/30/2016	One to Five Years	Total
US Treasury and government agency securities	\$ 1,080	\$ 24,910	\$ 25,990
Money market mutual funds*	10,720	-	10,720
Commercial Paper	1,395	70	1,465
Corporate Bonds	911	8,150	9,061
Total investments	<u>\$ 14,106</u>	<u>\$ 33,130</u>	<u>\$ 47,236</u>

Type of investments	<i>(dollar amounts in thousands)</i>		
	Less than One Year from 9/30/2015	One to Five Years	Total
US Treasury and government agency securities	\$ 7,629	\$ 26,339	\$ 33,968
Money market mutual funds*	7,643	-	7,643
Commercial Paper	2,867	-	2,867
Corporate Bonds	100	6,497	6,597
Total investments	<u>\$ 18,239</u>	<u>\$ 32,836</u>	<u>\$ 51,075</u>

*Reported as cash equivalents on the statements of net position

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, 2016, all investment securities 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.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

Concentration of Credit Risk

Exclusive of restricted funds, the following are the Authority's investment percentages limits. The Authority's investment in the Florida Local Government Surplus Funds Trust Fund and the United States Government Securities shall not exceed 100% of the total investment portfolio. The Authority shall not exceed 80% of its portfolio value invested in Federal Instrumentalities. Total United States Government Agencies, Repurchase Agreements, and Registered Investment Companies held by the Authority shall each not exceed 50% of the total value of the investment portfolio. The Authorities investment in Commercial Paper and Bankers Acceptance shall not exceed 35% of the total investment portfolio. Maximum exposure to any Interest Bearing Time Deposits or Savings Accounts, Corporate Notes or Short Term Bond Funds shall be limited to 25% of the total investment portfolio. Maximum exposure to Mortgage-Backed Securities and State and/or Local Government Taxable and /or Tax-Exempt Debt shall not exceed 20% of the total investment portfolio. The Authority shall not exceed 10% of its portfolio value for Asset-Backed Securities.

As of September 30, 2016, 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 as of September 30, 2016 are as follows: \$9.22 million 19.52% invested in issues of the Federal Home Loan Banks; \$6.53 million 13.82% invested in US Treasury Notes; \$2.71 million 5.73% invested in Federal National Mortgage Association; and \$2.37 million 5.01% invested in Federal Home Loan Mortgage Corporation.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

September 30, 2016	<i>(dollar amounts in thousands)</i>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Fair Value</u>
Investments:			
US Treasury and government agency securities	\$ 26,092	\$ -	\$ 26,092
Money market mutual funds*	-	10,617	10,617
Commercial Paper	1,395	-	1,395
Corporate Bonds	9,132	-	9,132
Total investments	<u>\$ 36,619</u>	<u>\$ 10,617</u>	<u>\$ 47,236</u>

September 30, 2015	<i>(dollar amounts in thousands)</i>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Fair Value</u>
Investments:			
US Treasury and government agency securities	\$ 18,814	\$ 15,154	\$ 33,968
Money market mutual funds*	761	6,882	7,643
Commercial Paper	2,867	-	2,867
Corporate Bonds	6,597	-	6,597
Total investments	<u>\$ 29,039</u>	<u>\$ 22,036</u>	<u>\$ 51,075</u>

*Reported as cash equivalents on the statements of net position

The Authority follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustment of the carrying value of investments to fair value to be represented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the asset; Level 3 inputs are significant unobservable inputs. The authority has no investments valued using level 3 inputs.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

The Authority has the following recurring fair value measurements as of September 30, 2016:

US Treasury securities and government agency of \$26.09 million are valued using quoted prices in an active market for identical assets (Level 1 inputs).

Commercial paper of \$1.40 million and corporate bond of \$6.60 million are valued using a matrix pricing model (Level 2 inputs).

The following shows a reconciliation of the investment categories to the statements of net position for cash equivalents and investments for the fiscal years September 30, 2016 and 2015.

(dollar amounts in thousands)

Cash & Investments as of September 30, 2016

	Cash	Local Government Surplus Fund	Money Market Mutual Funds	Investment Securities	Total Investments	Total Cash & Investments
Current assets:						
Cash and cash equivalents	\$ 32,735	\$ -	\$ -	\$ -	\$ -	\$ 32,735
Investments	-	-	-	36,619	36,619	36,619
Noncurrent assets:						
Restricted cash and cash equivalents	5,372	-	10,617	-	10,617	15,989
	<u>\$ 38,107</u>	<u>\$ -</u>	<u>\$ 10,617</u>	<u>\$ 36,619</u>	<u>\$ 47,236</u>	<u>\$ 85,343</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

3. Investments (continued)

(dollar amounts in thousands)

Cash & Investments as of September 30, 2015

	Cash	Local Government Surplus Fund	Money Market Mutual Funds	Investment Securities	Total Investments	Total Cash & Investments
Current assets:						
Cash and cash equivalents	\$ 32,943	\$ -	\$ 761	\$ -	\$ 761	\$ 33,704
Investments	-	-	-	28,278	28,278	28,278
Restricted cash and cash equivalents	9,203	-	4,605	-	4,605	13,808
Noncurrent assets:						
Restricted cash and cash equivalents	2,156	-	2,277	-	2,277	4,433
Restricted investments	-	-	-	15,154	15,154	15,154
	\$ 44,302	\$ -	\$ 7,643	\$ 43,432	\$ 51,075	\$ 95,377

4. Receivables

Accounts receivable are recorded net of allowances for uncollectible accounts of \$120 thousand and \$198 thousand at September 30, 2016 and 2015, respectively. Accounts receivable at year-end are comprised of the following:

	Percent of Balance September 30,	
	2016	2015
Receivables from:		
Airlines	68.87 %	77.71 %
Concessionaires/non-aviation	26.79 %	19.21 %
Parking customers	4.34 %	3.07 %

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

4. Receivables (continued)

The Authority entered into separate operating and lease agreements with various tenants where the following note receivables were issued: November 01, 2014 for \$87.80 thousand over forty-eight months at no interest, November 01, 2013 for \$250 thousand over fifty-four months at an 8% interest rate, April 1, 2009 for \$465.17 thousand over 83 months at an interest rate of 3.5%, and February 25, 2005 for \$4.63 million over twenty-five years at an interest rate ranging from 6% to 9%. The current rate of interest for 2016 is 8%.

(dollar amounts in thousands)

October 1, 2015 Balance	Increases	Decreases	September 30, 2016 Balance	Amounts Due Within One Year
\$ 3,817	\$ -	\$ (244)	\$ 3,573	\$ 225

(dollar amounts in thousands)

October 1, 2014 Balance	Increases	Decreases	September 30, 2015 Balance	Amounts Due Within One Year
\$ 4,081	\$ 2	\$ (266)	\$ 3,817	\$ 261

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

5. Restricted Assets

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

	<i>(dollar amounts in thousands)</i>	
	<u>2016</u>	<u>2015</u>
Current restricted cash and cash equivalents		
Debt Service	\$ 9,575	\$ 13,808
Non current restricted cash and cash equivalents		
State forfeiture	\$ -	\$ 19
Federal forfeiture	70	115
Flexible spending	20	22
PFC	5,142	1,711
Operating and maintenance	9,274	129
Pooled bond reserve	-	2,131
Capital recovery	140	288
R&R fund	1,047	18
Total non current restricted cash and cash equivalents	<u>\$ 15,693</u>	<u>\$ 4,433</u>
Restricted investments		
Pooled bond reserve	\$ -	\$ 5,053
R&R fund	-	1,026
O&M fund	-	9,075
Total restricted investments	<u>\$ -</u>	<u>\$ 15,154</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

6. Capital Assets

Capital assets activity for the years ended September 30, 2016 and 2015:

	<i>(dollar amounts in thousands)</i>			
	Beginning Balance October 1, 2015	Transfers and Additions	Transfers and Disposals	Ending Balance September 30, 2016
Capital assets not being depreciated:				
Land	\$ 71,120	\$ -	\$ -	\$ 71,120
Construction in progress	15,884	25,304	(23,441)	17,747
Total capital assets not being depreciated	<u>87,004</u>	<u>25,304</u>	<u>(23,441)</u>	<u>88,867</u>
Other capital assets:				
Buildings and Structures	142,882	5,627	-	148,509
Other improvements	687,233	18,028	-	705,261
Equipment	59,847	7,814	(421)	67,240
Total other capital assets	<u>889,962</u>	<u>31,469</u>	<u>(421)</u>	<u>921,010</u>
Intangible capital assets	7,648	387	-	8,035
Less amortization	<u>(6,330)</u>	<u>(492)</u>	<u>-</u>	<u>(6,822)</u>
Total intangible assets	1,318	(105)	-	1,213
Total assets being depreciated	891,280	31,364	(421)	922,223
Total capital assets	978,284	56,668	(23,862)	1,011,090
Less: Accumulated depreciation				
Buildings	68,513	4,032	-	72,545
Other improvements	329,416	22,500	-	351,916
Equipment	<u>38,686</u>	<u>4,042</u>	<u>(44)</u>	<u>42,684</u>
Total accumulated depreciation	<u>436,615</u>	<u>30,574</u>	<u>(44)</u>	<u>467,145</u>
	<u>\$ 541,669</u>	<u>\$ 26,094</u>	<u>\$ (23,818)</u>	<u>\$ 543,945</u>

Depreciation expense for the years ended September 30, 2016 and 2015 was \$30.57 million and \$28.08 million, respectively. During the fiscal year ended September 30, 2016 we capitalized \$762.70 thousand in interest. We did not capitalize any interest in 2015.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

6. Capital Assets (continued)

(dollar amounts in thousands)

	Beginning Balance October 1, 2014	Transfers and Additions	Transfers and Disposals	Ending Balance September 30, 2015
Capital assets not being depreciated:				
Land	\$ 71,120	\$ -	\$ -	\$ 71,120
Construction in progress	31,755	29,383	(45,254)	15,884
Total capital assets not being depreciated	102,875	29,383	(45,254)	87,004
Other capital assets:				
Buildings	122,462	20,420	-	142,882
Other improvements	666,332	20,901	-	687,233
Equipment	56,255	3,894	(302)	59,847
Total other capital assets	845,049	45,215	(302)	889,962
Intangible capital assets	7,610	38	-	7,648
Less amortization	(5,829)	(501)	-	(6,330)
Total intangible assets	1,781	(463)	-	1,318
Total assets being depreciated	846,830	44,752	(302)	891,280
Total capital assets	949,705	74,135	(45,556)	978,284
Less: Accumulated depreciation				
Buildings	64,911	3,602	-	68,513
Other improvements	308,170	21,246	-	329,416
Equipment	35,751	3,227	(292)	38,686
Total accumulated depreciation	408,832	28,075	(292)	436,615
	<u>\$ 540,873</u>	<u>\$ 46,060</u>	<u>\$ (45,264)</u>	<u>\$ 541,669</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans

Plan Description

Florida Retirement System

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

The Florida Legislature passed Senate Bill 2100 effective July 1, 2011. This bill changed eligibility requirements and created a mandatory employee contribution of 3%. Because of this bill, there are now two groups of employees participating in the FRS program. These groups are defined by their date of employment; those who began employment before July 1, 2011 and those who began on or after July 1, 2011.

For those employees who began employment before July 1, 2011 the following applies:

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

For those employees who began employment on or after July 1, 2011 the following applies:

The FRS provides vesting of benefits after eight years of creditable service. Members are eligible for normal retirement after they have met one of the following: (1) eight years of service and age 65, or the age after age 65 that the member becomes vested, or thirty three years of service regardless of age (may include four years military), whichever comes first; or (2) eight years of special risk service and age 60, or thirty total years of special risk services and age 57 (may include four years wartime military service), or thirty 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 eight 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 years of service. Average final compensation is the average of the eight highest fiscal 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.

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. The Senate Bill 2100 enacted in July 2011 created a 3% mandatory pre-tax employee contribution, as well as, a reduction in contribution rates for the employer.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

The following table shows the required contributions for the different classes of employee participants:

Year		Special risks participants	Deferred retirement option participants	Senior management participants	Regular participants
07/01/2016-06/30/2017	Employer	22.57 %	12.99 %	21.77 %	7.52 %
	Employee	3.00 %	- %	3.00 %	3.00 %
	Total	25.57 %	12.99 %	24.77 %	10.52 %
07/01/2015-06/30/2016	Employer	22.04 %	12.88 %	21.43 %	7.26 %
	Employee	3.00 %	- %	3.00 %	3.00 %
	Total	25.04 %	12.88 %	24.43 %	10.26 %
07/01/2014-06/30/2015	Employer	19.82 %	12.28 %	21.14 %	7.37 %
	Employee	3.00 %	- %	3.00 %	3.00 %
	Total	22.82 %	12.28 %	24.14 %	10.37 %

Contributions made to the FRS were equal to the required amount, as of September 30, are as follows:

	<i>(dollar amounts in thousands)</i>		
	2016	2015	2014
Employer	\$ 1,878	\$ 1,712	\$ 1,515
Employee	502	466	429
Total	<u>\$ 2,380</u>	<u>\$ 2,178</u>	<u>\$ 1,944</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016 and 2015, the Authority reported a liability of \$14.13 million and \$6.96 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

The Authority's proportionate share of the net pension liability was based on the Authority's 2016 and 2015 fiscal year contributions relative to the 2016 and 2015 fiscal year contributions of all participating members. At June 30, 2016 and 2015 the Authority's proportionate share was 0.05596706% and 0.05388302% respectively, which was an increase of 0.00208404% from its proportionate share measured as of June 30, 2015 and an increase of 0.00230490% from its proportionate share measured as of June 30, 2014.

For the fiscal years ended September 30, 2016 and 2015, the Authority recognized pension expense of \$1.37 and \$1.31 million related to the Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<i>(dollar amounts in thousands)</i>			
	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,082	\$ (132)	\$ 735	\$ 165
Change of assumptions	855	-	461	-
Net difference between projected and actual earnings on FRS pension plan investments	6,501	(2,848)	2,452	4,113
Changes in proportion and differences between Authority's FRS contributions and proportionate share of contributions	732	-	614	-
Authority's contributions subsequent to the measurement date	458	-	369	-
Total	<u>\$ 9,628</u>	<u>\$ (2,980)</u>	<u>\$ 4,631</u>	<u>\$ 4,278</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

For fiscal years ended September 30, 2016 and 2015 deferred outflow of resources related to pensions, totaled \$458.28 and \$369.58 thousand, resulting from Authority contributions to the Plan subsequent to the measurement date, and will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<i>(dollar amounts in thousands)</i>
	<u>2016 Deferred outflows/(infl ows) net</u>
2017	\$ 1,105
2018	1,105
2019	1,105
2020	1,105
2021	1,438
Thereafter	331

Actuarial Assumptions

The total pension liability in the July 1, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2016</u>	<u>2015</u>
Inflation	2.60%	2.60%
Salary increases - average including inflation	3.25%	3.25%
Investment rate of return - net of pension plan investment expense including inflation	7.60%	7.65%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale BB.

The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on pension plan investments was based on assumptions developed by Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model.

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the investment rate of return assumption as set by the 2016 FRS Actuarial Assumption Conference and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the Authority considered this information, as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of the State of Florida as of and for the year ended June 30, 2016, which both contained unmodified opinions and has concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

July 1, 2016

Actuarial Assumptions

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Target Allocation (1)
Cash	1.00 %	3.00 %	3.00 %	1.70 %
Fixed Income	18.00	4.70	4.60	4.60
Global equity	53.00	8.10	6.80	17.20
Real estate (property)	10.00	6.40	5.80	12.00
Private Equity	6.00	11.50	7.80	30.00
Strategic investments	12.00	6.10	5.60	11.10
Total	100.00			
Assumed Inflation - Mean			2.60 %	1.90 %

Note: (1) As outlined in the Plan's investment policy

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

July 1, 2015
Actuarial Assumptions

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Target Allocation (1)
Cash	1.00 %	3.20 %	3.10 %	1.70 %
Fixed Income	18.00	4.80	4.70	4.70
Global equity	53.00	8.50	7.20	17.70
Real estate (property)	10.00	6.80	6.20	12.00
Private Equity	6.00	11.90	8.20	30.00
Strategic investments	12.00	6.70	6.10	11.40
Total	100.00 %			

Assumed inflation - Mean

2.60 %

1.90 %

*Note: (1) As outlined in the Plan's
investment policy*

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for 2016 and 7.65% for 2015. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability as of June 30, 2016 as calculated using the discount rate of 7.60%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower 6.60% or 1% point higher 8.60% than the current rate for 2016. The Authority's proportionate share of the net pension liability as of June 30, 2015 as calculated using the discount rate of 7.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower, 6.65% or 1% point higher 8.65% than the rate for 2015.

