

CITY OF JACKSONVILLE, FLORIDA

SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010



PREPARED BY THE DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

City of Jacksonville, Florida
Single Audit Report
For the Fiscal Year Ended September 30, 2010

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SINGLE AUDIT

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Jacksonville, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Vision, Inc., Jacksonville Aviation Authority, Jacksonville Electric Authority, Water & Sewer Expansion Authority, and the Police and Fire Rescue Pension Plan Trust Fund, which collectively represent 74% and 68%, respectively, of the assets and revenues of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Vision, Inc., Jacksonville Airport Authority, Jacksonville Electric Authority, Water & Sewer Expansion Authority, and the Police and Fire Rescue Pension Plan Trust Fund, is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the City's 2009 financial statements which were audited by other auditors whose report thereon dated March 24, 2010 expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued, our report dated March 30, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance – budget and actual – general fund, and the schedules of employer contributions and funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and Chapter 10.550, Rules of the Auditor General, State of Florida, and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Jacksonville, Florida
March 30, 2011



Independent Auditor's 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

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida
Jacksonville, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, Water and Sewer Expansion Authority, and the Police and Fire Rescue Pension Plan Trust Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report also does not include the results of testing of internal control over financial reporting or compliance and other matters of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items IC 2010-1 and 2010-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the City in a separate letter.

The City's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, applicable federal and state grantor and pass-through agencies, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Jacksonville, Florida
March 30, 2011

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jacksonville's discussion and analysis is designed to provide an objective and easy to read overview of the City's financial activities, with a focus on significant financial issues, as well as identify material deviations from the financial plan (the approved budget), identify changes in the City's financial position (its ability to address the next and subsequent year challenges), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. The information contained within this MD&A should be considered only a part of the City's Comprehensive Annual Financial Report (CAFR).

Financial Highlights

- Capital assets were \$3.2 billion on September 30, 2010, resulting in a \$261 million, 8.2% increase over last fiscal year.
- The City's General Fund operations had total revenues of \$976 million a 1.7% increase over fiscal year 2009.
- Although required employer a) pension contribution and b) healthcare cost went up by \$40 million and \$5.5 million respectively, governmental activity expense only went up by \$4.7 million or ½ of 1%.
- Property Tax revenues experienced an \$18.8 million, 3.8% increase as compared to a \$3 million, 1% decrease in FY 2009. The \$118 million increase in Capital Grants and Contributions was primarily a result of a group of City/County road projects constructed by the Jacksonville Transportation Authority (JTA), a component unit, being returned/contributed back to the City.

Additional information that explains these financial highlights may be found on pages 13, 16, and 17 of this MD&A.

City Highlights

- Based on the economic downturn (2007-2009) and related property tax valuation reductions, the City was faced with the statutorily required Rollback (designed to produce the same revenue in the prior year) resulting in an equivalent millage Rollup for both 2009-2010 and 2010-2011:

<u>Fiscal Year</u>	<u>Property Valuation (in billions)</u>	<u>Rollback Rate</u>	<u>Approved Millage Rate*</u>
2008-2009	\$65,401,745		8.4841
2009-2010	\$58,382,480	9.2727	9.2727
2010-2011	\$54,287,101	10.1100	10.0353

* 1 mill is equal to 1/10th of 1.0% and the City/County combined constitutional cap is 20.0 mills

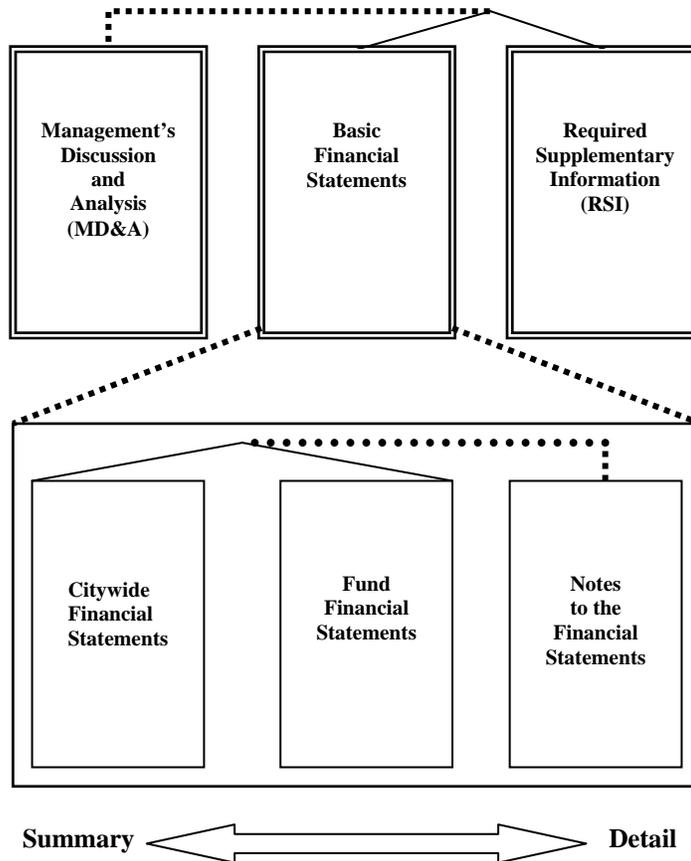
- The increase for 2009-2010 in property tax revenues was a function of a) new construction being excluded from the rollback calculation and b) a change in valuation between July 1 (used for budget purposes) and the final October 1 numbers.
- Mid-year, as part of an annual fee rate review and anticipating revenue concerns for FY 2010-2011, the Mayor proposed (and the City Council agreed) to eliminate the General Fund residential Solid Waste subsidy which resulted in a monthly residential Solid Waste increase from \$5.00 to \$12.45 and thereby erase the \$21 million General Fund subsidy of the City's Solid Waste enterprise operations.
- By October 31, 2010, the City had resolved extended union negotiations with 59.7 of its union employees, include the Firefighter's units for a three year period (2009-2010, 2010-2011, and 2011-2012) covering a zero, minus 2.0% and zero salary increase, with the minus 2.0% to be effective as of October 1, 2010 as provided for in the respective 2010-2011 budget proposal.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Jacksonville's basic financial statements. As indicated in the following graphic (Figure A-1), the City's basic financial statements are comprised of three components: 1) citywide basic financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary and statistical information in addition to the basic financial statements themselves.

Figure A-1

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Citywide Basic Financial Statements

The citywide basic financial statements are designed to provide readers with a broad overview of the City of Jacksonville's finances, in a manner similar to a private-sector business.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long term obligations. The Statement of Activities distinguishes functions of the City of Jacksonville that are principally supported by taxes and intergovernmental revenues (governmental activities such as; police, fire, public works, recreation, and general administration) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities such as: solid waste, sports complex, motor vehicle, public parking and ferry operations).

Component Units, which are other governmental units over which the City can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the citywide statements. The City of Jacksonville's component units are as follows: JEA, Jacksonville Transportation Authority, Jacksonville Aviation Authority, Jacksonville Port Authority, Water Sewer Expansion Authority, Jacksonville Housing Finance Authority, Downtown Vision, Inc. and Jacksonville Economic Development Commission. JEA, Jacksonville Transportation Authority, Jacksonville Aviation Authority, Jacksonville Port Authority and Downtown Vision, Inc. publish separately issued financial statements. For more information, see footnote 1.B. The focus of the statements is on the primary government and the presentation allows the user to address the relationship with the Component Units.

The two statements (Statement of Net Assets and Statement of Activities) demonstrate how the City's net assets have changed. Increases or decreases in net assets are good indicators of whether the City's financial health is improving or deteriorating over time. Other non-financial factors such as changes in the City's property tax base are important considerations to assess the City's overall financial condition.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types, which provides detailed information about the most significant funds. The City of Jacksonville, like other state and local governments, uses funds to ensure and demonstrate compliance with financial requirements imposed by law, bond covenants and local administrative and legislative actions. All of the City's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide basic financial statements. However, unlike the citywide basic financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the citywide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the citywide basic financial statements. This allows readers to better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Bonded Debt-Better Jacksonville Plan Obligations Fund, Bond Projects Fund, and Better Jacksonville Project Fund, all of which are considered to be major funds. Information from other non-major funds is combined into a single, aggregated presentation.

Proprietary Funds

Proprietary funds provide the same type of information as the business-type activities in the citywide basic financial statements, only in more detail. The proprietary fund financial statements can be found in the Fund Financial Statements section of this report.

The City of Jacksonville maintains two major types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the citywide basic financial statements. The City uses enterprise funds to report separate information on operations such as solid waste, which is a major fund and sports complex activities, motor vehicle, ferry operations, and public parking, which are non-major funds.

The internal service funds are used to account for activities that provide goods and services to the City's other programs and activities. Since the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the citywide basic financial statements.

Fiduciary Funds

The City of Jacksonville is the trustee, or fiduciary, for trusts such as the City employee's retirement plan. Because of a trust arrangement, these assets can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City of Jacksonville's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the citywide basic financial statements because the assets cannot be used to support or finance the City's programs or operations. The Fiduciary Funds Statement of Changes in Net Assets can be found in the Fund Financial Statement section of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the citywide and fund financial statements. The notes can be found as a part of the Basic Financial Statements section of this report.

Other Information

This report additionally includes required supplementary information (RSI) containing budgetary comparisons with related notes and the progress of the City's employee pension obligations.

The combined statements in connection with non-major governmental and enterprise funds, internal service funds, fiduciary funds and nonmajor component units are presented following the required supplementary information.

Additional statistical information is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit.

Economic data is presented to allow a broader understanding of the economic and social environment in which the city government operates.

CITYWIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of government's financial position.

As of September 30, 2010, the City of Jacksonville is able to report positive balances in overall net assets (See Table A-1).

Table A-1
Summary Statement of Net Assets
(In Thousands)
as of September 30, 2010 and September 30, 2009

	Governmental Activities		Business Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Cash and Investments	\$ 832,174	\$ 684,962	\$ 79,393	\$ 113,252	911,567	\$ 798,214
Current and Other Assets	329,989	318,688	70,589	36,980	400,578	355,668
Capital Assets	2,745,099	2,480,672	433,798	436,791	3,178,897	2,917,463
Total assets	<u>3,907,262</u>	<u>3,484,322</u>	<u>583,780</u>	<u>587,023</u>	<u>4,491,042</u>	<u>\$ 4,071,345</u>
Current Liabilities	252,485	247,168	37,221	32,675	289,706	279,843
Non-current Liabilities	2,795,609	2,523,338	396,061	409,092	3,191,670	2,932,430
Total liabilities	<u>3,048,094</u>	<u>2,770,506</u>	<u>433,282</u>	<u>441,767</u>	<u>3,481,376</u>	<u>3,212,273</u>
Net assets						
Invested in capital assets, net of related debt	974,561	953,289	135,912	126,221	1,110,473	1,079,510
Restricted for:						
State and Federal Grants	90,561	82,282	-	-	90,561	82,282
Permanent Fund						
non-expendable	123	123	-	-	123	123
Other participant's equity	1,652	4,271	-	-	1,652	4,271
Unrestricted	(207,729)	(326,149)	14,586	19,035	(193,143)	(307,114)
Total net assets (deficit)	<u>\$ 859,168</u>	<u>\$ 713,816</u>	<u>\$ 150,498</u>	<u>\$ 145,256</u>	<u>1,009,666</u>	<u>\$ 859,072</u>

The negative unrestricted net assets in the governmental activities is primarily due to non-asset related debt issued for various capital projects that belong to other entities, but the debt is a liability of the City. Some of the debt was issued under the Better Jacksonville Plan (BJP), which has dedicated revenue sources for payment of the debt. See Table A-1.

The City issued non-asset related debt:

- for the Jacksonville Transportation Authority for state highway projects within the City;
- for the Jacksonville Port Authority for their port terminal facilities;
- to finance improvements at Shands-Jacksonville – a large regional hospital serving the City’s citizens, including its indigent population;
- to provide economic development incentives to entice developers to invest in the downtown and other targeted areas of the City, while using Tax Increment District funds to provide a dedicated revenue source for payment of the debt.
- For several other projects within the City, such as septic tank removals and sewer expansion and pollution remediation, etc. (See Note 18 for further discussion.)

Within the Better Jacksonville Plan (BJP) program, financed with referendum approved sales tax revenue, both the City’s Public Works Department and the Jacksonville Transportation Authority (JTA) construct road projects. The JTA’s projects involve improvements of both State roads (in the Jacksonville area) and City roads. The City/BJP bond financed State road projects result in non-asset bonds which negatively effect unrestricted net asset (see Note 8-H). A group of JTA constructed City road projects were contributed back to the City which impacted both Invested in Capital Assets, net of related debt and Unrestricted Net Assets.

On the following page, Table A-2 provides a summary comparison of the City’s operations for the 2009 and 2010 fiscal year ends. .

Table A-2
Statement of Activities
(In Thousands)
as of September 30, 2010 and September 30, 2009

	Governmental Activities		Business Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Fines & charges for services	\$ 127,960	\$ 125,048	\$ 90,661	\$ 87,490	\$ 218,621	\$ 212,538
Operating grants/contributions	83,456	83,067	-	-	83,456	83,067
Capital grants/contributions	170,558	52,464	-	-	170,558	52,464
General revenues:						
Property taxes	493,171	474,381	-	-	493,171	474,381
Utility service taxes	126,653	118,453	-	-	126,653	118,453
Sales and tourist taxes	158,062	162,295	10,965	10,875	169,027	173,170
Intergovernmental	170,687	166,923	-	-	170,687	166,923
Franchise Fees	39,842	38,891	-	-	39,842	38,891
JEA Contribution	99,188	96,962	-	-	99,188	96,962
Earnings on Investments	57,454	73,326	5,770	8,237	63,224	81,563
Miscellaneous	26,626	29,028	10,954	20,400	37,580	49,428
Total Revenues	1,553,657	1,420,838	118,350	127,002	1,672,007	1,547,840
Expenses						
General government	186,072	180,054	-	-	186,072	180,054
Human services	112,785	107,991	-	-	112,785	107,991
Public safety	549,369	527,227	-	-	549,369	527,227
Cultural and recreational	75,451	71,091	-	-	75,451	71,091
Transportation	192,231	217,296	-	-	192,231	217,296
Economic & physical environment	169,140	169,685	-	-	169,140	169,685
Interest on long term debt	87,723	94,289	-	-	87,723	94,289
Parking system	-	-	3,585	3,417	3,585	3,417
Motor vehicle inspections	-	-	476	433	476	433
Solid Waste	-	-	73,934	86,674	73,934	86,674
Stormwater services	-	-	17,340	14,612	17,340	14,612
EverBank Field	-	-	24,485	20,361	24,485	20,361
Veterans Memorial Arena	-	-	15,602	12,355	15,602	12,355
Baseball Stadium	-	-	3,335	1,993	3,335	1,993
Performing Arts Center	-	-	4,265	4,006	4,265	4,006
Convention Center	-	-	3,804	4,342	3,804	4,342
Equestrian Center	-	-	1,816	1,890	1,816	1,890
Total Expenses	1,372,771	1,367,633	148,642	150,083	1,521,413	1,517,716
Increases (decreases) in net assets before transfers	180,886	53,205	(30,292)	(23,081)	150,594	30,124
Transfers	(35,534)	(30,199)	35,534	30,199	-	-
Change in net assets	145,352	23,006	5,242	7,118	150,594	30,124
Net assets (deficit), beginning of year	713,816	690,810	145,256	138,138	859,072	828,948
Net assets (deficit), end of year	\$ 859,168	\$ 713,816	\$ 150,498	\$ 145,256	\$ 1,009,666	\$ 859,072

Governmental activities:

The City's governmental activities revenues increased \$132.8 million from 2009 to 2010 (see Table A-2) and consists of:

- Capital grants/contributions increased \$118.1 million due to the return of completed projects from JTA and a \$20 million return of land due to a default by a property developer.
- Property tax revenues reflected an \$18.8 million increase due to the increase in new construction within the City.
- Utility service taxes increased \$8.2 million due to JEA rate increases in fiscal year 2010.
- Interest revenues decreased \$15.9 million due to the decreased earnings on investments from 11.72% in fiscal year 2009 to 8.14% in fiscal year 2010.

Increases in governmental activities expenses were \$5.1 million.

- Transportation expenses decreased \$25 million in 2010 due to a) a decrease in the ½ cent sales tax and b) a reduction of Better Jacksonville Plan (BJP) funding to the Jacksonville Transportation Authority for use on road projects which is expensed at the time of the transfer.
- Public safety expenses increased \$22.1 million primarily due to a \$33.7 million increase in the pension contributions cost.
- A \$6.6 million decrease occurred in FY 2010 in interest on long term debt due to lower rates on variable rate debt.

Business Type activities:

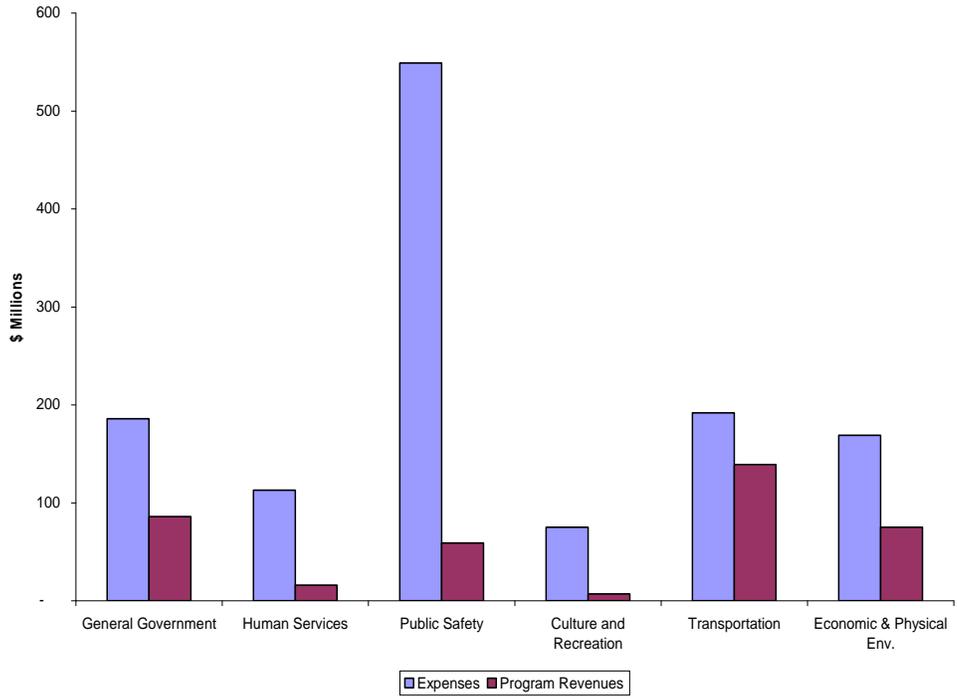
The City's business type revenues decreased \$8.7 million in fiscal year 2010:

- Increases in fines and charges for services of \$3.2 million were due to the increase in Solid Waste user fees in fiscal year 2010.
- Miscellaneous revenues decreased \$9.4 million as fiscal year 2009 included \$7.7 million in transfers to realign the appropriate venues' debt service cash escrow account within the various business units.

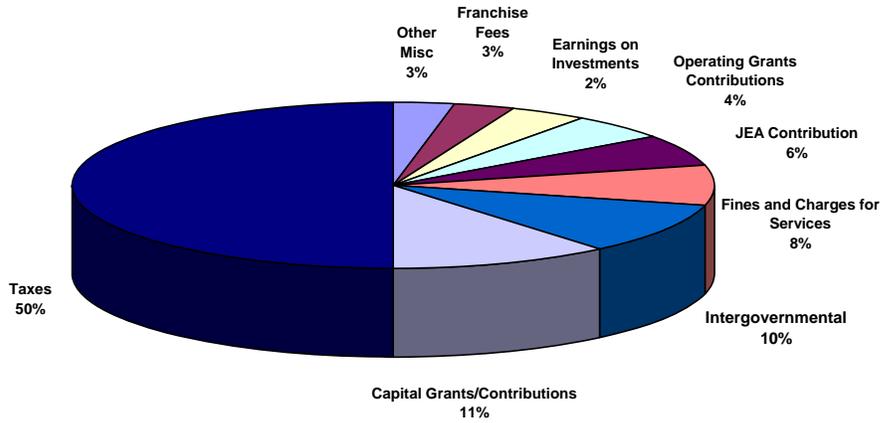
Business type activities expenses decreased \$1.4 million in fiscal year 2010:

- Solid Waste's decrease of \$12.7 was due to the increased landfill closure/post-closure liability that occurred in fiscal year 2009 and did not reoccur in fiscal year 2010.
- The EverBank Field's \$4.1 million, the Veterans Memorial Arena's \$3.2 million, and the Baseball Stadium's \$1.3 million expenditure increases are due to their debt service expense paid directly from the venues in fiscal year 2010. In fiscal year 2009 the debt service in these venues was paid from governmental funds.

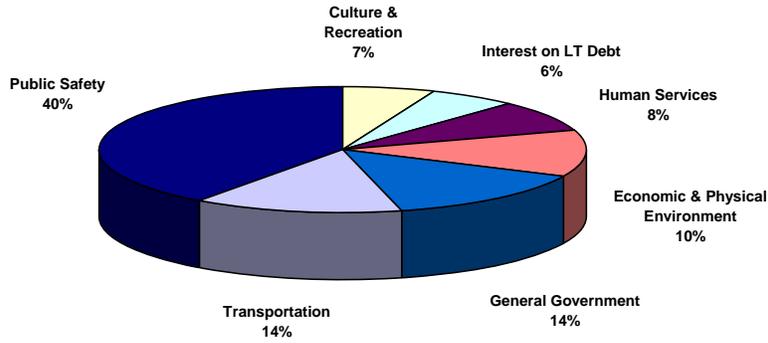
Expenses and Program Revenues - Governmental Activities



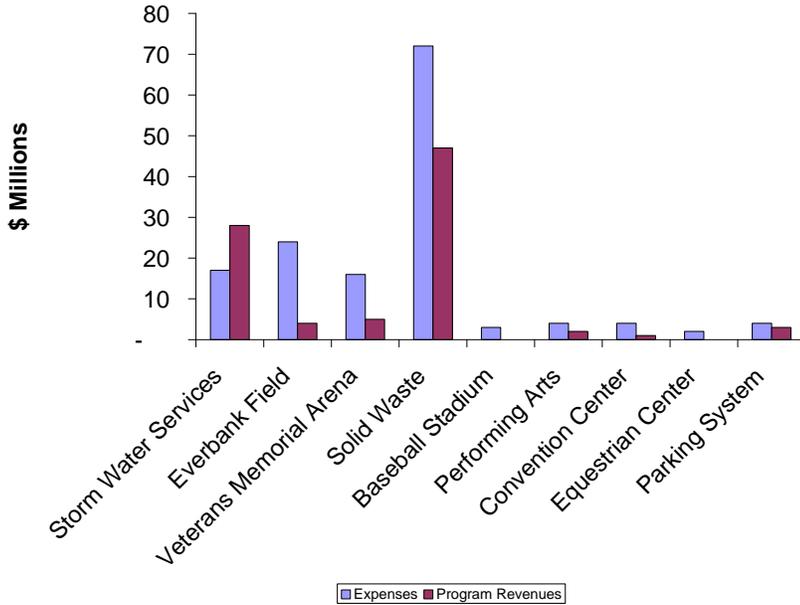
Revenues - Governmental Activities



Expenses - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY GOVERNMENT'S FUNDS

As noted earlier, the City of Jacksonville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year 2010. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All non-major funds of each governmental fund type with legally adopted annual budgets are included in the Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual, which can be found in the Combining Individual Fund Statements and Schedules. The General Fund and Major Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual is included as Required Supplementary Information following the Notes to the Financial Statements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$41.8 million. The General Fund's total fund balance was \$110 million, with \$44.9 million committed by City Council as an emergency reserve. The City's Reserve Policy for the General Fund is covered by Section 106.107 of the City's municipal code. The policy requires that the emergency reserve shall not be used except as initiated by the Mayor through written communication to City Council, explaining the emergency, with subsequent approval by two-thirds votes of all City Council members. The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man made or caused by nature. Under normal circumstances, the City would first elect to utilize the Operating Reserve before considering use of its Emergency Reserve.

Key factors affecting changes in major funds and fund balance in fiscal year 2010 operations are as follows:

General Fund:

- Property taxes account for approximately 50% of the general fund revenue and increased \$18 million or 3.8% above the previous year primarily due to new construction within the City and the valuation change between July 1 and October 1 measurement.

Special Bonded Debt – Better Jacksonville Plan Obligations (BJP):

- Under the Interlocal Agreement, the City and JTA agreed to pledge the ½ cent sales tax and Constitutional Gas Tax to the payment of the BJP bonds. The ½ cent sales tax revenues decreased by \$5.2 million in fiscal year 2010 as compared to the prior fiscal year.
- Principal and Interest payments increased \$5.3 million in FY 2010 in accordance with the related amortization schedules.

Special Bonded Debt – Obligations:

- There was a \$2 million increase from fiscal year 2009 \$55.8 million to 2010 \$57.8 million in bond principle and interest. The Special Bonded Debt-Obligations has separate funding sources from the Special Bonded Debt-Better Jacksonville Plan Obligations discussed above.

General Capital Projects:

- General Capital Project's miscellaneous revenues increased in fiscal year 2010 due to a \$9.5 million contribution from the Jacksonville Economic Development Commission for the Northbank Riverwalk Extension and the Met Park Redevelopment.
- Major projects in fiscal year 2010 resulted in an increase in capital outlay expense of \$79.4 million. These major projects include the New Courthouse, the Ash Site/Pollution Remediation, and the Radio System Replacement.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Solid Waste, EverBank Field and the Veteran's Memorial Arena are reported as major proprietary funds in fiscal year 2010. The expenditure increases in EverBank Field and the Veterans Memorial Arena are due to their debt service expense paid directly from the venues in fiscal year 2010. Previously the debt service was paid with a transfer from the venues to the debt service funds. The \$3.2 million increase in fines and charges for service revenues is representative of increases in Solid Waste fees and the \$12.7 million decrease in Solid Waste expense is primarily the result of a decrease in fiscal year 2010 of the accrual for additional landfill closure/postclosure liability in Solid Waste as compared to the accrual for fiscal year 2009.

General Fund Budgetary Highlights:

- Actual revenues for fiscal year 2010 were \$6.4 million below the final budgeted amount, with Intergovernmental \$10.4 million, Charges for Services \$2 million and Utility Service Taxes \$4.6 million and Fines and Forfeitures \$1 million below final budget. Positive variances in final budget to actual occurred with \$6.4 million actual over budget, with Property Tax Revenue \$6.4 million and Interest/Other \$2.9 million actual over budget. The primary reason for the decrease was due to a decrease of the ½ cent sales tax and the State's City/County shared revenues which are sales tax based.
- Overall actual expenditures for fiscal year 2010 were \$48.6 million under final budget with the primary portion of \$41.6 related to the budget but unused emergency reserve.
- Recreation and Community Services expenditure budget was decreased \$3.1 million due to a transfer of local match grants to support the Jacksonville Senior Services Program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Jacksonville's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$3.2 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress (see Table A-3). With the partial completion of several major road, drainage, and building projects in fiscal year 2009, a focus was placed in fiscal year 2010 on areas such as capital improvements and the courthouse. Both fiscal years experienced considerable costs in road projects due to the continuation of the Better Jacksonville Plan. Additional information on the City of Jacksonville's capital assets can be found in Notes to the Financial Statements, Footnote 6 of this report.

Table A-3
Capital Assets
Net of Accumulated Depreciation
(In Thousands)
as of September 30, 2010 and September 30, 2009

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Land and easements	\$ 304,144	\$ 280,404	\$ 45,567	\$ 45,089	\$ 349,711	\$ 325,493
Buildings and improvements	782,767	754,792	548,742	547,997	1,331,509	1,302,789
Furniture & Equipment	321,610	311,709	6,719	6,927	328,329	318,636
Construction and work in progress	187,996	97,090	-	-	187,996	97,090
Infrastructure	2,009,805	1,796,854	11,608	2,841	2,021,413	1,799,695
Other Assets	33,828	21,078	-	-	33,828	21,078
Less accumulated depreciation	(895,051)	(781,255)	(178,838)	(166,063)	(1,073,889)	(947,318)
Total	<u>\$ 2,745,099</u>	<u>\$ 2,480,672</u>	<u>\$ 433,798</u>	<u>\$ 436,791</u>	<u>\$ 3,178,897</u>	<u>\$ 2,917,464</u>

Major project costs in fiscal year 2010 included the following:

	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2009</u>	<u>Change</u>
Courthouse Project	\$ 87.0 million	\$ 36.2 million	\$ 50.8
Road Projects	52.9 million	86.2 million	(33.3)
Countywide Resurfacing	13.3 million	11.6 million	1.7
Citywide Radio System	13.1 million	0 million	13.1
Miscellaneous Projects	10.8 million	5.8 million	5.0
Park Projects	9.6 million	5.9 million	3.7
Drainage Projects	9.0 million	20.6 million	(11.6)
Building Projects	4.5 million	14.8 million	(10.3)
Easements	2.9 million	0 million	2.9
Fire Department Projects	<u>1.1 million</u>	<u>2.5 million</u>	<u>(1.4)</u>
Total	\$ 204.2 million	\$183.6 million	\$ 20.6

Debt Administration

Debt Service Funds account for the accumulation of resources for, and the payment of, interest and principal on most general governmental obligations. Individual debt service funds are described below.

The Special Bonded Debt Obligations Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the City's special and limited bonded obligations payable solely from and secured by a lien upon and pledge of the revenues under the respective bond ordinances.

The Special Bonded Debt - Better Jacksonville Plan Obligations Fund accounts for the accumulation of resources for and the payment of, principal and interest on the City's special bonded obligations payable, which are related to the Better Jacksonville Plan.

The Other Non-Bonded Debt Obligations Fund accounts for the accumulation of resources for and the payment of, principal and interest on other non-bonded debt obligations including the U. S. Government Guaranteed Notes Payable (HUD 108 loans).

At year-end, the City had \$2.8 billion in bonds and notes outstanding as shown in Table A-4. Additional information on the City of Jacksonville's long term-debt can be found in Notes to the Financial Statements, Footnote 8 of this report.

Table A-4
Bonds and Notes Payable
Outstanding Debt at Year End September 30, 2010
(In Thousands)

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Special Obligation Bonds	\$ 826,574	\$ 771,550	\$ -	\$ -	\$ 826,574	\$ 771,550
Special Obligation-BJP	1,256,964	1,178,193			1,256,964	1,178,193
Revenue Bonds Payable	195,713	82,828	326,143	341,887	521,856	424,715
Notes Payable	59,845	79,605	-	-	59,845	79,605
Notes Payable-BJP	65,872	60,719	-	-	65,872	60,719
Deferred Amounts						
Loss on Adv Ref	(3,386)	(4,065)	(882)	(1,158)	(4,268)	(5,223)
Issuance premiums	59,055	26,285	-	-	59,055	26,285
Issuance discounts	(3,005)	(3,160)	-	-	(3,005)	(3,160)
Total	\$ 2,457,632	\$ 2,191,955	\$ 325,261	\$ 340,729	\$ 2,782,893	\$ 2,532,684

The City of Jacksonville's debt increased a net of \$250.2 million as compared to fiscal year 2009. New indebtedness of the City of Jacksonville consists of:

Closing Date	Par Amount	Source	Primary Use
December 2009	\$107,640,000	Revenue Bonds	Capital Projects
September 2010	\$ 100,205,000	Revenue Bonds	BJP Capital Projects
September 2010	\$ 94,945,000	Revenue Bonds	Capital Projects

During the fiscal year, the City enhanced an Investor Relations page, designed to provide an introduction and overview of the City's borrowing programs as well as supplement the City's financial reporting efforts facilitating marketplace access to the City's;

- Debt management Policy
- Debt Affordability Study
- Bond Series Overview by Program
 - Ratings
 - Pledge descriptions
 - Outstanding debt by program and series
 - Required annual financial information (last five years)
 - Summary of key Bond Indenture requirements and definitions

During the fiscal year the City also continued to deal with underperforming sales tax revenues pledged to the Better Jacksonville Plan. Moody's downgraded the Better Jacksonville Infrastructure Sales Tax Series 2001, 2003, and 2008 from Aa2 to A1, while Fitch downgraded the same Series from AA to AA-, both agencies citing declining revenue streams. The City's underlying ratings published by either agency were not affected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

Other Economic Factors:

- The unemployment rate for the City of Jacksonville is 11.5%. This compares to the state's average unemployment rate (11.8%) and the national average unemployment rate (9.7%). The Bureau of Labor Statistics reported thirty-eight states had statistically significant unemployment rate increases from 2009;
- Jacksonville has the largest Empowerment Zone in the nation;
- Jacksonville has a major port, home to the National Football League's (NFL) Jacksonville Jaguars, is the insurance and financial center of Florida, and is the site of key U.S. Navy bases.