	<i>(dollar amounts in thousands)</i>					
	2016			2015		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%	1% Decrease 6.65%	Current Discount Rate 7.65	1% Increase 8.65%
Authority's proportionate share of the net pension liability	\$ 26,017	\$ 14,132	\$ 4,238	\$ 18,034	\$ 6,960	\$ (2,256)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

The Retiree Health Insurance Subsidy Program (HIS)

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services, Division of Retirement.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

Benefits Provided

For the fiscal year ended September 30, 2016 and 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS benefit of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016 and 2015, the contribution rate was 2.22% and 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. The HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. The HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2016 and 2015, the Authority reported a net pension liability of \$6.46 and \$5.38 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015.

The Authority's proportionate share of the net pension liability was based on the Authority's 2016 and 2015 fiscal year contributions relative to the total 2016 and 2015 fiscal year contributions of all participating members. At June 30, 2016 and 2015, the Authority's proportionate share was 0.05543700%, and 0.05272815% which was an increase of 0.00270885% from its proportionate share measured as of June 30, 2015, and an increase of 0.00184675% from its proportionate share measured as of June 30, 2014.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

For the fiscal year ended September 30, 2016 and 2015, the Authority recognized pension expense of \$284.00 and \$201.56 thousand related to the HIS Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<i>(dollar amounts in thousands)</i>			
	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (15)	\$ -	\$ -
Change of assumptions	1,014	-	423	-
Net difference between projected and actual earnings on FRS HIS investments	3	-	3	-
Changes in proportion and differences between Authority's FRS contributions and proportionate share of contributions	380	-	193	-
Authority's contributions subsequent to the measurement date	81	-	74	-
Total	\$ 1,478	\$ (15)	\$ 693	\$ -

For fiscal years ended September 30, 2016 and 2015 deferred outflows of resources related to pensions, totaling \$81.00 and \$74.00 thousand, resulting from Authority contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30	<i>(dollar amounts in thousands)</i>
	Deferred Outflow/(Inflows) Net
2017	\$ 204
2018	204
2019	204
2020	204
2021	204
Thereafter	362

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016 and 2015, actuarial valuations, for the HIS Plan, was determined using the following actuarial assumptions, applied to all periods include in the measurement:

	<u>2016</u>	<u>2015</u>
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	2.85%	3.80%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of the actuarial experience study for the period July 1, 2010, through June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability relating to the HIS Plan were 2.85% and 3.80% for 2016 and 2015. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index as adopted as the applicable municipal bond index.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability, for the HIS Plan, calculated using the discount rate of 2.85% and 3.80% for 2016 and 2015, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1 % point higher than the current rate.

	<i>(dollar amounts in thousands)</i>					
	<u>2016</u>			<u>2015</u>		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	1.85%	2.85%	3.85%	2.80%	3.80%	4.80%
Authority's proportionate share of the net pension liability	\$ 7,412	\$ 6,460	\$ 5,671	\$ 6,127	\$ 5,377	\$ 4,752

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS - Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

7. Pension Plans (continued)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$337,201 for the fiscal year ended September 30, 2016, and \$287,691 for the fiscal year ended September 30, 2015.

8. Deferred Compensation Plans

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with IRS Code Section 457. The 457 Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the 457 Plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

All 457 Plan assets are held by trustees for the exclusive benefits of participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority's statements of net position.

The Authority also offers its employees a deferred compensation plan (the 401(a) Plan), created in accordance with the IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 401(a) Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of participants and beneficiaries. Thus, the assets and liabilities of the 401(a) Plan are not reflected on the Authority's Statement of Net Position.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Postretirement Health and Other Benefits

Plan Description

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

Retirees opting to participate are asked to pay a premium amount that is equal to the cost to provide insurance coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate retirees pay is less than the cost of covering retired members and their beneficiaries results in an “implicit rate subsidy” by the Authority, which gives rise to the benefit.

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

The Authority is required to value their postretirement health and other benefits biennially. The most recent actuarial valuation date was fiscal year ended September 30, 2016. Due to the small amounts involved, vision benefits are not included in the valuation. Life insurance benefits are provided on a fully insured basis and are provided by unsubsidized retiree contributions. As such, life insurance benefits are not included in the valuation.

Funding Policy

The contribution requirements of plan members and the Authority are established by the Authority. The required contribution is based on a projected pay-as-you-go financing requirement. The Authority has not established an OPEB trust fund to accumulate assets to fund Plan obligations and has no statutory or contractual obligation to fund the Plan. Plan members are required to pay 100% of the premium for the plans selected. Monthly premium amounts vary depending on the plans selected and choice of coverage for employee only or employee plus spouse.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Postretirement Health and Other Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the Authority's annual OPEB cost for the fiscal years 2016 and 2015, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation. The annual OPEB cost decreased in fiscal year 2014 due to changes in assumptions used for post retirement benefits after the age of 65. The net OPEB obligation of \$2.10 and \$2.02 million is recorded as a long-term liability in the statements of net position for fiscal years 2016 and 2015, respectively.

	<i>(dollar amounts in thousands)</i>	
	<u>2016</u>	<u>2015</u>
Determination of Annual Required Contribution		
Normal cost at year end	\$ 133	\$ 72
Amortization of UAAL	98	59
Annual required contribution (ARC)	<u>\$ 231</u>	<u>\$ 131</u>
Determination of net OPEB obligation		
Annual required contribution	\$ 231	\$ 131
Interest on prior year net OPEB obligation	81	83
Adjustment to ARC	<u>(195)</u>	<u>(229)</u>
Annual OPEB cost	\$ 117	\$ (15)
Contributions made*	<u>35</u>	<u>44</u>
(Decrease) Increase in net OPEB obligation	\$ 82	\$ (59)
Net OPEB obligation - beginning of year	<u>2,018</u>	<u>2,077</u>
Net OPEB obligation - end of year	<u>\$ 2,100</u>	<u>\$ 2,018</u>

*Assuming no additional funding, employer contributions will be equal to the net expected employer benefit payments (gross benefit cost offset by the retiree's contributions) during the 2015-2016 and 2014-2015 fiscal year. GASB 45 defines contributions for this purpose to be actual benefit payments during the year plus contributions, if any, made to a separate, irrevocable trust.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Postretirement Health and Other Benefits (continued)

The following table shows the annual OPEB cost and net OPEB obligation at September 30, 2016, 2015 and 2014.

(dollar amounts in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Authority Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2016	\$ 117	\$ 35	29.91 %	\$ 2,100
9/30/2015	(15)	44	(293.33)	2,018
9/30/2014	(19)	37	(194.74)	2,077

Funded Status and Funding Progress

As of September 30, 2016 and September 30, 2015 the plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1.70 and \$1.02 million for 2016 and 2015, respectively. The actuarial value of assets for both 2016 and 2015 was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.70 and \$1.02 million in 2016 and 2015. For fiscal years 2016 and 2015 the covered payroll (annual payroll of active employees covered by the plan) was \$17.45 and \$16.11 million, respectively. The ratio of the UAAL to the covered payroll was 9.74% for 2016 and 6.33% for 2015.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples are assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents the most recent actuarial valuation date of September 30, 2016 and September 30, 2015 relating to the actuarial accrued liability.

Actuarial Methods and Assumptions

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

9. Postretirement Health and Other Benefits (continued)

The fiscal years 2016 and 2015 actuarial valuations were computed using the projected unit credit actuarial cost method, which consists of the following components: (1) the normal cost is the actuarial present value of benefits allocated to the valuation year (with the allocation period being from date of hire to date of retirement); (2) the actuarial liability is the actuarial present value of benefits accrued as of the valuation date; (3) the amortization of the actuarial liability is a level dollar amount over a closed period of 30 years; (4) valuation assets are equal to the market value of assets as of the valuation date, if any; and (5) unfunded actuarial liability is the difference between the actuarial liability and the valuation assets. Since the plan is unfunded there is no assumption of investment return. Because benefits are not based on payroll no assumptions are made for salary increases. The actuarial liability is amortized over the maximum permissible period under GASB 45 of 30 years. There are 22 years remaining.

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

In addition to the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. The Authority used demographic assumptions provided by the pension actuary for the Florida Retirement System under which employees are covered.

The September 30, 2016 and 2015 costs and liabilities were determined using the following assumptions: (1) discount rate of 4.0% per annum, compounded annually; (2) pre-retirement mortality rates and post-retirement mortality rates were based on the sex-distinct RP-2000 generational mortality table; (3) assumptions regarding withdrawal rates, retirement rates, disability, marriage assumptions, participation levels and retiree claim costs can be found in the detailed actuarial valuation report; (4) assumed medical care cost trend rates of 10.00% and 10.00%, for fiscal year 2016 and 2015. Future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend, resulting in an ultimate rate of 5.00% for fiscal year 2016 assumptions and 5.00% for fiscal year 2015 assumptions; (5) as the plan is unfunded, no assumptions have been made regarding investment returns; (6) the plan is not related to salaries, therefore no assumptions have been made regarding projected salary increases.

The Authority does not have a separate audited GAAP-basis postemployment benefit plan report available for the defined benefit plan. The Authority does have an Actuarial Valuation of Postretirement Benefits under GASB 45 report. For additional information about this report, or if you need additional information, please contact Chief Financial Officer, 14201 Pecan Park Road, Jacksonville, FL 32218.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness

A summary of changes to long-term indebtedness follows:

<i>(dollar amounts in thousands)</i>					
	2015 Balance	Increases	Decreases	2016 Balance	Due Within One Year
Revenue bonds	\$ 50,530	\$ -	\$ 50,530	\$ -	\$ -
Revenue refunding notes	87,350	26,500	11,110	102,740	9,075
Total	137,880	26,500	61,640	102,740	9,075
Less amounts due within one year	(12,020)			(9,075)	
Total long term portion	125,860			93,665	
Unamortized bond premium	828	-	828	-	
Total long term bonds and notes payable	\$ 126,688	\$ 26,500	\$ 62,468	\$ 93,665	

<i>(dollar amounts in thousands)</i>					
	October 1, 2014 Balance	Increases	Decreases	September 30, 2015 Balance	Due Within One Year
Revenue bonds	\$ 53,265	\$ -	\$ 2,735	\$ 50,530	\$ 2,910
Revenue refunding notes	97,380	-	10,030	87,350	9,110
Total	150,645	-	12,765	137,880	12,020
Less amounts due within one year	(11,765)			(12,020)	
Total long term portion	138,880			125,860	
Unamortized bond premium	903	-	75	828	
Total long term bonds and notes payable	\$ 139,783	\$ -	\$ 12,840	\$ 126,688	

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

2006 Airport Revenue Bonds

On October 11, 2006, revenue bonds Series 2006 (AMT) were issued in the amount \$129.19 million. 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 were for financing the costs of acquisition, construction and installation of capital improvements to JIA, paying the cost of a municipal bond insurance policy, funding a portion of the reserve requirement and paying issuance costs.

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

Moody's, S&P and Fitch assigned underlying ratings of "A2", "A" and "A", respectively, to the 2006 bonds.

On July 5, 2016 the Authority defeased the remaining balance on the 2006 Airport Revenue Bonds. Principal and interest defeased were \$47.62 million and \$1.17 million, respectively. The original maturity date of October 2027 was shortened due to the refinancing of the bond. Proceeds to pay off the bonds came from the 2016 revenue note and Authority funds.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

2008 Compass Note

On April 1, 2008 a note was issued from Compass Bank (Compass) in the amount of \$41.49 million. The purpose of the note was to refund the 2005 airport revenue refunding bonds, pay a portion of the 2005 swap termination fee and pay issue costs. The note has a variable interest rate of 65% of 1-month LIBOR plus 64.35 basis points (0.6435%). The annual interest rate at September 30, 2016 was 0.772%.

Payments of the long-term outstanding note will require the following principal and interest payments based on the amounts outstanding at September 30, 2016 and the fixed interest rate of 3.412%:

(dollar amounts in thousands)

Year Ending September 30,	Principal	Interest	Total
2017	\$ 2,485	\$ 835	\$ 3,320
2018	2,570	749	3,319
2019	2,660	659	3,319
2020	2,750	567	3,317
2021	2,845	472	3,317
2022 - 2025	12,400	864	13,264
Total	\$ 25,710	\$ 4,146	\$ 29,856

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

2012 Revenue Refunding Note

On December 4, 2012 a revenue refunded note was issued from TD Bank, National Association in the amount of \$48.47 million. The purpose of the note was a partial refunding of the 2006 bonds, series 2031, 2033 and 2036. The Authority refunded a portion of the bonds in order to take advantage of favorable interest rates and reduce interest expense. This refunding resulted in a present value economic gain of \$24.15 million. The note has a fixed interest rate of 1.73%. The Authority paid \$167 thousand of issuance cost for the 2012 revenue refunding note. The aggregate difference in debt service is a reduction of \$45.09 million.

Payments of the long-term outstanding note will require the following principal and interest payments based on the amounts outstanding at September 30, 2016:

Year Ending September 30,	<i>(dollar amounts in thousands)</i>		
	Principal	Interest	Total
2017	\$ 1,525	\$ 712	\$ 2,237
2018	1,525	685	2,210
2019	1,525	659	2,184
2020	1,525	632	2,157
2021	1,525	606	2,131
2022 - 2023	34,265	863	35,128
Total	<u>\$ 41,890</u>	<u>\$ 4,157</u>	<u>\$ 46,047</u>

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

2013 Revenue Refunding Note

On July 10, 2013 a revenue refunding note was issued from Sabadell United Bank, N.A. (Sabadell) in the amount of \$20.00 million. The purpose of the note was to refund the 2003 A-1 and A-2 bonds. The note has a fixed rate of .85%. The net proceeds of \$20.00 million, plus an additional \$6.22 million, for a total of \$26.22 million, were deposited in an irrevocable escrow account to provide for the full in-substance defeasance of the 2003 A-1 and A-2 revenue bonds. The refunding resulted in a present value interest savings \$15.33 million. The result was an in-substance defeasance of the 2003 A-1 and A-2 bonds.

Payments of the long-term outstanding note will require the following principal and interest payments based on the amounts outstanding at September 30, 2016:

(dollar amounts in thousands)

Year Ending September 30,	Principal	Interest	Total
2017	\$ 5,640	\$ 49	\$ 5,689
2018	3,000	13	3,013
Total	\$ 8,640	\$ 62	\$ 8,702

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

2016 Revenue Refunding Note

On July 5, 2016 a revenue refunding note was issued from Bank United in the amount of \$26.5 million. The purpose of the note was to refund the 2006 Revenue bonds. The note has a fixed rate of 1.807%. The net proceeds of of \$26.5 million, plus an additional \$22.42 million, for a total of \$48.92 million, were deposited in an irrevocable escrow account to provide for the full insubstance defeasance of the 2006 revenue bonds. The outstanding balances of September 30, 2016 for the 2006 revenue bonds were principal of \$47.62 million and interest of \$1.17 million. The present value of the annual savings of the refunding is \$6.65 million and the total savings is \$9.27 million. The Authority paid \$176.47 thousand of issuance cost for the 2016 revenue refunding note.

Payments of the long-term outstanding note will require the following principal and interest payments based on the amounts outstanding at September 30, 2016.

Year Ending September 30,	<i>(dollar amounts in thousands)</i>		
	Principal	Interest	Total
2017	\$ -	\$ 239	\$ 239
2018	2,995	452	3,447
2019	7,650	356	8,006
2020	1,860	270	2,130
2021	1,895	236	2,131
2022 - 2026	9,995	648	10,643
2027	2,105	19	2,124
Total	\$ 26,500	\$ 2,220	\$ 28,720

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

Annual Requirements

Annual requirements to repay all outstanding long-term debt as of September 30, 2016 are as follows:

(dollar amounts in thousands)

Year Ending September 30,	2016 Revenue Refunding Note	2008 Note	2012 Revenue Refunding Note	2013 Revenue Refunding Note	Total Principal and Interest	Total Principal	Total Interest
2017	\$ 239	\$ 3,320	\$ 2,237	\$ 5,689	\$ 11,485	\$ 9,650	\$ 1,835
2018	3,447	3,319	2,210	3,013	11,989	10,090	1,898
2019	8,006	3,319	2,184	-	13,509	11,835	1,674
2020	2,130	3,317	2,157	-	7,604	6,135	1,469
2021	2,131	3,317	2,131	-	7,579	6,265	1,313
2022 - 2026	10,643	13,264	35,128	-	59,035	56,660	2,375
2027	2,124	-	-	-	2,124	2,105	19
	<u>\$ 28,720</u>	<u>\$ 29,856</u>	<u>\$ 46,047</u>	<u>\$ 8,702</u>	<u>\$ 113,325</u>	<u>\$ 102,740</u>	<u>\$ 10,583</u>

Debt Service Reserve

The amount available for debt service consists of resources from the 2006 Debt Service Fund legally required to be used for Debt service until the related debt is extinguished.

(dollar amounts in thousands)

	2016	2015
Restricted for Debt Service	\$ 10,617	\$ 4,605

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

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

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

The executed transactions consisted of a new \$41.49 million floating-to-fixed "matched rate" swap effective April 1, 2008 whereby the Authority pays to Compass a fixed rate of 3.4116% and received from Compass 65% of 1-month LIBOR plus 64.35 basis points (0.6435%). The fixed rate interest paid and the interest received from Compass are recorded in interest expense on the statements of revenues, expenses and changes in net position. The swap's notional amount of \$41.49 million matches the \$41.49 million Compass note. The note and the related swap agreement mature on October 1, 2024.

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

As of September 30, 2016 and 2015 the fair value of the swap was a negative \$2.25 million and \$2.47 million respectively, which represent the amount the Authority would pay to exit the swap transaction as of that date based on prevailing interest rates.

The fair value of the interest rate swap agreement and related hedging instrument is reported in the long-term debt section of the statements of net position. The Authority adopted GASB Statement No. 53, therefore, for effective hedging instruments; hedge accounting is applied where fair value changes are recorded on the statements of net position as either a deferred outflow or a deferred inflow.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

The terms of the floating to fixed rate swap agreement outstanding at September 30, 2016, are as follows:

Effective date	4/1/2008
Maturity date	10/1/2024
Swap fixed rate	3.4116% (monthly, Act/360)
Swap variable rate	65%* 1-Mo Libor (monthly, Act/360)
Margin	64.35 basis points
Counterparty	(0.6435%) Compass

The following table includes fiscal year 2016 and 2015 summary information for the Authority's effective cash flow hedge related to the outstanding floating to fixed interest swap agreement which is recorded as a derivative instrument liability and offsetting deferred outflow of resource.

<u>2008 Compass Note</u>	<u>(dollar amounts in thousands)</u>			
	<u>Changes in Fair Value</u>	<u>Classification</u>	<u>Fair Value</u>	<u>Notional Amount Outstanding</u>
September 30, 2016	\$ 215	Derivative instrument - swap	\$ (2,251)	\$ 25,710
September 30, 2015	\$ (198)	Derivative instrument - swap	\$ (2,466)	\$ 28,115

Fair value amounts were calculated using market rates as of September 30, 2016 and 2015 respectively, and standard cash flow present valuing techniques (Level 2 inputs).

For fiscal years ended September 30, 2016 and 2015, the weighted average rates of interest for floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

	<u>2016</u>	<u>2015</u>
65% of LIBOR Index:		
Notional amount outstanding	\$ 25,710	\$ 28,115
Variable rate received (weighted average)	0.998 %	0.772 %
Fixed rate paid (weighted average)	3.4116 %	3.4116 %

Risks

Credit Risk:

As of September 30, 2016 the Authority is 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 the 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. Moody's, S&P and Fitch have assigned ratings of Baa2, BBB and BBB, respectively, to Compass. The swap agreement contains varying collateral agreements with the counterparties. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest Rate Risk:

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

Basis Risk:

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

Termination Risk:

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contracts. As of September 30, 2016 the swap termination fee had a negative fair value, therefore the Authority would incur additional expenses relating to termination.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

10. Long-Term Indebtedness (continued)

Market Access Risk:

The Authority is exposed to market access risk due to market disruptions in the municipal bond market that could inhibit the issuing of bonds and relating hedging instruments.

Swap Payments and Associated Debt

Using rates as of September 30, 2016, the following table summarizes the anticipated net cash flows of the debt service requirements of the Compass note and net swap payments, assuming current interest rates remain the same. As rates vary, bond interest payments and swap payments will vary.

Year Ending September 30,	<i>(dollar amounts in thousands)</i>			
	Principal	Interest	Swap, Net	Total
2017	\$ 2,485	\$ 189	\$ 646	\$ 3,320
2018	2,570	169	579	3,318
2019	2,660	149	510	3,319
2020	2,750	128	439	3,317
2021	2,845	107	365	3,317
2022 - 2026	12,400	196	669	13,265
Total	<u>\$ 25,710</u>	<u>\$ 938</u>	<u>\$ 3,208</u>	<u>\$ 29,856</u>

11. Airline Lease and Use Agreements

The Airline Lease and Use Agreement provides for the lease to signatory airlines exclusive use of certain premises, non-exclusive use of certain public use premises in the terminal and in the ramp area and non-exclusive use of the landing area at JIA. This is a residual agreement with a five year term ending on September 30, 2017.

For the purposes of accounting for costs, expenses and revenues and establishing signatory airline rentals, fees and charges, the airline agreement provides for dividing the airport system into separate cost centers. Certain cost centers are designated direct cost centers and other 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 remaining cost centers (excluded cost centers) of the airport system are: ground transportation, non-aviation, aviation, JAX Executive at Craig Airport, Herlong Airport, and Cecil Airport. The signatory airlines have no responsibility under the airline agreement for the payments 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)

Under the residual method, the Airlines agree to pay the cost of running the terminal that are not allocated to other airport users or covered by nonairline sources of revenue. The cost less the revenue associated with the terminal is divided by the airline terminal leased square footage to determine the average rental rate. The residual method guarantees the Authority will break even on the terminal cost center.

The airline agreement provides 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. The net costs attributable to the airfield are allocated among the signatory airlines on the basis of the landed weight of aircraft and are paid as landing fees.

Under the residual method the costs include the satisfaction of all the Authority's obligations to make deposits and payments under the bond resolution which are properly attributable to such areas.

The agreement includes an annual guaranteed transfer to the signatory airlines of \$11.28 million for each year of the agreement. The guaranteed transfer reduces the cost per enplanement for the airlines. This transfer is distributed to the airlines based on individual airline's percentage of enplanements over total enplanements.

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, and on-airport rental cars. 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 2016 of \$13.30 million by \$2.70 million. Some of the agreements provide for a periodic review and re-determination of the payment amounts.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

12. Airport Tenant Agreements (continued)

Minimum future rental income for each of the next five years and thereafter, excluding contingent amounts on non-cancelable operating leases at September 30, 2016 as follows:

<u>Year</u>	<i>(dollar amounts in thousands)</i>
2017	\$ 45,415
2018	20,582
2019	11,492
2020	9,712
2021	8,707
2022 - 2026	25,592
2027 - 2031	19,263
2032 - 2036	17,022
2037 - 2041	13,717
2042 - 2046	9,290
2047 - Thereafter	3,920
	<u>\$ 184,712</u>

The signatory airline agreements are renegotiated at the end of their term. The current signatory agreement expires September 30, 2017.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

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 Airline Improvement Program. 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 capital contributions were \$21.76 million and \$16.53 million respectively, for the years ended September 30, 2016 and 2015. Management estimates that no material disallowance will result from such audits.

The Authority received federal and state grants for the capital programs for the years ended September 30, 2016 and 2015 as summarized in the table below.

	<i>(dollar amounts in thousands)</i>	
	<u>2016</u>	<u>2015</u>
Capital Programs:		
State grants for construction	\$ 777	\$ 8,564
Federal grants for construction	1,814	4,936
TSA grants for construction	11,214	2,580
Other contributions for construction	7,956	446
	<u>\$ 21,761</u>	<u>\$ 16,526</u>

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 for the airports and airways trust funds in the form of entitlement and discretionary grants for eligible projects. The State also provided discretionary funds for capital programs. Funds approval and payment are contingent upon annual legislative appropriation.

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

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

14. Operating Grants

The Authority received TSA funds for the operating programs for years ended September 30, 2016 and 2015 as summarized in the tables below.

	<i>(dollar amounts in thousands)</i>	
	Year ended September 30	
	2016	2015
Operating programs:		
TSA K-9 Federal programs	\$ 318	\$ 369

The TSA K-9 program funds are awarded based on expenses of training, caring for and working with the explosive device detection dogs.

Grants for operating programs for the year ended September 30, 2016 and 2015 are reported in the statements of revenues, expenses and changes in net position as non-operating revenue.

15. Payments to City of Jacksonville

During fiscal years 2016 and 2015, the Authority paid approximately \$4.93 million and \$4.22 million to the City for expenses relating to legal, insurance, firefighting and miscellaneous services.

16. Commitments and Contingencies

Terminal and Capital Improvement Program

As of September 30, 2016 and 2015, the Authority has outstanding contractual commitments for completion of certain capital improvement projects, totaling \$9.90 million and \$22.46 million of which an estimated \$6.00 million and \$15.38 million are eligible for partial reimbursement, respectively, from the FAA, State of Florida and Transportation Security Administration. The remaining amount is expected to be funded from existing PFCs, debt instruments and/or future debt issuance, and Authority funds.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

16. Commitments and Contingencies (continued)

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 with the airport system. Amounts due from airlines represent approximately 68.87% and 77.71% of accounts receivable for 2016 and 2015, respectively. Airline operating revenues represent approximately 30.93% and 29.73% of total operating revenues for 2016 and 2015, respectively. Revenue received from five major airlines and a leasing company totaled 58.43% and 60.56% of total operating revenues for 2016 and 2015, respectively. This includes 15.15% from Delta Air Lines, 14.95% from American Airlines, and 9.86% from Southwest Airlines Co. in 2016. For 2015 Delta was 17.35%, American Airlines was 12.64% and Southwest was 11.32%.

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. 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 named as a defendant in lawsuits from time to time. During the fiscal year two lawsuits against the Authority were settled, however at year-end there were no pending lawsuits naming the Authority as a defendant.

17. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error 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 charge by the City's self-insurance plan. The City has excess coverage for individual workers' compensation claims above \$1.20 million.

Jacksonville Aviation Authority

Notes to Financial Statements (continued)

17. Risk Management (continued)

Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis depending on the claims experience of the Authority and other participants in the City's self-insurance programs. The Authority's workers' compensation expense is the premium charged by the City's self-insurance plan. Premium expense in 2016 amounted to \$712.00 thousand which included an additional premium expense of \$488.65 thousand for excess expenses for the prior year. In 2015 the premium was \$4.63 thousand which included a credit refund of \$204.87 thousand excess premiums from the 2014.

The Authority's property insurance premium expenses amounted to \$742.40 thousand and \$791.31 thousand for the years ended September 30, 2016 and 2015, respectively. The Authority is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to \$73.15 thousand and \$44.67 thousand for the years ended September 30, 2016 and 2015.

As a part of the Authority's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs, such as airport, kidnap and pollution liability policies. During the last three years the amounts of settlements did not exceed the insurance coverage. In addition, all tenants and businesses accessing the airport system are required to have commercial insurance coverage naming the Authority as additional insured.

Jacksonville Aviation Authority
 Required Supplementary Information
 Schedule of Funding Progress Postretirement Healthcare Benefits
unaudited

(dollar amounts in thousands)

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percent Funded	Annual Covered Payroll	UAAL as of Percent of Payroll
9/30/2016	\$ 1,696	\$ -	\$ 1,696	- %	\$ 17,452	9.72 %
9/30/2015	\$ 1,019	\$ -	\$ 1,019	- %	\$ 16,110	6.33 %
9/30/2014	\$ 1,019	\$ -	\$ 1,019	- %	\$ 15,001	6.79 %

Actuarial liability determined under the projected unit credit cost method

AAL - Actuarial accrued liability

UAAL - Unfunded actuarial accrued liability

The increase in the AAL between 2015 and 2016 pertains to the incorporating of benefits for post 65 year old individuals.

Jacksonville Aviation Authority
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Florida Retirement System Pension Plan
 Last Ten Years
(unaudited)

	<i>(dollar amounts in thousands)</i>		
	2016	2015	2014
Authority's proportion of the FRS net pension liability	0.05596706%	0.05388302%	0.05157812%
Authority's proportionate share of the FRS net pension liability	\$ 14,132	\$ 6,960	\$ 3,147
Authority's covered-employee payroll	\$ 13,614	\$ 12,692	\$ 11,907
Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	103.80%	54.00%	26.43%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of Sept. 30th. The schedule is presented to illustrate the requirements of GASB Statement 68. Currently, only data for fiscal years ending June 30, 2014, 2015, and 2016 are available.

Jacksonville Aviation Authority
 Required Supplemental Information
 Schedule of Authority's Contributions
 Florida Retirement System Pension Plan
 Last Ten Years
(unaudited)

(dollar amounts in thousands)

	2016	2015	2014
Contractually required FRS contribution	\$ 1,553	\$ 1,314	\$ 1,130
FRS contributions in relation to the contractually required contribution	1,553	1,314	1,130
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 13,614	\$ 12,692	\$ 11,907
FRS contributions as a percentage of covered-employee payroll	11.41%	10.35%	9.49%

Note: The amounts presented for each fiscal year were determined as of Sept. 30th. The schedule is presented to illustrate the requirements of GASB Statement 68. Currently, only data for fiscal years ending June 30, 2014, 2015, and 2016 are available.

Jacksonville Aviation Authority
 Required Supplemental Information
 Schedule of Authority's Proportionate Share of the Net Pension Liability
 Health Insurance Subsidy Pension Plan
 Last Ten Years
 September 30, 2016
(unaudited)

(dollar amounts in thousands)

	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.05543700%	0.05272815%	0.05088140%
Authority's proportionate share of the HIS net pension liability	\$ 6,460	\$ 5,377	\$ 4,758
Authority's covered-employee payroll	\$ 12,692	\$ 15,243	\$ 15,109
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	50.90%	35.28%	31.49%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	33.61%	31.51%

Note: Covered payroll includes the normal cost and unfunded actuarial liability payroll for active Pension Plan and Investment Plan members and the payroll of reemployed retirees without renewed membership.

Note: The amounts presented for each fiscal year were determined as of Sept. 30th. The schedule is presented to illustrate the requirements of GASB Statement 68. Currently, only data for fiscal years ending June 30, 2014, 2015 and 2016 are available.

Jacksonville Aviation Authority
 Required Supplemental Information
 Schedule of Authority's Contributions - Health Insurance Subsidy Pension Plan
 September 30, 2016
 (dollar amounts in thousands)
 Last Ten Years
 (unaudited)

	<i>(dollar amounts in thousands)</i>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 325	\$ 202	\$ 174
HIS contributions in relation to the contractually required HIS contribution	<u>325</u>	<u>202</u>	<u>174</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 12,692	\$ 15,243	\$ 15,109
HIS contributions as a percentage of covered-employee payroll	2.56%	1.33%	1.15%

Note: Covered payroll includes the normal cost and unfunded actuarial liability payroll for active Pension Plan members and the payroll of employed retirees without renewed membership.

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement 68. Currently, only data for fiscal years ending June 30, 2014, 2015, and 2016 are available.