Budget Highlights for fiscal 2010-2011:

- The recession has had a significantly negative impact upon the City's revenues. This includes a drop in the City's property-tax base of 7% or \$3.7 billion on a year-over-year basis. In addition, state sales tax distributions are projected to be down 3% from the fiscal year 2010 budget amount.
- To partially offset the decline in revenues and allow the City to continue to fund government services, the City increased the millage rate from 9.2727 to 10.0353, which is below the rolled-back rate of 10.1193 mills. A rolled-back rate is defined as the millage rate that would generate the same amount of property tax revenue from one year to the next from properties that were on the tax roll in the previous year.
- The recession has also negatively impacted the City's revenue sharing funding. The State's revenue sharing program for local governments is heavily dependent upon sales tax monies to fund the distributions to county and municipal government. Sales taxes provide an estimated 83% of the funds that are distributed in the form of state revenue sharing. This has led to a reduction of \$3.2 million, or 7%, in state revenue sharing compared to fiscal year 2010.
- The Jacksonville Journey will commence its third year of operations in fiscal year 2010-2011. This program, conceived by a panel of nearly 150 community leaders, provides more than \$10 million toward keeping children safe and involved in positive activities, including expanded activities during the summer. It also funds programs for juvenile crime prevention as well as programs that will help ex-offenders transition to being productive citizens.
- A total of \$46 million in expenses were cut from the general fund during the budget process. The savings include \$20 million from reductions in salary and benefit costs (including \$5.6 million from eliminated positions) and \$26 million in departmental and non-departmental operating cost savings from a variety of sources. Also included in these savings are reductions of 66% in training costs, 56% in travel costs and \$3.8 million in information technology operating costs reductions. In total, all but two departments within the City's general fund experienced a reduction in the total budget from fiscal year 2010 to fiscal year 2011. Public Works' budget had an increase of 0.2%, mainly due to an increase in utility costs. The Supervisor of Elections had an increase in its budget due to the three scheduled elections in fiscal year 2011 compared to the one election in fiscal year 2010.
- The budget also includes the elimination of 102 non-public safety positions in fiscal year 2011. Since fiscal year 2006 a total of 732 non-public safety positions have been eliminated, a reduction of 18.4% of all non-public safety positions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, Accounting Division, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202, or call (904) 630-1250.



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**CITYWIDE FINANCIAL
STATEMENTS**

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS -
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	PRIMARY GOVERNMENT				
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		COMPONENT UNITS
			2010	2009	
ASSETS:					
Cash and investments.....	\$ 729,361	\$ 58,596	\$ 787,957	\$ 698,372	\$ 1,538,752
Cash in escrow and with fiscal agents.....	102,813	20,797	123,610	99,842	153
Securities lending.....	58,668	-	58,668	56,609	-
Receivables, net.....	102,705	56,861	159,566	107,379	361,049
Internal balances.....	3,837	(3,837)	-	-	-
Due from independent agencies and other governments.....	116,543	191	116,734	130,613	64,351
Inventories.....	8,169	8	8,177	8,020	120,525
Prepaid expenses and other assets.....	4,990	200	5,190	3,258	499,381
Deferred outflows	17,517	-	17,517	12,660	165,723
Deferred charge - landfill related costs.....	-	16,935	16,935	19,722	-
Unamortized debt issuance costs.....	17,560	231	17,791	17,407	-
CAPITAL ASSETS:					
Land, easements, art in public places and work in progress.....	491,962	45,567	537,529	423,276	715,388
Other capital assets, net of depreciation.....	2,253,137	388,231	2,641,368	2,494,187	7,312,226
TOTAL ASSETS.....	3,907,262	583,780	4,491,042	4,071,345	\$ 10,777,548
LIABILITIES:					
Accounts payable and accrued liabilities.....	81,205	11,171	92,376	103,505	260,448
Contracts payable.....	7,862	30	7,892	6,960	-
Due to component units.....	2,340	-	2,340	33	-
Due to independent agencies and other governments.....	21,552	-	21,552	16,067	10,615
Deposits.....	4,064	1,861	5,925	7,988	50,637
Accrued interest payable.....	47,169	7,705	54,874	44,701	139,371
Unearned revenue.....	25,824	16,454	42,278	38,960	48,761
Securities lending.....	60,344	-	60,344	58,646	-
Liabilities payable from restricted assets.....	-	-	-	-	9,785
Other current liabilities.....	2,125	-	2,125	2,983	90,028
NONCURRENT LIABILITIES:					
Fair market value of debt management instruments.....	17,517	-	17,517	12,660	148,400
Due within one year.....	99,023	13,555	112,578	151,595	219,617
Due in more than one year.....	2,679,069	382,506	3,061,575	2,768,175	7,088,792
TOTAL LIABILITIES.....	3,048,094	433,282	3,481,376	3,212,273	8,066,454
NET ASSETS:					
Invested in capital assets, net of related debt.....	974,561	135,912	1,110,473	1,079,510	1,490,481
Restricted for:					
Debt service.....	-	-	-	-	35,281
State and Federal grants.....	90,561	-	90,561	82,282	-
Capital projects.....	-	-	-	-	21,534
Other participant's equity.....	1,652	-	1,652	4,271	-
Permanent fund, non-expendable.....	123	-	123	123	-
Other purposes.....	-	-	-	-	334,013
Unrestricted (deficit).....	(207,729)	14,586	(193,143)	(307,114)	829,785
TOTAL NET ASSETS	\$ 859,168	\$ 150,498	\$ 1,009,666	\$ 859,072	\$ 2,711,094

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF ACTIVITIES -
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				PRIMARY GOVERNMENT			COMPONENT UNITS	
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
		2010	2009						
PRIMARY GOVERNMENT:									
Governmental activities:									
General government.....	\$ 186,072	\$ 75,506	\$ 1,247	\$ 9,552	\$ (99,767)		\$ (99,767)	\$ (114,146)	
Human services.....	112,785	1,098	14,943	36	(96,708)		(96,708)	(70,994)	
Public safety.....	549,369	46,457	11,140	672	(491,100)		(491,100)	(459,943)	
Culture and recreation.....	75,451	3,806	2,396	930	(68,319)		(68,319)	(59,899)	
Transportation.....	192,231	198	3,811	135,003	(53,219)		(53,219)	(174,377)	
Economic environment.....	71,082	-	46,042	20,000	(5,040)		(5,040)	(44,204)	
Physical environment.....	98,058	895	3,877	4,365	(88,921)		(88,921)	(88,928)	
Interest on long term debt.....	87,723	-	-	-	(87,723)		(87,723)	(94,289)	
Total governmental activities.....	1,372,771	127,960	83,456	170,558	(990,797)		(990,797)	(1,106,780)	
Business-type activities:									
Parking system.....	3,585	3,383	-	-	-	(202)	(202)	366	
Motor vehicle inspections.....	476	431	-	-	-	(45)	(45)	(11)	
Solid Waste.....	73,934	47,112	-	-	-	(26,822)	(26,822)	(43,922)	
Storm Water Services.....	17,340	28,035	-	-	-	10,695	10,695	14,522	
EverBank Field.....	24,485	3,719	-	-	-	(20,766)	(20,766)	(16,825)	
Veterans Memorial Arena.....	15,602	4,797	-	-	-	(10,805)	(10,805)	(7,651)	
Baseball Stadium.....	3,335	426	-	-	-	(2,909)	(2,909)	(1,653)	
Performing Arts.....	4,265	1,760	-	-	-	(2,505)	(2,505)	(2,256)	
Convention Center.....	3,804	795	-	-	-	(3,009)	(3,009)	(3,575)	
Equestrian Center.....	1,816	203	-	-	-	(1,613)	(1,613)	(1,588)	
Total business-type activities.....	148,642	90,661	-	-	-	(57,981)	(57,981)	(62,593)	
Total primary government.....	\$ 1,521,413	\$ 218,621	\$ 83,456	\$ 170,558	(990,797)	(57,981)	(1,048,778)	(1,169,373)	
COMPONENT UNITS:									
Governmental activities.....	\$ 85,541	\$ 1,710	\$ 12,689	\$ 3,062				\$ (68,080)	
Business-type activities.....	2,149,200	2,040,033	19,802	53,164				(36,201)	
Total component units.....	\$ 2,234,741	\$ 2,041,743	\$ 32,491	\$ 56,226				\$ (104,281)	
General revenues:									
Property taxes.....					493,171	-	493,171	474,381	-
Utility service taxes.....					126,653	-	126,653	118,453	-
Sales and tourist taxes.....					158,062	10,965	169,027	173,170	63,573
Intergovernmental - unrestricted.....					170,687	-	170,687	166,923	46,594
JEA Contribution.....					99,188	-	99,188	96,688	-
Unrestricted earnings on investments.....					57,454	5,770	63,224	81,563	10,777
Franchise Fees.....					39,842	-	39,842	38,891	-
Miscellaneous.....					26,626	10,954	37,580	49,428	35,462
Transfers.....					(35,534)	35,534	-	-	-
Total general revenues and transfers.....					1,136,149	63,223	1,199,372	1,199,497	156,406
Change in net assets.....					145,352	5,242	150,594	30,124	52,125
Net assets, beginning of year.....					713,816	145,256	859,072	828,948	2,658,969
Net assets, end of year.....					\$ 859,168	\$ 150,498	\$ 1,009,666	\$ 859,072	\$ 2,711,094

See accompanying notes.



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**FUND FINANCIAL
STATEMENTS**



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MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND

The **General Fund** is the principal fund of the City and is used to account for all activities not included in other funds. The General Fund accounts for the normal recurring activities of the City (i.e, police, fire, public works, courts, general government, etc.). These activities are funded principally by property taxes, intergovernmental revenues, and licenses and fees.

DEBT SERVICE FUNDS

The Special Bonded Debt Obligations Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the City's special and limited bonded obligations, which are payable solely from and secured by a lien upon and pledge of the revenues under the respective bond ordinances.

The Special Bonded Debt - Better Jacksonville Plan Obligations Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the City's special bonded obligations payable, which are related to the Better Jacksonville Plan.

CAPITAL PROJECTS FUNDS

The General Projects Fund receives monies appropriated from the General Fund and other sources including proceeds from non-bonded debt for general capital improvements.

CITY OF JACKSONVILLE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	<u>GENERAL FUND</u>	<u>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</u>	<u>SPECIAL BONDED DEBT- OBLIGATIONS</u>
ASSETS:			
Equity in cash and investments.....	\$ 83,268	\$ 106,281	\$ 28,638
Cash in escrow and with fiscal agents.....	369	40,765	48,658
Securities lending collateral.....	58,668	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	15,544	-	-
Mortgages.....	33	-	-
Other.....	14,316	-	-
Due from other funds.....	10,269	-	-
Due from independent agencies and other governments.....	47,785	-	-
Inventories.....	6,163	-	-
Prepaid items.....	-	-	-
TOTAL ASSETS.....	\$ 236,415	\$ 147,046	\$ 77,296
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable and accrued liabilities.....	\$ 44,194	\$ -	\$ -
Contracts payable.....	15	-	-
Due to other funds.....	-	-	-
Due to component units.....	33	-	-
Due to independent agencies and other governments.....	440	-	-
Due to individuals.....	-	-	-
Bonds payable.....	-	22,291	38,963
Interest payable.....	123	25,186	18,851
Matured interest payable.....	-	-	-
Deposits.....	1,384	-	-
Unearned revenue.....	19,817	-	-
Securities lending obligations.....	60,344	-	-
Advances from other funds.....	-	-	-
TOTAL LIABILITIES.....	126,350	47,477	57,814
FUND BALANCES:			
Non Spendable:			
Non Spendable.....	6,604	-	-
Spendable:			
Restricted.....	-	99,569	16,505
Committed.....	58,921	-	-
Assigned.....	2,766	-	2,977
Unassigned.....	41,774	-	-
TOTAL FUND BALANCES.....	110,065	99,569	19,482
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 236,415	\$ 147,046	\$ 77,296

See accompanying notes.

GENERAL PROJECTS	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2010	2009
\$ 132,556	\$ 246,513	\$ 597,256	\$ 463,358
-	3,907	93,699	99,842
-	-	58,668	56,609
-	2,534	18,078	17,872
-	52,043	52,076	38,652
373	15	14,704	14,905
-	-	10,269	28,716
2,623	64,510	114,918	129,191
-	-	6,163	6,259
-	4	4	-
<u>\$ 135,552</u>	<u>\$ 369,526</u>	<u>\$ 965,835</u>	<u>\$ 855,404</u>
\$ 13,053	\$ 32,606	\$ 89,853	\$ 96,313
508	7,339	7,862	6,959
-	6,419	6,419	27,033
-	2,307	2,340	33
-	-	440	-
-	272	272	203
-	-	61,254	60,429
-	-	44,160	38,335
-	39	39	39
-	2,678	4,062	4,024
373	3,276	23,466	24,013
-	-	60,344	58,646
7,807	-	7,807	8,500
<u>21,741</u>	<u>54,936</u>	<u>308,318</u>	<u>324,527</u>
-	127	6,731	6,382
60,814	152,258	329,146	221,416
52,997	161,967	273,885	287,503
-	238	5,981	11,878
-	-	41,774	3,698
<u>113,811</u>	<u>314,590</u>	<u>657,517</u>	<u>530,877</u>
<u>\$ 135,552</u>	<u>\$ 369,526</u>	<u>\$ 965,835</u>	<u>\$ 855,404</u>



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City of Jacksonville, Florida
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2010
(in thousands)

Total fund balances- governmental funds		\$ 657,517
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,745,099
Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable	(2,404,968)	
Unamortized bond discounts	3,005	
Unamortized bond premium	(59,055)	
Unamortized loss on advance refunding of debt	3,386	
Total bonds and notes payable	(2,457,632)	(2,457,632)
Certain assets and liabilities reported in governmental activities are not financial resources and therefore are not reported in the funds:		
Notes and Bonds payable accrual at the fund level		61,254
Compensated absences		(63,933)
Reduction of accounts payable for debt accruals		16,447
Unamortized bond issuance costs		17,560
Estimated liability for self insured losses		(84,775)
Other post employment benefits (OPEB) liability		(21,074)
Accrued liability for pollution remediation		(150,678)
Accrued liability to other governments - Home program		(1,853)
Amounts due to independent agencies or other governments		(21,112)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The Capital Assets and Long term liabilities are consolidated with the governmental funds on an entity-wide basis. This figure represents the net of Current Assets and Current Liabilities of the Internal Service Funds.		162,348
Net assets of governmental activities		\$ 859,168

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
REVENUE:			
Property taxes.....	\$ 476,532	\$ -	\$ -
Utility Service taxes.....	126,878	-	-
Sales and tourist taxes.....	1,058	-	-
Licenses and permits.....	47,894	-	-
Intergovernmental.....	119,296	24,686	-
Charges for services.....	71,531	-	-
Fines and forfeitures.....	2,997	-	-
JEA contribution.....	99,188	-	-
Interest.....	13,952	8,543	4,534
Other.....	17,152	-	-
Total Revenue.....	976,478	33,229	4,534
EXPENDITURES:			
Current:			
General government.....	150,339	-	-
Human services.....	69,301	-	-
Public safety.....	521,183	-	-
Culture and recreation.....	60,129	-	-
Transportation.....	41,410	-	-
Economic environment.....	12,631	-	-
Physical environment.....	15,059	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	22,291	38,541
Interest and fiscal charges.....	-	49,646	34,323
Other.....	-	-	406
Total Expenditures.....	870,052	71,937	73,270
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES.....	106,426	(38,708)	(68,736)
OTHER FINANCING SOURCES (USES):			
Long term debt issued.....	3,556	-	-
Refunding bond issued.....	-	-	-
Premium on special obligation bonds payable.....	-	9,059	-
Payment to escrow agent - refunded bonds.....	-	-	-
Transfers in.....	16,747	42,108	67,998
Transfers out.....	(126,335)	-	-
Total Other Financing Sources (Uses).....	(106,032)	51,167	67,998
NET CHANGES IN FUND BALANCES.....	394	12,459	(738)
FUND BALANCE, BEGINNING OF YEAR	110,181	87,110	20,220
Change in reserve for inventory of supplies.....	(510)	-	-
FUND BALANCES, END OF YEAR.....	\$ 110,065	\$ 99,569	\$ 19,482

See accompanying notes.

GENERAL PROJECT	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2010	2009
\$ -	\$ 16,639	\$ 493,171	\$ 474,381
-	-	126,878	118,453
-	157,004	158,062	162,295
-	-	47,894	46,774
13,865	110,161	268,008	263,316
-	41,032	112,563	112,013
-	2,098	5,095	5,152
-	-	99,188	96,688
4,907	16,559	48,495	62,593
1,280	9,564	27,996	29,031
20,052	353,057	1,387,350	1,370,696
-	29,920	180,259	167,245
-	43,491	112,792	107,309
-	32,573	553,756	527,027
-	7,223	67,352	64,076
-	122,358	163,768	144,298
-	57,995	70,626	66,713
-	6,667	21,726	24,945
124,459	119,142	243,601	273,518
-	945	61,777	79,554
-	356	84,325	89,339
-	8,130	8,536	2,846
124,459	428,800	1,568,518	1,546,870
(104,407)	(75,743)	(181,168)	(176,174)
164,566	151,558	319,680	166,858
-	-	-	18,200
-	10,484	19,543	7,904
-	-	-	(18,622)
19,263	35,522	181,638	196,914
(890)	(85,318)	(212,543)	(232,049)
182,939	112,246	308,318	139,205
78,532	36,503	127,150	(36,969)
35,279	278,087	530,877	567,846
-	-	(510)	-
\$ 113,811	\$ 314,590	\$ 657,517	\$ 530,877

City of Jacksonville, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended September 30, 2010
(in thousands)

Net change in fund balances- total governmental funds: \$ 127,150

Amounts reported for governmental activities in the statement of activities are different because:
Certain assets and liabilities reported in governmental activities are not current financial resources or do not require the use of current financial resources.

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, certain capital assets are contributed to the City upon completion, requiring recognition of revenue not reported in the funds.

Capital assets acquired by use of financial resources	220,475	
Capital assets contributed by developers and JTA	156,693	
Capital assets transferred from proprietary funds of the city	184	
Current year depreciation	(105,928)	
Loss on disposition of assets	(416)	
		271,008

Governmental funds report certain bond transactions as resources or uses. However, in the statement of activities these transactions are reported over the life of the debt as expenses.

Bond Issuance Costs	1,707	
Amortization of issuance costs	(1,284)	
Amortization of bond discounts	(155)	
Amortization of bond premium	3,805	
Additional bond premium with new debt issue	(19,543)	
Amortization - loss on refunding	(679)	
		(16,149)

Repayment of bond principal is an expenditure in governmental funds, but the repayment results in a reduction of long-term liabilities in the statement of net assets. Issuing debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Long-term debt issued	(319,680)	
Principal repayment	61,777	
		(257,903)

Some revenues and expenses reported in the statement of activities did not require the use of or provide current financial resources and therefore are not reported in governmental funds:

Decrease in accrual for self insured liabilities	415	
Increase in compensated absences payable	(2,399)	
Increase amounts due to independent agencies and other governments	(7,545)	
Miscellaneous payable	(225)	
Decrease in payable to other governments	927	
Other post employment benefits liability	(5,929)	
Decrease in accrual for pollution remediation	2,889	
Decrease in Shipyards accrual	2,500	
Refund of amount in escrow for debt payment	426	
Inventory adjustment	(510)	
Principal reduction of Internal Banking fund debt	12,419	
		(271,084)

Internal service funds are used to charge the cost of certain activities to individual funds. The net revenue (expense) and transfers are reported with governmental activities.

Interest revenue	8,959	
Other non-operating expenses	(1,554)	
Operating income	15,518	
Transfers in, net	(4,645)	
		18,278

Change in Net Assets - Governmental Activities \$ 145,352

See accompanying notes.

MAJOR ENTERPRISE FUNDS:

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges; or where the City has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Individual major enterprise funds are described below.

The Solid Waste Disposal Fund accounts for collection, recycling and disposal of commercial and residential garbage services throughout the city, including the operation of three municipally owned landfill sites, two of which are closed.

The EverBank Field Fund accounts for events held at the stadium including National Football League and college football games, concerts and other activities.

The Veterans Memorial Arena Fund accounts for events held at the arena including concerts, college basketball games, and other entertainment events such as the circus, ice skating, gymnastics, professional wrestling and motor sports.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2010	2009	
ASSETS:							
Equity in cash and investments.....	\$ 37,011	\$ 1,050	\$ 885	\$ 1,625	\$ 40,571	\$ 72,476	\$ 132,105
Cash with fiscal agents.....	4,526	7,798	5,623	2,850	20,797	23,978	9,114
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts.....	23,501	298	120	32,940	56,859	17,703	204
Loans receivable.....	-	-	-	-	-	-	47,352
Other.....	-	-	-	-	-	-	1,499
Due from other funds.....	-	-	540	134	674	33	-
Due from independent agencies and other governments.....	24	167	-	-	191	103	1,625
Interest and dividend receivables.....	2	-	-	-	2	2	-
Inventories.....	-	-	-	8	8	11	2,006
Prepaid expenses and other assets.....	-	30	147	23	200	132	6,502
Total Current Assets.....	65,064	9,343	7,315	37,580	119,302	114,438	200,407
NONCURRENT ASSETS:							
Advances to other funds.....	-	-	-	-	-	-	7,807
Sinking fund cash and investments.....	18,025	-	-	-	18,025	16,798	-
Construction fund cash and investments.....	-	-	-	-	-	-	-
Loans receivable.....	-	-	-	-	-	-	186,390
Other receivables.....	-	-	-	-	-	-	13,894
CAPITAL ASSETS:							
Land, easements and work in progress.....	12,025	23,339	1,602	8,601	45,567	45,089	203
Other capital assets, net of depreciation.....	16,773	167,111	106,821	97,526	388,231	391,702	67,845
Deferred charge - Landfill related costs.....	16,935	-	-	-	16,935	19,722	-
Other deferred charges.....	231	-	-	-	231	270	-
Total Noncurrent Assets.....	63,989	190,450	108,423	106,127	468,989	473,581	276,139
TOTAL ASSETS.....	129,053	199,793	115,738	143,707	588,291	588,019	476,546

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	ENTERPRISE FUNDS						INTERNAL SERVICE FUNDS
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		
					2010	2009	
LIABILITIES:							
Accounts payable and accrued liabilities.....	\$ 4,925	\$ 1,472	\$ 664	\$ 4,110	\$ 11,171	\$ 8,041	\$ 7,799
Contracts payable.....	30	-	-	-	30	1	-
Due to other funds.....	-	378	2	4,131	4,511	996	13
Deposits.....	212	428	560	661	1,861	3,962	2
Accrued interest payable.....	651	3,658	2,575	821	7,705	8,233	2,970
Current portion of bonds payable.....	3,875	4,140	3,049	2,065	13,129	15,743	6,144
Unearned revenue.....	9,410	-	35	7,009	16,454	12,438	2,358
Accrued compensated absences, current portion...	196	-	-	230	426	402	1,039
Current portion of loans payable.....	-	-	-	-	-	-	9,800
Total Current Liabilities.....	19,299	10,076	6,885	19,027	55,287	49,816	30,125
NONCURRENT LIABILITIES:							
Estimated liability for self-insured losses.....	-	-	-	-	-	-	83,675
Liability for landfill closure and postclosure care.	65,825	-	-	-	65,825	63,668	-
Accrued compensated absences.....	457	-	-	537	994	939	2,424
Notes payable.....	-	-	-	-	-	-	55,000
Loans payable.....	2,250	-	-	-	2,250	2,250	17,845
Bonds payable.....	27,329	144,835	107,068	32,902	312,134	324,986	206,928
Other liabilities.....	859	-	-	444	1,303	1,104	1,159
Total Noncurrent Liabilities.....	96,720	144,835	107,068	33,883	382,506	392,947	367,031
TOTAL LIABILITIES.....	116,019	154,911	113,953	52,910	437,793	442,763	397,156
NET ASSETS:							
Invested in capital assets, net of related debt.....	23,970	41,475	(1,694)	72,161	135,912	126,221	40,403
Restricted for:							
Restricted - other participant's equity.....	-	-	-	-	-	-	1,652
Unrestricted (deficit).....	(10,936)	3,407	3,479	18,636	14,586	19,035	37,335
TOTAL NET ASSETS	\$ 13,034	\$ 44,882	\$ 1,785	\$ 90,797	\$ 150,498	\$ 145,256	\$ 79,390

See accompanying notes.



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CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2010	2009	
OPERATING REVENUE:							
Sales and tourist taxes.....	\$ -	\$ 6,727	\$ -	\$ 4,238	\$ 10,965	\$ 10,875	\$ -
Charges for services.....	47,112	3,719	4,797	35,033	90,661	87,490	226,068
Charges for services for independent authorities	-	-	-	-	-	-	11,704
Other.....	-	5,398	3,576	1,924	10,898	8,130	1,077
Total Operating Revenue.....	<u>47,112</u>	<u>15,844</u>	<u>8,373</u>	<u>41,195</u>	<u>112,524</u>	<u>106,495</u>	<u>238,849</u>
OPERATING EXPENSES:							
Personal services.....	6,288	1,991	1,642	13,653	23,574	23,334	32,927
Supplies and materials.....	57	86	70	388	601	757	27,172
Central services.....	4,178	195	135	3,735	8,243	7,318	8,450
Interdepartmental charges.....	162	963	427	1,263	2,815	2,622	-
Other services and charges.....	58,014	8,471	5,728	10,459	82,672	91,841	30,095
Depreciation and amortization.....	2,061	5,462	2,451	3,393	13,367	13,279	20,913
Court reporter services.....	-	-	-	-	-	-	66
Claims and losses.....	-	-	-	-	-	-	16,846
Insurance premiums and participant dividends..	-	-	-	-	-	-	93,248
Total Operating Expenses.....	<u>70,760</u>	<u>17,168</u>	<u>10,453</u>	<u>32,891</u>	<u>131,272</u>	<u>139,151</u>	<u>229,717</u>
OPERATING (LOSS) INCOME.....	<u>(23,648)</u>	<u>(1,324)</u>	<u>(2,080)</u>	<u>8,304</u>	<u>(18,748)</u>	<u>(32,656)</u>	<u>9,132</u>
NON-OPERATING REVENUE (EXPENSES):							
Interest revenue.....	4,515	430	164	661	5,770	8,237	8,959
Interest expense.....	(1,304)	(7,317)	(5,149)	(1,730)	(15,500)	(8,262)	-
Other.....	(1,870)	3	21	32	(1,814)	9,600	4,832
Total Non-Operating Revenue (Expenses).....	<u>1,341</u>	<u>(6,884)</u>	<u>(4,964)</u>	<u>(1,037)</u>	<u>(11,544)</u>	<u>9,575</u>	<u>13,791</u>
(LOSS) INCOME BEFORE TRANSFERS.....	<u>(22,307)</u>	<u>(8,208)</u>	<u>(7,044)</u>	<u>7,267</u>	<u>(30,292)</u>	<u>(23,081)</u>	<u>22,923</u>
TRANSFERS:							
Transfers in.....	21,417	8,665	8,057	5,798	43,937	53,738	3,769
Transfers out.....	(750)	(1,951)	(159)	(5,543)	(8,403)	(23,539)	(8,414)
Net Transfers	<u>20,667</u>	<u>6,714</u>	<u>7,898</u>	<u>255</u>	<u>35,534</u>	<u>30,199</u>	<u>(4,645)</u>
CHANGES IN NET ASSETS.....	<u>(1,640)</u>	<u>(1,494)</u>	<u>854</u>	<u>7,522</u>	<u>5,242</u>	<u>7,118</u>	<u>18,278</u>
NET ASSETS, BEGINNING OF YEAR.....	<u>14,674</u>	<u>46,376</u>	<u>931</u>	<u>83,275</u>	<u>145,256</u>	<u>138,138</u>	<u>61,112</u>
NET ASSETS, END OF YEAR.....	<u>\$ 13,034</u>	<u>\$ 44,882</u>	<u>\$ 1,785</u>	<u>\$ 90,797</u>	<u>\$ 150,498</u>	<u>\$ 145,256</u>	<u>\$ 79,390</u>

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	ENTERPRISE FUNDS		
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers.....	\$ 34,531	\$ 15,533	\$ 9,998
Payments to suppliers.....	(61,668)	(8,274)	(5,758)
Payments to employees	(6,141)	(1,991)	(1,642)
Internal activity-cash receipts from other funds.....	-	375	-
Internal activity-cash payments to other funds.....	-	-	(506)
Other cash receipts	4,356	-	-
Other operating cash payments.....	(2,434)	(736)	(2,832)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	(31,356)	4,907	(740)
NONCAPITAL FINANCING ACTIVITIES:			
Cash received through transfers from other funds.....	21,417	8,665	8,057
Cash payments through transfers to other funds.....	(750)	(1,951)	(159)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	20,667	6,714	7,898
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets.....	(1,210)	-	(13)
Proceeds from the sale of capital assets.....	3	1	21
Decrease in landfill costs and other charges.....	-	-	-
Payments on capitalized lease obligations.....	-	-	-
Increase (decrease) in construction fund cash and investments.....	(29)	(65)	(73)
Principal paid on long-term obligations.....	(3,695)	(4,005)	(2,927)
Proceeds from loans payable.....	-	-	-
Payments on loans payable.....	-	-	-
Payments on notes payable.....	-	-	-
Proceeds from bonds payable.....	-	-	-
Interest and Payments to refunded bond escrow agent.....	(1,304)	(7,317)	(5,149)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(6,235)	(11,386)	(8,141)
INVESTING ACTIVITIES:			
Interest and dividends on investments.....	4,515	430	164
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	4,515	430	164
NET INCREASE (DECREASE) IN EQUITY IN CASH AND INVESTMENTS...	(12,409)	665	(819)
Equity in cash and investments at October 1, 2009.....	49,420	385	1,704
Equity in cash and investments at September 30, 2010.....	\$ 37,011	\$ 1,050	\$ 885

ENTERPRISE FUNDS

NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
	2010	2009	
\$ 17,163	\$ 77,225	\$ 90,798	\$ 245,415
(13,910)	(89,610)	(93,921)	(168,145)
(13,456)	(23,230)	(22,370)	(32,824)
3,440	3,815	5,143	-
(435)	(941)	(74)	(98,059)
827	5,183	36,052	2,464
(1,276)	(7,278)	(3,104)	(24,640)
<u>(7,647)</u>	<u>(34,836)</u>	<u>12,524</u>	<u>(75,789)</u>
5,798	43,937	53,738	3,769
(5,543)	(8,403)	(23,538)	(8,414)
<u>255</u>	<u>35,534</u>	<u>30,200</u>	<u>(4,645)</u>
(9,129)	(10,352)	(13,222)	(13,371)
5	30	-	965
-	-	-	-
-	-	-	-
3,203	3,036	(16,501)	-
(4,962)	(15,589)	(14,954)	-
-	-	-	2,596
-	-	-	(12,946)
-	-	-	(18,815)
-	-	-	132,504
(1,730)	(15,500)	(8,255)	(9,114)
<u>(12,613)</u>	<u>(38,375)</u>	<u>(52,932)</u>	<u>81,819</u>
<u>663</u>	<u>5,772</u>	<u>8,230</u>	<u>8,958</u>
<u>663</u>	<u>5,772</u>	<u>8,230</u>	<u>8,958</u>
(19,342)	(31,905)	(1,978)	10,343
<u>20,967</u>	<u>72,476</u>	<u>74,454</u>	<u>121,762</u>
<u>\$ 1,625</u>	<u>\$ 40,571</u>	<u>\$ 72,476</u>	<u>\$ 132,105</u>

(continued)

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands; continued)

	SOLID WASTE DISPOSAL	EVERBANK FIELD STADIUM	VETERANS MEMORIAL ARENA
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS).....	(\$ 23,648)	(\$ 1,324)	(\$ 2,080)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation.....	2,061	5,462	2,451
(Increase) decrease in assets:			
Receivables and other current assets, net.....	(18,195)	(114)	1,680
Due from other funds.....	-	-	(507)
Advances to other funds.....	-	-	-
Due from independent agencies and other governments.....	79	(167)	-
Inventories.....	-	-	-
Other receivables.....	-	-	-
Loan receivables.....	-	-	-
Prepaid expenses and other assets.....	-	(30)	(15)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses.....	849	278	158
Contracts payable.....	29	-	-
Due to other funds.....	-	375	1
Deposits.....	(8)	227	(2,405)
Accrued interest payable.....	(948)	(3,458)	(2,558)
Unearned revenue.....	5,535	-	(40)
Loans payable.....	-	-	-
Other liabilities.....	652	-	-
Interest payables.....	651	3,658	2,575
Liability for landfill closure and postclosure care.....	1,525	-	-
Liability for self-insured losses.....	-	-	-
Accrued compensated absences.....	62	-	-
TOTAL ADJUSTMENTS.....	(7,708)	6,231	1,340
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	(\$ 31,356)	\$ 4,907	(\$ 740)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Change in the fair value of investments.....	\$ 2,008	\$ 32	(\$ 18)
Capital assets transferred from governmental activities to proprietary funds of the city.....	184	-	-

ENTERPRISE FUNDS

NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
	2010	2009	
<u>\$ 8,304</u>	<u>(\$ 18,748)</u>	<u>(\$ 32,656)</u>	<u>\$ 9,132</u>
3,393	13,367	13,279	20,913
(22,529)	(39,158)	(586)	(144)
(134)	(641)	42	-
-	-	-	693
-	(88)	64	(306)
3	3	3	(256)
-	-	-	544
-	-	-	(93,966)
(23)	(68)	140	(1,859)
2,150	3,435	(1,288)	(3,324)
29	58	25	-
3,138	3,514	725	(707)
84	(2,102)	2,156	-
-	(6,964)	6,336	-
(1,479)	4,016	2,795	(151)
-	-	2,250	(3,386)
179	831	948	306
(779)	6,105	918	-
-	1,525	16,725	-
-	-	-	(3,075)
17	79	648	(203)
<u>(15,951)</u>	<u>(16,088)</u>	<u>45,180</u>	<u>(84,921)</u>
<u>(\$ 7,647)</u>	<u>(\$ 34,836)</u>	<u>\$ 12,524</u>	<u>(\$ 75,789)</u>
\$ 160	\$ 2,182	\$ 3,479	(\$ 1,355)
-	184	590	-



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FIDUCIARY FUND LEVEL STATEMENTS

PENSION TRUST FUNDS are funds administered by independent boards for which the City performs a fiduciary role under a defined benefit, defined contribution and disability programs. The participant's retirement annuity is based on a statutory formula using such factors as age, average salary, length of service and others.