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Statistical

Annual Financial Report Fiscal Year 2016

Statistical



Jacksonville Aviation Authority

The objectives of the Statistical Section Information

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

Statistical information is presented in the following five categories:

Financial Trend Information

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

Revenue Capacity Information

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

Debt Capacity Information

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

Demographic and Economic Information

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

Operating Information

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

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

	<i>(dollar amounts in thousands)</i>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities	\$ 26,018	\$ 29,433	\$ 22,865	\$ 30,980
Cash flows from non-capital financing activities	202	253	242	1,157
Cash flows from capital and related financing activities	(38,354)	(26,828)	(15,350)	(39,864)
Cash flows from investing activities	<u>8,617</u>	<u>(493)</u>	<u>5,616</u>	<u>10,588</u>
Net change in cash and cash equivalents	(3,517)	2,365	13,373	2,861
Cash and equivalents, beginning of year	51,945	49,580	36,207	33,346
Cash and equivalents, end of year	<u>\$ 48,428</u>	<u>\$ 51,945</u>	<u>\$ 49,580</u>	<u>\$ 36,207</u>
Non-cash investing, capital and financing activities				
Change in fair value of investments	\$ 468	\$ 6	\$ (201)	\$ (404)
Capitalized Interest	<u>\$ (763)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets acquired through contracts payable and accruals	\$ 2,250	\$ 39,787	\$ 4,398	\$ (816)
Grants Receivable	<u>\$ 4,201</u>	<u>\$ 5,889</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Jacksonville Aviation Authority unaudited financial statements

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

(dollar amounts in thousands)

2012	2011	2010	2009	2008	2007
\$ 21,739	\$ 20,621	\$ 20,849	\$ 13,512	\$ 22,561	\$ 29,600
243	201	1,031	276	256	(9,782)
(29,295)	(18,022)	(21,141)	(32,593)	(82,103)	35,705
(1,786)	5,727	(16,776)	(4,723)	746	11,194
(9,099)	8,527	(16,037)	(23,528)	(58,540)	66,717
42,445	33,918	49,955	73,483	132,023	65,306
<u>\$ 33,346</u>	<u>\$ 42,445</u>	<u>\$ 33,918</u>	<u>\$ 49,955</u>	<u>\$ 73,483</u>	<u>\$ 132,023</u>
\$ 156	\$ (254)	\$ 41	\$ 76	\$ (265)	\$ (243)
<u>\$ -</u>	<u>\$ (83)</u>	<u>\$ (84)</u>	<u>\$ (393)</u>	<u>\$ (1,664)</u>	<u>\$ (230)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<i>(dollar amounts in thousands)</i>				
	2016	2015	2014	2013	2012
Concessions					
Rent-A-Car	\$ 10,620	\$ 10,521	\$ 9,861	\$ 8,929	\$ 9,040
Food & beverage	2,449	2,338	2,139	1,973	1,808
Retail	1,814	1,790	1,715	1,679	1,771
Fuel flowage fees	1,475	1,035	525	547	704
Other concessions	1,413	1,249	1,263	1,233	1,158
Total concessions	17,771	16,933	15,503	14,361	14,481
Fees & charges					
Landing fees - signatory	9,577	8,788	8,237	8,835	6,028
Landing fees - non-signatory	314	304	75	25	1,553
Passenger screening - signatory	-	-	-	-	1,440
Passenger screening - non-signatory	-	-	-	1	429
Security user fees	1,154	1,156	1,092	1,078	1,005
Other fees	3,623	3,231	2,785	2,574	2,817
Total Fees & charges	14,668	13,479	12,189	12,513	13,272
Space & facility rentals					
Air cargo building	826	851	881	872	855
Ramp use - signatory	-	-	-	3	874
Ramp use - non-signatory	1,303	1,892	1,218	927	198
Hangar spaces	5,431	5,136	4,120	3,423	2,805
Terminal space rentals - signatory	9,931	7,648	7,575	8,975	2,826
Terminal space rentals - non-signatory	309	592	453	564	696
Other lease rentals	8,905	8,489	7,503	6,714	5,925
Total space & facility rentals	26,705	24,608	21,750	21,478	14,179
Parking					
Economy lots 1, 2 & 3	3,130	3,075	2,942	2,910	2,808
Garages & daily surface lot	15,262	14,512	13,719	13,097	13,016
Other parking	601	604	595	594	348
Total parking	18,993	18,191	17,256	16,601	16,172
Other revenue					
Electric	750	820	793	839	956
Fuel sales	624	679	688	798	843
Other revenue	314	296	303	282	514
Total other revenues	1,688	1,795	1,784	1,919	2,313
Total operating revenues	\$ 79,825	\$ 75,006	\$ 68,482	\$ 66,872	\$ 60,417

	<i>(amounts in full numbers)</i>				
Signatory airline rates and charges					
Gross landing fee (per 1,000 lbs)	\$ 3.15	\$ 2.87	\$ 2.80	\$ 2.63	\$ 2.37
Average annual terminal rent (per sq. ft.)	\$ 146.34	\$ 132.38	\$ 133.62	\$ 143.23	\$ 46.52
Enplaned passengers	2,799,587	2,722,032	2,602,821	2,563,570	2,644,059
Cost per enplaned passenger	\$ -	\$ 6.13	\$ 6.27	\$ 6.78	\$ 7.46

Source: Jacksonville Aviation Authority audited financial statements

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

	<i>(dollar amounts in thousands)</i>				
	2011	2010	2009	2008	2007
Concessions					
Rent-A-Car	\$ 9,053	\$ 8,815	\$ 9,252	\$ 9,456	\$ 9,469
Food & beverage	1,776	1,619	1,618	1,850	1,751
Retail	1,731	1,820	1,752	1,442	1,415
Fuel flowage fees	689	622	673	758	776
Other concessions	885	892	1,128	1,282	1,329
Total concessions	14,134	13,768	14,423	14,788	14,740
Fees & charges					
Landing fees - signatory	5,431	4,357	2,548	2,310	4,806
Landing fees - non-signatory	1,320	784	709	471	1,081
Passenger screening - signatory	1,408	1,185	1,269	1,416	1,337
Passenger screening - non-signatory	399	260	256	142	236
Security user fees	983	3,415	4,289	4,600	4,693
Other fees	2,944	2,282	2,393	3,178	3,023
Total Fees & charges	12,485	12,283	11,464	12,117	15,176
Space & facility rentals					
Air cargo building	849	865	879	950	931
Ramp use - signatory	852	674	510	798	745
Ramp use - non-signatory	136	170	56	100	53
Hangar spaces	2,726	2,458	2,736	2,230	2,108
Terminal space rentals - signatory	6,200	5,219	6,851	3,313	5,493
Terminal space rentals - non-signatory	627	499	571	553	876
Other lease rentals	5,741	5,833	4,921	4,825	4,486
Total space & facility rentals	17,131	15,718	16,524	12,769	14,692
Parking					
Economy lots 1, 2 & 3	2,793	3,412	3,779	4,238	3,538
Garages & daily surface lot	13,318	11,805	11,964	13,447	13,254
Other parking	287	190	243	271	267
Total parking	16,398	15,407	15,986	17,956	17,059
Other revenue					
Electric	966	833	639	998	890
Fuel sales	847	748	681	499	474
Other revenue	521	523	193	219	813
Total other revenues	2,334	2,104	1,513	1,716	2,177
Total operating revenues	\$ 62,482	\$ 59,280	\$ 59,910	\$ 59,346	\$ 63,844

	<i>(amounts in full numbers)</i>				
Signatory airline rates and charges					
Gross landing fee (per 1,000 lbs)	\$ 2.06	\$ 1.42	\$ 1.41	\$ 1.07	\$ 1.50
Average annual terminal rent (per sq. ft.)	\$ 39.29	\$ 40.18	\$ 45.21	\$ 22.15	\$ 43.41
Enplaned passengers	2,783,809	2,777,807	2,813,208	3,058,006	3,167,664
Cost per enplaned passenger	\$ 6.46	\$ 5.30	\$ 5.72	\$ 5.68	\$ 4.88

Source: Jacksonville Aviation Authority audited financial statements

Jacksonville Aviation Authority
Total Revenues, Expenses and Changes in Net Position
Years Ended September 30,
(unaudited)

	<i>(dollar amounts in thousands)</i>				
	2016	2015	2014	2013	2012
Operating revenues:					
Concessions	\$ 17,771	\$ 16,933	\$ 15,504	\$ 14,361	\$ 14,482
Fees & charges	14,668	13,479	12,189	12,513	13,272
Space & facility rentals	26,705	24,608	21,751	21,478	14,179
Parking	18,993	18,191	17,257	16,601	16,171
Other revenue	1,688	1,794	1,783	1,919	2,313
Total operating revenues	<u>79,825</u>	<u>75,005</u>	<u>68,484</u>	<u>66,872</u>	<u>60,417</u>
Operating expenses:					
Wages & benefits	25,328	21,579	19,612	20,139	19,014
Services & supplies	14,581	14,537	14,208	14,054	13,755
Repairs & maintenance	2,607	2,097	2,209	1,811	1,978
Promotion, advertising & dues	1,052	2,453	1,672	1,409	881
Registration & travel	386	313	289	248	275
Utilities & taxes	4,855	5,116	5,223	5,255	5,425
Other operating expenses	2,151	1,877	1,682	1,661	1,797
Depreciation and amortization	31,346	28,575	28,951	27,812	27,525
Total operating expenses	<u>82,306</u>	<u>76,547</u>	<u>73,846</u>	<u>72,389</u>	<u>70,650</u>
Operating (loss)/income	(2,481)	(1,542)	(5,362)	(5,517)	(10,233)
Nonoperating revenues:					
Passenger facility charges	10,983	10,955	10,554	10,310	10,743
Investment income	1,451	926	667	659	1,037
Payments from primary government	-	-	-	31	-
Payment from federal & state agencies	318	369	483	392	243
Contributions from other governments	-	-	-	-	-
Other revenues	1,387	319	100	1,400	1,180
Total nonoperating revenues	<u>14,139</u>	<u>12,569</u>	<u>11,804</u>	<u>12,792</u>	<u>13,203</u>
Nonoperating expenses:					
Interest expense	3,946	4,775	5,071	7,273	8,874
Contributions to other governments	-	-	-	-	-
Other expenses	444	204	1,582	238	144
Total nonoperating expenses	<u>4,390</u>	<u>4,979</u>	<u>6,653</u>	<u>7,511</u>	<u>9,018</u>
Loss before capital contributions	7,268	6,048	(211)	(236)	(6,048)
Capital contributions	<u>21,762</u>	<u>16,526</u>	<u>14,047</u>	<u>11,989</u>	<u>8,347</u>
Change in net position	<u><u>29,030</u></u>	<u><u>22,574</u></u>	<u><u>13,836</u></u>	<u><u>11,753</u></u>	<u><u>2,299</u></u>
Net position at end of year:					
Net investment in capital assets	441,000	404,670	386,557	381,529	355,251
Restricted	15,693	31,646	30,437	27,413	39,093
Unrestricted	49,654	41,001	37,750	44,403	47,248
Total net position	<u><u>\$ 506,347</u></u>	<u><u>\$ 477,317</u></u>	<u><u>\$ 454,744</u></u>	<u><u>\$ 453,345</u></u>	<u><u>\$ 441,592</u></u>

Source: Jacksonville Aviation Authority audited financial statements

Jacksonville Aviation Authority
Total Revenues, Expenses and Changes in Net Position
Years Ended September 30,
(unaudited)

	<i>(dollar amounts in thousands)</i>				
	2011	2010	2009	2008	2007
Operating revenues:					
Concessions	\$ 14,134	\$ 13,768	\$ 14,423	\$ 14,788	\$ 14,740
Fees & charges	12,485	12,283	11,464	12,117	15,176
Space & facility rentals	17,131	15,718	16,524	12,769	14,692
Parking	16,398	15,406	15,985	17,956	17,058
Other revenue	2,334	2,104	1,513	1,716	2,177
Total operating revenues	<u>62,482</u>	<u>59,279</u>	<u>59,909</u>	<u>59,346</u>	<u>63,843</u>
Operating expenses:					
Wages & benefits	18,390	16,862	16,833	17,405	16,336
Services & supplies	13,355	12,332	11,671	12,438	12,000
Repairs & maintenance	1,981	2,200	2,085	2,590	2,454
Promotion, advertising & dues	824	486	563	525	448
Registration & travel	202	237	254	409	340
Utilities & taxes	5,534	5,259	5,973	4,723	3,571
Other operating expenses	1,743	1,549	1,833	2,788	2,287
Depreciation and amortization	30,753	30,394	30,284	26,273	23,880
Total operating expenses	<u>72,782</u>	<u>69,319</u>	<u>69,496</u>	<u>67,151</u>	<u>61,316</u>
Operating (loss)/income	(10,300)	(10,040)	(9,587)	(7,805)	2,527
Nonoperating revenues:					
Passenger facility charges	11,195	11,329	11,506	12,398	13,130
Investment income	981	1,549	3,312	6,037	10,992
Payments from primary government	1	1	31	8	12
Payment from federal & state agencies	201	280	245	226	206
Contributions from other governments	-	750	-	22	-
Other revenues	516	538	-	-	1
Total nonoperating revenues	<u>12,894</u>	<u>14,447</u>	<u>15,094</u>	<u>18,691</u>	<u>24,341</u>
Nonoperating expenses:					
Interest expense	9,330	9,369	10,191	10,226	13,569
Contributions to other governments	-	-	10,000	-	-
Other expenses	166	228	1,463	1,888	226
Total nonoperating expenses	<u>9,496</u>	<u>9,597</u>	<u>21,654</u>	<u>12,114</u>	<u>13,795</u>
Loss before capital contributions	(6,902)	(5,190)	(16,147)	(1,228)	13,073
Capital contributions	<u>9,502</u>	<u>10,011</u>	<u>16,132</u>	<u>20,442</u>	<u>23,600</u>
Change in net position	<u>2,600</u>	<u>4,821</u>	<u>(15)</u>	<u>19,214</u>	<u>36,673</u>
Net position at end of year:					
Net investment in capital assets	349,691	352,264	359,245	358,313	336,911
Restricted	39,875	39,495	34,406	32,793	38,323
Unrestricted	49,727	44,934	38,221	40,781	37,439
Total net position	<u>\$ 439,293</u>	<u>\$ 436,693</u>	<u>\$ 431,872</u>	<u>\$ 431,887</u>	<u>\$ 412,673</u>

Source: Jacksonville Aviation Authority audited financial statements

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

(dollar amounts in thousands)

	<u>2016</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>	<u>2015</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>	<u>2014</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>
Delta Air Lines	\$ 12,092	15.15 %	\$ 13,017	17.35 %	\$ 12,042	17.58 %
American Airlines	11,933	14.95 %	9,480	12.64 %	4,393	6.41 %
Southwest Airlines Co.	7,873	9.86 %	8,489	11.32 %	9,235	13.48 %
United Airlines	5,197	6.51 %	5,162	6.88 %	4,980	7.27 %
Enterprise Leasing Company	4,842	6.07 %	4,681	6.24 %	3,995	5.83 %
JetBlue	4,707	5.90 %	4,595	6.13 %	3,150	4.60 %
Host International Inc.	2,743	3.44 %	2,651	3.53 %	2,525	3.69 %
Hertz Corporation, The	2,628	3.29 %	2,592	3.46 %	2,527	3.69 %
Avis Rent A Car	2,053	2.57 %	2,076	2.77 %	-	-
Budget Rent a Car System, Inc	2,037	2.55 %	2,112	2.82 %	-	-
US Airways Group, Inc.	-	-	3,430	4.57 %	7,197	10.51 %
U.S General Services Administration	-	-	-	-	2,304	3.36 %
DTG Operations	-	-	-	-	-	-
Paradies Shops	-	-	-	-	-	-
Vanguard Car Rental USA Inc.	-	-	-	-	-	-
Federal Express Corporation	-	-	-	-	-	-
Continental Airlines	-	-	-	-	-	-
Signature Flight Support Corp	-	-	-	-	-	-
Total Principal Revenue Payers	<u>\$ 56,105</u>	<u>70.28 %</u>	<u>\$ 58,285</u>	<u>77.71 %</u>	<u>\$ 52,348</u>	<u>76.44 %</u>
Total operating revenues	\$ 79,825	100.00 %	\$ 75,005	100.00 %	\$ 68,484	100.00 %

Source: Jacksonville Aviation Authority Records

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

(dollar amounts in thousands)

	<u>2013</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>	<u>2012</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>	<u>2011</u> <u>Amount</u>	<u>% Of</u> <u>Revenue</u>
Delta Air Lines	\$ 11,451	17.12 %	\$ 8,044	13.31 %	\$ 7,683	12.30 %
American Airlines	4,113	6.15 %	2,333	3.86 %	2,426	3.88 %
Southwest Airlines Co.	9,358	13.99 %	6,491	10.74 %	5,916	9.47 %
United Airlines	-	- %	-	- %	-	- %
Enterprise Leasing Company	-	- %	-	- %	1,592	2.55 %
JetBlue	2,864	4.28 %	2,026	3.35 %	-	- %
Host International Inc.	2,402	3.59 %	2,249	3.72 %	1,748	2.80 %
Hertz Corporation, The	2,354	3.52 %	2,292	3.79 %	2,334	3.74 %
Avis Rent A Car	1,910	2.86 %	1,908	3.16 %	1,915	3.06 %
Budget Rent a Car System, Inc	-	- %	-	- %	-	- %
US Airways Group, Inc.	6,323	9.46 %	4,152	6.87 %	4,231	6.77 %
U.S General Services Administration	-	- %	-	- %	-	- %
DTG Operations	1,597	2.39 %	-	- %	1,621	2.59 %
Paradies Shops	1,668	2.49 %	1,767	2.92 %	-	- %
Vanguard Car Rental USA Inc.	-	- %	2,225	3.68 %	2,179	3.49 %
Federal Express Corporation	-	- %	-	- %	-	- %
Continental Airlines	-	- %	-	- %	-	- %
Signature Flight Support Corp	-	- %	-	- %	-	- %
Total Principal Revenue Payers	<u>\$ 44,040</u>	<u>65.86 %</u>	<u>\$ 33,487</u>	<u>55.43 %</u>	<u>\$ 31,645</u>	<u>50.65 %</u>
Total operating revenues	\$ 66,872	100.00 %	\$ 60,417	100.00 %	\$ 62,482	100.00 %

Source: Jacksonville Aviation Authority Records

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

(dollar amounts in thousands)