PRIVATE PURPOSE TRUST FUND is used to report all trust arrangements, other than those properly reported in pension trust funds, under which principal and income benefit individuals. The City reports its James Brady Disabled Scholarship, Michael Jackson Music Scholarship, J.B. Smith Memorial Scholarship, and Lex Hester Memorial Scholarship funds as private purpose trusts.

AGENCY FUNDS are funds which hold monies in an agency capacity for various government units, individuals or funds.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUND		AGENCY FUNDS	
	2010	2009	2010	2009	2010	2009
<u>ASSETS</u>						
CURRENT ASSETS:						
Equity in cash and investments.....	\$ 47,511	\$ 49,197	\$ 247	\$ 229	\$ 37,977	\$ 64,238
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	6,709	6,682	-	-	-	-
Accounts.....	258	189	-	-	2,309	3,137
Other.....	1,926	-	-	-	-	-
Due from independent agencies and other governments	4,187	-	-	-	-	-
Due from component units.....	1,184	-	-	-	-	-
Investments, at fair value:						
U.S. Government obligations.....	138,824	81,855	-	-	-	-
Federal Agencies.....	120,064	117,271	-	-	-	-
Domestic corporate bonds.....	434,403	442,147	-	-	-	-
Short-term Investments.....	10,541	37,319	-	-	-	-
Domestic stocks.....	1,014,762	972,251	-	-	-	-
International stocks.....	470,381	374,912	-	-	-	-
Real Estate.....	175,787	171,227	-	-	-	-
Other Fixed Income.....	56,804	60,509	-	-	-	-
Alternative investments.....	39,845	43,556	-	-	-	-
Equity in pooled investments.....	12,411	-	-	-	-	-
Total investments.....	<u>2,473,822</u>	<u>2,301,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets.....	<u>2,535,597</u>	<u>2,357,115</u>	<u>247</u>	<u>229</u>	<u>40,286</u>	<u>67,375</u>
CAPITAL ASSETS						
Other capital assets, net of depreciation.....	23	49	-	-	-	-
Total Capital Assets, Net.....	<u>23</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Securities Lending Collateral.....	107,046	103,599	-	-	-	-
TOTAL ASSETS.....	<u>2,642,666</u>	<u>2,460,763</u>	<u>247</u>	<u>229</u>	<u>40,286</u>	<u>67,375</u>
<u>LIABILITIES</u>						
CURRENT LIABILITIES:						
Obligations Under Securities Lending Agreement.....	108,319	105,108	-	-	-	-
Accounts payable and accrued liabilities.....	9,140	7,677	-	-	190	227
Due to independent agencies and other governments....	-	-	-	-	16,125	28,235
Due to individuals.....	-	-	-	-	5,312	4,627
Current portion Accrued compensated absences.....	-	26	-	-	-	-
Deposits held in escrow.....	-	-	-	-	17,849	34,286
Miscellaneous liabilities.....	-	-	-	-	810	-
Total Current Liabilities.....	<u>117,459</u>	<u>112,811</u>	<u>-</u>	<u>-</u>	<u>40,286</u>	<u>67,375</u>
NONCURRENT LIABILITIES:						
Accrued compensated absences.....	101	62	-	-	-	-
Terminal Leave - Group Care.....	326	-	-	-	-	-
Due to participants.....	193,768	175,854	-	-	-	-
Total Noncurrent Liabilities.....	<u>194,195</u>	<u>175,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>311,654</u>	<u>288,727</u>	<u>-</u>	<u>-</u>	<u>\$ 40,286</u>	<u>\$ 67,375</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....	<u>\$ 2,331,012</u>	<u>\$ 2,172,036</u>	<u>\$ 247</u>	<u>\$ 229</u>		

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR 2009 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST	
	2010	2009	2010	2009
<u>ADDITIONS</u>				
Contributions:				
Employer.....	\$ 135,254	\$ 84,927	\$ -	\$ -
Plan members.....	41,303	37,188	-	-
Total contributions.....	<u>176,557</u>	<u>122,115</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	8,829	8,901	-	-
Court fines & penalties.....	1,511	1,456	-	-
Contributions from other governmental units.....	-	4,286	-	-
Miscellaneous.....	81	186	-	-
Transfers in.....	37	-	15	-
Loss on sale of capital assets.....	-	-	-	-
Total other additions.....	<u>10,458</u>	<u>14,829</u>	<u>15</u>	<u>-</u>
Investment income:				
Net (depreciation) appreciation in fair value of investments.....	183,280	(77,655)	-	-
Interest.....	34,920	42,257	13	17
Dividends.....	18,140	19,690	-	-
Rebate of commissions.....	84	169	-	-
Rental income.....	2,027	1,874	-	-
Other miscellaneous.....	(2)	8	-	-
Total investment income (loss)	<u>238,449</u>	<u>(13,657)</u>	<u>13</u>	<u>17</u>
Less investment expense.....	(10,256)	(10,442)	-	-
Less rental expense.....	(351)	(205)	-	-
Net investment income (loss).....	<u>227,842</u>	<u>(24,304)</u>	<u>13</u>	<u>17</u>
From Securities Lending Activities:				
Securities Lending.....	550	2,601	-	-
Securities Lending Expenses				
Interest Expense (returned to borrower).....	(66)	(316)	-	-
Agent Fees.....	(61)	(24)	-	-
Total securities lending activities	<u>423</u>	<u>2,261</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS, NET.....	<u>415,280</u>	<u>114,901</u>	<u>28</u>	<u>17</u>
<u>DEDUCTIONS</u>				
Benefits payments.....	206,716	195,807	-	-
DROP Benefits.....	36,806	31,908	-	-
Refunds of contributions.....	9,272	8,074	-	-
Transfers out.....	37	-	-	-
Administrative expenses.....	3,473	2,900	-	-
Operating expenses.....	-	-	10	5
TOTAL DEDUCTIONS.....	<u>256,304</u>	<u>238,689</u>	<u>10</u>	<u>5</u>
CHANGE IN NET ASSETS.....	158,976	(123,788)	18	12
NET ASSETS, BEGINNING OF YEAR.....	<u>2,172,036</u>	<u>2,295,824</u>	<u>229</u>	<u>217</u>
NET ASSETS, END OF YEAR.....	<u>\$ 2,331,012</u>	<u>\$ 2,172,036</u>	<u>\$ 247</u>	<u>\$ 229</u>

See accompanying notes.



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COMPONENT UNITS

Component Units are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's governing body with certain exceptions, and either (a) the ability to impose will by the primary government; or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the primary government. The City's major component units follow:

MAJOR COMPONENT UNITS:

The JEA manages and operates an electric utility system and a water and sewer utility system in the Consolidated City of Jacksonville/Duval County area.

The Jacksonville Transportation Authority is responsible for construction, improvement, and maintenance of the Jacksonville Expressway System and operation of the City's mass transit systems, including bus and automated skyway express throughout Duval County.

The Jacksonville Aviation Authority manages and operates the City's aviation/airport facilities.

The Jacksonville Port Authority manages and operates the City's marine port facilities.

COMPONENT UNITS THAT DO NOT ISSUE A SEPARATE REPORT:

The Jacksonville Housing Finance Authority provides money for loans and technical assistance for construction and rehabilitation of housing to alleviate a shortage of housing and capital for investment in housing in Jacksonville.

The Jacksonville Economic Development Commission provides a focal point for economic development in Jacksonville that results in a centralization of economic development programs.

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS -
COMPONENT UNITS (in thousands)
SEPTEMBER 30, 2010

MAJOR COMPONENT UNITS

	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE AVIATION AUTHORITY	JACKSONVILLE PORT AUTHORITY
ASSETS				
Cash and cash equivalents.....	\$ 957,463	\$ 58,044	\$ 33,918	\$ 45,466
Cash in escrow with fiscal agent.....	-	-	-	-
Investments.....	327,054	26,632	58,036	-
Due from other governmental agencies.....	-	64,287	-	-
Accounts and interest receivable.....	253,562	918	4,856	4,728
Mortgages receivable.....	-	-	-	-
Other receivables.....	-	-	11,432	27,295
Inventories.....	114,940	3,408	745	1,432
Deferred outflows.....	159,266	-	3,579	2,878
Other assets.....	153,379	6,725	2,032	19,999
Custodial Assets - Construction projects.....	-	315,649	-	-
Capital assets:				
Land and construction in progress.....	345,746	43,371	88,989	237,282
Buildings and improvements.....	-	145,909	755,864	508,638
Vehicles.....	-	91,804	-	-
Equipment.....	-	4,064	-	95,574
Utility plant in service.....	9,845,790	-	-	-
Other capital assets.....	-	75,912	1,823	-
Less: accumulated depreciation.....	(3,487,729)	(187,107)	(298,445)	(251,582)
Total capital assets, net of depreciation.....	<u>6,703,807</u>	<u>173,953</u>	<u>548,231</u>	<u>589,912</u>
Total assets.....	<u>8,669,471</u>	<u>649,616</u>	<u>662,829</u>	<u>691,710</u>
LIABILITIES				
Accounts payable and accrued expenses.....	234,665	5,246	7,727	10,511
Deposits.....	47,448	-	-	2,802
Unearned revenue.....	-	-	-	6,194
Due to other governmental agencies.....	-	62	-	10,553
Interest payable.....	135,185	-	4,186	-
Other current liabilities.....	90,000	-	-	28
Liabilities payable with restricted assets.....	-	9,785	-	-
Long-term liabilities:				
Due within one year:				
Estimated liability for injury and damage claims.....	-	2,176	-	-
Bonds, notes payable, capital leases and contracts.....	192,433	-	12,603	12,061
Compensated absences.....	-	266	-	-
Due in more than one year:				
Estimated liability for injury and damage claims.....	-	1,675	-	-
Bonds, capital leases and commercial paper.....	6,096,339	-	197,050	191,786
Fair market value of debt management instruments.....	141,943	-	3,579	2,878
Compensated absences.....	-	819	-	-
Custodial projects - due to other governments.....	-	335,403	-	-
OPEB liability.....	-	-	991	-
Other noncurrent liabilities.....	118,023	-	-	146,477
Total liabilities.....	<u>7,056,036</u>	<u>355,432</u>	<u>226,136</u>	<u>383,290</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	705,722	173,953	350,232	248,863
Restricted for:				
Capital projects.....	-	-	6,913	14,621
Debt service.....	-	-	21,978	13,303
Other purposes.....	320,827	-	10,604	2,582
Unrestricted.....	586,886	120,231	46,966	29,051
Total Net Assets.....	<u>\$ 1,613,435</u>	<u>\$ 294,184</u>	<u>\$ 436,693</u>	<u>\$ 308,420</u>

See accompanying notes.

JACKSONVILLE HOUSING FINANCE AUTHORITY	JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	NON MAJOR COMPONENT UNITS	TOTAL
\$ 7,882	\$ 22,518	\$ 1,633	\$ 1,126,924
133	20	-	153
-	-	106	411,828
-	64	-	64,351
5	1,392	683	266,144
11,883	-	-	11,883
-	42,567	1,728	83,022
-	-	-	120,525
-	-	-	165,723
1,590	-	7	183,732
-	-	-	315,649
-	-	-	715,388
-	-	-	1,410,411
-	-	-	91,804
17	100	12,287	112,042
-	-	-	9,845,790
-	-	-	77,735
(17)	(99)	(577)	(4,225,556)
<u>-</u>	<u>1</u>	<u>11,710</u>	<u>8,027,614</u>
<u>21,493</u>	<u>66,562</u>	<u>15,867</u>	<u>10,777,548</u>
1,232	980	87	260,448
-	387	-	50,637
-	42,567	-	48,761
-	-	-	10,615
-	-	-	139,371
-	-	-	90,028
-	-	-	9,785
-	-	-	2,176
-	-	-	217,097
1	77	-	344
-	-	-	1,675
-	-	-	6,485,175
-	-	-	148,400
4	179	-	1,002
-	-	-	335,403
3	43	-	1,037
-	-	-	264,500
<u>1,240</u>	<u>44,233</u>	<u>87</u>	<u>8,066,454</u>
-	1	11,710	1,490,481
-	-	-	21,534
-	-	-	35,281
-	-	-	334,013
20,253	22,328	4,070	829,785
<u>\$ 20,253</u>	<u>\$ 22,329</u>	<u>\$ 15,780</u>	<u>\$ 2,711,094</u>

(continued)

**CITY OF JACKSONVILLE, FLORIDA
 COMBINING STATEMENT OF ACTIVITIES -
 COMPONENT UNITS (in thousands)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES	
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE HOUSING FINANCE AUTHORITY
Governmental activities:						
Jacksonville Transportation Authority	\$ 63,289	\$ -	\$ -	\$ -	\$ (63,289)	\$ -
Jacksonville Housing Finance Authority	502	-	-	-	-	(502)
Jacksonville Economic Development Commission	19,465	2	12,689	287	-	-
Non Major Component Units	2,285	1,708	-	2,775	-	-
Total governmental activities.....	85,541	1,710	12,689	3,062	(63,289)	(502)
Business-type activities:						
JEA	1,902,154	1,909,776	-	19,883	-	-
Jacksonville Transportation Authority	99,521	20,342	10,608	13,664	-	-
Jacksonville Aviation Authority	78,688	59,279	1,031	10,011	-	-
Jacksonville Port Authority	68,837	50,636	8,163	9,606	-	-
Total business-type activities.....	2,149,200	2,040,033	19,802	53,164	-	-
Total component units.....	\$ 2,234,741	\$ 2,041,743	\$ 32,491	\$ 56,226	(63,289)	(502)
General revenues:						
Sales and tourist taxes.....					63,573	-
Intergovernmental - unrestricted.....					-	-
Unrestricted earnings on investments.....					112	565
Miscellaneous.....					1,320	584
Total general revenues, special items and transfers.....					65,005	1,149
Change in net assets.....					1,716	647
Net assets, beginning of year:						
Net assets, beginning of Year.....					110,334	19,606
Changes to beginning Net assets.....					-	-
Restated beginning Net assets					110,334	19,606
Net assets, end of year.....					\$ 112,050	\$ 20,253

See accompanying notes.

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES				TOTAL
JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	NON MAJOR COMPONENT UNITS	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE AVIATION AUTHORITY	JACKSONVILLE PORT AUTHORITY	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (63,289)
-	-	-	-	-	-	(502)
(6,487)	-	-	-	-	-	(6,487)
-	2,198	-	-	-	-	2,198
(6,487)	2,198	-	-	-	-	(68,080)
-	-	27,505	-	-	-	27,505
-	-	-	(54,907)	-	-	(54,907)
-	-	-	-	(8,367)	-	(8,367)
-	-	-	-	-	(432)	(432)
-	-	27,505	(54,907)	(8,367)	(432)	(36,201)
(6,487)	2,198	27,505	(54,907)	(8,367)	(432)	(104,281)
-	-	-	-	-	-	63,573
-	-	-	46,594	-	-	46,594
2,084	116	6,103	53	1,549	195	10,777
1,074	81	13,545	-	11,639	7,219	35,462
3,158	197	19,648	46,647	13,188	7,414	156,406
(3,329)	2,395	47,153	(8,260)	4,821	6,982	52,125
25,658	13,385	1,566,282	190,394	431,872	301,438	2,658,969
-	-	-	-	-	-	-
25,658	13,385	1,566,282	190,394	431,872	301,438	2,658,969
\$ 22,329	\$ 15,780	\$ 1,613,435	\$ 182,134	\$ 436,693	\$ 308,420	\$ 2,711,094



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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Jacksonville, Florida (the City) conform to accounting principles generally accepted in the United States (GAAP) as applicable to governments. The following is a summary of the more significant policies. Notes 1C. through 19 are note disclosures of the primary government with significant disclosures for major component units incorporated within. Additional significant component unit disclosures are presented in Note 17.

A. Basis of Presentation:

The accompanying financial statements of the City have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). Under the auspices of GASB Statement No. 20, the City does not apply FASB pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for units of local government.

B. Financial Reporting Entity:

The City is a consolidated city/county political entity created by Chapter 67-1320 of the Laws of Florida. When consolidation occurred on October 1, 1968, all existing municipalities, authorities and public agencies within Duval County, except for the Duval County School Board, were merged into a single new corporate and political entity also known as the City of Jacksonville. At the same time, however, the cities of Jacksonville Beach, Atlantic Beach, Neptune Beach and the Town of Baldwin elected to retain local autonomy for certain municipal purposes and were reconstituted as separate and distinct urban service districts. The consolidated city government, which is comprised of an elected City Council (19 members) and mayor, provides, under the administration of the appointed Chief Administrative Officer, services to approximately 901,000 residents living in an 840.1 square mile area.

To conform to the traditional county organization of government in the State of Florida, the City retained the offices of the Sheriff, Property Appraiser, Tax Collector, Supervisor of Elections, and Clerk of the Circuit Court, which are also elected by the citizenry. These officers are considered to be not only county officers, but also officers of the consolidated government as well, and therefore are considered as part of the primary government. The three beach cities and the Town of Baldwin continue to function as separate municipal governments.

This report includes all funds, departments, agencies, boards and commissions, and other organizational units that are administered by the mayor and/or controlled by or dependent upon the City Council as set forth in the City Charter. The City, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. In GASB Statement No. 14, The Financial Reporting Entity, the GASB has set forth criteria to be considered in determining financial accountability.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

As required by GAAP, these financial statements present the City of Jacksonville (the primary government) and its component units. The City has identified and included within the financial reporting entity, as its component units, legally separate organizations for which the City is financially accountable or for which a significant relationship with the City exists such that exclusion would cause the City's financial statement to be misleading or incomplete.

The Jacksonville Public Library Board has been classified as a dependent special district by the State of Florida Department of Community Affairs. Per GASB Statement No. 14, the Library Board is not considered a component unit as it is not a legally separate organization. Therefore, its activity is included as part of the primary government.

Blended Component Unit. There is one component unit, which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

The **Jacksonville Police and Fire Pension Board of Trustees**, created under Article 22 of the City Charter, provides retirement services and benefits to eligible employees of the Office of the Sheriff and the Department of Fire and Rescue. The City appoints two of the five-member board; one member is a police officer; one member is a firefighter; and the remaining member is appointed by the other four members. As sponsor, the City has the ability to modify the plan and to approve the defined benefit contribution to the Police and Fire Pension Board of Trustees in the City's annual budget. The Police and Fire Pension Board of Trustees issues separate financial statements on the fund, which may be obtained from its administrative office at One West Adams Street, Suite 100, Jacksonville, Florida 32202-3616. These transactions are blended in the Fiduciary Funds.

Discrete Component Units. These component units are entities which are legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units are reported separately to emphasize that they are legally separate from the primary government and are governed by separate boards. The footnotes include financial data of these entities. Each component unit listed below has a September 30 fiscal year end.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Major Component Units

JEA (formerly known as the Jacksonville Electric Authority) was created by Chapter 67-1569 of the Laws of Florida to own, manage, and operate an electric utility system and a water and sewer utility system in the City and any or all counties adjacent thereto. The governing body of the JEA consists of seven members appointed by the mayor and confirmed by the City Council. The City has the ability to impose its will on the JEA manifested principally through formal budgetary approval. The JEA engages only in business-type activities and issues separate financial statements, which may be obtained from its administrative office in the JEA Plaza at 21 West Church Street, Jacksonville, Florida 32202.

The **Jacksonville Port Authority (JPA)** was created by Resolution 2000-1104-A, and was initially called the Jacksonville Seaport Authority. This resolution abolished what was the former Jacksonville Port Authority and created new Seaport and Airport Authorities. However, during fiscal year 2003, the Seaport Authority changed its name back to Jacksonville Port Authority. The governing body of the JPA consists of seven members, four of whom are appointed by the mayor and confirmed by the City Council, and three of whom are appointed by the Governor. The City can impose its will on the JPA through modification and approval of its budgets, which ensures strong accountability to the local constituent citizenry. The JPA engages only in business-type activities and issues separate financial statements. Requests for information may be addressed to the Chief Financial Officer, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

The **Jacksonville Aviation Authority (JAA)** was created by Resolution 2000-1104-A, which abolished what was the former Jacksonville Port Authority (JPA). The former JPA was created in 1963 by Chapter 63-1447 of the Laws of Florida, to own and operate marine and aviation facilities in the Consolidated City/County Government of Jacksonville/Duval County. These state laws were repealed and separate seaport and airport authorities were established. The governing body of the JAA consists of seven members, four of whom are appointed by the Governor, and three of whom are appointed by the mayor and confirmed by the City Council. The JAA is fiscally dependent upon the City because the City Council approves and modifies the JAA budget. The JAA engages only in business-type activities and issues separate financial statements. Requests for information may be addressed to the JAA Administrative Office at P.O. Box 18018, Jacksonville, Florida 32229-0018.

The **Jacksonville Transportation Authority (JTA)** is a public body politic and corporate agency of the State of Florida under Chapter 349 of the Florida Statutes. The governing body of the JTA consists of seven members, three of whom are appointed by the governor of Florida, three of whom are appointed by the mayor and confirmed by the City Council, and the seventh member is the district engineer of the Florida Department of Transportation.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

The JTA is empowered to construct, improve, operate and lease the Jacksonville Expressway System. The JTA is, however, fiscally dependent upon the City under Section 14 of the City Charter through approval of its budgets which ensures strong accountability to the local constituent citizenry. The JTA engages in both governmental and business-type activities and issues separate financial statements, which may be obtained from its administrative office at 100 North Myrtle Avenue, Jacksonville, Florida 32203.

Component Units that do not issue a separate report

The **Jacksonville Housing Finance Authority (JHOFA)**, formerly known as the Duval County Housing Finance Authority (DCHFA), was created by City Ordinance 2003-1058, to alleviate a shortage of housing and capital investment for the people of Duval County, pursuant to Florida Statutes, Section 159.604. The mayor appoints three of the five board members. The City has the ability to impose its will on the JHOFA. The JHOFA operates in conjunction with the Jacksonville Housing Commission, also created by Ordinance 2003-1058, and has the rights and duties necessary under Florida Statutes, Chapter 159, Part IV, to preserve outstanding debt, issue new debt and to shield the City from financial liability. The bonds issued and outstanding are included in Note 8K. Conduit Debt. The JHOFA engages only in governmental activities. There are no separately issued financial statements for the JHOFA, whose financial activity is accounted for by the City. The JHOFA financial statements are presented in the financial section of the City report.

The **Jacksonville Economic Development Commission (JEDC)**, created July 1, 1997, under Chapter 92-341, Laws of Florida, provides a focal point for economic development in the City that results in a centralization of economic development programs under the auspices of one agency, thus ensuring a more efficient and practical means of addressing the goals, objectives and strategies for future economic development in the City. The JEDC operates with all the powers and authority of a community redevelopment agency under Part III, Chapter 163, Florida Statutes and as an industrial development authority under Part III, Chapter 159, Florida Statutes. The mayor appoints the board members and the chairman, who are confirmed by the City Council, and the City has the ability to impose its will. The JEDC engages only in governmental activities. There are no separately issued financial statements for the JEDC, whose financial activity is accounted for by the City. The JEDC financial statements are presented in the financial section of the City report.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Non-major Component Units

Downtown Vision, Inc. (DVI) was established as a not-for-profit corporation under the Laws of Florida in 1997. DVI was created to provide community enhancements in the downtown area, with associated costs assessed to the properties benefited. The assessment is levied and collected by the City in accordance with the Enhanced Municipal Services Agreement, and was approved by City Ordinance 1999-1175-E. Therefore, DVI is fiscally dependent on the City. The DVI is governed by a 15-member Board of Directors, of which two are City representatives. The enhanced services are provided to property owners within several of the City's Downtown Community Redevelopment areas, including some properties owned by the City. DVI engages only in governmental activities and issues separate financial statements, which may be obtained from its main office at 214 North Hogan Street, Suite 120, Jacksonville, Florida 32202.

The **Jacksonville Health Facilities Authority** (JHFA), created under Chapter 490 of the City Ordinance Code pursuant to Chapter 154 Part III, Laws of Florida, provides appropriate additional means to assist in the development, improvement and maintenance of the public health. The JHFA provides a method for the financing and refinancing, on a tax-exempt basis, of projects on behalf of private corporations and organized not-for-profits that are authorized by law to provide hospital or nursing home services, thus providing facilities at favorable interest costs with a resultant decrease in health care costs for the users of health facilities within the City. All five members are appointed by the City Council, and the City is able to impose its will on the JHFA.

The bonds issued by the JHFA are special limited obligations of the JHFA and the principal and interest are payable from rental payments. The principal and interest on the bonds shall never constitute an indebtedness of the City of Jacksonville, Duval County, the State of Florida or any municipality or political subdivision thereof. Accordingly, the bonds issued and outstanding are included in Note 8K Conduit Debt. During the fiscal year presented, JHFA had no financial transactions or assets and liabilities to report. Therefore, there are no separately issued financial statements for JHFA.

The **Water and Sewer Expansion Authority** (WSEA) was created by City Ordinance 2003-586-E to allow property owners an opportunity to finance water and/or sewer infrastructure in their existing developed neighborhoods on a voluntary basis. The governing body of the WSEA consists of seven members appointed by the mayor and confirmed by the City Council. The City has the ability to impose its will on the WSEA principally through the mayor's ability to remove board members with two-thirds approval vote from the City Council, and the City Councils authority to review and approve the WSEA annual budget. WSEA issues separate financial statements, which may be obtained from its administrative office 21 West Church Street, T - 16 Jacksonville, Florida 32202.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Related Organizations

The **Jacksonville Housing Authority (JHA)** is governed by a seven member board, whose members are appointed by the mayor and confirmed by City Council. However, the City does not have the ability to impose its will on JHA. The City cannot remove appointed members of the JHA Board at will. JHA managers are appointed by the JHA Board of Directors. The Board approves the operating budget and amendments to the budget. The City does not exercise influence in JHA management or operations. It does not approve JHA budgets, and does not provide or collect major revenues of the JHA. Accordingly, the financial activities of the JHA are not included in the City's financial statements.

The **Duval County Research and Development Authority (Authority)** is governed by a five member board whose members are appointed by the City Council. However, the City does not have the ability to impose its will on the Authority. The City does not exercise influence in the management or operations of the Authority and is not financially accountable for the actions of the Authority. Accordingly, the financial activities of the Authority are not included in the City's financial statements.

Jointly Governed Organization

An Interlocal Agreement was entered into on February 27, 2004, by and between the Florida Department of Transportation, the Counties of Clay, Duval, and St. Johns, the cities of Jacksonville, Atlantic Beach, Jacksonville Beach, Neptune Beach and St. Augustine, the Jacksonville Aviation Authority, the Jacksonville Port Authority, the Jacksonville Transportation Authority and the St. Augustine/St. Johns County Airport Authority to redesignate as the **First Coast Metropolitan Planning Organization (FCMPO)**. Pursuant to Section 339.175(3), Florida Statutes, by letter to Mayor John Peyton, the governor agreed to the apportionment plan of newly proposed members. The City Council no longer serves as the MPO Board. The mayor, three Jacksonville City Council Members and various other leaders of the involved agencies, make up the 16 member board, with three members being non-voting.

The City does not have an ongoing financial interest or responsibility to the FCMPO. However, since the board includes members from each of the governments that created it, the FCMPO is considered a jointly governed organization of the City.

C. Basic Financial Statements:

The basic financial statements include both citywide and fund level statements. The City, as the primary government, is reported separately from its component units. The citywide statements report on all of the activities of the City and its component units except those that are fiduciary in nature.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements: (continued)

Statements for fiduciary activities, such as employee pension plans, are presented in a separate section of this report. Both the citywide and fund level statements classify primary activities of the City as either governmental activities, which are primarily supported by taxes and intergovernmental revenues, or business type activities, which are primarily supported by user fees and charges.

The citywide statement of net assets reports all assets and liabilities of the City, including both long-term assets and long-term debt and other obligations. The statement of activities reports the degree to which direct expenses of City functions are offset by program revenues, which include program specific grants and charges for services provided by a specific function. Direct expenses are those that are clearly identifiable with a specific function or program. The net cost of these programs is funded from general revenues such as taxes, intergovernmental revenue and interest earnings.

The fund level statements report on governmental, proprietary and fiduciary fund activities. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund level financial statements.

Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the citywide statements governmental column (as discussed under Basis of Accounting in this summary of significant accounting policies), a reconciliation is presented on the page following each governmental fund financial statement which briefly explains the adjustments necessary to convert the fund level statements into the citywide governmental column presentations.

As a general rule, the effect of interfund activity has been eliminated from the citywide financial statements.

D. Fund Structure:

The City's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions or limitations. Each individual fund is a self-balancing set of accounts recording assets, liabilities and residual equities or balances and revenues, expenditures / expenses and changes therein. For financial statement presentation, funds with similar characteristics, including those component units referenced above, are grouped into generic classifications as required by GAAP. A brief description of these classifications follows:

Governmental Funds. These funds report transactions related to resources received and used for those services traditionally provided by city/county government. The following are major governmental funds used by the City:

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds:

The Special Bonded Debt – Better Jacksonville Plan Obligations Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the City’s special bonded obligations payable, which are related to the Better Jacksonville Plan.

The Special Bonded Debt Obligations Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the City’s special and limited bonded obligations, which are payable solely from and secured by a lien upon and pledge of the revenues under the respective bond ordinances.

Capital Project Funds:

The General Projects Fund receives monies appropriated from the General Fund and other sources including proceeds from non-bonded debt for general capital improvements.

Other Non-major Governmental Funds:

This is the aggregate of all of the non-major governmental funds.

Proprietary Funds. These funds report transactions related to activities similar to those found in the private sector. Major proprietary funds include:

Solid Waste Disposal Fund - This fund accounts for the collection, recycling, and disposal of commercial and residential garbage services throughout the City, including operation of three municipally owned landfill sites, two of which are closed.

The EverBank Field Fund accounts for events held at the stadium including National Football League and college football games, concerts and other activities.

The Veterans Memorial Arena Fund accounts for events held at the arena including concerts, college basketball games, and other entertainment events such as the circus, ice skating, gymnastics, professional wrestling and motor sports.

Other Non-major Enterprise - This is the aggregate of all of the non-major enterprise funds.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation. The principal operating revenues for the City's enterprise funds are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In addition, the City reports the following fund types:

Internal Service Funds - These funds account for services provided primarily to various departments of the City and to other governmental agencies. Since these funds principally service City departments, internal service fund statements are consolidated into the governmental activities column in the citywide presentations. These activities are fleet management, copy center, data processing, legal, various risk management activities and internal banking fund. Services provided to other governmental agencies are not considered to be material.

Private-purpose Trust Funds - These funds account for resources legally held in trust for the benefit of individuals pursuing higher education in music and urban studies. Earnings on invested resources may be used to support these activities but no expenditure may be made from the principal of these funds.

Pension Trust Funds - These funds account for the activities of the Jacksonville Retirement System and the Police and Fire Pension funds, which accumulate resources for pension benefit payments for qualified employees.

Permanent Fund - This fund is used to account for activities of the City relative to cemetery maintenance at specified locations. Fund resources are restricted. Only earnings on invested resources may be used to support these activities.

Agency Funds - These custodial funds account for monies held as an agent for other governmental units or individuals. The City utilizes several agency funds including the Treasurer Fund to clear cash received and disbursed, Tax Collector Fund accounts for the collection of all taxes, revenues and other cash, Clerk of the Circuit Court Fund accounts for revenues collected by the court system, Plat Deposits Fund accounts for collateral to insure the completion of public improvements, Duval County School Readiness Coalition Fund accounts for similar collections, Florida Retirement System Fund accounts for a multiple-employer, cost-sharing defined benefit plan for certain City employees who elected to remain with the State of Florida Retirement System.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The citywide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary pension trust fund financial statements. Agency funds are accounted for using the full accrual basis of accounting. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied for. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenues that are determined to be susceptible to accrual include property taxes, taxpayer-assessed tax revenues including sales and utilities services taxes, state shared revenue, intergovernmental revenue, charges for services and investment income. Generally, the City considers a 60-day availability period for revenue recognition. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made, and the City considers amounts received within one year as available.

Expenditures are recorded when the related fund liability is incurred, except for items that are not planned to be liquidated with expendable available resources. Exceptions to the general modified accrual expenditure recognition criteria include capital lease obligations, which are recognized when paid, and payments for compensated absences, pension, OPEB (other post employment benefits), and claims and judgments which are recognized when due.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents, and Investments:

Cash, cash equivalents and investments and related accrued investment earnings are reported in the financial statements as "Equity in cash and investments" under the City's "pooling" concept. (See Note 3.) All monies, which are not legally restricted to separate administration, are pooled together for investment purposes while each individual fund and/or account is maintained on a daily transaction basis by the City Treasurer. Cash in escrow with fiscal agents is not included in cash flow statements ending balances as the funds have been sent to trustee entities to be held for payment of bond principal and interest. Investment earnings are distributed in accordance with the participating funds' relative percentage of investments. All fund types deposit monies into the equity in cash and investments pool of the City. The Proprietary Fund types use this pool as a demand deposit account, and accordingly all amounts in the pool are considered cash and cash equivalents for purposes of the Statement of Cash Flows. Investments are stated at fair value generally based on quoted market prices except as disclosed herein. Securities, traded on national or international exchanges, are valued at the last reported sales price at current exchange rates. The fair value of real estate investments are based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers. Increases and decreases in the fair value of investments are reported as investment income. The City of Jacksonville's swap policy allows for the use of interest rate swaps and other financial instruments to manage the City's financial exposure. This policy went into effect on October 1, 2003 and was revised on November 9, 2007. While the City is authorized to utilize interest rate swaps to manage the interest rate risk associated with various assets, no investment interest rate swaps were used during the reporting period.