	2010 Amount	% Of Revenue	2009 Amount	% Of Revenue	2008 Amount	% Of Revenue	2007 Amount	% Of Revenue
Delta Air Lines	\$ 3,959	6.68 %	\$ 3,489	5.82 %	\$ 3,519	5.93 %	\$ 3,857	6.04 %
American Airlines	-	-	-	-	1,158	1.95 %	-	-
Southwest Airlines Co.	3,163	5.34 %	2,984	4.98 %	3,042	5.13 %	3,128	4.90 %
United Airlines	-	-	-	-	-	-	-	-
Enterprise Leasing Company	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-
Host International Inc.	1,933	3.26 %	2,027	3.38 %	2,197	3.70 %	2,017	3.16 %
Hertz Corporation, The	2,332	3.93 %	2,337	3.90 %	2,519	4.24 %	2,522	3.95 %
Avis Rent A Car	2,000	3.37 %	2,247	3.75 %	2,347	3.95 %	2,368	3.71 %
Budget Rent a Car System, Inc	1,614	2.72 %	-	-	1,629	2.74 %	1,573	2.46 %
US Airways Group, Inc.	2,334	3.94 %	2,300	3.84 %	2,489	4.19 %	2,812	4.40 %
U.S General Services Administration	-	-	-	-	-	-	-	-
DTG Operations	-	-	-	-	-	-	-	-
Paradies Shops	1,721	2.90 %	1,687	2.82 %	1,301	2.19 %	-	-
Vanguard Car Rental USA Inc.	2,251	3.80 %	2,358	3.94 %	2,438	4.11 %	2,448	3.83 %
Federal Express Corporation	1,732	2.92 %	2,147	3.58 %	2,204	3.71 %	2,259	3.54 %
Continental Airlines	-	-	1,339	2.24 %	1,528	2.57 %	1,752	2.74 %
Signature Flight Support Corp	-	-	-	-	757	1.28 %	-	-
Total Principal Revenue Payers	<u>\$ 23,039</u>	<u>38.87 %</u>	<u>\$ 22,915</u>	<u>38.25 %</u>	<u>\$ 27,128</u>	<u>45.71 %</u>	<u>\$ 24,736</u>	<u>38.75 %</u>
Total operating revenues	\$ 59,279	100.00 %	\$ 59,909	100.00 %	\$ 59,346	100.00 %	\$ 63,843	100.00 %

Source: Jacksonville Aviation Authority Records

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

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenses Other than Depreciation</u>	<u>Ratio of Debt Service to Expenditures</u>
2016	\$ 12,020	\$ 3,946	\$ 15,966	\$ 50,960	31.33 %
2015	11,765	4,775	16,540	47,972	34.48
2014	6,390	5,071	11,461	45,547	25.16
2013	10,220	7,273	17,493	44,576	39.24
2012	9,775	8,733	18,508	43,124	42.92
2011	9,400	6,528	15,928	32,450	49.08
2010	9,005	9,369	18,374	38,925	47.20
2009	7,335	9,396	16,731	39,212	42.67
2008	7,475	11,911	19,386	40,878	47.42
2007	7,228	13,060	20,288	37,436	54.19

*Note 1: The principal amounts reflect the normal debt service requirements for the year.
Source: Jacksonville Aviation Authority Records*

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

	<i>(dollar amounts in thousands)</i>			
	2016	2015	2014	2013
Revenues:				
Concessions	\$ 17,771	\$ 16,933	\$ 15,504	\$ 14,361
Fees & charges	14,668	13,479	12,189	12,513
Space & facility rentals	26,705	24,608	21,751	21,478
Parking	18,993	18,191	17,257	16,601
Other revenue	1,688	1,794	1,783	1,919
Interest income	1,451	926	667	659
Transfers-signatory airline agreement	-	-	-	-
Transfers-PFC Series 2006, 2012	8,091	8,073	7,115	6,124
Total revenues and transfers	<u>89,367</u>	<u>84,004</u>	<u>76,266</u>	<u>73,655</u>
Less: Operating and maintenance expenses (excluding depreciation and expenses asso- ciated with payments from other governments)	<u>50,960</u>	<u>47,972</u>	<u>44,895</u>	<u>44,577</u>
Net operating revenues	<u>38,407</u>	<u>36,032</u>	<u>31,371</u>	<u>29,078</u>
Revenue bond service charges for:				
Series 2016 note	114	-	-	-
Series 2013 note	6,253	5,306	170	38
Series 2012 note (PFC backed)	3,258	3,302	2,337	692
Series 2008 note	3,302	3,297	3,298	3,301
Series 2006 bonds (PFC backed)	5,251	5,221	5,243	5,843
Series 2005 RR bonds	-	-	-	-
Series 2003B-1 bonds (PFC backed)	-	-	-	-
Series 2003B-1 bonds	-	-	-	-
Series 2003A bonds	-	-	-	7,156
Series 2000 bonds	-	-	-	-
Total revenue bond service charges	<u>\$ 18,178</u>	<u>\$ 17,126</u>	<u>\$ 11,048</u>	<u>\$ 17,030</u>
Revenue bond service coverage	2.11	2.10	2.84	1.71
Required bond service coverage	1.25	1.25	1.25	1.25
Total enplanements	<u>2,800</u>	<u>2,722</u>	<u>2,603</u>	<u>2,564</u>
Debt per enplanement	<u>\$ 6.49</u>	<u>\$ 6.29</u>	<u>\$ 4.24</u>	<u>\$ 6.64</u>

Source: Jacksonville Aviation Authority Records

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

(dollar amounts in thousands)

	2012	2011	2010	2009	2008	2007
\$	14,482	\$ 14,134	\$ 13,768	\$ 14,423	\$ 14,788	\$ 14,740
	13,272	12,485	12,283	11,464	12,117	15,176
	14,179	17,131	15,718	16,524	12,769	14,692
	16,171	16,398	15,406	15,985	17,956	17,058
	2,313	2,334	2,104	1,513	1,716	2,177
	1,037	981	1,549	2,773	6,037	10,992
	3,750	4,667	5,041	4,397	8,872	5,984
	7,175	7,541	7,548	7,334	7,861	41,264
	<u>72,379</u>	<u>75,671</u>	<u>73,417</u>	<u>74,413</u>	<u>82,116</u>	<u>122,083</u>
	<u>43,125</u>	<u>42,029</u>	<u>38,925</u>	<u>39,212</u>	<u>40,878</u>	<u>37,436</u>
	<u>29,254</u>	<u>33,642</u>	<u>34,492</u>	<u>35,201</u>	<u>41,238</u>	<u>84,647</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,302	3,319	3,317	1,960	1,209	-
	7,673	7,875	7,815	7,554	7,861	5,737
	-	-	-	-	1,945	4,148
	-	-	-	-	-	26,561
	-	-	-	-	-	8,966
	7,174	7,182	7,238	7,217	7,231	7,262
	-	-	-	-	-	192
\$	<u>18,149</u>	<u>18,376</u>	<u>18,370</u>	<u>16,731</u>	<u>18,246</u>	<u>52,866</u>
	1.61	1.83	1.88	2.10	2.26	1.60
	1.25	1.25	1.25	1.25	1.25	1.25
	2,644	2,784	2,778	2,813	3,058	3,168
\$	<u>6.86</u>	<u>6.60</u>	<u>6.61</u>	<u>5.95</u>	<u>5.97</u>	<u>16.69</u>

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
Debt Service
As of September 30, 2016
(unaudited)

Bond Year	Date	Fiscal Year	2008 swap variable interest income/expense				2008 swap fixed interest expense			
			Principal	Coupon	Interest	Debt Svs. Yr	Principal	Coupon	Interest	Debt Svs. Yr
2016	10/01/16	2017	\$ 2,485,000	0.772 %	\$ 99,241	\$ -	\$ 2,485,000	3.412 %	\$ 438,613	\$ -
2017	04/01/17	2017	-		89,649	2,673,890	-		396,219	3,319,831
2017	10/01/17	2018	2,570,000	0.772 %	89,649	-	2,570,000	3.412 %	396,219	-
2018	04/01/18	2018	-		79,728	2,739,377	-		352,374	3,318,593
2018	10/01/18	2019	2,660,000	0.772 %	79,728	-	2,660,000	3.412 %	352,374	-
2019	04/01/19	2019	-		69,461	2,809,189	-		306,995	3,319,369
2019	10/01/19	2020	2,750,000	0.772 %	69,461	-	2,750,000	3.412 %	306,995	-
2020	04/01/20	2020	-		58,846	2,878,307	-		260,080	3,317,074
2020	10/01/20	2021	2,845,000	0.772 %	58,846	-	2,845,000	3.412 %	260,080	-
2021	04/01/21	2021	-		47,864	2,951,710	-		211,544	3,316,624
2021	10/01/21	2022	2,945,000	0.772 %	47,864	-	2,945,000	3.412 %	211,544	-
2022	04/01/22	2022	-		36,496	3,029,360	-		161,302	3,317,846
2022	10/01/22	2023	3,045,000	0.772 %	36,496	-	3,045,000	3.412 %	161,302	-
2023	04/01/23	2023	-		24,743	3,106,239	-		109,355	3,315,657
2023	10/01/23	2024	3,150,000	0.772 %	24,743	-	3,150,000	3.412 %	109,355	-
2024	04/01/24	2024	-		12,584	3,187,327	-		55,616	3,314,970
2024	10/01/24	2025	3,260,000	0.772 %	12,584	3,272,584	3,260,000	3.412 %	55,616	3,315,616
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	-		-	-	-		-	-
TOTAL			<u>\$ 25,710,000</u>		<u>\$ 937,983</u>	<u>\$ 26,647,983</u>	<u>\$ 25,710,000</u>		<u>\$ 4,145,583</u>	<u>\$ 29,855,580</u>

Call Feature

Purpose: 100% New Money

Refunding Eligibility

Source: Jacksonville Aviation Authority

Jacksonville Aviation Authority
Debt Service
As of September 30, 2016
(unaudited)

Series 2012 Revenue Refunding Note						
<u>Bond Year</u>	<u>Date</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Svs. Yr</u>
2016	10/01/16	2017	\$ 1,525,000	1.730 %	\$ 362,349	\$ -
2017	04/01/17	2017	-		349,157	2,236,506
2017	10/01/17	2018	1,525,000	1.730 %	349,157	-
2018	04/01/18	2018	-		335,966	2,210,123
2018	10/01/18	2019	1,525,000	1.730 %	335,966	-
2019	04/01/19	2019	-		322,775	2,183,741
2019	10/01/19	2020	1,525,000	1.730 %	322,775	-
2020	04/01/20	2020	-		309,584	2,157,359
2020	10/01/20	2021	1,525,000	1.730 %	309,584	-
2021	04/01/21	2021	-		296,392	2,130,976
2021	10/01/21	2022	1,525,000	1.730 %	296,392	-
2022	04/01/22	2022	-		283,201	2,104,593
2022	10/01/22	2023	32,740,000	1.730 %	283,201	33,023,201
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	-		-	-
	TOTAL		<u>\$ 41,890,000</u>		<u>\$ 4,156,499</u>	<u>\$46,046,499</u>

Call Feature

Purpose: 2006 Bond Partial Refinance

Refunding Eligibility

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
Debt Service
As of September 30, 2016
(unaudited)

Series 2013 Revenue Refunding Note						
Bond Year	Date	Fiscal Year	Principal	Coupon	Interest	Debt Svs. Yr
2016	10/01/16	2017	\$ 5,640,000	0.850 %	\$ 36,720	\$ -
2017	04/01/17	2017	-		12,750	5,689,470
2017	10/01/17	2018	3,000,000	0.850 %	12,750	3,012,750
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	-		-	-
	TOTAL		<u>\$ 8,640,000</u>		<u>\$ 62,220</u>	<u>\$ 8,702,220</u>

Call Feature

Purpose: Payoff 2003 A-1 & A-2 Bonds

Refunding Eligibility

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
Debt Service
As of September 30, 2016
(unaudited)

<u>Bond Year</u>	<u>Date</u>	<u>Fiscal Year</u>	<u>Series 2016 Revenue Refunding Note</u>			
			<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Svs. Yr</u>
2016	10/01/16	2017	\$ -	1.807 %	\$ -	\$ 239,427
2017	04/01/17	2017	-		239,427	-
2017	10/01/17	2018	2,995,000	1.807 %	239,427	3,446,795
2018	04/01/18	2018	-		212,368	-
2018	10/01/18	2019	7,650,000	1.807 %	212,368	8,005,618
2019	04/01/19	2019	-		143,250	-
2019	10/01/19	2020	1,860,000	1.807 %	143,250	2,129,695
2020	04/01/20	2020	-		126,445	-
2020	10/01/20	2021	1,895,000	1.807 %	126,445	2,130,769
2021	04/01/21	2021	-		109,324	-
2021	10/01/21	2022	1,930,000	1.807 %	109,324	2,131,210
2022	04/01/22	2022	-		91,886	-
2022	10/01/22	2023	1,960,000	1.807 %	91,886	2,126,063
2023	04/01/23	2023	-		74,177	-
2023	10/01/23	2024	2,000,000	1.807 %	74,177	2,130,284
2024	04/01/24	2024	-		56,107	-
2024	10/01/24	2025	2,035,000	1.807 %	56,107	2,128,828
2025	04/01/25	2025	-		37,721	-
2025	10/01/25	2026	2,070,000	1.807 %	37,721	2,126,740
2026	04/01/26	2026	-		19,019	-
2026	10/01/26	2027	2,105,000	1.807 %	19,019	2,124,019
2027	04/01/27	2027	-		-	-
2027	10/01/27	2028	-		-	-
2028	04/01/28	2028	-		-	-
TOTAL			<u>\$ 26,500,000</u>		<u>\$ 2,219,448</u>	<u>\$28,719,448</u>

Call Feature

Purpose: Defease 2006 Bonds

Refunding Eligibility

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
 Total Debt Service
 As of September 30, 2016
 (unaudited)

<u>Bond Year</u>	<u>Date</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Svs. Yr</u>
2016	10/01/16	2017	\$ 9,650,000	\$ 837,682	\$ -
2017	04/01/17	2017	-	997,553	11,485,235
2017	10/01/17	2018	10,090,000	997,553	-
2018	04/01/18	2018	-	900,708	11,988,261
2018	10/01/18	2019	11,835,000	900,708	-
2019	04/01/19	2019	-	773,020	13,508,728
2019	10/01/19	2020	6,135,000	773,020	-
2020	04/01/20	2020	-	696,109	7,604,129
2020	10/01/20	2021	6,265,000	696,109	-
2021	04/01/21	2021	-	617,260	7,578,369
2021	10/01/21	2022	6,400,000	617,260	-
2022	04/01/22	2022	-	536,389	7,553,649
2022	10/01/22	2023	37,745,000	536,389	-
2023	04/01/23	2023	-	183,532	38,464,921
2023	10/01/23	2024	5,150,000	183,532	-
2024	04/01/24	2024	-	111,723	5,445,255
2024	10/01/24	2025	5,295,000	111,723	-
2025	04/01/25	2025	-	37,721	5,444,444
2025	10/01/25	2026	2,070,000	37,721	-
2026	04/01/26	2026	-	19,019	2,126,740
2026	10/01/26	2027	2,105,000	19,019	-
2027	04/01/27	2027	-	-	2,124,019
2027	10/01/27	2028	-	-	-
2028	04/01/28	2028	-	-	-
	TOTAL		<u>\$ 102,740,000</u>	<u>\$ 10,583,750</u>	<u>\$ 13,323,750</u>

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
 Outstanding Debt by Type
 Years Ended September 30, 2016
 Last Ten Fiscal Years
 (unaudited)

(dollar amounts in thousands)

Fiscal Year	Revenue				Total
	Revenue Bonds	Revenue Notes	Refunding Bonds	Notes Payable	
2016	\$ -	\$ 102,740	\$ -	\$ -	\$ 102,740
2015	50,530	87,350	-	-	137,880
2014	53,265	97,380	-	-	150,645
2013	55,885	68,465	32,685	-	157,035
2012	111,950	34,855	37,055	-	183,860
2011	121,095	36,955	42,430	-	200,480
2010	123,320	38,985	47,575	-	209,880
2009	125,375	40,950	52,560	-	218,885
2008	127,375	41,490	57,355	-	226,220
2007	132,800	-	102,975	-	235,775

Jacksonville Aviation Authority
Top 10 Employers of Jacksonville
(unaudited)

	2015	2014	2013	2012	2011
Naval Air Station Jacksonville	20,000	20,000	25,240	25,240	25,240
Duval County Public Schools	13,106	12,744	14,480	14,480	14,480
Baptist Health	10,615	9,159	8,270	8,270	8,270
Naval Station Mayport	9,000	9,000	9,000	9,000	12,670
City of Jacksonville	7,273	8,003	8,820	8,820	8,820
Florida Blue	6,000	6,000	6,500	6,500	6,000
UF Health Jacksonville	6,000	3,214	-	-	-
Clay County School Board	4,616	5,000	-	-	-
St. Johns County School District	4,388	4,046	-	-	-
Citigroup Inc.	4,317	3,500	4,200	4,200	5,000
CSX	3,400	3,682	-	-	-
Publix Distribution Center	-	6,000	-	-	-
Mayo Clinic	-	5,211	4,970	4,970	4,970
St. Vincent's HealthCare	-	5,156	-	-	-
Bi-Lo Holdings, LLC	-	4,708	-	-	-
J P Morgan Chase	-	3,900	4,200	4,200	-
United Parcel Service	-	-	-	-	4,100
Bank of America Merrill Lynch	-	-	8,000	8,000	6,400
Winn-Dixie	-	-	-	-	-
Wal-Mart	-	-	-	-	-
State of Florida	-	-	-	-	-
Total	88,715	109,323	93,680	93,680	95,950

Information for 2016 is not currently available. Each employer's percentage of total employment is also unavailable.