G. Receivables:

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based on past collection experience and current economic conditions. Types of receivables include amounts that are principally due from the State of Florida for state-shared revenues. Receivables in other funds have arisen in the ordinary course of business.

H. Inventories:

Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems stated at cost, which approximates market, using the average weighted costing method. Reported inventories in governmental funds are included within nonspendable fund balance because it is not in spendable form. In proprietary fund types, inventories are expended when consumed.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets:

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, assets costing \$1,000 or more and having a useful life of more than one year are capitalized. Infrastructure is capitalized based on the accumulated amounts charged to specific capital projects on an annual basis. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are reported in the applicable governmental or business-type column in the city-wide financial statements, and in the proprietary fund level statements.

The City capitalizes collections, such as artwork and library books. The City has a collection of artwork in various sites throughout the interior and exterior of public facilities. The value of the art is expected to either remain the same or increase over time, so it is not depreciated.

Starting in fiscal year 2010, the City implemented GASB Statement 51, and began capitalizing right of way easements as intangible assets. The City was previously capitalizing software as an accounting best practice. Software development is capitalized if over a threshold of \$30,000.

Depreciation on all capital assets is calculated using the straight line method over the following useful lives:

Infrastructure - other	12 - 50 years
Infrastructure - bridges	100 years
Buildings and improvements	12 - 45 years
Furniture, equipment and library books	3 - 10 years
Software development	10 years

J. Contributions: Contributions in the form of cash and capital assets to the governmental activities of the City are recognized on the Statement of Activities as revenues in the period they are received. Contributions of capital assets, primarily completed infrastructure from developers, are recognized at the fair value at the date of donation. All contributions are reported on the Statement of Activities as program revenues, with operating contributions reported separately from capital contributions.

K. Interfund Activity:

Interfund activity within and among the City's three fund categories (governmental, proprietary, and fiduciary) are classified as reciprocal interfund activity and nonreciprocal interfund activity. Reciprocal interfund resource flows between funds with an expectation of repayment are reported as interfund receivables and payables.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Activity: (continued)

Reciprocal interfund resource flows, without an expectation of repayment within a reasonable time, are reported as transfers between funds. Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external value and are reported as revenues and expenditures (or expenses) in the funds.

Nonreciprocal interfund activities are flows of assets between funds without an equivalent flow of assets in return or without a requirement for repayment are reported as transfers in governmental funds and nonoperating revenues and expenses in proprietary funds.

L. Restricted Assets:

Assets are reported as restricted in the citywide Statement of Net Assets and the enterprise fund level statements when constraints are placed on net asset use. The constraints are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

M. Compensated Absences:

City employees may accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements. This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB Statement No. 16, Accounting for Compensated Absences.

Compensated absences liabilities are accrued when incurred in the city-wide financial statements, and the proprietary and fiduciary fund level financial statements. No expenditure is reported in the governmental funds for these amounts until the payment is made. No liability is recorded for nonvesting, accumulated sick pay benefits. Compensated absences liability is determined based on current rates of pay.

N. Risk Financing:

Pursuant to Florida Statute 768.28 "Sovereign Immunity" the City is self-insured for general and automobile liability for state tort claims in excess of \$100,000 per person, and \$200,000 per occurrence. The City's self-insured retention is up to \$1.2 million per occurrence for workers compensation. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries at September 30, 2010, for incurred but not yet reported claims, claims development, and unallocated loss adjustment expenses. The liability for self-insured losses is accounted for in the Self-Insurance Fund (internal service fund) that pays for claims made against the City. The City has an excess liability policy which provides coverage for general liability at limits of \$1 million per occurrence and \$3 million in the aggregate, subject to a \$5 million self-insured retention; and employer's liability with \$3 million in the aggregate with a self-insured retention per occurrence of \$1.2 million.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pension Costs:

Substantially all permanent, full-time employees of the City are covered under two City-sponsored defined benefit pension plans and a City-sponsored defined contribution plan. Employer contributions are recorded as pension expenditure/expenses when the related payroll is accrued based on an actuarially determined rate in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governments.

P. Landfill Closure and Postclosure Care Costs:

The City recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988 regulations of the Federal Environmental Protection Agency (EPA), and GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. For those landfills that stopped accepting solid waste prior to final implementation of the 1988 Act and EPA regulations, the total cost of municipal solid waste landfill (MSWLF) closure is recognized as a deferred charge in the Solid Waste Disposal Enterprise Fund, in accordance with SFAS Statement No. 71, Accounting for the Effects of Certain Types of Regulation, (SFAS 71). The City issued bonds to pay for closure costs on closed landfills. Post-closure care costs on closed landfills are recorded as a liability based on engineer's estimates. The City Council establishes rates that are designed to recover costs and believes it is reasonable to assume that such rates, which will recover the costs, can be charged to and collected from customers. Accordingly, the provisions of SFAS 71 are applied. The City intends to recover these MSWLF costs through future operating revenues of the Solid Waste Disposal Enterprise Fund. Accordingly, MSWLF costs are recognized as expense each year to match the flow of revenue and bonds principal payments, thereby reducing the deferred charge. Expenses for closure and postclosure care costs are recorded each year and the liability is adjusted to the engineer's estimate. MSWLF closure and postclosure care costs incurred for landfills accepting solid waste after final implementation of the 1988 Act and EPA regulations are recognized as an expense. A liability is recorded based upon the landfill capacity used during that year applied to the engineer's estimate of closure and postclosure care costs. (See Note 13.C.)

Q. Long-Term Obligations:

In the city-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets.

Special obligation bonds, which are supported by certain general revenues (other than ad valorem taxes), do not constitute a debt of the City within the meaning of any constitutional or statutory limitation or provision, and the City is not obligated to pay the bonds except from revenues pledged for such purposes.

Each governmental fund that has long-term liabilities, such as, compensated absences and pension liabilities is responsible for liquidating the same.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Long-Term Obligations: (continued)

Non Asset Bonds are created when the City issues debt and either (a) constructs an asset which will become the asset of another entity (e.g. State of Florida), (b) contributes proceeds to another entity (e.g. Shands Jacksonville Hospital) to participate in a construction project, or (c) provides an economic incentive to a development or redevelopment project. Part of the Better Jacksonville Plan (BJP) referendum was to make improvements to state roads and/or interchanges with/between state roads. While these projects enhance traffic movements in and around Jacksonville, the constructed assets and the future maintenance responsibility are transferred to the Florida Department of Transportation. Additionally, under the BJP program, the City provided for non-capital expenditures, such as septic tank remediation and ash clean up, from debt proceeds, which will not result in a capital asset of the City. The City has also provided grants to Shands Jacksonville Hospital, a provider of health care for indigents, from debt proceeds. The City and/or its Community Redevelopment Authority (CRA) districts, to encourage target development, will enter into incentive agreements (including grants and loans) which are in some instances designed to be repaid by either the CRA's tax increment revenues and/or the developer.

R. Categories and Classification of Fund Balance:

The City of Jacksonville has elected early implementation of GASB 54. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note 19.

S. Bond Discounts, Premiums and Issuance Costs:

In the fund financial statements, governmental funds recognize bond discounts, premiums and issuance costs in the current period. The face amount of debt issued and bond premiums are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds received, are reported as debt service expenditures.

In the city-wide financial statements and for proprietary funds, material bond discount, premium and issuance costs are deferred and amortized as a component of interest expense over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and bond discount/premium are included in Long-Term Liabilities - Revenue Bonds.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Deferred Loss on Debt Refundings:

Losses resulting from advance refundings of debt in the city-wide and proprietary fund statements are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. The amount deferred is reported as a component of Long-Term Liabilities in the accompanying financial statements and is amortized and reported as a component of interest expense.

U. Use of Estimates:

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

V. Reclassifications:

Certain 2009 amounts have been reclassified to conform with the 2010 presentation. Additionally, amounts in the separately issued financial statements of component units have been reclassified to conform to the presentation of the primary government.

W. Summarized Comparative Information:

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2009, from which the summarized information was derived. Limited 2009 comparative information was adjusted for comparability on some of the financial statements.

X. Prepaids:

Prepaid items consist of certain costs which have been paid prior to the end of the fiscal year, but represent items which are applicable to future accounting periods. These amounts do not constitute available spendable resources even though they are a component of current assets. Prepaids are processed using the consumption method.

2. BUDGETARY DATA

The City presents a Budgetary Comparison Schedule for the General Fund as Required Supplementary Information. For this reporting period, no special revenue funds met the major fund criteria. The City's budgetary comparison reporting and Notes to Required Supplementary Information containing descriptions of the City's budgetary policies and processes are included in the Required Supplementary Information section of this report.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

A. Cash on Deposit

The City maintains a cash and investment pool that is available for use by all funds except for monies legally restricted to separate administration (i.e. pension plan custodians and deferred compensation plan administrators). The “Equity in cash and investments” on the City Wide Financial Statements, consists of cash and investments owned by each fund and defined as resources that can be liquidated without delay or penalty. Cash and investments held separately where contractual arrangements and bond covenants require such arrangements, are classified as “restricted assets.” Investment earnings are allocated to the individual funds monthly based on the funds’ weighted average daily cash balance.

CASH and INVESTMENTS

September 30, 2010

(in thousands)

Primary Government:	
Cash and Cash Equivalents	\$234,992
Cash in escrow and with fiscal agents	123,610
Investments - Primary Government	<u>552,965</u>
Primary Government Total:	<u>911,567</u>
Pension and Agency Funds:	
Cash and Cash Equivalents	
Pension Trust Funds	47,511
Private Purpose Trust Funds	247
Agency Funds	37,977
Investments - Pensions	<u>2,480,531</u>
Pension and Agency Total:	<u>2,566,266</u>
Component Units:	
Cash and Cash Equivalents	1,126,924
Cash in escrow and with fiscal agents	153
Investments - Component Units	<u>411,828</u>
Component Unit Total:	<u>1,538,905</u>
Total Cash and Investments:	<u><u>\$5,016,738</u></u>
Investments Schedules:	
Operating Portfolio	\$964,793
Pension Portfolio	<u>2,480,531</u>
Sub-total:	<u>3,445,324</u>
Other Cash/Investments:	
Cash	964,559
Cash with Fiscal Agent	123,691
Restricted Funds	<u>483,164</u>
Total Cash and Investments:	<u><u>\$5,016,738</u></u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

A. Cash on Deposit (continued)

1. Custodial Credit Risk

At September 30, 2010, primary government deposits in financial institutions totaled \$268.9 million. Monies on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", and covered by federal depository insurance. For amounts in excess of such federal depository insurance the Act provides that all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor is liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sales of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments and Investment Practices

1. General Operating Investments

The City's operating fund investment guidelines are defined by City Ordinance Code Section 110, Part 2 and a written Investment Policy (the "Policy") as approved by City Council. The Policy establishes a diversified investment strategy, both by type of investment and by manager, a minimum credit quality, and duration limitations. An internal Investment Committee has oversight, within Policy limits, of the implementation and direction of investment strategies. The Policy is reviewed annually for any adjustments due to changes or developments within the investment markets that may provide enhanced investment and/or risk management opportunities for the City.

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Within the aggregate portfolio, the Policy establishes a Liquidity Portfolio which is required to contain not less than 15% of the aggregate portfolio, and an Active Portfolio containing funds not earmarked to the Liquidity Portfolio. Performance benchmarks for the Liquidity and Active Portfolios are established in the Investment Policy and performance benchmarks for each of the specific third party managers are established by the Investment Committee. The Policy defines the Average Duration and Compliance Categories for investments. Compliance Category limits are stated as a percentage of the 2009-10 Normal Portfolio Balance of \$686 million, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

1. General Operating Investments (continued)

Performance and compliance reports are submitted to the Investment Committee monthly, and to the Finance Committee quarterly. The City employs an independent investment custodian who takes direction from the money managers and independently settles all trades. The custodian provides performance and compliance reporting at both the portfolio level and by individual manager.

The following schedule reports portfolio compliance at year end, as well as the maximum exposure for each compliance category during the year. Certain compliance categories include assets also measured in another compliance category, i.e. "US Government" issued treasury bonds are also appropriately included in the "US Government plus agencies" category. As a result, the amounts reported as year end compliance exposures exceed the portfolio balance at year end in aggregate.

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
Duration¹	3.19	N/A	3.19	5.00
Liquidity	\$ 239,464,593	34.9%	34.9%	100.0%
Requirements				
USG + Agencies	\$ 166,505,850	24.3%	28.3%	100.0%
US Govt (USG)	86,082,420	12.5%	24.3%	100.0%
Constraints				
Agencies	\$ 80,423,430	11.7%	14.6%	45.0%
MBS	74,795,775	10.9%	12.7%	35.0%
Agency MBS	40,638,112	5.9%	6.8%	35.0%
Non-Agency MBS	34,157,663	5.0%	6.9%	15.0%
Corporates	238,776,462	34.8%	37.2%	60.0%
Corporates > 1 Year	135,775,272	19.8%	37.2%	40.0%
Municipal Bonds	1,483,286	0.2%	0.2%	10.0%
Bond Funds	126,698,063	18.5%	26.1%	85.0%
Money Market Funds	26,982,354	3.9%	25.2%	40.0%
Certificates of Deposit	-	0.0%	0.2%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Specialty Risk				
High Yield	\$ 29,248,176	4.3%	6.3%	7.5%
International	36,273,777	5.3%	5.3%	7.5%
Emerging Market	10,614,747	1.5%	1.5%	7.5%
Duration > 8.5	38,169,982	5.6%	6.1%	7.5%

¹Commingled Funds and Cash are excluded

²Normal Portfolio Balance \$ 686,000,000

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

2. Pension Plan Investments

The City's two separate defined benefit pension plans are the Jacksonville Retirement System and the Police and Fire Pension Plan. Investments in the City's two plans are governed by state statute and locally adopted investment policies. These policies establish investment objectives and guidelines for the portfolio as a whole, for each individual manager, as well as by instrument and issuer. The following schedules are presented for only the Jacksonville Retirement System investments:

**Jacksonville Retirement System
Distribution by Asset Type
9/30/2010**

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 597,397,195	\$ -	\$ 599,827	\$ 17,397,838	\$ 615,394,860	41%
Large Cap Value	137,527,074	-	174,300	7,104,063	144,805,437	10%
Large Cap Growth	155,138,144	-	110,220	3,396,415	158,644,779	10%
Large Cap Core	169,087,639	-	238,982	1,110,494	170,437,115	11%
Small Cap Value	35,148,694	-	18,562	689,369	35,856,625	3%
Small Cap Growth	70,696,042	-	26,722	4,472,959	75,195,723	5%
Small Cap Core	29,799,602	-	31,041	624,538	30,455,181	2%
Equity (International)	\$ 255,372,474	\$ -	\$ 640,749	\$ (123,808)	\$ 255,889,415	17%
Value	137,796,877	-	253,344	-	138,050,221	9%
Growth	98,873,266	-	387,405	(123,808)	99,136,863	7%
Core	18,702,331	-	-	-	18,702,331	1%
Bonds*	\$ -	\$ 505,955,344	\$ 2,665,738	\$ (11,882,044)	\$ 496,739,038	33%
Intermediate	-	349,779,871	2,665,738	(11,882,589)	340,563,020	23%
Aggregate	-	156,175,473	-	545	156,176,018	10%
Cash Account	\$ -	\$ -	\$ (1,306,574)	\$ 5,497,685	\$ 4,191,111	0%
Other	\$ 12,137,556	\$ -	\$ 129,802,672	\$ 980,197	\$ 142,920,425	9%
Real Estate	12,137,556	-	129,802,672	980,197	142,920,425	9%
Total investments	\$ 864,907,225	\$ 505,955,344	\$ 132,402,412	\$ 11,869,868	\$ 1,515,134,849	100%
Less: Amount reported as receivables					(4,029,420)	
Total Investments less receivables					\$ 1,511,105,429	

*Duration of bond portfolio is 4.24 years

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

2. Pension Plan Investments (continued)

**Police and Fire Pension Fund
Distribution by Asset Type
9/30/2010**

	Equities	Bonds	Other	Cash	Total	Percentage
<u>Equity (Domestic)</u>	\$ 414,967,279	\$ -	\$ -	\$ 7,934,756	\$ 422,902,035	44%
Large Cap Value	83,249,852	-	-	1,538,869	84,788,721	9%
Large Cap Growth	82,870,300	-	-	2,469,344	85,339,644	9%
Large Cap Core	134,946,720	-	-	350,970	135,297,690	14%
Small Cap Value	61,794,350	-	-	2,651,349	64,445,699	7%
SMID Cap Growth	52,106,057	-	-	924,224	53,030,281	5%
<u>Equity (International)</u>	\$ 206,333,368	\$ -	\$ -	\$ 3,491,702	\$ 209,825,070	22%
Value	65,115,022	-	-	3,491,702	68,606,724	7%
Growth	70,034,728	-	-	-	70,034,728	7%
Emerging Markets	71,183,618	-	-	-	71,183,618	7%
<u>Bonds</u>	\$ -	\$ 253,702,686	\$ -	\$ (9,561,474)	\$ 244,141,212	25%
Intermediate	-	94,366,525	-	(16,285,208)	78,081,317	8%
Aggregate	-	159,336,161	-	6,723,734	166,059,895	17%
Cash Account	\$ -	\$ -	\$ -	\$ 4,414,055	\$ 4,414,055	0%
<u>Other</u>	\$ -	\$ -	\$ 85,987,179	\$ -	\$ 85,987,179	9%
Real Estate	-	-	85,987,179	-	85,987,179	9%
Total investments	\$ 621,300,647	\$ 253,702,686	\$ 85,987,179	\$ 6,279,039	\$ 967,269,551	100%
Less: Amount reported as receivables					(2,680,484)	
Total Investments less receivables					\$ 964,589,067	

3. Portfolio Performance

Investment performance is measured against comparable indices that are consistent with the City's Investment Policy Statements, market opportunities, and liquidity/cash flow requirements. The following schedule includes the actual fund returns, as well as market indices to gauge relative performance.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

3.Portfolio Performance (continued)

INVESTMENT PORTFOLIO PERFORMANCE

October 1, 2009 to September 30, 2010

(Reported in Percentage and Gross of Investment Management Fees)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	3 - Year Average	5 - Year Average
Operating Fund (All Fixed Income) *	8.14	11.72	1.33	5.04	4.05	6.97	6.00
Policy Benchmark (Weighted Avg Benchmark)**	4.81	6.74	4.40	NA	NA	5.29	NA
Core Plus	12.50	16.57	-2.66	NA	NA	8.48	NA
Limited Duration	4.23	9.14	3.69	NA	NA	5.66	NA
Extended Cash	1.55	3.91	2.37	NA	NA	2.61	NA
General Employee Pension Fund (Diversified)	11.54	0.33	-15.35	14.38	8.38	-1.79	3.27
Policy Benchmark (Weighted Avg Benchmark)**	8.32	-1.31	-13.10	14.25	10.15	-2.42	3.17
Domestic Equity Composite	12.53	-7.41	-21.30	14.98	7.63	-6.40	0.29
Total Int'l Equity	11.16	-3.75	-27.85	23.69	19.40	-8.27	2.66
Total Fixed Income	12.21	17.00	-4.24	5.33	4.08	7.93	6.63
Total Real Estate	11.64	-26.78	-3.84	17.75	NA	-7.71	NA
Police and Fire Pension Fund (Diversified)	9.33	-1.08	-12.55	15.30	8.50	-1.81	3.45
Policy Benchmark (Weighted Avg Benchmark)**	7.94	-2.98	-13.09	13.60	9.20	-3.12	2.45
Domestic Equity Composite	10.75	-5.33	-19.73	19.10	8.50	-5.59	1.69
Total Int'l Equity	7.42	4.14	-29.14	24.70	19.30	-7.45	3.31
Total Fixed Income	7.54	11.75	2.20	5.20	3.40	7.09	5.99
Total Real Estate	8.50	-29.39	6.85	18.30	NA	-6.26	NA
Indicies							
Russell 3000 Composite	10.96	-6.42	-21.54	16.55	10.21	-6.60	0.92
MSCI EAFE Index	3.71	3.80	-30.13	25.38	19.65	-9.06	2.45
NCREIF Property Index	5.84	-22.09	5.27	17.31	17.62	-4.61	3.67
Barclays Capital U.S. Aggregate Bond Index	8.16	10.56	3.65	5.14	3.67	7.42	6.20
BofA ML U.S. Corp & Gov 1-3 Yrs	3.26	5.89	4.48	5.68	3.89	4.54	4.64
BofA ML U.S. Treasury Notes 0-1 Year	0.39	1.35	3.71	5.38	4.36	1.81	3.02
Citigroup Treasury Bill-3 Month	0.12	0.39	2.55	5.01	4.41	1.01	2.48

NA = Specific consolidation / strategy did not exist at that time

*excludes depository accounts

**Benchmark Composition:

	<u>Operating Fund</u>	<u>General Employee</u>	<u>Police and Fire</u>
Barclays Capital Aggregate Bond	40%	25%	25%
BofA ML 1-3 yr Corp/Govt Bond	40%	0%	0%
BofA ML 0-1 yr Treasury Bond	15%	0%	0%
Citigroup 3-month Treasury Bill	5%	0%	0%
Russell 3000 Stock	0%	35%	40%
MSCI EAFE Stock	0%	20%	20%
NCREIF Property	0%	20%	15%

Benchmarks for the General Employee and Police and Fire Pension funds are calculated by Summit Strategies while the Operating Portfolio Policy Benchmark is prepared by staff using BNY Mellon custody reporting data.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

4. Interest Rate Risk

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond, or bond portfolio, for a given change in interest rates. In general, shorter duration measures are less sensitive to interest rate shifts, while longer durations are more sensitive. To limit the portfolio volatility associated with changes in interest rates, the City’s Investment Policy Statement restricts the average duration of the overall portfolio to a range of 0.75 – 5.00 years, of which, no more than 7.5% of the individual securities in the portfolio can have a duration greater than 8.5 years. This guideline applies to all investment types underlying the portfolio including, but not limited to, government, agency, corporate, international, and mortgage backed securities, as referenced in Section 3. B. 1.

5. Credit Quality

The Operating and Pension portfolios measure credit quality of the fixed income holdings contained therein using Moody’s rating schedule. Within the Operating Portfolio, the City’s Investment Policy Statement is designed to control credit risk by requiring both, minimum amounts that must be invested in the highest quality U.S. Government securities, as well as a maximum limit of 7.5% of the normal portfolio balance in non-investment grade securities. This is reported and monitored monthly by the Investment Committee and staff. Credit Quality for the Pension Plan is reported on a quarterly basis and is monitored by the Pension Board of Trustees, staff to the board, and by the plan’s consultant. Credit Quality reports are provided on the overall portfolios to illustrate the credit risk at fiscal-year end.

Operating Portfolio		Credit Quality September 30, 2010	
		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Treasury	12%	6%	22%
Agency	11%	25%	35%
Aaa	13%	6%	19%
Aa1-Aa3	4%	3%	5%
A1-A3	13%	13%	19%
Baa1-Baa3	13%	13%	0%
Other	4%	1%	0%
Commingled	30%	33%	0%
	100%	100%	100%

Ratings definitions:

Treasury – United States Treasury Securities

Agency – Government Agency Securities

Aaa (AAA) – Highest Investment Grade Quality Rating

Aa1–Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating

A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating

Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating

Commingled – Securities that are not applicable to Quality Ratings - they represent predominantly mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

6. Foreign Currency

The City has nominal exposure to foreign currencies due to investments in non-U.S. markets implemented through our money managers' portfolios. Foreign currencies will fluctuate relative to the U.S. dollar, but it is believed that the diversification benefits outweigh potential risks. Given the limited exposure, foreign currency risk is considered minor.

	Foreign Currency Exposure September 30, 2010					
	Operating Portfolio		General Employees Pension Fund		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	\$ 551,810,127	96.70%	\$ 1,514,476,772	99.96%	\$ 907,895,710	93.89%
CANADIAN DOLLAR	2,653,835	0.47%	-	0.00%	-	0.00%
NEW ZEALAND DOLLAR	3,094,507	0.54%	-	0.00%	-	0.00%
AUSTRALIAN DOLLAR	1,085,194	0.19%	-	0.00%	3,048,847	0.31%
SOUTH KOREAN WON	2,434,304	0.43%	-	0.00%	472,181	0.05%
MEXICAN NEW PESO	2,275,822	0.40%	-	0.00%	-	0.00%
BRAZIL REAL	2,134,119	0.37%	-	0.00%	-	0.00%
INDONESIAN RUPIAN	1,688,174	0.30%	-	0.00%	-	0.00%
INDIAN RUPEE	1,501,626	0.26%	-	0.00%	-	0.00%
MALAYSIAN RINGGIT	514,539	0.09%	-	0.00%	-	0.00%
SINGAPORE DOLLAR	-	0.00%	17,327	0.00%	1,659,485	0.17%
SWISS FRANC	-	0.00%	598,899	0.04%	3,610,952	0.37%
EURO CURRENCY UNIT	-	0.00%	16,034	0.00%	17,456,471	1.80%
JAPANESE YEN	360,096	0.00%	14,777	0.00%	16,319,107	1.68%
SWEDISH KRONA	-	0.00%	5,172	0.00%	1,060,312	0.11%
BRITISH POUND STERLING	-	0.00%	5,867	0.00%	12,002,658	1.24%
HONG KONG DOLLAR	-	0.00%	-	0.00%	2,502,389	0.26%
SOUTH AFRICAN RAND	-	0.00%	-	0.00%	607,571	0.06%
NORWEGIAN KRONE	-	0.00%	-	0.00%	633,868	0.07%
Total	\$ 570,637,537	100.00%	\$ 1,515,134,849	100.00%	\$ 967,269,551	100.00%

C. Securities Lending

The City participates in securities lending with both its Operating and Pension portfolios. The City has a contract with its custodian, The Bank of New York Mellon (the City's Operating Portfolio and the Jacksonville Retirement System) that allows the custodian, acting as agent, to lend securities held in the portfolios with the intent of generating additional interest income. The transactions are designed to be invisible to our third party money managers and are reviewed by staff on an ongoing basis. The market for securities lending was developed to provide temporary access to a large portfolio of securities for broker/dealers who might have a need to borrow specific instruments. Securities are loaned against collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at a minimum of 105% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

3. CASH, INVESTMENTS AND SECURITIES LENDING

C. Securities Lending (continued)

The securities loaned are on a rolling daily basis and the cash collateral can be deposited and/or withdrawn from the investment on a daily basis. The weighted average duration of the collateralized loans at September 30, 2010 was 66 days for the City's Operating Portfolio and 109 days for the Jacksonville Retirement System.

As a result of market disruptions, caused by the financial crisis of 2008-2009, those managing the collateral pool of assets have shifted their strategy to maintain a target allocation that closely represents a portfolio managed to money market guidelines as contained in 2a-7 of the SEC Investment Company Act of 1940. Rule 2a-7 of the act restricts the quality, maturity, and diversity of investments by money market funds. While the Securities Lending portfolio is not subject to this rule, the managers see these guidelines as a conservative approach that will serve to reduce the overall risk profile of invested collateral funds.

The transaction establishes a rebate interest rate (assuming cash collateral), which is due back to the broker/dealer upon return of the security. The cash is then invested short-term and the City and the custodian share in the incremental return available above the rebated interest rate. The short-term fixed income instruments can be invested in high quality, dollar denominated fixed income instruments, with a policy dollar-weighted, average maturity limit of less than thirty days. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate interest rate, (b) the overnight investment will experience a loss in fair value (i.e., principal) and (c) the collateral will not be sufficient if the borrower fails to return the security back to the lending bank. As noted above, cash collateral is invested in short-term income instruments. When non-cash collateral is provided the collateral must be obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The City cannot pledge or sell these obligations in the absence of a default by the borrower. While the net asset value of the collateral will fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%, as of September 30, 2010, the City of Jacksonville maintained a sufficient 102.4%. During the fiscal year ended September 30, 2010; Securities Lending net income was \$.52 million (\$0.1 million Operating, \$.42 million Jacksonville Retirement System).

The City periodically reviews the custodian's practices to insure fair distribution of lending opportunities as well as risk evaluation of prospective broker/dealer borrowers. For accounting purposes, the Statements of Net Assets and Changes in Net Assets reflect the increase in assets, liabilities, interest income and expense associated with securities lending activity.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

4. ACCOUNTS AND MORTGAGES RECEIVABLE

The accounts and mortgages receivable balances in the funds listed below, in thousands, are shown net of an allowance for doubtful accounts. No other funds had an allowance for doubtful accounts at September 30, 2010.

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Net Amount Shown on Balance Sheet
General Fund	\$ 61,425	\$ (31,565)	\$ 29,860
General Capital Project Fund	373	-	373
Non-Major Special Revenue Funds:			
Budgeted General Government	48	(44)	4
Non-Budgeted General Government	2,545	-	2,545
Major Enterprise Funds:			
Solid Waste Disposal	28,008	(4,507)	23,501
EverBank Field	298	-	298
Veterans Memorial Arena	144	(24)	120
Non-Major Enterprise Funds:			
Performing Arts	43	-	43
Convention Center	29	(4)	25
Equestrian Center	9	(2)	7
Storm Water Services	41,294	(8,504)	32,790
Motor Vehicle Inspection	62	(1)	61
Baseball Stadium	14	-	14
Fiduciary Funds:			
Pension Trust Fund	258	-	258
Agency Fund	2,309	-	2,309
Fund	Mortgages Receivable	Allowance for Doubtful Accounts	Net Amount Shown on Balance Sheet
General Fund	\$ 33	\$ -	\$ 33
Non-Major Special Revenue Funds:			
Community Development Block Grant	14,164	(1,920)	12,244
Housing and Neighborhoods	29,606	(6,332)	23,274
State Housing Initiative Partnership	16,660	(135)	16,525

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

5. PROPERTY TAXES

A. Ad Valorem Property Taxes:

Property tax collections are governed by Chapter 197, Florida Statutes. The Duval County Tax Collector bills and collects all property taxes levied within the consolidated city/county. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively. The total millage rate levied by the City was 10.0353 for the fiscal year ended September 30, 2010.

The Florida Constitution, as amended under Article VII, Section 4, limits the increase in homestead property valuations for ad valorem tax purposes to a maximum of the lesser of (i) three percent (3%) of the assessment for the prior year, or (ii) the percent change in the Consumer Price Index for the preceding calendar year. The first tax year in which the limitations of these constitutional provisions apply is January 1, 1995. Calendar year 1995 is the base year upon which assessed just value of the homestead property is determined.

B. Property Tax Calendar:

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenue as it is received from the Tax Collector since virtually all taxes levied will be collected through the tax collection process within the fiscal year levied for. The calendar of events is as follows:

January 1	Property taxes are based on assessed value at this date as determined by the Duval County Property Appraiser.
July 1	Assessment roll approved by the state.
September 30	Millage resolution approved by the City Council.
October 1	Beginning of fiscal year for which taxes have been levied.
November 30	Last day for 4% maximum discount.
April 1	Unpaid property taxes become delinquent.
May 31	Tax certificates are sold by the Duval County Tax Collector. This is the first lien date on the properties.

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

6. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

Primary Government

	Beginning Balance October 1, 2009	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 280,404	\$ 20,788	\$ -	\$ 301,192
Easements	-	2,952	-	2,952
Art In Public Places	693	-	-	693
Construction in progress	87,007	106,268	(6,149)	187,126
Furniture and equipment in work in process	473	75	(75)	473
Software Development Work In Process	9,610	397	(9,610)	397
Total capital assets not being depreciated	<u>378,187</u>	<u>130,480</u>	<u>(15,834)</u>	<u>492,833</u>
Capital assets being depreciated:				
Buildings	543,844	3,898	-	547,742
Furniture, equipment and library books	311,709	23,628	(13,727)	321,610
Improvements	210,948	24,077	-	235,025
Infrastructure	1,796,854	212,951	-	2,009,805
Purchased Software	7,000	154	-	7,154
Internal Software	13,385	12,596	-	25,981
Total assets being depreciated	<u>2,883,740</u>	<u>277,304</u>	<u>(13,727)</u>	<u>3,147,317</u>
Less accumulated depreciation for:				
Buildings	156,469	9,686	-	166,155
Furniture, equipment and library books	225,339	32,684	(13,045)	244,978
Improvements	33,217	8,566	-	41,783
Infrastructure	356,975	72,783	-	429,758
Purchased Software	5,416	2,831	-	8,247
Internal Software	3,839	291	-	4,130
Total accumulated depreciation	<u>781,255</u>	<u>126,841</u>	<u>(13,045)</u>	<u>895,051</u>
Total capital assets being depreciated, net	<u>2,102,485</u>	<u>150,463</u>	<u>(682)</u>	<u>2,252,266</u>
Governmental activities capital assets, net	<u>\$ 2,480,672</u>	<u>\$ 280,943</u>	<u>\$ (16,516)</u>	<u>\$ 2,745,099</u>

	Beginning Balance October 1, 2009	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 45,089	\$ 143	\$ -	\$ 45,232
Easements	-	335	-	335
Total capital assets not being depreciated	<u>45,089</u>	<u>478</u>	<u>-</u>	<u>45,567</u>
Capital assets being depreciated:				
Buildings and improvements	547,997	745	-	548,742
Furniture and equipment	6,927	389	(597)	6,719
Infrastructure	2,841	8,767	-	11,608
Total assets being depreciated	<u>557,765</u>	<u>9,901</u>	<u>(597)</u>	<u>567,069</u>
Less accumulated depreciation for:				
Buildings and improvements	159,397	12,996	-	172,393
Furniture and equipment	6,666	133	(592)	6,207
Infrastructure	-	238	-	238
Total accumulated depreciation	<u>166,063</u>	<u>13,367</u>	<u>(592)</u>	<u>178,838</u>
Total capital assets being depreciated, net	<u>391,702</u>	<u>(3,466)</u>	<u>(5)</u>	<u>388,231</u>
Business-type activities capital assets, net	<u>\$ 436,791</u>	<u>\$ (2,988)</u>	<u>\$ (5)</u>	<u>\$ 433,798</u>

CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

6. CAPITAL ASSET ACTIVITY

Depreciation expense was charged to the functions of the primary government as follows (in thousands):

Governmental activities:	
General government	\$ 24,404
Human services	860
Public Safety	12,361
Culture and recreation	12,959
Transportation	10,664
Economic environment	56
Physical environment	65,537
Total depreciation expense - governmental activities	<u>\$ 126,841</u>

Depreciation expense was charged to the business-type activities as follows (in thousands):

Business-type activities:	
Parking system	\$ 390
Motor vehicle inspections	1
Solid Waste	2,061
Stormwater Services	237
Ever Bank Field	5,462
Veterans Memorial Arena	2,451
Baseball Stadium	638
Performing Arts	761
Convention Center	648
Equestrian Center	718
Total depreciation expense - business-type activities	<u>\$ 13,367</u>

**CITY OF JACKSONVILLE , FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

A summary of interfund balances follows (in thousands):

<u>DUE FROM OTHER FUNDS</u>	<u>AMOUNT</u>	<u>DUE TO OTHER FUNDS</u>	<u>PURPOSE</u>
MAJOR FUNDS:			
General Funds			
General Services District	2,100	Public Safety	Emergency Incident Funding
General Services District	2,300	BJP Project Bonds	BJP Bond Project Funding
General Services District	1,000	Public Parking System	Temporary Interfund Loan
General Services District	2,300	Storm water	Temporary Interfund Loan
General Services District	3	EverBank Field	Receivable Adjustment-Venues
General Services District	2	Veterans Memorial Arena	Receivable Adjustment-Venues
General Services District	1	Convention Center	Receivable Adjustment-Venues
General Services District	200	Performing Arts	Temporary Interfund Loan
General Services District	400	Equestrian Center	Temporary Interfund Loan
General Services District	13	Copy Center	Temporary Interfund Loan
General Services District	1,950	Am Recovery & Reinvestment	Temporary Interfund Loan
	<u>10,269</u>		
Enterprise Funds			
Veterans Memorial Arena	375	EverBank Field	Temporary Interfund Loan
Veterans Memorial Arena	164	Baseball Stadium	Temporary Interfund Loan
Veterans Memorial Arena	1	Equestrian Center	Receivable Adjustment-Venues
	<u>540</u>		
NON-MAJOR FUNDS:			
Enterprise Funds			
Performing Arts	60	Equestrian Center	Temporary Interfund Loan
Performing Arts	28	Cecil Commerce Center	Temporary Interfund Loan
	<u>88</u>		
Convention Center	5	Public Parking	Temporary Interfund Loan
Convention Center	41	Cecil Commerce Center	Temporary Interfund Loan
	<u>46</u>		
TOTAL	<u>\$ 10,943</u>		
<u>ADVANCES TO OTHER FUNDS</u>	<u>AMOUNT</u>	<u>ADVANCES FROM OTHER FUNDS</u>	<u>PURPOSE</u>
NON-MAJOR FUNDS:			
Internal Service Funds			
Self Insurance	7,807	General Projects	Loan for Redevelopment Agreement
	<u>\$ 7,807</u>		

**CITY OF JACKSONVILLE , FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

A summary of interfund balances follows (in thousands):

<u>TRANSFERS IN</u>	<u>AMOUNT</u>	<u>TRANSFERS OUT</u>	<u>PURPOSE</u>
MAJOR FUNDS:			
General Fund			
General Fund	\$ 343	Concurrency Management	Operation Funding
General Fund	286	Air Pollution	Recapture Excess Revenue
General Fund	125	General Government Budgeted	Low Impact Dev Design Manual
General Fund	5,976	Tax Increment	Recapture Excess Revenue
General Fund	140	Community Development Block Grant	Economic Development
General Fund	1	Maintenance, Parks and Recreation	Operation Funding
General Fund	33	Other Federal, State & Local Grants	Recapture Excess Revenue
General Fund	1,556	General Government Non-Budgeted	Nuisance Abatement
General Fund	333	Grant Projects	Recapture Excess Revenue
General Fund	922	Office of General Council	Recapture Excess Revenue
General Fund	7,032	Self Insurance	Return of Excess Premiums
	<u>16,747</u>		
Debt Service			
Special Bonded Debt Obligations	58,422	General Fund	Debt Service Funding
Special Bonded Debt Obligations	1,313	Tax Increment Districts	Debt Service Funding
Special Bonded Debt Obligations	5,569	Better Jacksonville Plan Trust	Debt Service Funding
Special Bonded Debt Obligations	2,694	Storm water Services	Debt Service Funding
Special Bonded Debt Obligations BJP	42,108	Better Jacksonville Plan Trust	Debt Service Funding
Total	<u>110,106</u>		
General Capital Projects			
General Capital Projects	2,533	General Fund	Capital Improvement Funding
General Capital Projects	1,951	EverBank Field	Loan Repayment
General Capital Projects	10,000	General Government Budgeted	Capital Improvement Funding
General Capital Projects	47	General Government Non-Budgeted	Wheelchair Access McGirts Park
General Capital Projects	4,732	Tax Increment	Capital Improvement Funding
Total	<u>19,263</u>		
Enterprise Funds			
Solid Waste Disposal	21,417	General Fund	Operations Funding
EverBank Field	7,802	General Fund	Operations Funding
EverBank Field	79	Veterans Memorial Arena	Operations Funding
EverBank Field	784	Convention Center	Operations Funding
Veterans Memorial Arena	8,057	Better Jacksonville Plan Trust	Enterprise Debt Service
	<u>38,139</u>		

**CITY OF JACKSONVILLE , FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

A summary of interfund balances follows (in thousands):

<u>TRANSFERS IN</u>	<u>AMOUNT</u>	<u>TRANSFERS OUT</u>	<u>PURPOSE</u>
NON-MAJOR FUNDS:			
Special Revenue			
General Government - Budgeted	334	General Fund	Program Funding
General Government - Budgeted	400	Insured Programs	Operation Funding
Other Federal, State & Local Grant	4,586	General Fund	Senior Services Program
Other Federal, State & Local Grant	60	Fleet Management	Return of Unused Funding
Other Federal, State & Local Grant	1,034	General Government Non-Budgeted	Law Enforcement Boat Dock Facility
Public Safety	2,275	General Fund	Operations Funding
Jacksonville Children's Commission	21,058	General Fund	Program Funding
Community Development Block Gran	270	General Fund	Grant Funding
Community Development Block Gran	75	Tax Increment Districts	Museum of Modern Art Repayment
Maintenance, Parks and Recreation	1,957	General Fund	Hanna Park & Cecil Comm Funding
Air Pollution Control	424	General Fund	Grant Funding
Total	32,473		
Debt Service			
Other Non-Bonded Debt Obligations	80	General Fund	Debt Service Funding
Other Non-Bonded Debt Obligations	1,243	Tax Increment District	Debt Service Funding
Total	1,323		
Capital Projects			
Grant Capital Improvement Projects	890	General Capital Projects	Grant Project Funding
Grant Capital Improvement Projects	836	General Fund	Grant Project Funding
Total	1,726		
Enterprise Funds			
Baseball Stadium	2,129	Better Jacksonville Plan Trust	Enterprise Debt Service
Baseball Stadium	80	Veterans Memorial Arena	Operations Funding
Baseball Stadium	487	Convention Center	Operations Funding
Performing Arts	43	General Fund	Operations Funding
Performing Arts	9	General Fund	Enterprise Debt Service
Performing Arts	936	Convention Center	Operations Funding
Equestrian Center	179	General Fund	Operations Funding
Equestrian Center	641	Convention Center	Receivable Adjustment
Stormwater Services	1,294	General Fund	Waived Fee Funding
Total	5,798		
Internal Service Funds			
Fleet Management	1,244	General Fund	Vehicle Replacement Funding
Fleet Management	3	Other Federal, State and Local Grants	Vehicle Replacement Funding
Fleet Management	200	American Recovery & Reinvestment Act	Vehicle Replacement Funding
Information Technology	500	General Fund	Technology Equipment Refresh
Office of General Council	750	Solid Waste	Legal Retainer
Self Insurance	1,072	General Fund	Group Health Funding
Total	3,769		
Fiduciary Funds			
Private Purpose Trust	15	General Government Non Budgeted	Annual Funding
Total	15		
TOTAL	\$ 229,359		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

7. INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS (continued)

During fiscal year 1999, the self-insurance fund advanced \$14,000,000 to the capital projects fund for the purpose of fulfilling City obligations under a redevelopment agreement for a new 900-room hotel with substantial convention and business spaces. The total capital investment for the project was \$126.0 million. The City Council passed an ordinance to treat the funding from the self-insurance fund as a loan which will be repaid from general fund revenues commencing on May 1, 2000 in equal annual installments over 20 years, plus simple interest of 4.4%. The balance of this advance was \$7,806,868 at September 30, 2010.

In fiscal year 2003, the City passed an ordinance to enter into a redevelopment agreement with Vestcor Companies and its subsidiaries for the redevelopment of the Lynch Building and the Roosevelt Hotel into apartment buildings as City historic landmarks. In fiscal year 2003, the City used internal self-insurance funds, in an amount of \$17,816,000, to provide permanent financing for the Lynch Building project. The self-insurance fund will be repaid on an annual basis with funds from the Northbank Downtown Tax Increment District. The terms of the repayment are a 30-year amortization, with a 20-year term at a fixed interest rate of 6% per year. Annual payments are \$1,294,313 which includes both principal and interest with a balloon payment of \$8,290,400 at the end of the 20-year period. The balance of the loan at September 30, 2010 was \$14,328,163 which is recorded in the Self Insurance Fund.

Vestcor will repay the City an amount of \$17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual principal and interest payments were initially scheduled for \$595,248, but were reduced to interest-only payments for the three year period beginning March 1, 2010. The deferred principal payments were added to the balloon payment, which is now \$11,389,033 due on July 1, 2023. The balance of the loan at September 30, 2010 was \$15,576,840 which is recorded in the Jacksonville Economic Development Commission Fund.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS

A. Bonds and loans outstanding:

The bonds and loans outstanding as of September 30, 2010 are as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Revenue Bonds Supported by General Fund:				
Excise Taxes Revenue Bonds:				
Series 1993	\$ 43,605	\$ 7,355	6.200-6.300%	6.292%
Series 2001B	46,735	42,140	4.300-5.125%	5.271%
Series 2002A	56,685	19,165	5.250-5.500%	4.270%
Series 2002B	68,475	55,535	3.300-5.375%	4.576%
Series 2003A	18,745	16,660	3.000-4.500%	4.051%
Series 2003C (AMT)	34,540	32,520	3.500-5.250%	4.915%
* Series 2005A	42,820	42,306	3.500-5.000%	4.685%
Series 2006A	36,540	36,540	3.375-5.000%	4.559%
Series 2006B (AMT)	9,255	9,255	3.625-4.000%	4.169%
Series 2006C	23,555	23,555	4.880-5.220%	5.228%
Series 2007	42,245	40,280	4.000-5.000%	4.534%
Series 2009A	39,585	39,585	2.500-5.000%	4.399%
* Series 2009B	18,535	18,535	2.500-5.000%	3.035%
* Series 2009C	2,275	2,275	2.500-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	47,682	2,687	5.125%	5.352%
Series 2001	103,725	73,290	4.200-5.500%	4.571%
Series 2002	63,060	45,020	3.625-5.375%	4.407%
Guaranteed Entitlement Revenue Bonds:				
Series 2002	115,265	99,930	3.750-5.375%	5.019%
Capital Project Revenue Bonds:				
* Series 2008A	67,035	65,388	Variable, assumed 3.80%	N/A
* Series 2008B	67,035	65,388	Variable, assumed 3.80%	N/A
Special Revenue Bonds				
* Series 2009C-1	30,170	30,170	3.000-5.000%	2.509%
* Series 2009C-2 (Taxable BABS)	10,995	10,995	4.240-4.990% (taxable)	3.111%
* Series 2010A	48,000	48,000	3.250-5.125%	2.737%
Total Revenue Bonds Supported by General Fund	<u>\$ 1,036,562</u>	<u>\$ 826,574</u>		
Notes Payable Supported by General Fund:				
U.S. Government Guaranteed:				
Series 1995 (Coach)	\$ 3,845	\$ 1,860	4.790-5.190% (taxable)	N/A
Series 2010 (Sally Beauty)	1,065	160	0.560-0.860% (taxable)	N/A
Series 2010 (Hilton Hotel)	2,850	1,420	0.560-2.200% (taxable)	N/A
Series 2010 (La Villa)	1,700	685	0.560-2.660% (taxable)	N/A
Series 2010 (Armor Holdings)	775	440	0.560-2.660% (taxable)	N/A
Series 2010 (Hampton Inns)	550	280	0.560-2.200% (taxable)	N/A
Total Notes Payable Supported by General Fund	<u>\$ 10,785</u>	<u>\$ 4,845</u>		
Total Bonds and Notes Supported by General Fund	<u>\$ 1,047,347</u>	<u>\$ 831,419</u>		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

A. Bonds and loans outstanding (continued)

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Special Revenue (Covenant) Bonds Payable from Internal Service Operations:				
Special Revenue Bonds (\$183,591 authorized but unissued):				
Series 2008	\$ 54,215	\$ 53,680	3.500-5.625%	4.966%
Series 2009A	28,613	28,613	Variable, assumed 5.00%	N/A
* Series 2009C-1	40,160	40,160	3.000-5.000%	2.509%
* Series 2009C-2 (taxable BABs)	26,315	26,315	4.240-4.990% (taxable)	3.111%
* Series 2010A	46,945	46,945	3.250-5.000%	2.737%
	<u>\$ 196,248</u>	<u>\$ 195,713</u>		
Notes Payable from Internal Service Operations:				
Commercial Paper Notes (\$75,220 authorized but unissued):				
	\$ 137,125	\$ 55,000	Variable, assumed 3.25%	N/A
	<u>\$ 137,125</u>	<u>\$ 55,000</u>		
Total bonds and notes payable from Internal Service Funds				
	<u>\$ 333,373</u>	<u>\$ 250,713</u>		
Revenue Bonds Supported by BJP Revenues:				
Transportation Sales Tax Revenue Bonds (\$152,568 authorized but unissued):				
Series 2001	\$ 179,280	\$ 164,300	4.400-5.500%	4.042%
Series 2007	100,675	95,015	4.000-5.000%	4.745%
Series 2008A	154,535	154,535	Variable, assumed 4.34%	N/A
Series 2008B	121,740	113,095	Variable, assumed 3.43%	N/A
Infrastructure Sales Tax Revenue Bonds				
* Series 2001	163,956	139,103	4.300-5.500%	5.263%
* Series 2003	158,416	136,010	3.250-5.250%	4.715%
* Series 2004	164,200	143,881	2.500-5.000%	4.345%
Series 2008	105,470	102,805	4.000-5.000%	4.626%
	<u>\$ 1,148,272</u>	<u>\$ 1,048,744</u>		
Special Revenue (Covenant) Bonds Supported by BJP Revenues:				
Special Obligation Bonds (\$91,780 authorized but unissued)				
Series 2009B-1A	\$ 52,090	\$ 52,090	2.000-5.000%	4.006%
Series 2009B-1B (taxable BABs)	55,925	55,925	6.259% (taxable)	6.341%
Series 2010B	100,205	100,205	5.000%	2.282%
	<u>\$ 208,220</u>	<u>\$ 208,220</u>		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

A. Bonds and loans outstanding (continued)

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Notes Payable Supported by BJP Revenues:				
State of Florida Infrastructure Bank (\$3,091 authorized but unissued):				
Series 2005	\$ 40,000	\$ 29,299	2.000%	1.901%
Series 2007	46,909	36,573	2.500%	2.456%
	<u>\$ 86,909</u>	<u>\$ 65,872</u>		
Total Notes Payable Supported by BJP Revenues	<u>\$ 86,909</u>	<u>\$ 65,872</u>		
Total Bonds and Notes Supported by BJP Revenues	<u>\$ 1,443,401</u>	<u>\$ 1,322,836</u>		
Total Governmental Activities	<u><u>\$ 2,824,121</u></u>	<u><u>\$ 2,404,968</u></u>		

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds Supported by Business-Type Activities:

Excise Taxes Revenue Bonds:				
Series 2003B	\$ 9,530	\$ 2,550	5.000%	2.915%
* Series 2005A	2,000	2,000	3.500-5.000%	4.685%
* Series 2009B	10,475	10,475	2.500-5.000%	3.035%
* Series 2009C (AMT)	21,455	21,455	2.500-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	17,958	1,012	5.125%	5.352%
Capital Project Revenue Bonds				
* Series 2008A	250	232	Variable, assumed 3.80%	N/A
* Series 2008B	250	232	Variable, assumed 3.80%	N/A
Infrastructure Sales Tax Revenue Bonds				
* Series 2001	54,474	46,217	4.300-5.500%	5.263%
* Series 2003	52,634	45,190	3.250-5.250%	4.715%
* Series 2004	54,555	47,805	2.500-5.000%	4.345%
Capital Improvement Revenue Bonds:				
Series 1997	8,285	6,010	5.000-5.250%	5.452%
Series 1998	37,310	34,780	4.500-5.000%	5.250%
Series 2002A	54,135	52,020	3.500-5.000%	4.820%
Series 2002B	42,170	32,630	5.000-5.250%	4.820%
Series 2002C	26,920	23,535	3.500-5.250%	4.820%
	<u>\$ 392,401</u>	<u>\$ 326,143</u>		
Total Business-Like Activities	<u><u>\$ 392,401</u></u>	<u><u>\$ 326,143</u></u>		

COMPONENT UNITS (Note 8N):

Bond and notes payable:	
JEA	\$ 6,369,554
JAA	209,880
JPA	<u>234,701</u>
Total Component Unit bonds and notes payable	<u><u>\$ 6,814,135</u></u>

* Indicates individual bond series that were issued in support of both Governmental Activities and Business-Type Activities.

(1) True Interest Cost (TIC) is the actual cost of financing debt and refers to the overall rate of interest to be paid over the life of the bonds, factoring in coupon interest, any premium or discounts, and the time value of money.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

B. Debt Service Requirements to Maturity:

The Debt service requirements to maturity on long-term obligations at September 30, 2010 are as follows (in thousands):

Fiscal Year Ending September 30	Bonds and Notes Payable from Governmental Activities				Bonds Payable from Business-type Activities		Principal and Interest- Primary Government	Component Units	
	Supported by General Revenues and Internal Service Funds		Supported by BJP Revenues		Enterprise Funds			Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest			
2011	\$ 40,904	\$ 48,405	\$ 27,442	\$ 56,533	\$ 13,125	\$ 15,161	\$ 201,570	\$ 210,135	\$ 135,497
2012	75,840	48,617	41,316	57,807	13,704	14,631	251,915	296,062	248,770
2013	65,549	46,700	30,399	56,468	12,962	14,087	226,165	280,084	221,485
2014	64,962	44,211	33,859	55,286	13,575	13,511	225,404	294,545	210,368
2015	58,893	41,732	44,885	53,539	14,229	12,881	226,159	331,963	196,599
2016- 2020	282,759	153,509	226,047	239,387	66,913	54,313	1,022,928	1,238,043	839,240
2021- 2025	194,212	92,863	267,292	186,944	71,385	38,401	851,097	1,048,730	634,019
2026- 2030	161,457	51,383	424,247	104,392	89,130	18,979	849,588	990,071	485,365
2031- 2035	122,541	15,379	205,989	19,960	31,120	792	395,781	1,004,802	329,189
2036- 2040	12,205	2,339	21,360	1,637	-	-	37,541	902,480	142,875
2041- 2045	2,810	72	-	-	-	-	2,882	217,220	19,690
Totals	<u>\$ 1,082,132</u>	<u>\$ 545,210</u>	<u>\$ 1,322,836</u>	<u>\$ 831,953</u>	<u>\$ 326,143</u>	<u>\$ 182,756</u>	<u>\$ 4,291,030</u>	<u>\$ 6,814,135</u>	<u>\$ 3,463,097</u>

The City’s Covenant Bond program allows for the issuance of debt which has both a stated maturity date, which is the initial maturity for a bond, and a designated maturity, which reflects the City’s intended amortization to maturity. The table of debt service requirements to maturity above is prepared using designated maturities reflecting the City’s intended re-amortization to maturity. At each stated maturity the City can retire the maturing amount in whole or in part, or refund the maturing bonds as a part of its annual capital borrowing into another stated maturity, variable rate debt, or fixed rate debt amortized to maturity as determined by then market conditions. The table does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8.G., Demand Bonds. Stated maturities for designated maturity debt outstanding at year end are shown in the table below (in thousands).

Fiscal Year Ending September 30	Supported by General Revenue and Internal Service Funds			Supported by BJP Revenues	Total All Programs
	Series 2009C	Series 2010A	Total	Series 2010B	
2012	\$ 6,295		\$ 6,295		\$ 6,295
2013	6,530	\$ 5,765	12,295	\$ 7,705	20,000
2014	6,755	5,540	12,295	7,705	20,000
2015	6,995	5,300	12,295	7,705	20,000
2016	7,345	4,950	12,295	7,705	20,000
2017	-	6,200	6,200	7,705	13,905
2018	-	6,200	6,200	7,715	13,915
2019	-	6,160	6,160	7,715	13,875
2020	-	-	-	7,715	7,715
2021	-	-	-	7,715	7,715
Total by Series	<u>\$ 33,920</u>	<u>\$ 40,115</u>	<u>\$ 74,035</u>	<u>\$ 69,385</u>	<u>\$ 143,420</u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities:

Changes in long-term liabilities for the fiscal year ended September 30, 2010 are as follows (in thousands):

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due within one year
Governmental Activities:					
Debt activity supported by general revenues:					
Revenue bonds	\$ 771,550	\$ 89,165	\$ 34,141	\$ 826,574	\$ 33,815
Notes payable	5,790		945	4,845	945
Debt activity- general revenues	<u>777,340</u>	<u>89,165</u>	<u>35,086</u>	<u>831,419</u>	<u>34,760</u>
Bonds/notes payable - Banking Fund					
Special revenue (covenant) bonds	82,828	113,420	535	195,713	6,144
Notes payable	73,815	14,420	33,235	55,000	-
Debt activity - internal service funds	<u>156,643</u>	<u>127,840</u>	<u>33,770</u>	<u>250,713</u>	<u>6,144</u>
Debt activity - general revenues and internal service	<u>933,983</u>	<u>217,005</u>	<u>68,856</u>	<u>1,082,132</u>	<u>40,904</u>
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	1,070,178	-	21,434	1,048,744	22,291
Special revenue (covenant) bonds - BJP	108,015	100,205	-	208,220	-
Notes payable - BJP	60,719	10,188	5,035	65,872	5,151
Debt activity - BJP	<u>1,238,912</u>	<u>110,393</u>	<u>26,469</u>	<u>1,322,836</u>	<u>27,442</u>
Total governmental activities	<u>2,172,895</u>	<u>327,398</u>	<u>95,325</u>	<u>2,404,968</u>	<u>68,346</u>
Deferred amounts:					
Loss on Advance Refunding	(4,065)	-	(679)	(3,386)	-
Issuance premiums	26,285	37,997	5,227	59,055	-
Issuance discounts	(3,160)	-	(155)	(3,005)	-
Total deferred amounts	<u>19,060</u>	<u>37,997</u>	<u>4,393</u>	<u>52,664</u>	<u>-</u>
Accrued Compensated Absences	61,739	39,000	36,806	63,933	19,180
Capitalized Lease Obligations	313		313	-	-
Estimated Liability for Self-Insured Losses	86,732	18,612	21,688	83,656	-
Pollution Remediation	153,567	8,175	11,064	150,678	11,497
Other Post - Employment Benefits	14,839	6,235	-	21,074	-
Miscellaneous long-term obligations	1,533		414	1,119	-
Governmental activity long-term obligations	<u>\$ 2,510,678</u>	<u>\$ 437,417</u>	<u>\$ 170,003</u>	<u>\$ 2,778,092</u>	<u>\$ 99,023</u>

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities: (continued)

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due within one year
Business-Type Activities:					
Revenue Bonds	\$ 341,887	-	\$ 15,744	\$ 326,143	\$ 13,125
Less: Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	(1,158)	-	(276)	(882)	-
Total Revenue Bonds, less Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	\$ 340,729	-	\$ 15,468	\$ 325,261	\$ 13,125
Accrued Compensated Absences	1,341	1,091	1,011	1,421	430
Liability for Landfill Closure and Post Closure Care Picketville Waste Site	63,668	2,778	621	65,825	-
Other Post - Employment Benefits	632	-	65	567	-
Loans payable - Banking Fund	472	265	-	737	-
Business-type activity long-term obligations	<u>\$ 409,092</u>	<u>\$ 4,134</u>	<u>\$ 17,165</u>	<u>\$ 396,061</u>	<u>\$ 13,555</u>
Component Unit Activities:					
Bonds and notes payable:					
JEA	\$ 6,299,388	\$ 772,372	\$ 702,206	\$ 6,369,554	\$ 192,378
JAA	218,885	-	9,005	209,880	9,400
JPA	235,265	61,910	62,474	234,701	8,357
Other long-term obligations	3,570	(1,968)	1,164	438	1,425
Component unit activity long-term obligations	<u>\$ 6,757,108</u>	<u>\$ 832,314</u>	<u>\$ 774,849</u>	<u>\$ 6,814,573</u>	<u>\$ 211,560</u>

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**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

D. Reconciliation of debt issued to financial reporting classifications:

Certain of the City’s bonds issued in a single transaction are for assets acquired or constructed for both governmental and business-type activities. As a result, the financial statements report debt outstanding and the related debt service for that combined transaction in both governmental and business-type activities in the relative proportion of the cost of the underlying assets acquired or constructed. When individual business-type revenues are not sufficient to pay for operations inclusive of allocated debt service, interfund transfers are made in amounts to address the shortfall. The following table shows the original combined issue amount and where the debt is reported.

<u>Bond Series</u>	<u>Original Amount Issued</u>	<u>Outstanding debt reported in</u>		<u>Total Amount Outstanding</u>
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Excise Tax Revenue Bonds:				
Series 2005A	\$ 44,820	\$ 42,306	\$ 2,000	\$ 44,306
Series 2009B	29,010	18,535	10,475	29,010
Series 2009C	23,730	2,275	21,455	23,730
Local Government Sales Tax Revenue Bonds:				
Series 1996	65,640	2,688	1,012	3,700
Capital Projects Revenue Bonds:				
Series 2008A	67,285	65,387	232	65,619
Series 2008B	67,285	65,387	232	65,619
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2001	218,430	139,103	46,217	185,320
Series 2003	211,050	136,010	45,190	181,200
Series 2004	218,755	143,881	47,804	191,685

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues:

The City has formally committed to secure certain debt issued by the City with specific future revenues. A summary of those debt issues and the related pledged revenues follows. The detailed listing of individual series by pledge source is included in Note 8A.

	<u>Range of remaining term</u>	<u>Approximate future principal and interest</u>	<u>Current year revenue received</u>	<u>Current year principal and interest</u>	<u>Principal and interest as % of revenue</u>
Excise Taxes:	2011 - 2034	\$645,415,315	\$128,223,785	\$42,675,484	33.28%
Local Government					
1/2 Cent Sales Tax:	2018	\$153,418,712	\$67,641,900	\$17,171,749	25.39%
Guaranteed Entitlement Revenues:	2032	\$168,870,669	\$7,825,119	\$7,403,206	94.61%
JEA Charter Revenues (Capital Project Bonds):	2034	\$217,239,046	\$99,187,528	\$8,634,352	8.71%
(Better Jacksonville)					
Transportation Sales Tax:	2027 - 2037	\$883,957,061	\$71,417,379	\$31,208,265	43.70%
Better Jacksonville (Infrastructure) Sales Tax:	2014 - 2030	\$1,069,358,296	\$61,321,788	\$49,209,130	80.25%
Sports Facilities Capital Improvement Revenues:	2019 - 2030	\$239,139,633	\$18,671,779	\$11,364,231	60.86%

Excise Taxes - Bonds have been issued to fund citywide capital projects, and are supported by a pledge against the proceeds of the Utilities Services Taxes and the Occupational License Taxes.

Local Government 1/2 Cent Sales Tax - Bonds have been issued to fund the River City Renaissance program and various citywide capital improvements, and are supported by a pledge against the proceeds of the local government half-cent sales tax.

Guaranteed Entitlement Revenues - Bonds have been issued to fund the construction and renovation of various criminal justice facilities, and are supported by a pledge against the City's "guaranteed entitlement" portion of the State's shared revenues under the Revenue Sharing Act for counties and municipalities, which is derived from the State's i) sales and use tax and ii) Cigarette Tax.

JEA Charter Revenues (Capital Project Bonds) - Bonds have been issued to fund drainage and general capital programs, and are supported by a pledge against the JEA Contribution, which is annually appropriated to the City from available Electric and Water & Sewer revenues.

(Better Jacksonville) Transportation Sales Tax - Bonds have been issued to fund acquisition and construction of road, bridge, drainage and other transportation projects, and are supported by a pledge against the discretionary half-cent Transportation Sales Tax and Gas Tax.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues (continued)

Better Jacksonville (Infrastructure) Sales Tax - Bonds have been issued to fund the acquisition and construction of capital projects constituting part of the Better Jacksonville Plan, and are supported by a pledge against the discretionary half-cent Infrastructure Sales Tax.

Sports Facilities Capital Improvement Revenues - Bonds have been issued to fund renovations to EverBank Field, and are supported by a pledge against the proceeds of Franchise Fees, 15% of the Communications Services Taxes, Sports Facility Sales Tax Rebates, Convention Development Taxes and the Sports Facilities Tourist Development Taxes.

F. New Indebtedness Issued:

On December 15, 2009, the City closed on the sale of \$107,640,000 Special Revenue Bonds issued as Series 2009C-1 (\$70,330,000 tax exempt) and Taxable Direct Payment Build America Special Revenue Bonds Series 2009C-2 (\$37,310,000). The 2009C-1 bonds have a true interest cost of 2.509% and an average coupon rate of 4.29% with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2016. The 2009C-2 Taxable Direct Pay Build America Bonds have a true interest cost of 3.11% after interest rebate and a targeted average coupon rate of 4.66% with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2021. The proceeds of the 2009C-1 and 2009C-2 bonds were used to fund the acquisition and construction of certain drainage and Capital Improvement Plan capital projects (\$104,746,654) and a portion of the composite Special Revenue Cash Debt Service Reserve Fund (\$7,211,560). The issuance provided net proceeds of \$112,976,129, which is inclusive of underwriter's discounts and costs of issuance totaling \$1,017,915 and a bond premium of \$5,336,129.

On September 16, 2010, the City closed on the sale of \$100,205,000 Special Revenue Bonds, Series 2010B with a true interest cost of 2.282% and an average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2010 and a stated maturity date of October 1, 2021 and a Designated Maturity Date of October 1, 2030. The proceeds of the 2010B bonds were used to fund the acquisition and construction of various capital projects constituting a part of the Better Jacksonville Plan (\$110,000,000) and to fund a Debt Service Reserve (\$9,058,957). The issuance provided net proceeds of \$119,747,964, which was inclusive of underwriter's discounts and costs of issuance totaling \$689,007 and a bond premium of \$19,542,964.

On September 29, 2010, the City closed on the sale of \$94,945,000 Special Revenue Bonds, Series 2010A with a true interest cost of 2.737% and an average coupon rate of 4.71% with a mandatory sinking schedule beginning October 1, 2012 and a maturity date of October 1, 2025. The proceeds of the 2010A bonds were used to fund the acquisition and construction of various Capital Improvement Plan projects (\$99,819,708) and to fund a Debt Service Reserve (\$7,228,437). The issuance provided net proceeds of \$108,062,135 which was inclusive of underwriter's discounts and costs of issuance totaling \$1,013,990 and a bond premium of \$13,117,135.

Market conditions during the fiscal year dictated the issuance of bonds with significant premiums, which reduced the face amount of the borrowing and the effective True Interest Cost (TIC) of the transaction.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

G. Demand Bonds Issued by the City:

Each series of demand bonds listed below meets the criteria for inclusion as long term debt of the City.

\$154,535,000 Transportation Revenue Bonds, Series 2008A:

Bond Terms - The Series 2008A Transportation Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Standby Bond Purchase Agreement (the Agreement) with JPMorgan Chase Bank (the Bank) dated April 1, 2008 and expiring April 20, 2012.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If the Bonds were to be purchased by the Bank, then the City would be required to amortize the balance of the Bonds (\$151,835,000 as of the current termination date) over 12 equal quarterly installments beginning 180 days after the date of purchase.

As of September 30, 2010, there were no advances outstanding or bank bonds held under this Agreement.

\$121,740,000 Transportation Revenue Bonds, Series 2008B:

Bond Terms - The Series 2008B Transportation Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with Wachovia Bank (the Bank) dated May 1, 2009 and expiring August 1, 2012.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds (\$103,400,000 as of the current termination date) over 6 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2010, there were no advances outstanding or bank bonds held under this Agreement.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

G. Demand Bonds Issued by the City (continued)

\$67,285,000 Capital Projects Bonds, Series 2008A:

Bond Terms - The Series 2008A Capital Projects Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with the Bank of America (the Bank) dated July 1, 2008 and expiring July 15, 2011.