Source: 2015 Jacksonville Business Journal - Book of Lists 15-16, 2014 Jacksonville Business Journal - Book of Lists 14-15, 2013 About.com Jacksonville, 2012 Jacksonville Economic Development 2011 and 2010 Jacksonville Cornerstone Regional Development Partnership, 2009 Jacksonville Economic Development, 2008 Jacksonville Cornerstone, 2007 and 2006 Data The Florida Times-Union, Largest Employers in Jacksonville Area Information was not available for the prior 3 years

Jacksonville Aviation Authority

	2010	2009	2008	2007
Naval Air Station Jacksonville	25,245	19,500	22,245	25,245
Duval County Public Schools	14,489	14,489	14,489	14,284
Baptist Health	8,276	5,600	7,000	7,000
Naval Station Mayport	12,677	15,293	15,293	15,293
City of Jacksonville	8,828	8,828	8,828	8,828
Florida Blue	6,000	9,000	7,000	7,000
UF Health Jacksonville	-	-	-	-
Clay County School Board	-	-	-	-
St. Johns County School District	-	-	-	-
Citigroup Inc.	4,863	5,000	4,200	-
CSX	-	-	4,400	-
Publix Distribution Center	-	6,615	-	6,615
Mayo Clinic	4,978	5,000	5,000	-
St. Vincent's HealthCare	-	-	-	-
Bi-Lo Holdings, LLC	-	-	-	-
J P Morgan Chase	-	-	-	-
United Parcel Service	4,100	-	-	-
Bank of America Merrill Lynch	3,800	-	4,000	-
Winn-Dixie	-	6,200	-	6,200
Wal-Mart	-	-	-	5,800
State of Florida	-	-	-	7,056
Total	93,256	95,525	92,455	103,321

Information for 2016 is not currently available. Each employer's percentage of total employment is also unavailable.

Source: 2015 Jacksonville Business Journal - Book of Lists 15-16, 2014 Jacksonville Business Journal - Book of Lists 14-15, 2013 About.com Jacksonville, 2012 Jacksonville Economic Development 2011 and 2010 Jacksonville Cornerstone Regional Development Partnership, 2009 Jacksonville Economic Development, 2008 Jacksonville Cornerstone, 2007 and 2006 Data The Florida Times-Union, Largest Employers in Jacksonville Area Information was not available for the prior 3 years

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2015	1,449,481	\$64,094,915	\$ 44,219	5.2%
2014	1,419,127	61,608,676	43,413	6.2%
2013	1,394,624	60,175,990	43,149	6.9%
2012	1,377,850	57,731,463	41,900	10.6%
2011	1,360,998	55,394,044	40,701	10.6%
2010	1,349,103	53,308,761	39,514	11.7%
2009	1,328,144	52,297,000	39,175	10.1%
2008	1,316,528	53,381,000	40,357	4.3%
2007	1,304,199	48,931,673	40,633	3.3%
2006	1,278,626	47,972,228	37,519	3.8%

Note: Population for 2015 is estimated.

*Sources: BEARFACTS Bureau of Economic Analysis: Regional Economic Accounts-Jacksonville, FL
Bureau of Labor Statistics - Jacksonville, FL Metropolitan Statistical Area
2006 Population Estimate from US Census Bureau
Unemployment Rate from the US Department of Labor, Bureau of Labor Statistics*

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

	2016	Market Share 2016	2015	Market Share 2015
DELTA AIR LINES INC	852,218	30.44 %	858,787	31.55 %
AMERICAN AIRLINES CORPORATION	761,343	27.19 %	742,374	27.27 %
SOUTHWEST AIRLINES CO	501,395	17.91 %	524,376	19.26 %
JETBLUE AIRWAYS CORPORATION	346,128	12.36 %	299,555	11.00 %
UNITED AIRLINES	258,055	9.22 %	234,496	8.61 %
SILVER AIRWAYS CORP	13,083	0.47 %	40,681	1.49 %
ALLEGiant AIR LLC	60,914	2.18 %	18,497	0.68 %
AIR GROUND LOGISTICS INC	4,177	0.15 %	3,266	0.12 %
AIR CANADA	2,274	0.08 %	-	- %
US AIRWAYS INC	-	- %	-	- %
AIRTRAN AIRLINES INC	-	- %	-	- %
REPUBLIC AIRLINES INC	-	- %	-	- %
AMERICAN EAGLE AIRLINES	-	- %	-	- %
CONTINENTAL EXPRESS	-	- %	-	- %
UNITED EXPRESS AIRLINES CO MESA AIRLINES	-	- %	-	- %
SHUTTLE AMERICA CORPORATION	-	- %	-	- %
PINNACLE AIRLINES	-	- %	-	- %
GOJET AIRLINES	-	- %	-	- %
COMPASS AIRLINES INC	-	- %	-	- %
UNITED EXPRESS	-	- %	-	- %
ATLANTIC SOUTHEAST AIRLINES	-	- %	-	- %
US AIRWAYS EXPRESS MESA	-	- %	-	- %
SHUTTLE AMERICA CORPORATION (UNITED)	-	- %	-	- %
COMAIR INC	-	- %	-	- %
CHAUTAUQUA AIRLINES INC	-	- %	-	- %
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	- %	-	- %
CONTINENTAL AIRLINES	-	- %	-	- %
GOJET AIRLINES (DELTA AIRLINES)	-	- %	-	- %
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	- %	-	- %
PSA AIRLINES INC	-	- %	-	- %
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	-	- %	-	- %
MESABA AIRLINES	-	- %	-	- %
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	- %	-	- %
ATLANTIC SOUTHEAST AIRLINES (UNITED)	-	- %	-	- %
FREEDOM AIRLINES (DELTA) CO MESA AIRLINES	-	- %	-	- %
EXPRESS JET	-	- %	-	- %
FRONTIER	-	- %	-	- %
GULFSTREAM (CONTINENTAL CONN.)	-	- %	-	- %
SKYWEST (DELTA CONNECTION)	-	- %	-	- %
TRANS STATES (AMERICAN)	-	- %	-	- %
NORTHWEST AIRLINES INC	-	- %	-	- %
TOTAL ENPLANEMENTS	<u>2,799,587</u>	<u>100.00 %</u>	<u>2,722,032</u>	<u>100.00 %</u>

*Source: Jacksonville Aviation Authority Records
Effective FY2013 Note: Under new agreement Signatory Airlines are reporting for their affiliates*

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

	2014	2013	2012	2011
DELTA AIR LINES INC	818,900	766,754	626,376	609,465
AMERICAN AIRLINES CORPORATION	278,360	251,578	153,084	166,969
SOUTHWEST AIRLINES CO	604,257	652,585	594,816	629,020
JETBLUE AIRWAYS CORPORATION	200,309	186,118	187,189	147,195
UNITED AIRLINES	222,320	249,782	33,872	45,072
SILVER AIRWAYS CORP	17,043	6,119	2,927	-
ALLEGiant AIR LLC	-	-	-	-
AIR GROUND LOGISTICS INC	1,833	2,054	4,416	4,543
AIR CANADA	-	-	-	-
US AIRWAYS INC	459,799	448,580	291,616	355,870
AIRTRAN AIRLINES INC	-	-	127,231	146,138
REPUBLIC AIRLINES INC	-	-	116,842	76,740
AMERICAN EAGLE AIRLINES	-	-	103,958	118,783
CONTINENTAL EXPRESS	-	-	92,771	128,975
UNITED EXPRESS AIRLINES CO MESA AIRLINES	-	-	51,446	55,888
SHUTTLE AMERICA CORPORATION	-	-	35,691	13,463
PINNACLE AIRLINES	-	-	34,525	28,892
GOJET AIRLINES	-	-	32,552	22,740
COMPASS AIRLINES INC	-	-	30,232	44,836
UNITED EXPRESS	-	-	26,366	1,645
ATLANTIC SOUTHEAST AIRLINES	-	-	23,425	51,217
US AIRWAYS EXPRESS MESA	-	-	19,835	10,465
SHUTTLE AMERICA CORPORATION (UNITED)	-	-	13,033	9,294
COMAIR INC	-	-	11,532	61,685
CHAUTAUQUA AIRLINES INC	-	-	7,901	7,226
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	-	6,217	13,533
CONTINENTAL AIRLINES	-	-	6,048	2,593
GOJET AIRLINES (DELTA AIRLINES)	-	-	4,035	-
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	-	3,702	-
PSA AIRLINES INC	-	-	1,268	1,239
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	-	-	918	550
MESABA AIRLINES	-	-	235	784
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	-	-	19,011
ATLANTIC SOUTHEAST AIRLINES (UNITED)	-	-	-	9,978
FREEDOM AIRLINES (DELTA) CO MESA AIRLINES	-	-	-	-
EXPRESS JET	-	-	-	-
FRONTIER	-	-	-	-
GULFSTREAM (CONTINENTAL CONN.)	-	-	-	-
SKYWEST (DELTA CONNECTION)	-	-	-	-
TRANS STATES (AMERICAN)	-	-	-	-
NORTHWEST AIRLINES INC	-	-	-	-
TOTAL ENPLANEMENTS	<u>2,602,821</u>	<u>2,563,570</u>	<u>2,644,059</u>	<u>2,783,809</u>

Source: Jacksonville Aviation Authority Records

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

	2010	2009	2008	2007
DELTA AIR LINES INC	659,530	566,209	563,394	579,370
AMERICAN AIRLINES CORPORATION	163,434	139,687	153,956	154,886
SOUTHWEST AIRLINES CO	609,766	653,444	624,289	657,338
JETBLUE AIRWAYS CORPORATION	118,761	103,559	114,510	111,377
UNITED AIRLINES	53,003	49,205	88,149	22,622
SILVER AIRWAYS CORP	-	-	-	-
ALLEGiant AIR LLC	-	-	-	-
AIR GROUND LOGISTICS INC	4,191	3,258	3,792	6,835
AIR CANADA	-	-	-	-
US AIRWAYS INC	400,453	408,943	460,583	487,063
AIRTRAN AIRLINES INC	166,504	165,770	182,364	185,536
REPUBLIC AIRLINES INC	49,598	48,834	20,742	11,764
AMERICAN EAGLE AIRLINES	85,634	74,711	123,084	120,006
CONTINENTAL EXPRESS	147,976	119,950	77,426	103,739
UNITED EXPRESS AIRLINES CO MESA AIRLINES	39,843	57,791	36,684	65,563
SHUTTLE AMERICA CORPORATION	5,899	-	-	-
PINNACLE AIRLINES	39,506	42,633	30,892	42,338
GOJET AIRLINES	58,063	44,845	26,151	60,106
COMPASS AIRLINES INC	41,195	47,205	32,493	-
UNITED EXPRESS	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES	4,326	3,471	803	13,727
US AIRWAYS EXPRESS MESA	7,264	1,531	1,653	2,786
SHUTTLE AMERICA CORPORATION (UNITED)	-	-	-	-
COMAIR INC	63,305	79,563	133,481	146,296
CHAUTAUQUA AIRLINES INC	19,409	54,097	34,746	11,126
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	-	-	-
CONTINENTAL AIRLINES	24,739	77,715	128,916	137,554
GOJET AIRLINES (DELTA AIRLINES)	-	-	-	-
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	-	-	-
PSA AIRLINES INC	1,462	-	1,626	1,697
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	15	824	2,878	3,855
MESABA AIRLINES	7,219	-	6,373	-
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES (UNITED)	1,464	-	-	-
FREEDOM AIRLINES (DELTA) CO MESA AIRLINES	5,248	-	-	-
EXPRESS JET	-	-	54,531	29,042
FRONTIER	-	-	20,719	11,694
GULFSTREAM (CONTINENTAL CONN.)	-	-	5,606	14,053
SKYWEST (DELTA CONNECTION)	-	-	462	18,074
TRANS STATES (AMERICAN)	-	-	33,075	40,486
NORTHWEST AIRLINES INC	-	69,963	94,628	128,731
TOTAL ENPLANEMENTS	<u>2,777,807</u>	<u>2,813,208</u>	<u>3,058,006</u>	<u>3,167,664</u>

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
 Jacksonville, Florida
 Landed Weights
 (weights in 1000 lbs)
 (unaudited)

	2016	Market Share 2016	2015	Market Share 2015
DELTA AIR LINES INC	934,362	26.37 %	993,669	28.03 %
AMERICAN AIRLINES CORPORATION	877,851	24.77 %	904,261	25.51 %
SOUTHWEST AIRLINES CO	565,804	15.97 %	593,027	16.73 %
JETBLUE AIRWAYS CORPORATION	388,435	10.96 %	334,258	9.43 %
UNITED AIRLINES	266,612	7.52 %	239,356	6.75 %
SILVER AIRWAYS CORP	24,995	0.71 %	57,827	1.63 %
ALLEGiant AIR LLC	62,676	1.77 %	18,514	0.52 %
AIR GROUND LOGISTICS INC	12,118	0.34 %	9,453	0.27 %
AIR CANADA	3,116	0.09 %	-	-
US AIRWAYS INC	-	-	-	-
REPUBLIC AIRLINES INC	-	-	-	-
AIRTRAN AIRLINES INC	-	-	-	-
ENVOY AIR	-	-	-	-
COMPASS AIRLINES INC	-	-	-	-
UNITED EXPRESS AIRLINES CO MESA AIRLINES	-	-	-	-
PINNACLE AIRLINES	-	-	-	-
GOJET AIRLINES	-	-	-	-
GOJET AIRLINES (DELTA AIRLINES)	-	-	-	-
SHUTTLE AMERICA CORPORATION (UNITED)	-	-	-	-
US AIRWAYS EXPRESS MESA	-	-	-	-
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	-	-	-
SHUTTLE AMERICA CORPORATION	-	-	-	-
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	-	-	-	-
PSA AIRLINES INC	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES	-	-	-	-
UNITED EXPRESS	-	-	-	-
COMAIR INC	-	-	-	-
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	-	-	-
CONTINENTAL AIRLINES	-	-	-	-
CHAUTAUQUA AIRLINES INC	-	-	-	-
CONTINENTAL EXPRESS	-	-	-	-
MESABA AIRLINES	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES (UNITED)	-	-	-	-
DAL GLOBAL SERVICES INC	-	-	-	-
ATLANTIC COAST AIRLINES	-	-	-	-
AMERICAN (TRANS STATES)	-	-	-	-
EXPRESS JET	-	-	-	-
FRONTIER	-	-	-	-
GULFSTREAM (CONTINENTAL)	-	-	-	-
INDEPENDENCE AIR	-	-	-	-
SKYWEST (DELTA CONNECTION)	-	-	-	-
TRANS STATES	-	-	-	-
AIR WISCONSIN (US AIRWAYS)	-	-	-	-
NORTHWEST AIRLINES INC	-	-	-	-
TOTAL COMMERCIAL AIRLINES	<u>3,135,969</u>	<u>88.49 %</u>	<u>3,150,365</u>	<u>88.87 %</u>
AIR CARGO CARRIERS:				
FEDERAL EXPRESS CORPORATION	206,557	5.83 %	203,065	5.73 %
UNITED PARCEL SERVICE COMPANY	198,386	5.60 %	188,094	5.31 %
SUBURBAN AIR FREIGHT INC	954	0.03 %	-	-
AMERIFLIGHT LLC	1,928	0.05 %	3,166	0.09 %
MOUNTAIN AIR CARGO INC	-	-	43	-
MISCELLANEOUS	-	-	-	-
ABX	-	-	-	-
DHL	-	-	-	-
TOTAL CARGO AIRLINES	<u>407,825</u>	<u>11.51 %</u>	<u>394,368</u>	<u>11.13 %</u>
TOTAL LANDED WEIGHTS	<u>3,543,794</u>	<u>100.00 %</u>	<u>3,544,733</u>	<u>100.00 %</u>

Source: Jacksonville Aviation Authority Records

Effective FY 2014 Note: Under the current airline agreement Affiliate's landed weights are reported under the Signatory Airline.