The City intends to replace or renew this Agreement prior to the current expiration date.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds (\$64,215,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2010, there were no advances outstanding or bank bonds held under this Agreement.

\$67,285,000 Capital Projects Bonds, Series 2008B:

Bond Terms - The Series 2008B Capital Projects Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with SunTrust Bank (the Bank) dated July 1, 2008 and expiring July 15, 2011.

The City intends to replace or renew this Agreement prior to the current expiration date.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds (\$64,215,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2010, there were no advances outstanding or bank bonds held under this Agreement.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

H. Non-Asset Debt:

The City has issued debt for the benefit of its component units or other public use entities where the asset acquired or constructed will not be owned by the primary government. An expense is recorded by the City instead of a capital asset on the citywide statements, while the debt remains as a liability of the City. The following is a listing of the outstanding debt in the Governmental Activities that was issued for non-asset backed debt:

	<u>Entity or Purpose</u>	<u>Amount Outstanding</u>
<u>Excise Taxes Bonds</u>		
Series 1993	Jacksonville Port Authority	\$ 7,354,675
Series 2002B	Shands Jacksonville Medical Center	55,535,000
Series 2003C (AMT)	Jacksonville Port Authority	32,520,000
<u>Better Jacksonville Plan (BJP) Bonds for use by the Jacksonville Transportation Authority (JTA)</u>		
Series 2007	JTA road projects	56,760,000
Series 2009B-1	JTA road projects	7,611,851
Series 2010B	JTA road projects	15,186,158
<u>BJP State Infrastructure Bank (SIB) Loan</u>		
SIB Loan #1	JTA road projects	29,299,456
SIB Loan #2	JTA road projects	36,572,492
<u>Other Bond Issues</u>		
Various	Misc. projects - BJP	110,314,000
Various	Misc. projects - other	51,011,130
<u>Banking Fund Financed Projects</u>		
Various	Misc. projects - other	12,069,018
TOTAL		<u><u>\$ 414,233,780</u></u>

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

I. Defeased Debt:

The City has defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the city’s financial statements.

As of September 30, 2010, the City had legally defeased the following bond maturities (in thousands):

<u>Issue</u>	<u>Refunded by</u>	<u>Principal Balance at September 30, 2010</u>	<u>Investment Balance with Escrow Agent at September 30, 2010 (a)</u>
Sales Tax Revenue Bonds, Series 1996 (RCR)	Cash Refunded on October 10, 2002	\$14,535	\$15,634

(a) Source: Escrow Agent’s Records

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt:

The City of Jacksonville has implemented GASB 53 Accounting and Financial Reporting for Derivative Instruments for the fiscal year ended September 30, 2010.

The City has entered into two interest rate swaps structured as integrated hedges with the same amortization as the bonds resulting in synthetic fixed rate debt in the Better Jacksonville Plan financing. For purposes of credit, the swaps are secured by a pledge on the City's transportation sales tax and constitutional gas tax with a lien on parity to the bonds. The counterparty does not have the right to terminate these transactions unless a termination event occurs. The City retains the right to terminate the swap agreements at any time.

The City computed the actual synthetic rate for both swaps for the year ended September 30, 2010 by adding the net swap payments to the variable rate interest paid and dividing by the notional amount and determined that the actual synthetic rate fell within 90 to 111 percent of the swap fixed rate. Using the synthetic instrument method, the swap is deemed an effective hedging instrument and hedge accounting is applied.

The swap agreements require the City to post cash collateral when the negative market value of the swap exceeds \$25 million equal to the residual exposure. A lower credit rating will also increase the amount of collateral required. The table below summarizes the key elements of the swaps as of September 30, 2010. The fair values were obtained by the counter-parties' mark-to-market reports submitted to the City.

	SIFMA Index	67% LIBOR
Bond Series	Transportation Revenue Bonds, 2003 ⁽¹⁾	Transportation Revenue Bonds, 2004A ⁽¹⁾
Counterparty (Rating)	Wachovia/Wells Fargo (Aa2/A+)	Wachovia/Wells Fargo (Aa2/A+)
Effective Date	July 1, 2003	September 30, 2004
Maturity Date	October 1, 2020	October 1, 2027
Notional Amount Outstanding	\$38,695,000	\$73,475,000
Variable Rate Received (weighted average)	0.259%	0.179%
Fixed Rate Paid (weighted average)	4.010%	3.455%
Change in Fair Value - Current Year	(\$1,522,406)	(\$3,334,725)
Underlying Fair Value at Fiscal Year End	(\$5,799,070)	(\$11,717,957)
Net Swap Interest	(\$1,451,437)	(\$2,406,872)

(1) On May 14, 2008, the Series 2003 and Series 2004A Transportation Revenue Bonds were refunded by the Series 2008B Transportation Revenue Refunding Bonds. The Series 2008B bonds were issued as uninsured variable rate demand bonds, which are remarketed every 7 days.

Credit Risk - As of September 30, 2010, the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreements) because each had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the City would then be exposed to credit risk in the amount of the swap's fair value.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Derivative Instrument Payments and Hedged Debt (continued)

Basis Risk - As of September 30, 2010, the swaps expose the City to basis risk (the risk of loss due to the mismatch in interest-earning assets and interest-incurring liabilities). The agreement dated July 1, 2003 calls for the City to pay a fixed rate and receive a variable payment based on the BMA index. If the fixed rate is greater than the rates on the BMA index the City will be liable for the difference. The agreement dated September 30, 2004 calls for the City to pay a fixed rate and receive a variable payment of 67% of the one month LIBOR rate. If the fixed rate is greater than the rates on the LIBOR index, the City will be liable for the difference.

Market Risk - As of September 30, 2010, the swaps expose the City to market risk (the risk of loss due to the pricing of the swap under the current economic environment) because each swap currently has a negative fair value. If the swaps were to be terminated under the current economic conditions, the City would be liable to the counterparty for a make-whole payment in the amount equal to the negative fair value.

Using rates as of September 30, 2010 and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the City's hedged variable rate bonds.

Fiscal Year Ending 9/30	Variable-Rate Bonds			Swap Interest Payments			Total Bonds and Swaps
	Principal	Interest	Total	Fixed	Variable	Net	
2011	\$ 4,535	\$ 305	\$ 4,840	\$ 3,918	\$ 227	\$ 4,145	\$ 8,985
2012	5,160	293	5,453	3,740	217	3,957	9,410
2013	4,680	279	4,959	3,555	206	3,761	8,720
2014	5,615	267	5,882	3,349	194	3,543	9,425
2015	5,695	251	5,946	3,136	181	3,317	9,263
2016-2020	42,455	970	43,425	11,194	629	11,823	55,248
2021-2025	28,600	855	29,455	4,372	522	4,894	34,349
2026-2030	16,355	730	17,085	563	427	990	18,075
	<u>\$113,095</u>	<u>\$3,950</u>	<u>\$117,045</u>	<u>\$33,827</u>	<u>\$2,603</u>	<u>\$36,430</u>	<u>\$153,475</u>

The above chart is based upon actual rates as of September 30, 2010. The bond and swap rates as of fical year end were as follows:

City of Jacksonville \$47,775,000 Transportation Revenue Bonds, Series 2003 (refunded by the Series 2008B bonds):

- The 7-day variable rate reset was 0.270%
- The BMA rate for swap receipts was 0.278%

City of Jacksonville \$80,275,000 Transportation Revenue Refunding Bonds, Series 2004A (refunded by the Series 2008B bonds):

- The 7-day variable rate reset was 0.270%
- The 67% of LIBOR rate for swap receipts was 0.174%

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

K. Conduit Debt:

The City issued certain conduit debt in the form of industrial development revenue bonds (IDB's) and private activity bonds (PAB's) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Conduit debt refers to certain limited-obligation revenue bonds or similar debt instruments issued by the City for the express purpose of providing capital financing for a specific nongovernmental third party. Although conduit debt bears the name of the City as issuer, it is collateralized by the resources provided by the loan with the third party on whose behalf they are issued. The City acts solely as a conduit issuer with respect to the debt.

Conduit debt is collateralized by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the IDB's and PAB's, ownership of the acquired facilities transfers to the private-sector entity served the bond issue. None of the assets or revenues of the City are pledged to the payment of IDB's or PAB's and under the constitution and laws of Florida, the City may not legally pledge any of its revenues or assets to the payment thereof. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Effective January 1, 1983, the City pursuant to Chapter 159, Florida Statutes, assumed responsibility for approving applications for IDB's and PAB's. As of September 30, 2010, the City had \$707,100,109 IDB's and PAB's total principal outstanding. From time to time, certain issues of such conduit debt may be in default or under investigation as to tax-exempt status of interest on such debt, however, this has no effect on the City's financial position.

As of September 30, 2010, the City had a total of \$126,826,373 Jacksonville Housing Finance Authority (JHOFA), formerly Duval County Housing Finance Authority (DCHFHA), Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was \$42,581,373. The amount of Multi-Family Housing Bonds outstanding was \$84,245,000. Refundings of previous issues make up \$33,686,373 of the total amount outstanding.

As of September 30, 2010, the City had \$603,702,989 of Jacksonville Health Facilities Authority (JHFA) Bonds total outstanding.

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**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

8. LONG-TERM OBLIGATIONS (continued)

L. Lease Obligations:

At September 30, 2010, the City finished a final capital lease agreement that had been in place. Any future leases would meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Lease agreements contain options that allow the City to cancel the lease if sufficient funds are not appropriated.

The City had copy equipment which was acquired through a capital lease (recorded in the Copy Center Internal Service Fund). Depreciation of the items acquired through this capital lease was \$1,154 thousand in fiscal year 2010 and was included in depreciation expense of capital assets.

The assets acquired through capital leases are as follows (in thousands):

	Internal Service Fund Copy Center
Asset:	
Furniture and Equipment	\$ 1,154
Less: Accumulated Depreciation	(1,154)
Total	\$ -

The City does not have any material operating leases.

M. Interest Expense:

Total interest expense for the fiscal year ended September 30, 2010 was \$87.7 million for governmental activities and \$15.5 million for business-type activities.

N. Component Unit Long-Term Debt:

The long-term debt presentations for the major component units in Note 8A through Note 8C contains highly summarized data. Detailed debt presentations are available in each major component unit's separately issued financial report, which may be obtained from the finance offices below.

JEA
 21 West Church Street
 Jacksonville, Florida 32202

JAA
 P.O. Box 18018
 Jacksonville, Florida 32229-0018

JPA
 P.O. Box 3005
 Jacksonville, Florida 32206-0005

JTA
 100 North Myrtle Avenue
 Jacksonville, Florida 32203

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

9. PENSION PLANS

The City sponsors two public employee retirement systems (PERS) administered by separate pension boards of trustees that provide retirement, death and disability benefits: the City of Jacksonville Retirement System (JRS) and the Police and Fire Pension Plan. Substantially all employees of the City participate in one of these two plans with less than 1% of City employees participating in the State of Florida Retirement System. The JRS is administered by a nine-member board of Trustees that makes recommendations to the City Council. The City Council is responsible for establishing or amending the pension plan provisions. The Police and Fire Plan is administered independently by a five-member board.

The JRS is a cost-sharing, multiple-employer, contributory defined benefit pension plan with a defined contribution alternative. JRS includes both the General Employees Pension Plan (GEPP) and the Corrections Officers Pension Plan (COPP). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GEPP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA and the employees of JHA are eligible to participate in the GEPP upon employment. All certified Corrections Officers employed by the City are eligible to participate in the COPP upon employment. There are no separately issued financial statements for the City of Jacksonville Retirement System.

The Police and Fire Pension Plan is a single-employer contributory defined benefit pension plan covering all full-time certified police officers and firefighters employed by the City of Jacksonville Sheriff's Office and Fire and Rescue Department, respectively. The separately issued financial statements for the Police and Fire Pension Plan are available from Police and Fire Pension Fund, One West Adams Street, Suite 100, Jacksonville, FL 32202.

The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation and any contribution shortfalls are the responsibility of the City to fund. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes.

The City of Jacksonville Retirement System and Police and Fire Pension Plan are considered to be a part of the City's financial reporting entity, as discussed in Note 1.B.. Effective for the fiscal year ending September 30, 1997, these PERS adopted GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans, intended to provide information needed to assess (1) funding status of a PERS on a long-term, going-concern basis; (2) progress made in accumulating sufficient assets to pay benefits when due; and (3) whether employers are making actuarially determined contributions. These PERS also follow GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, which require measurement and disclosure of an amount for annual pension cost on the accrual basis of accounting, regardless of the amount recognized as pension expenditures.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

9. PENSION PLANS (continued)

A. Summary of Significant Accounting Policies:

- (1) **Basis of Accounting** -The City's pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, benefit payments, and refunds are recognized when due and payable in accordance with the terms of each plan. The Florida Constitution requires local governments to make the actuarially determined contributions to their defined benefit plan.

- (2) **Method Used to Value Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers.

Investments are managed by third party money managers while cash and securities are held by the City's independent custodian. The City receives a monthly reconciliation of any material differences in pricing by the custodian and manager.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

9. PENSION PLANS (continued)

B. Trend Information and Plan Overviews:

(1) Trend information gives an indication of whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial accrued liability for benefits. Historical trend information for all three plans, on a year- by-year basis, is included in the accompanying Required Supplemental Information. The annual pension costs for the fiscal year ended September 30, 2010 were \$47.7 and \$99.0 million for JRS and PFPF respectively, which was equal to the required contributions. Trend information for each of the City’s three plans is as follows:

**EMPLOYER CONTRIBUTIONS
(in thousands)**

<u>Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Employees Pension Plan			
9/30/2008	29,371	100%	(117)
9/30/2009	29,491	100%	(156)
9/30/2010	38,612	105%	(1,939)
Corrections Officers Pension Plan			
9/30/2008	4,329	100%	(21)
9/30/2009	5,268	100%	146
9/30/2010	9,097	104%	(394)
Police and Fire Pension Plan			
9/30/2008	65,389	100%	-
9/30/2009	67,993	100%	-
9/30/2010	99,018	100%	-

**FUNDING PROGRESS
(in thousands)**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as % of Covered Payroll</u>
General Employees Pension Plan						
9/30/2008	\$ 1,673,435	\$2,004,279	\$ 330,844	83.49%	\$ 262,345	126.1%
9/30/2009	1,591,345	2,064,464	474,119	77.05%	276,257	171.6%
9/30/2010	1,640,892	2,163,080	522,188	75.86%	322,531	161.9%
Corrections Officers Pension Plan						
9/30/2008	83,056	137,830	54,774	60.26%	26,334	208.0%
9/30/2009	86,358	181,031	94,673	47.70%	27,661	342.3%
9/30/2010	97,464	204,384	106,920	47.69%	32,329	330.7%
Police and Fire Pension Plan						
9/30/2008	894,903	1,692,975	798,071	52.86%	148,277	538.2%
9/30/2009	855,997	1,753,946	897,949	48.80%	155,558	577.2%
9/30/2010	861,243	1,840,753	979,510	46.79%	158,046	619.8%

(2) The following page is an overview of selected plan elements for the City’s three defined benefit plans.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**9. PENSION PLANS (continued)
B. Trend Information and Plan Overviews: (continued)
AS OF SEPTEMBER 30, 2010**

	Jacksonville Retirement System		
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
Actuarial reports:			
Date of last actuarial valuation	October 1, 2010	October 1, 2010	October 1, 2008
Actuarial method	Entry age	Entry age	Entry age
Membership:			
Retirees and beneficiaries currently receiving benefits	4,504	55	1,953
Deferred Retirement Option (DROP) participants	-	109	361
Terminated employees vested, not yet receiving benefits	97	1	39
Active employment plan members:			
Vested	3,694	374	1,959
Non-vested	2,586	314	661
Total plan membership	10,881	853	4,973
Benefit structure:			
Accrual rate:			
Years one through twenty	2.5%	3.0%	3.0%
Years twenty-one and after	2.5%	2.0%	2.0%
Years of service required to vest	5	5	5
Years of service required- normal retirement	30	20	20
Final average pay parameters	3 years	3 years	2 years
Maximum benefit as % applied to final average pay	80%	80%	80%
Cost of living (COLA) adjustments:			
Years delay after retirement	5	1	1
Annual percentage increase	3%	3%	3%
DROP structure:			
Options	Back	Forward	Forward
Maximum duration- years	5	5	5
Earnings rate on benefit payments held in trust	actual with +4% ceiling, -4% floor	actual with 0% floor	8.4% guaranteed
Plan assumptions:			
Earnings rate	8.4%	8.4%	8.5%
Mortality Table in use	RP-2000	RP-2000	1994
Salary growth	3.5%	3.5%	5.5%
Market smoothing practices:			
Term - years	5	5	5
Recognition timing	5/15 year 1 to 1/15 year 5	5/15 year 1 to 1/15 year 5	5/15 year 1 to 1/15 year 5
Financial information (in millions):			
Annual contributions 2009-10:			
City	\$ 24	\$ 10	\$ 85
Other participating employers	\$ 17		N/A
Other sources	-	-	\$ 10
Employer contribution stated as percentage of pay:			
FYE 9-30-09	10.43%	17.16%	32.11%
FYE 9-30-10	13.50%	31.78%	49.60%
FYE 9-30-11	13.50%	31.78%	49.60%
Employee contribution stated as percentage of pay	8%	8%	7%
Covered Payroll	\$ 323	\$ 32	\$ 158
Benefit payments (including DROP payments)	\$ 116	\$ 7	\$ 120
Assets (net of securities lending) as of September 30, 2010:			
Market value	\$ 1,456	\$ 90	\$ 971
Actuarial value	\$ 1,641	\$ 97	\$ 861
Unfunded Actuarial Accrued Liability- September 30, 2010	\$ 522	\$ 107	\$ 980
Funded Ratio	75.86%	47.69%	46.79%

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

9. PENSION PLANS (continued)

C. City of Jacksonville Retirement System: Financial Information

(1) The Statement of Fiduciary Net Assets – Jacksonville Retirement System - General Employees and Corrections Officers Plan for the year ended September 30, 2010 is as follows (in thousands):

ASSETS

Equity in cash and investments.....	\$ 45,214
Receivables	7,139
Investments, at fair value	1,511,529
Capital assets, net of depreciation.....	1
Securities Lending Collateral.....	107,046
TOTAL ASSETS.....	1,670,929

LIABILITIES

Obligations Under Securities Lending Agreement.....	108,319
Accounts payable and accrued liabilities.....	4,817
Accrued Compensated Absences.....	69
Due to Drop Participants.....	10,068
TOTAL LIABILITIES.....	123,273

NET ASSETS HELD IN TRUST FOR

PENSION BENEFITS.....	\$ 1,547,656
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(2) The Statement of Changes in Fiduciary Net Assets – Jacksonville Retirement System for the year ended September 30, 2010 is as follows (in thousands):

ADDITIONS

Contributions:	
Employer.....	\$ 50,712
Plan Member.....	29,081
Total contributions.....	79,793
Other additions.....	522
Investment income.....	157,094
Securities Lending.....	423
TOTAL ADDITIONS.....	237,832

DEDUCTIONS

Benefits payments.....	118,223
DROP Benefits.....	5,045
Refunds of contributions.....	9,118
Administrative expenses.....	1,335
TOTAL DEDUCTIONS.....	133,721

Net change in net assets.....	104,111
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NET ASSETS, BEGINNING OF YEAR.....	1,443,545
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NET ASSETS, END OF YEAR.....	\$ 1,547,656
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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

9. PENSION PLANS (continued)

D. Police and Fire Pension Plan

- (3) Net assets available for benefits are designated pursuant to an agreement between the Police and Fire Pension Plan Board of Trustees and the City effective April 1, 2000, and includes two actuarially computed components, the City Stabilization Account and the Enhanced Benefit Account. The City Stabilization Account, which has a balance of \$339 thousand as of September 30, 2010, was established for the purpose of cushioning actuarial losses in the base benefits fund and giving the City greater flexibility in its funding of the Plan. The Enhanced Benefits Account which has a balance of \$15,306 thousands of September 30, 2010, was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements. The base benefits fund consists of the remaining assets pledged to provide fund benefits.
- (4) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of \$8.8 million pursuant to Chapters 175 and 185, Florida Statutes. Such remittances, which are reported as State insurance contributions in the Statement of Changes in Fiduciary Net Assets are generally earmarked under state policy and legal guidance for the purpose of granting enhanced benefits to public safety pension plans throughout the State of Florida. The remittances received by the Plan are governed by the Restated Agreement executed between the Plan and the City.

The Agreement stipulated that \$6.3 million of the \$8.8 million remittance received during the fiscal year is to be allocated for expenditures authorized within the current benefit structure, with the remaining \$2.5 million being uncommitted and earmarked for use in funding future benefits and/or ad-hoc, non-recurring expenditures as authorized by the Trustees of the Plan. During the fiscal year, \$1.7 million of the \$2.5 million uncommitted element was expended for ad-hoc non-recurring expenditures.

E. Defined Contribution Plan

As of October 1, 2009, the City created by ordinance a Defined Contribution (DC) plan within the Jacksonville Retirement System for GEPP participants as an employee choice alternative to the DB plans. Both employer and employee contributions to the DC plan stated as a percentage of pay were 7.7% and totaled \$99 and \$91 thousand for the 2009-10 fiscal year. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

9. PENSION PLANS (continued)

F. Florida Retirement System

- (1) Plan Description - The City also participates in the Florida Retirement System (FRS), a multiple-employer cost-sharing retirement system which covers less than 1% of the City's full-time employees. FRS is a defined-benefit contributory retirement plan, administered by the State of Florida, Division of Retirement. The City payroll for employees covered by FRS was \$3.2 million during the fiscal year; the City's total payroll for all employees was \$460 million.

The System 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) after 30 years of service regardless of age; (2) six years of service and age 62; or (3) 25 years special risk service (age 55 if not continuous). 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. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death and disability benefits. Benefits are established by state statutes.

- (2) Contributions – For the fiscal years ended September 30, 2010, 2009, and 2008, the City contributed \$584,000, \$562,000, and \$569,000 respectively, to the System for covered employees. For the fiscal year ended September 30, 2010, the contributions represented less than 1% of the System's total contributions required by all participating employers of \$3.2 billion. Contributions in fiscal years 2009 and 2008 were also less than 1% of the total contributions required by all participating employers, which amounted to approximately \$3.0 and \$2.3 billion per year.

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make contributions actuarially determined at the rates in effect at September 30, 2010, of 10.77% of the compensation for regular members, 23.25% for special risk members, 18.63% for elected county officials, 14.57% for senior management and 12.25% for DROP Plan members.

- (3) Trend Information - Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2010 annual financial report. The report may be obtained from the State of Florida, Department of Management Services, Division of Retirement P.O. Box 9000, Tallahassee, Florida 32315-9000.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description: The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance contract plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801 and therefore has an implicit rate subsidy benefit for the retirees' participation. As of the valuation date, the Plan had approximately 8,140 active participants and 1,907 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

Funding Policy: To date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is currently applicable; however, there is an implicit cost discussed below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums. Plan members contributed \$4.7 million in premiums for fiscal year 2010, representing 41.9% of the total fiscal year 2010 OPEB cost.

State of Florida law prohibits the City from separately rating retirees and active employees. The City therefore assigns to both groups equal, blended-rate premiums. Although both groups are assigned the same blended rate premiums, GAAP requires the actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Annual OPEB Cost and Net OPEB obligation: The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC).

The City has elected to calculate the ARC and related information using the Entry Age Normal Salary Based Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 9% at September 30, 2010 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2018 of 5.0%. The salary increase assumption is 4% per year.

The actuarial accrued liability (AAL) was determined as of September 30, 2010, based on the above assumptions and cost method, and applied to member date current at September 30, 2010. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2010, with an AAL calculated to be \$140 million, which is unfunded (or 0% funded).

The annual covered payroll is \$394 million, resulting in an unfunded AAL of 35.5%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on September 30, 2010.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Government Accounting Standards Board (GASB) Statement 45 results are not based on the assumption that all members terminate service as of the valuation date, but rather on the assumption that the various forces of decrement-future disablement, future mortality, future termination of employment, and future retirement-continue to be operative.

Plan Obligation: (in thousands)	<u>2010</u>
Annual Required City Contribution (ARC)	\$ 11,077
Interest on Plan Obligation	690
Adjustment to ARC	<u>(548)</u>
Annual Plan Retiree Cost	\$ 11,219
Contributions Made	<u>(4,704)</u>
Change in Plan Obligation	6,515
Plan Obligation Beg of Year	<u>15,342</u>
Plan Obligation End of Year	<u>\$ 21,857</u>

At fiscal year end 2010, the City accrued \$21 million in the Governmental Statement of Net Assets, \$737,000 in the Business-Type Statement of Net Assets, \$43,000 in the Jacksonville Economic Development Commission (JEDC), and \$3,000 in the Jacksonville Housing Finance Authority (JHOFA) two discreetly presented component units.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding years are as follows: (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2007	13,280	37.9%	8,243
9/30/2009	11,010	35.5%	15,342
9/30/2010	11,219	41.9%	21,857

As of September 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$139.6 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$139.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$393.8 million and the ratio of the UAAL to the covered payroll was 35.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

11. DEFERRED COMPENSATION PROGRAM AND 401A PLAN

The City offers its employees a deferred compensation program created in accordance with Internal Revenue Code (IRC) Section 457 and Chapter 112.215, Florida Statutes. During the year ended September 30, 1999, the City complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Pursuant to the provisions of GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the financial statements do not display deferred compensation balances in an Agency Fund.

The City also provides a defined contribution plan under the Internal Revenue Code, Section 401(a). The plan provides an employer-paid, pre-tax allowance for employees under certain union contracts, managerial and confidential, and some appointed personnel. It also allows employees to participate on a post-tax basis. This benefit does not replace a pension plan, or serve in lieu of a qualified pension plan. The City contributes from .25% to 1.00% of the base salary of the employee depending on the bargaining unit and specific leave plan. For the year ended September 30, 2010, the City contributed \$138,549 for 401A plan benefits.

12. RISK FINANCING

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, and natural disasters. The Risk Management Division (“Division”) administers the public liability (general liability and automobile liability) and workers’ compensation self-insurance program (“Program”) covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority.

The Program’s self-insurance fund provides coverage for the workers’ compensation and tort liability of the City, its officers, employees, or agents. It is established pursuant to Jacksonville City Ordinance, Chapter 128. The Program is a combination of self-insurance, coupled with a layer of excess coverage to mitigate aberrant and substantial unexpected losses.

While the City self-insures for automobile liability and automobile first party property damage, general liability and workers’ compensation; it transfers its risk through the purchase of insurance for its other exposures.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

12. RISK FINANCING (continued)

Major Categories of Policies purchased to transfer risk

<u>Type of Policy</u>	<u>Principal Named Insured</u> ⁽¹⁾
Excess Workers' Compensation And General Liability Policy	City, JEA, JPA, JHA, JAA
Property (Real & Personal)	City, JPA
Boiler & Machinery	City, JPA
Crime/Employee Dishonesty Policy	City, JAA, JPA, JHA
Aircraft Hull and Liability Policy	City, JEA, JPA, JHA, JAA
Watercraft Hull and Liability Policy	City, JEA, JPA, JHA
Wharfinger Policy	City
Fine Arts Policy	City
Out of State Automobile Liability	City (JSO only)

⁽¹⁾City – City of Jacksonville, JEA – JEA, JPA - Jacksonville Port Authority, JHA - Jacksonville Housing Authority, JAA - Jacksonville Aviation Authority, JSO – Jacksonville Sheriff Office

The following schedule indicates the types of insurance and reinsurance acquired; the deductible or retention level (per occurrence), and where appropriate the limit of the reinsurance coverage acquired (per occurrence):

<u>Retention Level</u>	<u>Coverage</u>	<u>Policy Limit</u>
\$5,000,000	General Liability	\$1,000,000 ⁽¹⁾
\$1,200,000	Employer's Liability	\$3,000,000 ⁽¹⁾
\$1,200,000	Workers' Compensation	Statutory
\$100,000	Property (Real & Personal)	\$500,000,000 ^{(2) (3) (4)}
\$50,000	Boiler & Machinery	\$100,000,000
\$50,000	Employee Dishonesty Bond (Includes computer fraud)	\$3,000,000
\$-	Aircraft Liability	\$20,000,000
\$2,000	Watercraft (P & I)	\$1,000,000
\$1,000	Wharfinger Liability	\$5,000,000
\$1,000	Fine Arts-Scheduled	\$145,625
\$-	Out of State Automobile Liability	\$1,000,000 ⁽⁵⁾

⁽¹⁾Under the General Liability, and Employer's Liability policies there is an annual \$3,000,000 aggregate limit. In addition to the deductible amounts, the City is responsible for the excess payments above the policy per occurrence and aggregate limits.

⁽²⁾The property retention and limits are on a per occurrence basis.

⁽³⁾The policy deductible for named windstorm losses is equal to 5% of total values of the locations involved in the occurrence, subject to a minimum retention of \$500,000 and maximum of \$25M.

⁽⁴⁾The property retention and limits are shared between the entities.

⁽⁵⁾The policy has a combined single limit of \$1M for property damage and bodily injury.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

12. RISK FINANCING (continued)

The Division performs the following functions internally: loss prevention, workers’ compensation claims, general liability and automobile liability claims, purchase of insurance for its other exposures, and related management activities.

Annually, as of September 30, the Program has a third party actuary review of the claim history for all open claim years. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims and claim development) for each year’s claim experience and the probable loss fund cost for the New Year. These projections are provided as a range of estimates (low, middle and high), with a discounted alternative for each of the three estimates. The liability is established at the middle undiscounted range. The following table reflects the discounted and undiscounted estimates:

**Estimated Risk Management Liability ^{(1) (3)}
(In thousands)**

	<u>Discounted ⁽²⁾</u>	<u>Undiscounted</u>
Low	\$59,555,548	\$68,839,815
Middle	\$66,172,831	\$76,488,683
High	\$72,790,114	\$84,137,551

⁽¹⁾ Actuarial projection excludes property liability.

⁽²⁾ 3% yield on investments assumption

⁽³⁾ Actuarial ULAE projections are \$6,283,034 discounted and \$7,168,079 undiscounted.
Actuarial ULAE projections are not included and not based on a range of estimates.

The probable loss fund estimate is used to budget the self-insurance fund for general liability, automobile liability, and workers’ compensation. As an internal service fund, charges are billed to the various funds and component units of the City. If an adjustment is necessary to increase the reported fund liability to reflect the actuary’s estimated ultimate claim payment, then the self-insurance fund will either draw upon its accumulated net assets and/or initiate a year-end billing to the City itself and component units of the City. The City’s practice of cash funding the projected ultimate claims payment is intended to temporarily accumulate net assets, which can be used to meet changes in estimates over time. Projected ultimate claims payment experience is as of the end of each fiscal year, even though some payments may not be made until a later date.

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2010, the City has available excess revenues in the Self-Insurance fund of \$4,729 (in thousands) and an operating reserve in the amount of \$5,346, (in thousands) for a combined net asset of \$10,075 (in thousands). In the Supplemental Section of the City’s Comprehensive Annual Financial Report, is a trend information schedule for general/auto liability and workers’ compensation, entitled “Schedule of Self-Insurance Ten Year Claims Development Information,” which reflects the claims paid and liability projection development of each of the most recent ten years as of September 30, 2010.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

12. RISK FINANCING (continued)

The following schedule presents the changes in aggregate claims liabilities for the past two years of the self-insurance fund's general liability, automobile liability, and workers' compensation.

**SELF-INSURANCE FUND
CHANGES IN AGGREGATE CLAIMS LIABILITIES (including ULAE)
FOR THE YEARS ENDING SEPTEMBER 30
(in thousands)**

	<u>General/Auto Liability</u>		<u>Workers Compensation</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$ 11,195	\$ 11,953	\$ 75,537	\$ 70,972	\$ 86,732	\$ 82,925
Incurring claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	3,313	3,586	8,504	8,973	11,817	12,559
Increases (decreases) in provision for insured events of prior fiscal years	<u>878</u>	<u>257</u>	<u>5,918</u>	<u>9,077</u>	<u>6,796</u>	<u>9,334</u>
Total incurred claims and claim adjustment Expenses	<u>4,191</u>	<u>3,843</u>	<u>14,422</u>	<u>18,050</u>	<u>18,613</u>	<u>21,893</u>
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,215	1,428	3,406	3,147	4,621	4,575
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>3,681</u>	<u>3,173</u>	<u>13,386</u>	<u>10,338</u>	<u>17,067</u>	<u>13,511</u>
Total Payments	<u>4,896</u>	<u>4,601</u>	<u>16,792</u>	<u>13,485</u>	<u>21,688</u>	<u>18,086</u>
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$ <u>10,490</u>	\$ <u>11,195</u>	\$ <u>73,167</u>	\$ <u>75,537</u>	\$ <u>83,657</u>	\$ <u>86,732</u>

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**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES

A. Compliance with Finance Related Legal and Contractual Provisions:

In the opinion of management, the City has no violations of finance related legal and contractual provisions.

B. Fund Deficits:

The following individual funds had a fund deficit at September 30, 2010, (in thousands):

	<u>Fund Balance/ Net Asset</u>
Non-Major Enterprise Fund:	
Baseball Stadium	(161)
Internal Service Funds:	
Copy Center	(182)

The Baseball Stadium net asset deficit is due to transferring \$29.3 million net book value for assets and \$30.6 million of related debt to the enterprise fund from governmental activities city wide. The transfer was made to align all activity for the arena into one fund. The deficit will be eliminated over time as the bond principal payments will be greater under the debt schedule as compared to the reduction in net book value for the assets due to the straight line depreciation recorded over the life of the assets in the fund. The 2010 net asset figure represents an \$18 thousand improvement from the 2009 deficit of (\$179) thousand.

The Copy Center's rates are being reviewed and will be adjusted to eliminate the fund deficit in FY2010. The 2010 net asset figure represents a \$250 thousand improvement from the 2009 deficit of (\$432) thousand.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES
C. Landfill Closure and Postclosure Care Costs:**

The State of Florida's Solid Waste Management Act of 1988 and regulations of the U.S. Environmental Protection Agency (EPA) and the State of Florida Department of Environmental Protection (FDEP) require the City to be responsible for constructing and maintaining the final landfill cover, monitoring ground water and methane gas, and continuing leachate management 30 years after its municipally owned landfills stop accepting solid waste and are closed. The estimated total costs of municipal solid waste landfill (MSWLF) closure and post closure (long-term) care costs reported by the City are based upon professional consulting engineers' studies prepared annually pursuant to rules promulgated by EPA and FDEP. However, existing EPA and FDEP closure and long-term regulations may change which might require the City to revise its MSWLF cost estimates used in the future.

MSWLF costs, for open landfills, are recognized in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs. A liability of the Solid Waste Disposal Enterprise Fund is recorded based upon landfill capacity used at fiscal year-end and a current operating expense of the Fund in the fiscal year in which the MSWLF costs are recovered through earned, operating revenue.

The estimated liability for MSWLF closure and long-term care costs at September 30, 2010, is (in thousands):

	Balance, September 30, 2009	Accrual of Costs	Payment of Costs	Balance, September 30, 2010
Inactive Landfills -				
Long-term care costs	\$ 10,290	\$ (469)	(\$ 621)	\$ 9,200
Active Landfill -				
Closure and Long-term care costs	<u>53,378</u>	<u>3,247</u>	<u>-</u>	<u>56,625</u>
Total Landfill Liability	<u>\$ 63,668</u>	<u>\$ 2,778</u>	<u>(\$621)</u>	<u>\$ 65,825</u>

At September 30, 2010, the City's total liability for landfill closure and long-term care was \$65.8 million. Of this amount \$56.6 million relates to the active landfill, Trail Ridge, and \$9.2 million relates to the inactive landfills, North and East.

Expenses for closure and long-term care costs are funded from future operating revenues of the Solid Waste Disposal fund and bond proceeds. As noted in Note 1. P, the application of SFAS No. 71 resulted in certain cost being capitalized and amortized to later periods. The City obtained bond proceeds to support closure and long-term care cost for North and East landfills and Picketville Waste Site. At September 30, 2010 the deferred balance of the capitalized cost is \$16.9 million, which during the year the City amortized \$2.8 million.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES
 C. Landfill Closure and Long-term Care Costs: (continued)**

Active Landfill – Trail Ridge

The closure and long-term liability for Trail Ridge as of September 30, 2010 is \$56.6 million which represents an increase of \$3.3 million compared to preceding year. This increase resulted from adjustments for inflation and current annual closure and long-term care cost estimates. The percentage of landfill capacity used is estimated to be 73%.

The City expected to close the landfill in approximately two years (2012); however, it is presently extending the life of the landfill by increasing the capacity (Phase III) and the life to 24 more years.

Inactive Landfills – North and East

North and East landfills closed October 1999 and April 1992, respectively. The long-term liability for North and East as of September 30, 2010 is \$7.3 million for 8 years and \$1.9 million for 5 years, respectively. When compared to the preceding year, the liability balances decreased \$.7 million and \$.5 million, respectively, due to adjustments for current annual closure cost estimates and cost paid for performing and monitoring closure work.

Annually, the City is required by Chapter 62-701.630 of the Florida Administrative Code, to accumulate resources for payment of closure and long-term care cost. The City is in compliance with these requirements. As of September 30, 2010, \$30,658,529, which includes \$6,251,943 for accelerated payments, have been accumulated for payment of closure and long-term care cost (see summary below). Accelerated payments are payments in excess of the required financial assurance balances which are held in reserves for contingencies and are used to offset future operational cost.

	<u>Trail Ridge</u>	<u>North</u>	<u>East</u>	<u>Total</u>
Current cost of closure	\$ 23,111,115	\$ -	\$ -	\$ 23,111,115
Annual cost of long-term care	-	907,566	387,905	1,295,471
Accelerate funds above State Minimum	6,251,943	-	-	6,251,943
Total Balance in escrow account	\$ 29,363,058	\$907,566	\$387,905	\$ 30,658,529

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

14. LESSOR OPERATING LEASE

A. Jacksonville Jaguars, Inc. - The City has entered into a lease dated September 7, 1993, pursuant to which the City leases EverBank Field, a City owned stadium, and adjacent practice facilities to the Jacksonville Jaguars, Inc. (Jaguars) for a period of 30 years from the first National Football League (NFL) regular season play in 1995; Amendment 5, executed September 6, 2002, extends the lease an additional five years.

The lease entitles the Jaguars to use the stadium on game days, for practices and summer training camp, and for the period necessary before game days. During other periods of time, the City has the right to use the stadium, except for certain administrative spaces, training facilities, suites, and other areas that are for the exclusive use of the Jaguars.

For the first five years, rent is deferred in the amount of \$250,000 per year; in years 6-10 rent is \$500,000 per year; in years 11-20 \$1,000,000; and in the final 15 years \$1.25 million, including the lease extension. Amendment 8, executed January 2006, reduced the total Jaguars rent obligations by \$8,600,000, which was provided through rental reductions in the amount of \$1,433,333 for six payments beginning with the November 2005 payment through the June 2008 payment.

Amendment 8 also reduces supplemental lease obligations, with the City's acceptance of payment from the Jaguars in the amount of \$10,197,891 for the full satisfaction of amounts due for Super Bowl net revenues. Rents from years 11 through the end of the lease are subject to escalation based on one-half of any increase in the Consumer Price Index, but not to exceed 2.5% per year.

In addition, the Jaguars are obligated to pay supplemental rent in an amount equal to the annual debt service incurred by the City for certain costs of renovation of \$53.1 million requested by the Jaguars over a 30 year period with interest computed on a tax-exempt basis; inclusive of Amendment 7 executed May 27, 2004.

The lease generally permits the City to retain revenues from City events at the stadium, with some exceptions. Amendment 8 outlines provisions for advertising revenue generated from electronic signage for different stadium functions. The City is required to provide electricity, water and sewer services for the stadium at its expense. The City must maintain the stadium and all leasehold improvements. Per Amendment 8, the City agreed to provide \$1,000,000 for additional electronic signs. The City is required to pay for game day personnel, excluding concessions, on the days of Jaguar games. Amendment 8 gives the Jaguars the responsibility to provide concessions to all events within the concessions area. The Jaguars retain all net revenues from concessions and similar sales on NFL game days. The lease obligates the Jaguars to maintain its franchise at the stadium in Jacksonville and to not relocate unless it pays the City certain guaranteed amounts. Amendment 9 outlines a revenue sharing agreement for the stadium naming rights and provides the parameters for the marketing of the stadium name.

Also, Amendment 9 details additional advertising rights and allows for certain fixed signage at the stadium. However, the subsequent naming rights agreement with EverBank eliminated the City participation in revenue from the stadium naming rights.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, Inc. (continued)

Amendment 10 outlines the accepted procedures for the use of the City established Sports Complex Capital Maintenance Fund. The agreement allows the Jaguars to advance fund certain capital, repair and maintenance projects at the stadium and receive reimbursement from the City. Amendment 10 also establishes the procedures for the creation of the related capital improvement plan.

A summary of scheduled lease payments is as follows:

<u>Year</u>	<u>Payment</u>
2011	4,127,519
2012	4,091,334
2013	4,047,200
2014	4,006,519
2015	3,960,040
2016 - 2020	23,673,541
2021 - 2025	19,902,830
2026 - 2030	29,812,663

The Jaguars Operating Lease is subject to the rental provisions of GASB #13 – Accounting for Operating Leases with Scheduled Rent Increases.

The Base Rental associated with the startup of operations and the initial capital costs for transforming the stadium to an NFL stadium has deferred rents for the first five years and then scheduled rent increases throughout the term of the lease, Amendment #8 in FY2005 providing rental credits of \$2,866,666 in FY2006, FY2007, and FY2008, which reduced the rental payment in each of those years. Paragraph 6 of GASB #13 states that “Sometimes an operating lease with scheduled rent increases contains payment requirements in a particular year or years that are artificially low when viewed in the context of earlier or later payment requirements.” This occurred with the base rental of the Jaguars contract. Paragraph 6 guidance states that the operating lease transactions should be measured utilizing one of two measures, with Paragraph 6a being “The operating lease transactions may be measured on a straight-line basis over the lease term.” The City has recorded a deferred rent receivable of \$12,758,445 due to the application of GASB #13 based on the difference in the actual rent paid and the calculated straight line rent.

In analyzing the lease, there are two conditions that could affect the collection of the deferred rent receivables. The lease has been modified ten times during the fourteen years of the lease, providing for rent reduction as noted in amendment #8. Based on this history of amending the lease, there is uncertainty and a potential for other rental reductions or deferrals which could put the collection of the deferred rent receivables at risk. Additionally, the lease has several paragraphs concerning early termination of the contract and provides the City of Jacksonville reasonable liquidated damages in the circumstance of the Jaguars leaving the City. This termination provision, in effect, makes the rental collection subject to a year by year basis. The City has an offsetting allowance for the entire \$12,758,445 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

14. LESSOR OPERATING LEASE (continued)

B. Shands Jacksonville

Under an agreement with a not-for-profit corporation, Shands Jacksonville, formerly known as University Medical Center, the City leases to Shands certain capital assets, principally land and buildings, over a term to September 30, 2027 with an option to renew for an additional forty years to 2067 at \$1 per year. In addition, Shands is to be a full service hospital in support of the indigent care programs of the City of Jacksonville and Duval County under the agreement. Shands is to maintain, in good condition, and make improvements and betterments to the hospital as necessary over the life of the lease. At termination of the lease, all leased property shall revert to the City.

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation:

The City is named as party in legal proceedings which occur in the normal course of government operations. Such litigation includes, but is not limited to, claims asserted against the City arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of state or federal laws.

It is not possible at the present time to estimate the ultimate outcome or liability, if any, to the City for these proceedings. However, it is the City's opinion that ultimate liability in these matters, if any, is not expected to have a material adverse effect on the City's financial position.

B. Grants and Contracts:

The City participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of the City. All City agencies and departments are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or department is a recipient of a federal grant, contract or their sponsored agreement. Certain agencies and departments may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allocability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the City.

C. Self-Insurance:

Through the City's Risk Management Division, the City maintains an insurance and self-insurance program (See Note 12). The Division administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and Jacksonville Aviation Authority under the City's Ordinance Code Chapter 128. The City purchases commercial insurance for workers' compensation claims in excess of \$1.2 million. Under the laws of the State of Florida, the City has sovereign immunity for state tort claims in excess of \$100,000 per person, and \$200,000 per occurrence.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

C. Self-Insurance: (continued)

The City retains coverage on all other types of insurance including real and tangible property. The self-insured programs of the City, which are included in the Self-Insurance Internal Service Fund, are funded on a dollar-for-dollar basis determined actuarially for the estimated losses for claim development and incurred but not reported claims, and unallocated loss adjustment expenses. Claims are reserved on an ultimate probable cost basis.

D. Pollution Remediation:

Governmental Accounting Standards Board Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations (GASB 49) provides accounting and financial reporting for pollution remediation obligations. While GASB 49 does not require the City to search for pollution, it does require the City to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- The City is compelled to take remediation action because pollution creates an imminent endangerment to public health,
- The City is in violation of pollution prevention,
- The City is named, or has evidence that it will be named as responsible party by a regulator,
- The City is named, or has evidence that it will be named in a lawsuit to enforce cleanup, or
- The City commences or legally obligates itself to conduct pollution remediation activities.

The City recorded a pollution remediation liability as of September 30, 2010 of approximately \$150.7 million (See Note 8. C for schedule) using the expected cash flow technique. Under this technique, the City estimated a reasonable range of potential outlays and multiplied those outlays by their probability of occurring. However, this liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

Whitehouse Waste Oil Pits Superfund Site

The US Environmental Protection Agency (USEPA) identified the City as a potential responsible party (PRP) at the *Whitehouse Waste Oil Pits Superfund Site* in western Duval County. The City and other (PRPs) participated in the USEPA's Pilot Allocation Project which resulted in the USEPA assuming as much as 65% of the liability at the site, with the City being allocated less than 10% of the liability.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

The USEPA estimates \$20 million site costs, with the City paying approximately \$2 million over the life of the project (which includes a 30 year operations and maintenance period). Site work was substantially complete in October 2006 when operations and maintenance work began. The PRPs have more than \$1.9 million on deposit to fund operations and maintenance; however until USEPA officially declares the remedial action complete, the prospect for additional work remains. In January 2008, the City met with adjacent property owners to negotiate the purchase of additional private property to account for the location of the remedial berm. Negotiations are ongoing, with the estimated additional purchase within the limits of the remaining funds contributed by PRPs. The City and other PRPs settled with the USEPA which had sought reimbursement of its cost of a removal action in 1995, regarding the Bill Johns Waste Oil Site. The City's liability is based on contracting with the waste oil service to empty used oil collection points operated under a recycling grant from the State. Florida Department of Environmental Protection (FDEP) has submitted a demand to the PRPs to assess the site further to determine the extent of contamination that may remain after the removal action. The liability to FDEP is being assessed, but the site may be eligible for the state-funded clean up program, relieving the City of any financial exposure. Because of the uncertainty of this event, no accrual has been recorded.

Ash Sites

The City has identified four sites that were used for incinerator ash waste. The common practice during the 1950s and 1960s was to incinerate garbage and then mix the residual ash waste with other soil and use it as fill dirt. The City and the USEPA signed an agreement in 1999 to develop a plan to remediate the four sites. In order to make the sites and surrounding areas safe from a variety of residual pollutants, the City has proposed to the EPA a plan to clean up the areas by removing the top two feet of soil, placing a barrier, and then replacing the topsoil with untainted dirt. The project is estimated to take several years to complete once started and a cost estimate of \$100.2 million has been accrued based on the City's estimate used in its five year capital project plan. Approximately \$20 million has been appropriated for FY2011.

Other Sites

FDEP had identified four sites of potential liability the City is responsible for. These sites are: *Burke St. Lime Pitts, Doe Boy Dump Site, Gold Merit/Pope Plan, and Southside Incinerator Site.*

These project, which is estimated to take several years to complete once started, has an estimated cost of \$36.8 million, which has been accrued by the City and included in the City's five year capital projects plan. Various other remediation sites exist within the City and \$13.7 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

The liability for *Picketville Waste Dump* Site at September 30, 2010, of \$0.6 million is based on the most recent estimate by the Federal Government of the City's allocated share of the clean-up and long term care cost of the site under a Participation Agreement and Consent Decree with the USEPA. The City was identified as a responsible party, sharing 65% of the total clean-up costs

E. Shipyards Project:

In previous fiscal years, the City provided an economic development grant to a developer related to a project titled "Shipyards", totaling approximately \$36.5 million, funded by tax exempt bond proceeds (City of Jacksonville, Florida Excise Tax Revenue Bonds, Series 2001B). The developer did not complete the improvements anticipated in the public offering. The City reached agreement with a replacement developer to provide the anticipated public improvements with some modifications, and soon thereafter the replacement developer commenced work. In April 2009, the City deemed the replacement developer in default under the terms of replacement development agreement and in June 2009 the developer filed for bankruptcy protection. The City pursued a foreclosure action and subsequent to the fiscal year end successfully obtained title to the entire property.

In a previous fiscal year the City elected to notify the Internal Revenue Service of this matter and entered into voluntary negotiations intended to preserve the tax exempt status of interest on the bonds. At that time the City estimated an eventual settlement could be as much as \$2.5 million and accrued that amount in the entity-wide financial statements as due to independent agencies and other governments.

A final settlement was reached with the Internal Revenue Service in December, 2010 which preserved the tax exempt status of interest on the bonds while requiring no payment from the City. As of September 30, 2010 the City recognized a reduction to current period expenditures of \$2.5 million as a result of the elimination of the liability previously recorded on the city-wide statements.

F. Garage Development Agreement:

The City entered into agreements for a private developer to construct and operate three parking garages. Two of the garages are to support the sports complex and the other is to support a new courthouse site. The current agreement provides an operating subsidy to support both debt service and operating deficits of approximately \$3 million per year associated therewith and has options to buyout the current business arrangement, refinance the related non-city debt and assume operational control thereof.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

G. Other Litigation: (continued)

The City is involved in a state law claim for negligence involving a police accidental shooting. Maximum potential liability exposure is \$200,000.

The City is involved in state law claims for negligence involving motor vehicle accidents. Maximum potential liability exposure is \$500,000.

The City is involved in a federal court litigation claim alleging violation of the American with Disabilities Act relating to City pension administration. Neither the financial liability nor the method of its calculation is determinable at the time.

The City is involved in a state law battery claim alleging excessive force by arresting officers. Maximum potential liability exposure is \$100,000.

The City and JEA have been named as parties in a federal court litigation claim regarding breach of contract and statutory Prompt Payment claims relative to a road reconstruction project. The parties are considering and preparing for mediation. The plaintiff is seeking damages of \$7 million, but a potential loss cannot be estimated at this time.

The City is involved in a matter where the plaintiff is seeking reimbursement of \$3.2 million for attorney fees from previous litigation. Currently the parties have agreed on a stay of further litigation until the Court of Appeals issues a decision on a related issue. A potential loss estimate cannot be made at this time.

The City is involved in federal civil rights and wrongful death claims. The plaintiffs are seeking a large sum of damages. A potential loss estimate cannot be made at this time.

The City is involved in a case filed in state court by property owners for violation of civil rights, negligence, and inverse condemnation for the City's emergency demolition of property. Maximum potential liability is the value of the plaintiff's property plus attorney fees. A potential loss estimate cannot be made at this time.

The City is involved in state law claims for negligence in connection with accidents involving alleged defective sidewalks. Maximum potential liability exposure is \$300,000

Since September 30, 2010, the City settled several legal matters including: state law claims for negligence and other threatened state law claims. The City does not consider the settlement amounts to be material.

In accordance with FAS 5, no accrual has been made in the accompanying financial statements for these cases because relevant criteria have not been met. Payments, if any, will be funded by general revenue sources and earnings.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

H. Construction Commitments: At September 30, 2010, the City had major construction contracts for the following projects:

Economic Development Projects	
Commercial Development	\$ 500,000
Edward Waters College	550,000
NW Jacksonville Economic Development	879,298
Pinnacle Project	800,000
Shipyards Project	3,122,399
UF Land Acquisition and Renovation	3,282,330
Fire and Rescue Projects	
Fire Station # 40	1,887,266
Improvement Projects	
Southbank-Friendship Fountain	2,405,368
Bob Hayes/Northwest Community Center	1,641,551
Downtown Traffic Improvement	717,144
Public Works Projects	
Ed Ball Building	813,569
Courthouse Projects	162,458,315
Public Works/Banking Fund Improvement Projects	1,368,860
Public Works Road Projects	32,671,017
Countywide Resurfacing	1,936,635
Drainage Rehab Projects	5,674,476
Septic Tank Remediation	19,707,773
Jacksonville Ash Site	5,779,505
Lime Site	535,143
Radio System Replacement	7,784,224
	\$ 254,514,873

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

I. Encumbrance Commitments:

At September 30, 2010, the City had encumbrance commitments in the Governmental Funds as follows:

ENCUMBRANCES: (in thousands)	
<u>MAJOR FUNDS</u>	
General Fund	\$ 11,189
General Projects	54,403
Total Major Funds	<u>65,592</u>
 <u>NON-MAJOR FUNDS</u>	
Concurrency Management	3,417
Air Pollution Control and Monitoring	1
Tourism Development	837
Clerk of the Court	37
Transportation Fund	625
Budgeted General Government	5,010
Public Safety	5
Emergency 9-1-1	270
Tax Increment Districts	760
Jacksonville Children's Commission	3,363
American Recovery & Reinvestment Act	2,101
Community Development Block Grant	14,280
Maintenance, Parks and Recreation	102
Other Federal, State and Local Grants	9,151
Housing and Neighborhoods	281
State Housing Initiative Partnership	1,073
Non Budgeted General Government	213
*Better Jacksonville Plan Construction Project	62,220
Bond Projects	17,836
Grant Projects	2,267
River City Renaissance Project	957
Total Non-Major Funds	<u>124,806</u>
 TOTAL ENCUMBRANCES	 <u>\$ 190,398</u>

*The Better Jacksonville Plan Construction Project Fund accounts for funds associated with the \$2.25 billion improvement plan. Council appropriated funds for the plan in its entirety at the inception, while funding sources including dedicated sales tax and debt issues are secured as needed. Multi-year contracts are encumbered and funding sources are obtained as construction occurs.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

16. SUBSEQUENT EVENTS

A. JEA

JEA issued bonds for infusion of new money and to refund existing debt purposes. Long-term debt issuances include: Electric System Revenue Bonds Series Three 2010D for \$184,385,000 (refunding and swap termination fee funding) and Series Three 2010E for \$34,255,000 (new money source), Electric System Subordinated Revenue Bonds 2010 Series C for \$15,925,000 (refunding), Series D \$45,575,000 and Series E \$13,765,000 (new money purposes), Water and Sewer System Bonds 2010 Series F and G for \$49,000,000 (new money purpose), Water and Sewer Systems Bonds 2010 Series E for \$60,990,000 (refunding), Water and Sewer System Subordinated Revenue Bonds 2010 Series B for \$12,770,000 (refunding). JEA also redeemed \$7,925,000 of its Variable Rate Water and Sewer System Subordinated Revenue Bonds with available cash. JEA also had short-term borrowing including a \$34,196,000 draw on a line of credit in connection with the refunding of debt (associated with long-term debt refunding discussed above). This borrowing is intended to be replaced with permanent financing in 2011. An additional refunding draw of \$3,785,000 was made, which is scheduled to mature in 2011.

B. JPA

JPA executed an \$18.9 million loan agreement and tax-exempt fixed rate note for purposes of refunding Series 2000 bonds and funding a required note reserve.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

17. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE

During fiscal year 2010, the City had financial transactions with its discretely presented component units classified as follows for financial reporting purposes:

A. JEA

Contribution - On October 1, 1968, the City turned its electrical department over to the newly created JEA. Additionally, on June 1, 1997, the JEA assumed the operation and all related assets and liabilities of the water and sewer system from the City. The JEA is required by the City Charter to contribute annually to the General Fund of the City an amount not to exceed 5.513 mills per kilowatt per hour sold and at a rate of 2.149 mills per cubic feet of water sold. For the fiscal year ended September 30, 2010 these contributions total \$99,187,528. Such contributions to the City's General Fund are for the use of the public right-of-way in connection with its electric distribution system and its water sewer distribution and collection system and are based on calculations contained within section 21.07 of the City Charter.

Additional Agreements - JEA utilizes various services provided by departments of the City, including insurance, legal and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. Related-party transactions with the City for fiscal year 2010 total (in thousands) \$36,060 in revenues for services rendered and \$4,778 in expenses for services received.

Franchise Fees - Effective April 1, 2008, the City enacted a 3% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2010, JEA recorded \$30,766,000 and \$7,789,000 in its electric and water and sewer funds, which are included in JEA operating revenues and expenses.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

17. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE (continued)

B. Jacksonville Transportation Authority (JTA) :

Local Option One-Half Cent Sales Tax - On August 11, 1989, Jacksonville citizens voted for the removal of all tolls from county/city bridges and certain roads and replaced the revenue with a local option one-half cent sales tax that provides a permanent funding source for the construction and maintenance of the City's roads and bridges; the operation and maintenance of the bus system and the refinancing of existing bonds issued for the construction of such bridges and roads. All collections from the one-half cent sales tax are statutorily required to be remitted to the JTA. Accordingly, the City remitted all collections from the one-half cent sales tax to the JTA in the amount of \$62.9 million in fiscal year 2010. Such collection and payment by the City of this local option one-half cent sales tax is recorded in the Transportation Special Revenue fund as revenue and a transportation expenditure in the equal amount. The JTA reports the \$63.6 million transfer from the City as sales tax revenue.

In fiscal year 2000, the City and the JTA entered into an inter-local agreement for the purpose of jointly exercising the separate powers of each to the maximum extent allowable by the law in the development, scheduling, financing, planning, permitting, design, construction, and implementation of a \$750 million Road, Bridge and Drainage Capital Improvement Work Program. The term of the agreement commenced on October 1, 2000 and continues in effect until all of the bonds have been duly paid in full or defeased in accordance with their terms. The City and JTA agreed to pledge the sales tax and the constitutional gas tax for the payment of bonds issued to implement the program. Monies available above debt service would be collected in a Pay-As-You-Go fund to assist with the payment of program expenditures. The City is making available the Local Option Gas Tax for the operation of the JTA's Mass Transit Division.

C. Jacksonville Port Authority (JPA):

Interlocal Agreement - In connection with a major port and marine facilities capital improvement project (the "Project"), the City and the JPA entered into an Interlocal Agreement upon the issuance of \$43,605,140 Excise Taxes Revenue Bonds, Series 1993 (the "1993 Bonds"). Subsequent to this transaction, the parties entered into an Amended and Restated Interlocal Agreement in conjunction with the issuance of \$57,150,000 Excise Taxes Revenue Bonds, Series 1996B (the "1996B Bonds"). The 1996B Bonds were refunded by the Excise Taxes Revenue Refunding Bonds, Series 2001A (the "2001A Bonds"). The 1993 Bonds were partially refunded by the Excise Taxes Revenue Refunding and Improvement Bonds, Series 2003C (the "2003C Bonds, and together with the 1993 Bonds and 2001A Bonds, the "Bonds").

Under the Amended and Restated Interlocal Agreement, the City agreed to issue the Bonds to finance the Project, and the JPA, in consideration therefore, agreed to reimburse the City for debt service payments on the Bonds from certain revenues allocated to the JPA. Any insufficiency in the extent of such revenues allocated to the JPA under the Amended and Restated Interlocal Agreement or any amendments to the Amended and Restated Interlocal Agreement does not affect in any manner any obligation of the City pursuant to the terms of the Bonds.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

17. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE (continued)

C. Jacksonville Port Authority (JPA): (continued)

The amended and restated Interlocal Agreement is not for the benefit of the holders of the Bonds and the JPA has no obligation under that Amended and Restated Interlocal Agreement to any third party bondholder. The revenues allocated to the JPA are not pledged as security for the Bonds.

The Amended and Restated Interlocal Agreement provides for the allocation of three sources of revenue (collectively referred to as the “Pledged Revenues”) by the City to the JPA. The first source of revenue relates to the allocation of half of the increased revenues in the Telecommunications Tax, which is 85% of the Communication Services Tax (the “Authority Allocation No. 1”). The second source of revenue relates to the amount calculated by multiplying one quarter (.25) mills by the gross kilowatt hours (as defined in Article 21 of the City Charter) sold by JEA during the twelve month period ending May 31 of the prior fiscal year (the “Authority Allocation No. 2”). The third source of revenues relates to the \$800,000 annual contribution remitted by the City to the JPA as described in Section 5(a) of the JPA act. Such Pledged Revenues are to be applied by the City to the payment of debt service on the Bonds for such fiscal year prior to being paid to the JPA. For the fiscal year ended September 30, 2010, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was \$8.09 million with a total of \$8.16 million being distributed to JPA.

In previous years, the City expended \$43.1 million on the Project from proceeds of the 1993 Bonds for the benefit of the JPA under the Amended and Restated Interlocal Agreement, which completed the 1993 Bond Program. In previous years, the City expended \$64 million on the Project from proceeds of the 1996B Bonds for the benefit of the JPA under the Interlocal Agreement. The City accounted for these expenditures in the Capital Projects Funds. The City does not capitalize these capital outlay expenditures.

18. NET ASSETS:

The government –wide and business-type Fund Financial Statements utilizes a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in Capital Assets, Net of Related Debt - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Assets – are liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use there of to a future project or replacement equipment acquisition.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

18. NET ASSETS: (continued)

Unrestricted Net Assets – typically represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has authority to revisit or alter these managerial decisions.

While the Unrestricted Net Assets balance is a single number in accordance with GASB Statement 34, the impact of non-asset debt will appear to reduce the year-end discretionary balance available to the government.

However, in the City’s case, given that a portion of these non-asset bonds/loans reported in the Governmental Activities column have a dedicated revenue source (to amortize the debt over time) the year-end available portion of the Net Assets to the city is greater than is apparent. The following schedule illustrates these differences (000s):

Governmental Unrestricted Net Assets (per statement – page 24)	\$ (207,729)
Impact of Better Jacksonville Plan’s (BJP) bond financed capital expenditures incurred by component units and other entities.	251,163
Economic Incentives to be repaid by TIF revenue and/or Developer	<u>37,640</u>
Governmental - Unrestricted Net Assets (adjusted for dedicated revenue funded portions)	<u><u>\$ 81,074</u></u>

Because the BJP program has dedicated sales tax revenue sources which will be used to repay the related debt service and either the CRA’s tax increment financing (TIF) revenue or the Developer repayments are anticipated to address the related debt service principal and all or a portion of the interest, the Government Unrestricted Net Assets (adjusted for dedicate revenue funded portions of non-assets debt) more truly reflect the General Government’s available (although partially tentatively targeted) portion of net assets.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

19. FUND BALANCE DISCLOSURE:

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. The City’s original budget legislation begins with the Budget Office combining historical data, assessment of needs for the upcoming year and the Mayor’s platform to review, and/or make changes to each department’s budget. In June, a Budgetary Committee will meet again with each department for final review and approval of preliminary a budget. The budget is then formally presented to City Council the first Council Meeting in July for their review, revisions and final approval by September 30th, at which time it becomes law. All subsequent budget requests made during the year, after Council’s approval, must be presented on a Budget Transfers (BT) and again approval by Council. City Council may also amend the budget outside of the BT process.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned through the following: 1) The Director of Finance is authorized by City Council to assign amounts for a specific purpose. (2) The City Council has authorized the Director of Finance, in coordination with the Council Auditor, to recapture excess fund balance that isn’t restricted or committed and transfer the excess to the General Fund – General Service District. Excess fund balance that is not recaptured is classified as assigned by the Director of Finance to be used for the purpose of the subfund.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

19. FUND BALANCE DISCLOSURE: (continued)

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize the Operating Reserve (Unassigned fund balance in the General Fund) before considering use of its Emergency Reserve.

The City Council established an emergency reserve policy and fund beginning with the fiscal year 2006 budget and amended with Ordinance 2010-852-E, which added “The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man made or caused by nature.” The emergency reserve is contained as a separate subfund within the General Fund and is included in each annual budget. The emergency reserve shall not be used except as initiated by the Mayor through written communication to the City Council, explaining the emergency, and requires approval by two-thirds vote of all City Council members. The emergency reserve will be classified as committed fund balance.

The City does not have a formal minimum fund balance policy. However, the City’s Ordinance code addresses various targeted reserve positions and the Administration calculates targets and actuals to report the results annually to City Council.

A schedule of City fund balances is provided in the following pages.