Jacksonville Aviation Authority
Jacksonville, Florida
Landed Weights
(weights in 1000 lbs)
(unaudited)

	2014	2013	2012	2011
DELTA AIR LINES INC	989,362	1,021,543	813,618	801,499
AMERICAN AIRLINES CORPORATION	304,435	284,020	166,346	180,024
SOUTHWEST AIRLINES CO	781,392	859,114	805,030	890,870
JETBLUE AIRWAYS CORPORATION	225,429	216,234	216,234	171,867
UNITED AIRLINES	243,254	288,258	49,993	66,766
SILVER AIRWAYS CORP	23,057	8,265	3,933	-
ALLEGiant AIR LLC	-	-	-	-
AIR GROUND LOGISTICS INC	5,289	5,583	12,180	11,463
AIR CANADA	-	-	-	-
US AIRWAYS INC	530,093	521,417	359,066	464,833
REPUBLIC AIRLINES INC	-	-	145,784	85,395
AIRTRAN AIRLINES INC	-	-	152,232	192,650
ENVOY AIR	-	-	107,379	140,674
COMPASS AIRLINES INC	-	-	36,023	52,538
UNITED EXPRESS AIRLINES CO MESA AIRLINES	-	-	58,625	67,918
PINNACLE AIRLINES	-	-	41,596	34,363
GOJET AIRLINES	-	-	37,855	28,810
GOJET AIRLINES (DELTA AIRLINES)	-	-	5,963	-
SHUTTLE AMERICA CORPORATION (UNITED)	-	-	16,993	15,258
US AIRWAYS EXPRESS MESA	-	-	22,712	11,172
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	-	4,256	-
SHUTTLE AMERICA CORPORATION	-	-	46,786	17,027
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	-	-	1,598	846
PSA AIRLINES INC	-	-	1,730	1,394
ATLANTIC SOUTHEAST AIRLINES	-	-	27,651	64,670
UNITED EXPRESS	-	-	26,246	1,662
COMAIR INC	-	-	14,125	87,737
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	-	10,051	23,863
CONTINENTAL AIRLINES	-	-	9,880	4,407
CHAUTAUQUA AIRLINES INC	-	-	7,341	6,907
CONTINENTAL EXPRESS	-	-	92,131	124,645
MESABA AIRLINES	-	-	368	956
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	-	-	17,866
ATLANTIC SOUTHEAST AIRLINES (UNITED)	-	-	-	12,455
DAL GLOBAL SERVICES INC	-	-	-	322
ATLANTIC COAST AIRLINES	-	-	-	-
AMERICAN (TRANS STATES)	-	-	-	-
EXPRESS JET	-	-	-	-
FRONTIER	-	-	-	-
GULFSTREAM (CONTINENTAL)	-	-	-	-
INDEPENDENCE AIR	-	-	-	-
SKYWEST (DELTA CONNECTION)	-	-	-	-
TRANS STATES	-	-	-	-
AIR WISCONSIN (US AIRWAYS)	-	-	-	-
NORTHWEST AIRLINES INC	-	-	-	-
TOTAL COMMERCIAL AIRLINES	<u>3,102,311</u>	<u>3,204,434</u>	<u>3,293,725</u>	<u>3,580,857</u>
AIR CARGO CARRIERS:				
FEDERAL EXPRESS CORPORATION	205,419	198,341	196,971	211,323
UNITED PARCEL SERVICE COMPANY	186,616	186,859	186,599	186,799
SUBURBAN AIR FREIGHT INC	2,479	3,272	3,203	2,090
AMERIFLIGHT LLC	748	14	-	16
MOUNTAIN AIR CARGO INC	-	-	72	886
MISCELLANEOUS	-	-	-	-
ABX	-	-	-	-
DHL	-	-	-	-
TOTAL CARGO AIRLINES	<u>395,262</u>	<u>388,486</u>	<u>386,845</u>	<u>401,114</u>
TOTAL LANDED WEIGHTS	<u>3,497,573</u>	<u>3,592,920</u>	<u>3,680,570</u>	<u>3,981,971</u>

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
Jacksonville, Florida
Landed Weights
(weights in 1000 lbs)
(unaudited)

	2010	2009	2008	2007
DELTA AIR LINES INC	722,553	733,464	768,877	672,714
AMERICAN AIRLINES CORPORATION	181,958	153,526	181,777	-
SOUTHWEST AIRLINES CO	862,176	955,216	980,788	970,542
JETBLUE AIRWAYS CORPORATION	152,829	170,954	148,825	133,747
UNITED AIRLINES	76,189	65,962	115,232	28,118
SILVER AIRWAYS CORP	-	-	-	-
ALLEGiant AIR LLC	-	-	-	-
AIR GROUND LOGISTICS INC	-	-	-	-
AIR CANADA	-	-	-	-
US AIRWAYS INC	529,454	516,137	573,721	584,664
REPUBLIC AIRLINES INC	56,686	55,227	20,112	15,041
AIRTRAN AIRLINES INC	200,976	193,536	215,674	222,352
ENVOY AIR	99,474	88,051	145,095	137,487
COMPASS AIRLINES INC	35,875	46,903	36,776	-
UNITED EXPRESS AIRLINES CO MESA AIRLINES	45,630	61,844	40,321	73,408
PINNACLE AIRLINES	45,024	40,519	37,150	46,671
GOJET AIRLINES	-	56,213	42,681	75,040
GOJET AIRLINES (DELTA AIRLINES)	73,030	-	-	-
SHUTTLE AMERICA CORPORATION (UNITED)	-	-	-	-
US AIRWAYS EXPRESS MESA	7,720	1,397	2,132	3,363
EXPRESSJET AIRLINES INC (DELTA AIRLINES)	-	-	-	-
SHUTTLE AMERICA CORPORATION	5,997	-	-	-
AIR WISCONSIN AIRLINES CORPORATION CO US AIRWAYS	94	-	-	-
PSA AIRLINES INC	1,851	-	2,295	1,900
ATLANTIC SOUTHEAST AIRLINES	4,730	4,653	899	14,792
UNITED EXPRESS	-	-	-	-
COMAIR INC	68,834	89,465	152,776	166,499
SHUTTLE AMERICA CORPORATION (CONTINENTAL)	-	-	-	-
CONTINENTAL AIRLINES	30,343	94,625	155,645	159,848
CHAUTAUQUA AIRLINES INC	21,983	56,301	32,547	10,707
CONTINENTAL EXPRESS	142,502	113,231	80,619	104,876
MESABA AIRLINES	5,240	-	2,867	-
ATLANTIC SOUTHEAST AIRLINES (CONTINENTAL)	-	-	-	-
ATLANTIC SOUTHEAST AIRLINES (UNITED)	-	-	-	-
DAL GLOBAL SERVICES INC	-	-	-	-
ATLANTIC COAST AIRLINES	1,880	-	-	-
AMERICAN (TRANS STATES)	-	-	-	179,773
EXPRESS JET	-	-	74,862	50,733
FRONTIER	-	-	33,574	15,926
GULFSTREAM (CONTINENTAL)	-	-	13,266	26,646
INDEPENDENCE AIR	-	-	294	-
SKYWEST (DELTA CONNECTION)	-	-	289	21,735
TRANS STATES	-	-	36,235	43,128
AIR WISCONSIN (US AIRWAYS)	-	893	3,854	4,277
NORTHWEST AIRLINES INC	-	71,834	112,817	165,429
TOTAL COMMERCIAL AIRLINES	<u>3,373,028</u>	<u>3,569,951</u>	<u>4,012,000</u>	<u>3,929,416</u>
AIR CARGO CARRIERS:				
FEDERAL EXPRESS CORPORATION	212,938	217,465	215,057	216,005
UNITED PARCEL SERVICE COMPANY	189,609	208,064	249,001	265,114
SUBURBAN AIR FREIGHT INC	-	-	-	-
AMERIFLIGHT LLC	-	-	-	-
MOUNTAIN AIR CARGO INC	-	-	-	-
MISCELLANEOUS	16,478	18,474	16,760	5,918
ABX	-	7,029	26,293	28,491
DHL	-	-	-	1,126
TOTAL CARGO AIRLINES	<u>419,025</u>	<u>451,032</u>	<u>507,111</u>	<u>516,654</u>
TOTAL LANDED WEIGHTS	<u>3,792,053</u>	<u>4,020,983</u>	<u>4,519,111</u>	<u>4,446,070</u>

Source: Jacksonville Aviation Authority Records

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

	2016		2015		2014		2013		2012	
	Employees		Employees		Employees		Employees		Employees	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
Executive Director	3	-	3	-	3	-	3	-	3	-
Marketing	2	-	3	-	3	-	3	-	2	-
Information Technology	12	-	9	-	8	-	8	-	7	-
External Affairs	4	-	4	-	4	-	4	-	4	-
Human Resources	8	-	6	-	5	-	7	-	8	-
Procurement	13	1	13	1	13	1	10	1	10	1
Accounting & Finance	11	-	10	-	10	-	9	-	9	-
Planning & Engineering	12	-	12	-	11	-	11	-	11	-
Business Development	6	-	7	-	7	-	8	-	7	-
Cecil Airport	13	-	12	-	10	1	11	-	7	5
JaxEx at Craig Airport	4	-	3	-	4	-	3	-	3	1
Herlong Airport	9	-	9	-	9	-	8	1	5	2
Building Maintenance	27	-	28	-	23	-	25	-	22	-
Field Maintenance	27	1	27	1	24	1	22	1	23	1
HBS	10	-	10	-	9	-	9	-	9	-
Custodial	35	-	34	-	31	-	32	-	32	-
Police/Security	52	-	50	-	50	-	52	-	52	-
Airport Operations	26	-	23	-	27	-	24	-	26	-
DBE	-	-	-	-	-	-	-	-	-	-
Customer Service	-	-	-	-	-	-	-	-	-	-
Employee Relations	-	-	-	-	-	-	-	-	-	-
Training & Development	-	-	-	-	-	-	-	-	-	-
Air Trade	-	-	-	-	-	-	-	-	-	-
Total	274	2	263	2	251	3	249	3	240	10

FT - Full time employee working more than 35 hours
PT - Part time employee working 35 hours or less

Source: Jacksonville Aviation Authority Records

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

	2011		2010		2009		2008		2007	
	Employees		Employees		Employees		Employees		Employees	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
Executive Director	2	-	2	-	1	-	3	-	3	-
Marketing	3	-	3	-	-	-	-	-	-	-
Information Technology	7	-	6	-	7	-	6	-	6	-
External Affairs	4	-	4	-	5	1	2	1	2	1
Human Resources	9	-	8	-	8	-	10	-	-	-
Procurement	9	1	9	1	8	1	7	1	7	-
Accounting & Finance	9	-	10	-	9	-	8	-	9	1
Planning & Engineering	12	-	12	-	12	-	13	-	12	-
Business Development	4	-	6	-	5	-	5	-	3	-
Cecil Airport	5	5	7	5	7	4	10	4	10	4
JaxEx at Craig Airport	3	1	3	1	3	1	3	2	4	-
Herlong Airport	6	2	6	2	5	2	6	2	5	3
Building Maintenance	26	-	26	-	26	-	26	-	25	-
Field Maintenance	22	1	23	1	24	1	24	1	25	1
HBS	10	-	10	-	10	-	10	-	10	-
Custodial	31	-	30	-	30	-	30	-	28	-
Police/Security	53	-	35	-	36	-	44	-	45	-
Airport Operations	23	-	19	1	18	1	21	-	18	2
DBE	1	-	1	-	1	-	1	1	1	1
Customer Service	-	-	-	-	-	-	-	-	2	1
Employee Relations	-	-	-	-	-	-	-	-	7	-
Training & Development	-	-	-	-	-	-	-	-	3	-
Air Trade	-	-	-	-	-	-	-	-	1	-
Total	239	10	220	11	215	11	229	12	226	14

FT - Full time employee working more than 35 hours
PT - Part time employee working 35 hours or less

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
Aircraft Operations
Year Ended September 30, 2016
(unaudited)

	Air Carrier	Air Taxi	Gen Aviation	Military	Total Aircraft Operations
2016	56,307	16,351	12,594	16,315	101,567
2015	54,552	18,528	11,223	9,199	93,502
2014	49,457	20,168	11,544	6,460	87,629
2013	51,358	18,301	13,755	7,145	90,559
2012	55,101	15,594	12,519	5,926	89,140
2011	58,105	19,956	13,536	7,275	98,872
2010	53,004	22,602	12,694	6,553	94,853
2009	57,467	22,325	11,925	5,908	97,625
2008	61,937	32,227	12,098	4,407	110,669
2007	61,997	37,163	15,447	5,908	120,515

Source: Jacksonville Aviation Authority Records

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Signatory Airlines</u>										
American Airlines	X	X	X	X	X	X	X	X	X	X
Delta Airlines	X	X	X	X	X	X	X	X	X	X
JetBlue	X	X	X	X	X	X	X	X	X	X
Northwest Airlines	-	-	-	-	-	-	-	X	X	X
Southwest Airlines	X	X	X	X	X	X	X	X	X	X
United Airlines	X	X	X	X	X	X	X	X	X	X
US Airways	-	X	X	X	X	X	X	X	X	X
Total Signatory Airlines	5	6	6	6	6	6	6	7	7	7
<u>Non-signatory Airlines</u>										
Sky Regional (Air Canada)	X	-	-	-	-	-	-	-	-	-
AirTran	-	-	-	X	X	X	X	X	X	X
Air Wisconsin (American Air)	-	-	-	X	X	X	X	X	X	X
Allegiant	X	X	-	-	-	-	-	-	-	-
American Eagle	-	-	-	X	X	X	X	X	X	X
Endeavor Airlines (formerly ASA)	-	-	-	X	X	X	X	X	X	X
Charters	-	-	-	X	X	X	X	X	X	X
Chautauqua	-	-	-	-	X	X	X	X	X	X
Comair	-	-	-	-	X	X	X	X	X	X
Compass Airline	-	-	-	X	X	X	X	X	X	-
Continental Airlines	-	-	-	-	X	X	X	X	X	X
Continental Express	-	-	-	-	X	X	X	X	X	X
Express Jet (United Air)	-	-	-	X	X	-	-	-	X	X
Florida Gulf	-	-	-	-	-	-	-	-	-	-
Freedom Airlines	-	-	-	-	-	-	X	-	-	-
Frontier	-	-	-	-	-	-	-	-	X	X
Go Jet (United)	-	-	-	X	X	X	X	X	X	X
Gulfstream	-	-	-	-	-	-	-	-	X	X
Independence Air	-	-	-	-	-	-	-	-	-	-
Mesa (American Air)	-	-	-	X	X	X	X	X	X	X
Mesaba	-	-	-	-	X	X	X	-	X	-
Pinnacle	-	-	-	X	X	X	X	X	X	X
PSA Airlines	-	-	-	X	X	X	X	-	X	X
Republic (American Air)	-	-	-	X	X	X	X	X	X	X
Shuttle America (Delta)	-	-	-	X	X	X	X	-	-	-
Silver Airways	X	X	X	X	X	-	-	-	-	-
Skywest	-	-	-	-	-	-	-	-	X	X
Trans States	-	-	-	-	-	-	-	-	X	X
Total Non-signatory Airlines	3	2	1	15	20	18	19	15	22	20
Total Signatory and Non-signatory Airlines	8	8	7	21	26	24	25	22	29	27
<u>Cargo</u>										
UPS	X	X	X	X	X	X	X	X	X	X
FedEx	X	X	X	X	X	X	X	X	X	X
Mountain Air Cargo	-	X	-	-	X	X	-	-	-	-
Suburban Air Freight	X	X	X	X	X	X	-	-	-	-
Ameriflight, LLC	X	X	X	X	-	X	-	-	-	-
ABX	-	-	-	-	-	-	X	X	X	X
DHL	-	-	-	-	-	-	-	-	-	X
Total Cargo Airlines	4	5	4	4	4	5	3	3	3	4

Starting in 2013 affiliates are reported under signatory airlines.

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
 Primary Origination and Destination Passenger Markets
 Year Ended September 30, 2016
 (unaudited)

Rank	Market	
1	Atlanta	SH
2	Charlotte	SH
3	New York JFK	MH
4	Washington National	MH
5	Miami	SH
6	New York La Guardia	MH
7	Chicago O'Hare	MH
8	Dallas-Fort Worth	MH
9	New York Newark	MH
10	Baltimore-Washington	MH
11	Fort Lauderdale/Hollywood	SH
12	Houston Intercontinental	MH
13	Nashville	SH
14	Philadelphia	MH
15	Boston	MH
16	Washington Dulles	MH
17	Chicago Midway	MH
18	Denver	MH
19	Houston Hobby	MH
20	Minneapolis - St. Paul	MH
21	Detroit Wayne County	MH

Source: Jacksonville Aviation Authority Records

Trip Length
SH (short haul) = 0 to 600 miles
MH (medium haul) = 601 to 1,800 miles
LH (long haul) = over 1,801 miles

Jacksonville Aviation Authority
 Airport Capital Asset Information
 Year Ended September 30, 2016
(unaudited)

Jacksonville International Airport

Location	18 Miles North of Downtown Jacksonville
Area	8,296 Acres
Airport Code	- JAX
Runways	10,000 Feet Runway 7/25 (Primary) 7,700 Feet Runway 13/31
Taxiways	13 75 Foot Wide 2 50 Foot Wide 2 90 Foot Wide 3 60 Foot Wide 1 150 Foot Wide
Aprons	1,575,752 Sq. Yards
Terminal with 2 Concourses	736,138 Sq. Ft.
Aircraft Gates	14 Gates leased by Signatory Airlines 6 Gates operated by JAA 1 International/Charter Gate
Cargo	- South of Terminal 225,000 Sq. Ft. Consisting of 4 Buildings 86,600 Sq. Yrds. Consisting of 3 Cargo Ramps 39,785 Sq. Ft. Aircraft Maintenance Facility
Parking spaces	833 Short-term Hourly Garage 1,963 Daily Garage 1,722 Daily Surface Lot 4,411 Economy Lots <hr style="width: 100%; border: 1px solid black;"/> <u>8,929</u>
Hotel	200 Rooms - Jacksonville Airport Hotel 153,000 Sq. Ft.

General Aviation Airports:

Jacksonville Executive at Craig Airport

Location	9 Miles East of Downtown Jacksonville
Area	1,328 Acres
Runways	4,000 Feet 4,000 Feet
Fixed Based Operators (FBO)	- Craig Air Center - Sky Harbor

Source: Jacksonville Aviation Authority Records

Jacksonville Aviation Authority
 Airport Capital Asset Information
 Year Ended September 30, 2016
(unaudited) (continued)

Herlong Airport	
Location	9 Miles Southwest of Downtown Jacksonville
Area	1,449 Acres
Runways	4,000 Feet 3,500 Feet
Cecil Airport	
Location	13 Miles Southwest of Downtown Jacksonville
Area	6,078 Acres
Runways	12,500 Feet 8,000 Feet 8,000 Feet 4,439 Feet
Aprons	672,953 Sq. Yrds.

Source: Jacksonville Aviation Authority Records

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14201 Pecan Park Road
Jacksonville, FL 32218

Jacksonville Aviation Authority

Single Audit and Passenger Facility
Charge Program Reports
September 30, 2016

Contents

Schedule of Expenditures of Federal Awards and State Financial Assistance	1
Schedule of Passenger Facility Charges (PFC) Collected and Expended and Available Cash Balances	2
Notes to Schedules of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges	3
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Awards Program, Major State Financial Assistance Project and the Passenger Facility Charge Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards, and State Financial Assistance and Passenger Facility Charges Collected and Expended Required by the Uniform Guidance, Chapter 10.550, Rules of the Auditor General, and the Passenger Facility Charge Audit Guide for Public Agencies	4-6
Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance, Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.550, Rules of the Auditor General, and Report on Schedule of Passenger Facility Charges Collected and Expended and Available Cash Balances Required by the Guide	7
Schedule of Findings and Questioned Costs	8-12
Summary Schedule of Prior Audit Findings	13
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14-15
Management Letter Required By Chapter 10.550 of the Rules of the Auditor General	16-17
Independent Accountant's Report on Compliance with Chapter 218.415 Florida Statutes	18

Jacksonville Aviation Authority

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2016**

<u>Grantor Agency/Program</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
Federal Awards (Direct):			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-12-0032-019-2014	\$ 220,936
		3-12-0034-017-2014	38,978
		3-12-0034-018-2015	620,081
		3-12-0035-054-2015	880,372
		3-12-0032-020-2016	<u>53,690</u>
Total Expenditures of Federal Awards			<u>\$ 1,814,057</u>
State Financial Assistance Projects (Direct):			
Florida Department of Transportation:			
Aviation Development Grants	55.004	AQG60	5,595
		AQ781	21,092
		AQE79	184,388
		AQK42	35,079
		AQM33	1,882
		AQR32	32,627
		AR676	322,488
		AR675	92,391
		AR692	14,828
		AR800	40,827
		AR802	13,067
		GO595	10,771
		GOA61	<u>1,735</u>
Total Expenditures of State Financial Assistance			<u>\$ 776,770</u>

See accompanying notes.

Jacksonville Aviation Authority

**Schedule of Passenger Facility Charges (PFC) Collected and Expended and Available Cash Balances
Year Ended September 30, 2016**

Description	Quarter Ended				Year Ended
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	September 30, 2016
PFC revenue received	\$ 2,452,186	\$ 2,790,426	\$ 2,916,763	\$ 2,674,719	\$ 10,834,094
Interest received	8,578	14,265	8,212	6,905	37,960
Total PFC received	\$ 2,460,764	\$ 2,804,691	\$ 2,924,975	\$ 2,681,624	\$ 10,872,054
Expenditures on approved PFC projects	\$ 3,336,518	\$ 1,421,355	\$ 8,960,754	\$ 2,930,144	\$ 16,648,771
PFC cash available at September 30, 2015					<u>\$ 10,918,564</u>
PFC cash available at September 30, 2016					<u>\$ 5,141,847</u>

See accompanying notes.

Jacksonville Aviation Authority

**Notes to Schedule of Expenditures of Federal Awards,
State Financial Assistance, and Passenger Facility Charges
Year Ended September 30, 2016**

Note 1. Presentation and Basis of Accounting

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared on the accrual basis of accounting. Such expenditures are reported following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state award activity of the Authority under programs of the federal and state government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Jacksonville Aviation Authority (Authority), it is not intended to and does not present the financial position, and changes in net position or cash flows of the Authority.

The Schedule of Passenger Facility Charges (PFC) Collected and Expended and Available Cash Balances is prepared on the cash basis of accounting; however, the Authority's financial statements are prepared on the accrual basis of accounting and such transactions are recorded in the financial statements when revenue is earned or expenses are incurred. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration in September 2000. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The PFC cash available is included in restricted cash in the Authority's financial statements.

Note 2. Subrecipients

The Authority did not make sub-awards of federal awards or state financial assistance during the year ended September 30, 2016.

Note 3. Indirect Cost Recovery

The Authority did not recover its indirect costs using the 10% de minimis indirect cost rate provided under section 200.414 of the Uniform Guidance.



RSM US LLP

**Report on Compliance for the Each Major Federal Awards Program,
Major State Financial Assistance Project and the
Passenger Facility Charge Program; Report on Internal Control Over Compliance
and Report on Schedule of Expenditures of Federal Awards and State
Financial Assistance and Passenger Facility Charges Collected and Expended
Required by the Uniform Guidance, Chapter 10.550, Rules of the Auditor General,
and the Passenger Facility Charge Audit Guide for Public Agencies**

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

**Report on Compliance for the Major Federal Program, Each Major State Financial Assistance
Project and the Passenger Facility Charge Program**

We have audited the Jacksonville Aviation Authority (the Authority)'s compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *OMB Compliance Supplement*, the Department of Financial Services' State Projects Compliance Supplement, and the Passenger Facility Charge Audit Guide for Public Agencies (the Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on the Authority's major federal program, major state financial assistance project, and the passenger facility charge program for the year ended September 30, 2016. The Authority's major federal program and major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs, state financial assistance project, and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program, major state financial assistance projects and passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Chapter 10.550, Rules of the Auditor General; and the Guide. Those standards, the Uniform Guidance, Chapter 10.550 and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, major state financial assistance project, or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program, major state financial assistance project and the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program, Major State Financial Assistance Project and the Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program, major state financial assistance project, and the passenger facility charge program for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Passenger Facility Charge Program and which is described in the accompanying schedule of findings and questioned costs as item 2016-02. Our opinion is not modified with respect to this matter.

The Authority's response to the noncompliance finding for the passenger facility charge program identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program, major state financial assistance project, and the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program, major state financial assistance project and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance, Chapter 10.550, Rules of the Auditor General, and the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program, state financial assistance project, or the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, state financial assistance project, or the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program, state financial assistance project, or the passenger facility charge program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we identified a deficiency in internal control over compliance for the passenger facility charge program, as described in the accompanying schedule of findings and questioned costs as item 2016-02 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding for the passenger facility charge program identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Chapter 10.550, Rules of the Auditor General and the Guide. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Jacksonville, Florida
April 29, 2017



RSM US LLP

**Report on Schedule of Expenditures of Federal Awards required by Uniform Guidance,
Report on Schedule of Expenditures of State Financial Assistance Required by
Chapter 10.550, Rules of the Auditor General, and Report on Schedule of Passenger
Facility Charges Collected and Expended and Available Cash Balances Required by the Guide**

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

We have audited the financial statements of the Authority as of and for the year ended September 30, 2016, and have issued our report thereon dated April 29, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance and schedule of passenger facility charges collected and expended and available cash balances are presented for purposes of additional analysis as required by the Uniform Guidance, Chapter 10.550, Rules of the Auditor General, and the Guide and are not a required part of the financial statements. The schedule of passenger facility charges collected and expended and available cash balances provides relevant information that is not provided by the financial statements and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the cash basis of accounting. Under the cash basis, expenditures are recognized when paid rather than when the obligation is incurred and receipts are recorded when cash is received rather than when earned. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance and schedule of passenger facility charges collected and expended and available cash balances are fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Jacksonville, Florida
April 29, 2017

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Jacksonville Aviation Authority

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2016**

I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ <u>X</u> Yes	_____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major program:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None Reported

Type of auditor’s report issued on compliance for major program:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	_____ Yes	_____ <u>X</u> No

Identification of major programs:		
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
20.106	Airport Improvement Program	

Dollar threshold used to distinguish between type A and type B programs:	\$	750,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No

State Financial Assistance

Internal control over major project:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None Reported

Type of auditor’s report issued on compliance for major projects:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?	_____ Yes	_____ <u>X</u> No

Identification of major projects:		
<u>CSFA Number(s)</u>	<u>Name of State Program or Project</u>	
55.004	Aviation Development Grants	

Dollar threshold used to distinguish between type A and type B projects:	\$	300,000
--	----	---------

Jacksonville Aviation Authority

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2016**

Passenger Facility Charge

Internal control over major projects:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not

considered to be material weakness(es)?

 X Yes _____ None Reported

Type of auditor's report issued on compliance for
PFC programs

_____ Unmodified _____

Any audit findings pertaining to the PFC program

 X Yes _____ No

Jacksonville Aviation Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

II – Financial Statement Findings Section

2016-1 Capital Contributions

Criteria: The financial statements should represent all transactions that occurred within the fiscal year. Under a number of the Authority's leasing agreements for real property, improvements made by the tenant, to the real property reverts to the Authority upon termination or expiration of the agreement. These improvements, when received by the Authority, are recorded at acquisition value as of the date of transfer as an asset and a capital contribution.

Condition: During fiscal 2014, multiple long term leases for real property expired. These leases contained provisions that upon termination of the lease, the improvements made to the real property were to be transferred to the Authority. Although the Authority accepted legal title to the improvements in 2014, there was no recognition of the capital contribution in the Authority's financial statements. This item was not picked up during the annual accounting and financial reporting process due to a breakdown in communication regarding the transaction as the Authority did not have a formal process for communicating these termination reversions.

Context: This appears to be an isolated incident as the Authority does not often have termination reversions.

Cause: The omission of these capital contributions from the 2014 financial statements of the Authority appears to have been caused by a breakdown in the communication process where the accounting and financial reporting personnel were not made aware of the asset reversion. The Business Development department is responsible for the Authority's leasing activities, and they were aware of the acceptance of property from tenants but it was not communicated to the financial reporting staff.

Effect: As of September 30, 2015 capital assets and net position were understated by approximately \$3.3 million net of the accumulated depreciation on the improvements. To correct this misstatement in 2016, the Authority's capital contributions and depreciation expense are overstated by approximately \$3.8 million and \$480 thousand, respectively.

Recommendation: We recommend that the Authority establish standard procedures for the acceptance of real property from tenants. These protocols should include a Finance department review and approval of the property records, determination of acquisition value, and terms of the transfer. Additionally, because there are substantial complexities in accounting for leases under generally accepted accounting principles, there are often unintended financial reporting consequences triggered through lease terms and provisions. For this reason we recommend there to be a Finance department review of lease terms prior to the execution of significant or complex leases.

Response / Planned Corrective Action: The Finance department has implemented a process whereby one of our staff meets with JAA's Business Development department monthly to discuss new and expiring leases. In connections with the monthly meetings, possible asset reversion will be reviewed at initiation, change of lease terms, and the close of JAA leases. Further, we have reviewed all existing leases with Business Development to identify all current leases that contain asset reversions.

Since the implementation of our revenue software in 2004, Finance has had the ability to review the terms of JAA leases prior to execution. Currently this serves as our notification of a new lease with asset reversion in the terms. The leases identified in the finding were initiated between 1975-1999, which predates our current systemic control procedure. The combination of review of all existing JAA leases, monthly meetings with Business Development, and revenue system controls should prevent any future omission of capital contributions occurring through lease reversion.

Jacksonville Aviation Authority

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2016**

III – Federal Award Findings and Questioned Costs

No matters reported.

IV – State Financial Assistance Findings and Questioned Costs

No matters reported.

V – Passenger Facility Charge Program Findings and Questioned Costs

2016-2 Air Carrier Quarterly Reporting

Criteria: Code of Federal Regulations (CFR) Part 158.65 requires that each air carrier collecting PFC revenues for a public agency file quarterly reports to the public agency (unless another reporting period is mutually agreed to by the air carrier and public agency). These reports shall state the collecting air carrier and airport involved, the total PFC revenue collected, the total amount of PFC revenue refunded to passengers, and the amount of collection withheld by the collecting carrier for reimbursement of expenses. The report shall include dates and amounts of each remittance for the quarter. The report shall be filed on or before the last day of the calendar month following the end of the calendar quarter or other agreed period.

Program Requirement No. 3 of Section E of the Passenger Facility Charge Audit Guide for Public Agencies (Requirement No. 3), requires the public agency to have in place and utilizes procedures to track air carrier remittances and reporting, and to notify carriers of their obligations when the remittances and reporting are not received in accordance with the requirements of this section.

Condition: During our testing of air carrier reporting we selected a sample of 27 reporting periods by individual air carrier. Of the 27 reporting periods, the Authority was unable to provide reports for 5 of the selected periods. Although the Authority has established a process to track the receipt of air carrier reports, there was no evidence that the Authority had a control procedure in place to follow up on reports that have not been timely filed as required under the program requirements. We did not see evidence that the Authority made efforts to notify carriers of their failure to comply with their reporting obligations when reports were not received as required by this section.

Context: This condition appears to be limited to the notification of air carriers, where applicable, of their lack of compliance with reporting obligations under Requirement No. 3.

Cause: The Authority does not appear to have a properly designed control to monitor compliance with its obligation to notify air carriers who are not reporting in accordance with CFR Part 158.65 of the requirement to submit the information in a timely manner.

Effect: As a result of the above noted control deficiency, the Authority did not obtain all the reports from the Air Carriers and was not in compliance with Requirement No. 3.

Recommendation: We recommend that the Authority establish control activities to monitor compliance with the provisions of the Passenger Facility Charge Audit Guide for Public Agencies. We specifically recommend that an individual, other than the individual recording the receipt of the air carrier reports, be assigned the responsibility to review the record of air carrier reports received, and determine if the Authority has properly notified air carriers who have not reported in accordance with the requirements of CFR Part 158.65. This review should be performed at a frequency of no less than quarterly.

Jacksonville Aviation Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2016

Response / Planned Corrective Action: The Finance department closely monitors and reconciles PFC remittances from the airlines on a monthly basis. We have modified our procedures so that failure to receive a quarterly PFC report from an airline will generate a notice to the airline of their failure to comply with the CFR Part 158.65 (requirement number 3).

Jacksonville Aviation Authority

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2016**

None Reported



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**Report 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**

Independent Auditor's Report

The Board of Directors
Jacksonville Aviation Authority
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jacksonville Aviation Authority (the Authority), which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned as item 2016-001 that we consider to be a significant deficiency.

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*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Jacksonville, Florida
April 29, 2017



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**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

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

Report on the Financial Statements

We have audited the financial statements of the Jacksonville Aviation Authority (the Authority) as of and for the year ended September 30, 2016, and issued our report thereon dated April 29, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For the Major Federal Program and the Major State Financial Assistance Project and the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Passenger Facility Charges Collected and Expended required by Uniform Guidance, Chapter 10.550, Rules of the Auditor General and the Passenger Facility Charge Audit Program for Public Agencies; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 29, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The specific legal authority that established the Authority is disclosed in Note 1 of the financial statements.

Financial Condition

Section 10.554(1)(i)5a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to sections 10.554(1)(i)5c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM VS LLP

Jacksonville, Florida
April 29, 2017



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**Independent Accountant's Report
on Compliance with Chapter 218.415 Florida Statutes**

To the Board of Directors
Jacksonville Aviation Authority
Jacksonville, Florida

We have examined the Jacksonville Aviation Authority's (the Authority) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2016. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Florida Auditor General, the Authority Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Jacksonville, Florida
April 29, 2017

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