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CITY OF JACKSONVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

19. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION

	MAJOR FUNDS			
	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS	GENERAL PROJECTS
FUND BALANCES:				
Non Spendable:				
Inventories	\$ 6,604	\$ -	\$ -	\$ -
Other	-	-	-	-
Spendable:				
Restricted for:				
Debt Service Reserved by Debt Covenants	-	99,569	16,505	-
Waterway Projects	-	-	-	-
Water-Sewer Combination	-	-	-	5,759
Shipyards Project	-	-	-	-
Park Projects	-	-	-	4,217
Physical Environment	-	-	-	20,298
Conservation and Resource Management	-	-	-	-
Transportation Projects	-	-	-	6,660
Emergency and Disaster Relief	-	-	-	-
Other Grants	-	-	-	-
Human Services	-	-	-	-
Regional Stormwater Facilities	-	-	-	-
Drainage System Projects	-	-	-	5,778
Housing and Urban Development	-	-	-	-
Building	-	-	-	-
Public Safety	-	-	-	11,778
Other Infrastructure and Development	-	-	-	-
Other Facilities Improvement	-	-	-	-
Other	-	-	-	6,324
Committed to:				
City Council Emergency Use	44,920	-	-	-
Drainage Projects	-	-	-	5,035
Water-Sewer Combination	-	-	-	5,018
Park Projects	2,004	-	-	3,675
Planning Projects	3,311	-	-	-
Physical Environment	-	-	-	17,689
Conservation and Resource Management	-	-	-	-
Transportation Projects	578	-	-	5,804
Emergency and Disaster Relief	-	-	-	-
Court Projects	-	-	-	-
Public Safety	6,673	-	-	10,264
Industry Development	-	-	-	-
Other	1,435	-	-	5,512
Assigned to:				
Debt Service	-	-	2,977	-
Transportation Projects	114	-	-	-
Parks Projects	396	-	-	-
Planning Projects	654	-	-	-
Public Safety	1,318	-	-	-
Other	284	-	-	-
Unassigned:				
Unassigned	41,774	-	-	-
Total Fund Balances	<u>\$ 110,065</u>	<u>\$ 99,569</u>	<u>\$ 19,482</u>	<u>\$ 113,811</u>

NONMAJOR
SPECIAL REVENUE FUNDS

CONCURRENCY MANAGEMENT	AIR POLLUTION CONTROL AND MONITORING	TOURISM DEVELOPMENT	CLERK OF THE COURT	TRANSPORTATION FUND	BUDGETED GENERAL GOVERNMENT	PUBLIC SAFETY	EMERGENCY 9-1-1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	3	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,120	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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CITY OF JACKSONVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

19. FUND BALANCE DISCLOSURE (continued)

A. FUND BALANCE CLASSIFICATION (continued)

	<u>TAX INCREMENT DISTRICTS</u>	<u>JACKSONVILLE CHILDREN'S COMMISSION</u>	<u>AMERICAN RECOVERY & REINVESTMENT ACT</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>JOB TRAINING PARTNERSHIP ACT GRANT</u>
FUND BALANCES:					
Non Spendable:					
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Spendable:					
Restricted for:					
Debt Service Reserved by Debt Covenants	-	-	-	-	-
Waterway Projects	-	-	-	-	-
Water-Sewer Combination	-	-	-	-	-
Shipyards Project	-	-	-	-	-
Park Projects	-	-	-	-	-
Physical Environment	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Emergency and Disaster Relief	-	-	-	-	-
Other Grants	-	-	-	-	-
Human Services	-	6,574	-	-	676
Regional Stormwater Facilities	-	-	-	-	-
Drainage System Projects	-	-	-	-	-
Housing and Urban Development	-	-	-	12,112	-
Building	-	-	-	-	-
Public Safety	-	-	4	-	-
Other Infrastructure and Development	-	-	-	-	-
Other Facilities Improvement	-	-	-	-	-
Other	-	-	-	-	-
Committed to:					
City Council Emergency Use	-	-	-	-	-
Drainage Projects	-	-	-	-	-
Water-Sewer Combination	-	-	-	-	-
Park Projects	-	-	-	-	-
Planning Projects	-	-	-	-	-
Physical Environment	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Emergency and Disaster Relief	-	-	-	-	-
Court Projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Industry Development	965	-	-	-	-
Other	-	-	-	-	-
Assigned to:					
Debt Service	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Parks Projects	-	-	-	-	-
Planning Projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Other	-	-	-	-	-
Unassigned:					
Unassigned	-	-	-	-	-
Total Fund Balances	<u>\$ 965</u>	<u>\$ 6,574</u>	<u>\$ 4</u>	<u>\$ 12,112</u>	<u>\$ 676</u>

NONMAJOR
SPECIAL REVENUE FUNDS

<u>MAINTENANCE PARKS AND RECREATION</u>	<u>METROPOLITAN PLANNING ORGANIZATION</u>	<u>OTHER FEDERAL, STATE AND LOCAL GRANTS</u>	<u>BETTER JACKSONVILLE PLAN TRUST</u>	<u>HOUSING AND NEIGHBORHOODS</u>	<u>STATE HOUSING INITIATIVE PARTNERSHIP</u>	<u>NON-BUDGETED GENERAL GOVERNMENT</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	125	7,074	-	-	-	-
-	-	-	-	-	-	-
-	-	5,906	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	27,974	16,535	-
-	-	-	-	-	-	-
-	-	2,707	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	994
2,772	-	-	-	-	-	5,613
-	-	-	-	-	-	-
-	-	-	25,491	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5,053
-	-	-	-	-	-	-
-	-	-	-	-	-	3,196
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,773</u>	<u>\$ 125</u>	<u>\$ 15,687</u>	<u>\$ 25,491</u>	<u>\$ 27,974</u>	<u>\$ 16,535</u>	<u>\$ 14,856</u>

(continued)

CITY OF JACKSONVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

19. FUND BALANCE DISCLOSURE (continued)

A. FUND BALANCE CLASSIFICATION (continued)

	NONMAJOR DEBT SERVICE FUNDS			NONMAJOR CAPITAL PROJECTS FUNDS		
	GENERAL BONDED DEBT OBLIGATIONS	OTHER NON-BONDED DEBT OBLIGATIONS	BETTER JACKSONVILLE PLAN CONSTRUCTION	BOND PROJECTS	GRANT PROJECTS	RIVER CITY RENAISSANCE PROJECT
FUND BALANCES:						
Non Spendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-
Spendable:						
Restricted for:						
Debt Service Reserved by Debt Covenants	-	-	-	-	-	-
Waterway Projects	-	-	-	-	-	-
Water-Sewer Combination	-	-	-	-	-	-
Shipyards Project	-	-	-	3,122	-	-
Park Projects	-	-	-	17,108	8,264	294
Physical Environment	-	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-	-
Transportation Projects	-	-	-	5,113	-	992
Emergency and Disaster Relief	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Regional Stormwater Facilities	-	-	-	8,828	-	-
Drainage System Projects	-	-	-	8,299	-	-
Housing and Urban Development	-	-	-	-	-	-
Building	-	-	-	4,704	-	-
Public Safety	-	-	-	-	-	-
Other Infrastructure and Development	-	-	-	11,969	-	-
Other Facilities Improvement	-	-	-	-	-	-
Other	-	-	11	-	1,490	1,257
Committed to:						
City Council Emergency Use	-	-	-	-	-	-
Drainage Projects	-	-	-	-	-	-
Water-Sewer Combination	-	-	-	-	-	-
Park Projects	-	-	-	-	-	-
Planning Projects	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-	-
Transportation Projects	-	-	-	-	-	-
Emergency and Disaster Relief	-	-	-	-	-	-
Court Projects	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Industry Development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Assigned to:						
Debt Service	-	238	-	-	-	-
Transportation Projects	-	-	-	-	-	-
Parks Projects	-	-	-	-	-	-
Planning Projects	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unassigned:						
Unassigned	-	-	-	-	-	-
Total Fund Balances	\$ -	\$ 238	\$ 11	\$ 59,143	\$ 9,754	\$ 2,543

**NONMAJOR
PERMANENT FUND**

ALL FUNDS

**CEMETERY
MAINTENANCE
FUNDS**

TOTAL

	2010	2009
\$ -	\$ 6,604	\$ 6,259
123	127	123
-	116,074	102,731
-	-	1,266
-	5,759	-
-	3,122	3,122
-	29,883	7,180
-	20,298	-
-	1,120	1,282
-	19,964	13,860
-	-	4,583
-	-	8,019
-	13,156	10,524
-	8,828	9,022
-	14,077	2,213
-	56,621	51,173
-	4,704	1,832
-	14,489	461
-	11,969	1,826
-	-	954
-	9,082	1,368
-	44,920	44,112
-	6,029	2,841
-	5,018	9,522
-	14,064	11,106
-	5,023	9,971
-	17,689	8,924
-	19,882	20,913
-	114,342	132,045
-	6,879	6,349
-	1,233	10,448
-	23,611	16,989
-	2,795	4,269
110	12,400	10,014
-	3,215	5,057
-	114	142
-	396	273
-	654	1,124
-	1,318	1,442
-	284	3,840
-	41,774	3,698
<u>\$ 233</u>	<u>\$ 657,517</u>	<u>\$ 530,877</u>

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF JACKSONVILLE, FLORIDA
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis) (in thousands)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	GENERAL FUND					VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	ENCUMBRANCES	BUDGETARY ACTUAL	
REVENUE:						
Property taxes.....	\$ 470,085	\$ 470,085	\$ 476,532	\$ -	\$ 476,532	\$ 6,447
Utility service taxes.....	129,457	129,457	126,878	-	126,878	(2,579)
Sales and use taxes.....	1,131	1,131	1,058	-	1,058	(73)
Franchise Fees.....	39,444	39,444	39,842	-	39,842	398
Licenses and permits.....	8,068	8,068	8,052	-	8,052	(16)
Intergovernmental.....	129,656	129,656	119,296	-	119,296	(10,360)
Charges for services.....	73,483	73,483	71,531	-	71,531	(1,952)
Fines and forfeitures.....	4,151	4,151	2,997	-	2,997	(1,154)
JEA Charter.....	99,188	99,188	99,188	-	99,188	-
Interest.....	12,972	12,972	13,952	-	13,952	980
Other.....	15,222	15,228	17,152	-	17,152	1,924
Total Revenue.....	982,857	982,863	976,478	-	976,478	(6,385)
EXPENDITURES AND ENCUMBRANCES:						
Central Operations.....	22,307	22,160	19,827	816	20,643	1,517
City Council.....	9,385	9,685	8,683	249	8,932	753
Clerk of the Courts.....	3,590	3,640	3,919	-	3,919	(279)
Courts.....	1,573	1,579	1,290	4	1,294	285
Environmental and Compliance.....	19,349	20,672	19,121	417	19,538	1,134
Finance.....	8,721	8,718	8,369	31	8,400	318
Fire/Rescue.....	166,839	166,893	163,997	1,203	165,200	1,693
General Counsel.....	327	722	720	-	720	2
Health Administrator.....	733	733	281	-	281	452
Housing and Neighborhoods.....	689	689	689	-	689	-
Jacksonville Children's Commission.....	7,144	7,144	5,974	307	6,281	863
Jacksonville Human Rights Commission.....	1,311	1,311	1,231	12	1,243	68
Mayor.....	2,079	2,090	2,085	-	2,085	5
Mayor's Boards and Commissions.....	426	461	455	1	456	5
Medical Examiner.....	3,178	3,162	2,850	32	2,882	280
Property Appraiser.....	9,457	9,707	9,274	12	9,286	421
Public Defender.....	944	945	944	-	944	1
Planning and Development.....	8,617	8,742	7,902	527	8,429	313
Pension Funds.....	-	-	-	-	-	-
Public Libraries.....	42,316	42,316	41,336	274	41,610	706
Public Works.....	83,243	83,208	79,019	1,458	80,477	2,731
Recreation and Community Services	54,090	51,479	48,474	1,771	50,245	1,234
State Attorney.....	441	441	359	1	360	81
Supervisor of Elections.....	9,088	9,069	5,995	217	6,212	2,857
Office of the Sheriff.....	360,384	359,674	349,409	3,592	353,001	6,673
Tax Collector.....	17,996	17,996	14,761	220	14,981	3,015
Federal Program Reserve.....	2,081	1,039	-	-	-	1,039
Contribution to Shands-Jacksonville.....	23,776	23,776	23,776	-	23,776	-
Cash Carryover Reserves.....	41,602	41,602	-	-	-	41,602
Collective Bargaining Contingency.....	(20,655)	(20,655)	-	-	-	(20,655)
Jacksonville Misc. Citywide Activities.....	48,433	50,832	49,312	45	49,357	1,475
Total Expenditures.....	929,464	929,830	870,052	11,189	881,241	48,589
EXCESS OF REVENUE OVER (UNDER)						
EXPENDITURES.....	53,393	53,033	106,426	(11,189)	95,237	42,204
OTHER FINANCING SOURCES (USES):						
Long Term Debt Issued.....	3,829	6,944	3,556	-	3,556	(3,388)
Operating transfers in.....	7,750	16,747	16,747	-	16,747	-
Operating transfers out.....	(129,397)	(134,393)	(126,335)	-	(126,335)	8,058
Total Other Financing Sources (Uses).....	(117,818)	(110,702)	(106,032)	-	(106,032)	4,670
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	(64,425)	(57,669)	394	(11,189)	(10,795)	46,874
FUND BALANCES - BEGINNING.....	110,181	110,181	110,181	-	110,181	-
Change in reserve for inventory of supplies			(510)		(510)	(510)
FUND BALANCES - ENDING.....	45,756	52,512	110,065	(11,189)	98,876	46,364

CITY OF JACKSONVILLE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

1. BUDGETARY DATA

The City uses the following procedures in establishing the budgetary data reflected in the financial statements.

A. The City adopts its budget in accordance with Chapters 129 and 200, Florida Statutes, the City Charter and Municipal Ordinance Code.

(1) The Mayor's Proposed Budget is presented to the City Council on the second Tuesday in July; the budget ordinance, millage levy ordinance and related resolutions are introduced.

(2) During the first Council meeting in September, public hearings are held on both the budget and the millage rate. Following the public hearings, the Council adopts a tentative budget and tentative millage rate. A final budget and millage is adopted by full Council, and is effective on October 1.

The City presents a Budgetary Comparison Schedule as Required Supplementary Information for the General Fund and each major special revenue fund with a legally adopted budget. For the Fiscal Year 2010, no special revenue funds met the criteria to be reported as a major fund. The City has opted to make this presentation in the format and classifications of the budget document. These schedules report actual expenditures using generally accepted accounting principles as well as expenditures on the budgetary basis, which include amounts encumbered for future spending.

B. The City adopts annual budgets for the General Fund, certain Special Revenue Funds, and Proprietary Funds. The City reports Budgetary Comparisons for its General Fund and Major Special Revenue Funds in the Required Supplementary Information section of the report. None of these funds had an excess of expenditures over appropriations for the year ended September 30, 2010. Proprietary Fund budgets are adopted for management control purposes. The City is not required to include Budgetary Comparisons for Proprietary Funds in this report. Project or program budgets, which may not coincide with the City's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds and Capital Project Funds. Budgets are not formally adopted for Debt Service Funds as internal spending controls are set by compliance with bond covenants. The Special Revenue Funds which are not annually budgeted include the following: Community Development Block Grant, Job Training Partnership Act Grant, Maintenance, Parks and Recreation, Metropolitan Planning Organization, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing and Neighborhoods, State Housing Initiative Partnership, Non-Budgeted General Government, Clerk of Court, and American Recovery & Reinvestment Act.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

1. BUDGETARY DATA (continued)

C. Level of Budgetary Control - Expenditures may not exceed appropriations and are controlled in the following manner:

(1) The budget is adopted by ordinance which sets the legal level of control at the fund level by department.

(2) The City adopted more stringent administrative policies that control expenditures at the major category (Personal Services, Operating Expense, Capital Outlay, Debt Service) level within divisions within individual funds.

(3) The City, additionally, adopted a Municipal Ordinance Code Policy that provides transfer authority to the mayor, without City Council approval, within an individual fund if the total transferred funds for a specific purpose, project or issue is under \$750,000 during the fiscal year. These transfers are reported to the Finance Committee on a quarterly basis.

D. Supplemental Appropriations - The City Council may, through passage of an ordinance, amend the budget in any manner permissible under state and local law, with one exception. Bond covenants, trust and agency agreements, and certain clauses of ordinances in effect may restrict certain budgetary items in terms of amount or use.

In certain instances the City may supplement the appropriations in a fund due to unexpected high levels of receipts or under estimates of carry forward balances. Supplemental appropriations to the Fiscal Year 2010 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

E. All appropriations in annually budgeted funds, except for amounts corresponding to outstanding encumbrances, lapse at year-end or at the close of the authorizing project/program, unless specifically carried forward by ordinance.

F. Formal budgetary integration is used as a management control device for all funds of the City, except certain Debt Service Funds as explained in Note to RSI 1.C.

G. The Clerk of the Circuit Court's general fund budget for county activities is approved annually by the City Council. As displayed in the preceding RSI schedule, the Clerk exceeded the approved budget by \$279,000 and was not in compliance with the City's adopted budget ordinance.

H. The Clerk of the Circuit Court special revenue fund budget is not approved by the City. The Court subfund is submitted and approved by the State and is based on the State's July 1st to June 30th fiscal year. The Court's Public Records Modernization Trust subfund and Child Support Enforcement Trust subfund are not budgeted. This special revenue fund does not meet the annually budgeted criteria.

I. The City's Annual Financial Plan, or published budget document, may be obtained from the City's Budget Office located at 117 West Duval Street, Suite 325, Jacksonville, Florida 32202.

City of Jacksonville, Florida
Required Supplemental Information
Schedule of Employer Contributions
City of Jacksonville Retirement System
September 30, 2010
(in thousands)

<u>Plan Year Ending September 30</u>	<u>Annual Required Contributions</u>	<u>City Cash Contributions</u>	<u>Alloted from Past Excess Contributions</u>	<u>Total Employer Contributions</u>	<u>Percentage Contributed</u>
Combined Plans					
2001	\$ 12,235	\$ 125	\$ 12,110	\$ 12,235	100%
2002	12,724	-	12,724	12,724	100%
2003	19,003	8	18,995	19,003	100%
2004	25,775	23,773	2,002	25,775	100%
General Employees Pension Plan					
2005	\$ 27,724	\$ 14,607	13,117	\$ 27,724	100%
2006	28,670	7,934	20,736	28,670	100%
2007	29,297	29,581	-	29,581	101%
2008	29,371	29,488	-	29,488	100%
2009	29,491	29,530	-	29,530	100%
2010	38,612	40,551	-	40,551	105%
Corrections Officers Plan					
2005	\$ 3,233	\$ 1,787	1,446	\$ 3,233	100%
2006	1,917	1,917	-	1,917	100%
2007	1,830	2,482	-	2,482	136%
2008	4,329	4,350	-	4,350	100%
2009	5,268	5,101	146	5,247	100%
2010	9,097	9,491	-	9,491	104%

Certain adjustments are made to the annual required contribution if the plan carries a net pension obligation (NPO) The net pension obligation (asset if a credit) is defined in GASB No. 27 as the cumulative difference at the date of adoption (or transition) between annual requirements and actual contributions plus the cumulative difference between the requirements and contributions after that date. For 2010, additional interest credits attributable to the timing of contribution payments resulted in a net pension credit (negative NPO) of \$2,343 thousand for the plan as a whole represented by a net pension credit (negative NPO) of \$2,095 thousand for General Employees and \$248 thousand for Corrections.

Note that the net pension asset is not the same as "past excess contributions," which stands for the difference, including interest, between the City's contributions for a plan year and that year's funding requirement determined as though the fund's assets did not include any contributions made in a prior year in excess of that year's requirement.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE AND FIRE RETIREMENT SYSTEM
SEPTEMBER 30, 2010**

(in thousands)

Plan Year Ending Sept., 30	Annual Required Contributions	City Cash Contributions	Allocated from CBSA	Court Fines	Premium Tax Refunds	Total Employer Contributions	Total Member Contributions	Percentage Contributed
2005	50,727	25,851	8,753	1,325	5,216	41,145	9,582	100%
2006	53,263	34,712	2,106	1,412	5,388	43,618	9,646	100%
2007	55,927	42,866	(4,358)	1,342	5,720	45,570	10,357	100%
2008	65,389	47,145	443	1,219	5,931	54,738	10,651	100%
2009	67,993	49,246	329	989	6,222	56,787	11,207	100%
2010	99,018	81,171	(1,021)	1,026	6,322	87,497	11,521	100%

NOTES:

In all years shown, 100% of the ARC has been contributed thus producing a Net Pension Obligation of \$0 for all years.

City Cash Contributions shown above do not include employer buyback contributions.

Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

See accompanying notes.

City of Jacksonville, Florida
Required Supplemental Information
Schedule of Funding Progress
City of Jacksonville Retirement System
September 30, 2010
(in thousands)

Valuation Date	Actuarial Value of Assets (2) (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Combined Plans						
9/30/2001	\$ 1,459,649	\$ 1,511,829	\$ 52,180	96.55%	\$ 234,684	22.2%
9/30/2002	1,425,708	1,528,742	103,034	93.26%	243,446	42.3%
9/30/2003	1,426,783	1,611,958	185,175	88.51%	237,373	78.0%
9/30/2004	1,496,315	1,810,451	314,136	82.65%	236,540	132.8%
General Employees Pension Plan						
9/30/2005	\$ 1,509,710	\$ 1,734,997	\$ 225,287	87.02%	226,819	99.3%
9/30/2006	1,593,296	1,812,972	219,676	87.88%	237,108	92.6%
9/30/2007	1,712,461	1,904,929	192,468	89.90%	248,887	77.3%
9/30/2008	1,673,435	2,004,279	330,844	83.49%	262,345	126.1%
9/30/2009	1,591,345	2,065,464	474,119	77.05%	276,257	171.6%
9/30/2010	1,640,892	2,163,080	522,188	75.86%	322,531	161.9%
Corrections Officers Plan						
9/30/2005	\$ 60,106	\$ 75,151	\$ 15,044	79.98%	26,256	57.3%
9/30/2006	68,791	104,126	35,335	66.07%	27,702	127.6%
9/30/2007	78,458	116,945	38,487	67.09%	27,083	142.1%
9/30/2008	83,056	137,830	54,774	60.26%	26,334	208.0%
9/30/2009	86,358	181,031	94,673	47.70%	27,661	342.3%
9/30/2010	97,464	204,384	106,920	47.69%	32,329	330.7%

(1) Actuarial Assumptions provided in the notes to financial statements

(2) Net of the unassigned past-excess contributions separate account

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
POLICE AND FIRE RETIREMENT SYSTEM
SEPTEMBER 30, 2010**

(in thousands)

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
09/30/05	765,180	1,314,424	549,244	58.21%	130,392	421.23%
09/30/06	827,338	1,376,659	549,321	60.10%	134,694	407.83%
09/30/07	930,454	1,464,508	534,054	63.53%	143,006	373.45%
09/30/08	894,903	1,692,975	798,071	52.86%	148,277	538.23%
09/30/09	855,997	1,753,946	897,949	48.80%	155,558	577.24%
09/30/10	861,243	(2) 1,840,753	979,510	46.79%	158,047	619.76%

(1) Actuarial Assumptions provided in the notes to the financial statements.

(2) This account was redefined by the Restated Agreement effective April 1, 2000. As of September 30, 2010, the value of the City Budget Stabilization Account was \$339,295 and the Enhanced Benefit Account was \$15,306,054. These amounts are not included in the Actuarial Value of Assets.

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
SEPTEMBER 30, 2010**

(in thousands)

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AIL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
9/30/2007	\$ 175,117	\$0	\$ 175,117	0.0%	\$ 370,069	47.3%
9/30/2009	\$ 136,879	\$0	\$ 136,879	0.0%	\$ 386,761	35.4%
9/30/2010	\$ 139,600	\$0	\$ 139,600	0.0%	\$ 393,800	35.5%

Actuarial Assumptions provided in the notes to financial statements. The City is not funding the AAL.

The decrease in Actuarial Accrued Liability (AAL) from fiscal years 2007 to 2009 and 2010 were due to the following:

- (a) A 4.5% discount rate was used in fiscal year 2009 and 2010 as compared to a 4.0% discount rate in fiscal year 2007.
- (b) Used marginally lower participation assumptions based on actual data provided by the City.
- (c) The other key assumption that changed was the treatment of retirees who are not eligible for Medicare.

Based on the information provided by the City's health insurance carrier (Aetna), fiscal years 2009 and 2010 assumed that 10% of the current retirees would not be eligible for Medicare.

Single Audit



Independent Auditor's Report on
Compliance With Requirements Applicable to Each Major
Federal Program and State Project and on Internal
Control Over Compliance in Accordance with OMB Circular A-133
and Chapter 10.550, Rules of the Auditor General

To the Honorable Mayor and Members of the City Council
City of Jacksonville, Florida
Jacksonville, Florida

Compliance

We have audited the compliance of City of Jacksonville (the "City") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state financial assistance projects for the year ended September 30, 2010. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, Jacksonville Transportation Authority, Jacksonville Port Authority, Water and Sewer Expansion Authority, and the Police and Fire Rescue Pension Plan Trust Fund, for which any federal or state grant activity is not included in the schedules of expenditures of federal awards and state financial assistance. Our audit, described below, did not include the operations of Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, and the Water and Sewer Expansion Authority because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133 and/or Chapter 10.550, Rules of the Auditor General, State of Florida, if applicable. The audit described below also does not include the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Auditor General, State of Florida.

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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Auditor General, State of Florida. Those standards, OMB Circular A-133 and Chapter 10.550, 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 or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA 2010-1, FA 2010-2 and FA 2010-4.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, 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 City's internal control over compliance.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 or state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FA 2010-3 to be a material weakness.

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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2010-1 and FA 2010-2 to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, applicable federal and state grantor and pass-through agencies, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Jacksonville, Florida
June 20, 2011

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
PASSED THROUGH STATE DEPARTMENT OF HEALTH:				
Child and Adult Care Food Program	10.558	S-1104	\$ 1,135,835	\$ -
Child and Adult Care Food Program	10.558	**	144,455	-
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Summer Food Service Program for Children	10.559	9029-01	986,023	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,266,313	\$ -
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
Community Development Block Grant / Entitlement Grants	14.218	B0607MC120010	\$ 6,671,014	\$ -
Community Development Block Grant – Neighborhood Stabilization	14.218	B08UN12007	8,579,120	-
Emergency Shelter Grants Program	14.231	S09UN12006	298,993	298,993
Housing Opportunities for Persons with Aids	14.241	FL29H09F001	2,225,771	1,181,611
Home Investment Partnership Program	14.239	M0608MC120209	4,145,884	2,817,004
ARRA-Community Development Block Grant – Entitlement Grants (Recovery Act Funded)	14.253-ARRA	B09UY120017	811,987	811,987
ARRA-Homeless Prevention-Financial Assistance	14.257-ARRA	S09UY12006	1,104,520	1,104,520
ARRA-Homeless Prevention-Housing-Stabilization	14.257-ARRA	S09UY12006	316,267	316,267
ARRA-Homeless Prevention-Evaluation	14.257-ARRA	S09UY12006	104,455	76,415
ARRA-Homeless Prevention-Rapid Housing	14.257-ARRA	S09UY12006	125,684	125,684

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
ARRA-Homeless Prevention-Rehousing Stabilization	14.257-ARRA	S09UY12006	35,762	35,762
Fair Housing Assistance Program-State & Local	14.401	FF204K004024	138,713	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 24,558,170	\$ 6,768,243
<u>U.S. DEPARTMENT OF INTERIOR</u>				
PASSED THROUGH FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION:				
Metro Park Marina	15.622	8275	\$ 267,090	\$ -
PASSED THROUGH STATE DEPARTMENT OF STATE:				
Historical Preservation Fund Grants	15.904	**	50,000	-
TOTAL U.S. DEPARTMENT OF INTERIOR			\$ 317,090	\$ -
<u>U.S. DEPARTMENT OF JUSTICE</u>				
DIRECT PROGRAMS:				
Supervised Visitation, Safe Havens for Children	16.527	2006CWAX0030	\$ 126,874	\$ -
Edward Byrne Memorial State & Local Law	16.580	2007DDBX0666	566,399	-
Grants to Encourage Arrest Policies & Enforcement	16.590	2008WEAX0031	274,920	-
Weed and Seed Initiative	16.595	2009WSQX0172	63,992	-
State Criminal Alien Assistance Program	16.606	2008APBX0416	24,533	-
Public Safety and Community Policing Grant	16.710	2009CKWX0569	572,565	-
ARRA-Public Safety and Policing-COPS	16.710-ARRA	2009RJWX0027	1,715,137	-
Edward J. Byrne Memorial Justice Assistance- Juvenile Justice Implementation Strategies	16.738	2007DJBX0248	36,735	-
Edward J. Byrne Memorial Justice Assistance- Juvenile Justice Implementation Strategies	16.738	2007DJBX0538	21,837	-
Edward J. Byrne Memorial Justice Assistance-School	16.738	2007DJBX0248	1,042	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
Edward J. Byrne Memorial Justice Assistance-School	16.738	2007DJBX0538	17,351	-
Edward J. Byrne Memorial Justice Assistance- Inmate Violence	16.738	2007DJBX0248	18,775	-
Edward J. Byrne Memorial Justice Assistance - Re-Entry	16.738	2007DJBX0248	1,295	-
Edward J. Byrne Memorial Justice Assistance	16.738	2009DJBX1256	551,302	-
Edward J. Byrne Memorial Justice Assistance - Re-Entry	16.738	2007DJBX0538	6,439	-
Congressionally Recommended Awards	16.753	2009DEBX0143	1,122,066	-
ARRA-Edward Byrne JAG-Journey	16.804-ARRA	2009SBB92640	2,358,645	1,444,815
PASSED THROUGH OFFICE OF STATE COURTS ADMIN				
ARRA-Edward Byrne JAG-Drug Court	16.803-ARRA	2010ARRCSTATE3 W7133	34,642	-
PASSED THROUGH STATE DEPARTMENT OF CORRECTIONS				
Second Chance for Prisoner Re-entry Initiative	16.812	C2954	40,399	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	VO9243	131,455	-
PASSED THROUGH STATE FLORIDA, DEPARTMENT OF LAW ENFORCEMENT:				
Community Prosecution & Project Safe Neighborhood	16.609	2008PMGVDUVA1R 8001	14,826	-
P. Coverdell Forensic Science Improvement Grants	16.742	**	3,885	-
ARRA-Edward Byrne JAG-Public Service	16.803	**	157,350	117,541
ARRA-Edward Byrne JAG-Public Safety	16.803	**	649,019	-
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 8,511,483	\$ 1,562,356

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>U.S. DEPARTMENT OF LABOR</u>				
DIRECT PROGRAMS:				
Youthbuild	17.274	YB190910960A12	\$ 307,016	\$ -
Homeless Veterans Reintegration Project	17.805	HV164400760512	<u>236,327</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>\$ 543,343</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
Highway Planning & Construction-St. John River Ferry	20.205	ANJ86	\$ 340,503	\$ -
Highway Planning & Construction-St. John River Ferry III	20.205	AO984	309,813	-
Highway Planning & Construction-Timucuan	20.205	AJ130	280,203	-
Highway Planning & Construction-Water Taxi	20.205	A0542	40,332	-
Highway Planning & Construction-Edward Waters College	20.205	AO065	450,290	-
Highway Planning & Construction-Baymeadows	20.205	AOE25	325,757	-
Highway Planning & Construction-Springfield Rd	20.205	AOQ06	517,902	-
Highway Planning & Construction-Argyle Forest Blvd	20.205	9096-42	33,760	-
Highway Planning & Construction-W Central Civic Core	20.205	9096-32	28,684	-
Highway Planning & Construction-MS4 Permit	20.205	8326-19	8,640	-
Highway Planning & Construction-Fort George	20.205	AOU30	<u>400,764</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>\$ 2,736,648</u>	<u>\$ -</u>

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	**	\$ 95,400	\$ -
TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			\$ 95,400	\$ -
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Grants to States-VASE	45.310	**	\$ 76,548	\$ -
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			\$ 76,548	\$ -
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	A004025100	\$ 433,200	\$ -
Surveys, Studies, Investigation, Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034	A004250940	93,249	-
Environmental Justice Small Grants Program	66.604	EQ954182090	9,748	-
Brownfield Cleanup Revol. Loan Grant	66.811	BF96426905	131,244	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			\$ 667,441	\$ -
<u>U.S. DEPARTMENT OF ENERGY</u>				
DIRECT PROGRAMS:				
ARRA-Energy Efficient Appliance Rebate Program	81.127	DEEE000777	\$ 129,138	\$ -
			\$ 129,138	\$ -

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Fund for Improvement of Education	84.215	U215K090061	\$ 193,262	\$ 193,262
Fund for Improvement of Education	84.215	U215K090061	35,689	35,689
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Center	84.287	**	468,976	-
Twenty-First Century Community Learning Center	84.287	**	<u>578,190</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,276,117</u>	<u>\$ 228,951</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Help America Vote Act Requirements Payments	90.401	**	\$ 110,579	\$ -
Help America Vote Act Requirements Payments	90.401	200920100001A	<u>12,450</u>	<u>-</u>
TOTAL U.S. ELECTION ASSISTANCE COMMISSION			<u>\$ 123,029</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
SAMHS Projects of Regional & Nat. Sig.	93.243	1H79TI01994201	\$ 219,861	\$ -
SAMHS Projects of Regional & Nat. Sig.	93.243	1H79T102190301	279,586	-
HIV Emergency Relief Project Grants	93.914	H3MHA08464A0	373,136	373,136
HIV Emergency Relief Project Grants	93.914	H89HA00039	3,023,728	2,876,993
HIV Emergency Relief Project Grants	93.914	H89HA00039	3,281,208	3,118,888

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement- Service of Process	93.563	CS616	151,744	-
Child Support Enforcement	93.563	CD316	872,854	-
Child Support Enforcement- Writ of Attachments	93.563	CS616	57,981	-
PASSED THROUGH STATE OF FLORIDA , DEPARTMENT OF CHILDREN & FAMILIES:				
Refugee & Entrant Assistance-State Adm. Prog.	93.566	**	290,079	-
Temporary Assistance for Needy Families-Ounce	93.558	HF091002	148,909	-
Community Based Family Resource and Support Grants	93.558	HF091002	14,797	-
Temporary Assistance for Needy Families-Ounce	93.558	HF091102	33,807	-
Community Based Family Resource and Support Grants	93.558	HF091102	3,359	-
PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION:				
Child Care and Development Block Grant	93.575	ELC	18,707,067	-
Child Care and Development Block Grant	93.575	ELC	6,686,841	-
ARRA-Child Care and Development Block Grant	93.713-ARRA	ELC	1,778,147	-
ARRA-Child Care and Development Block Grant	93.713-ARRA	ELC	610,471	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Social Program for the Aging-Title III, Part B	93.044	A009CJ	103,986	-
Social Program for the Aging-Title III, Part B	93.044	**	308,590	-
Social Program for the Aging-Title III, Part B	93.044	A009CJ	11,500	-
Social Program for the Aging-Title III, Part B	93.044	**	593,948	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
Nutrition Services Incentive Program	93.053	U010CJ	85,636	-
Nutrition Services Incentive Program	93.053	U009CJ	73,921	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 37,711,156</u>	<u>\$ 6,369,017</u>
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	10SRSFL03	\$ 44,949	\$ -
Retired & Senior Volunteer Program	94.002	07SRSFL005	23,116	-
Foster Grandparent Program	94.011	09SFSFL004	357,838	-
Foster Grandparent Program	94.011	08SF089430	3,018	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	X1711	738	-
Senior Companion Program	94.016	1010CJ	<u>21,049</u>	<u>-</u>
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			<u>\$ 450,708</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Public Assistance Grant-Hurricane Fay	97.036	**	\$ 38,265	\$ -
AFG-Training Equipment	97.044	EMW2008FP02178	17,836	-
Cooperating Technical Partners	97.045	EMA2006CA5645	597,107	-
Port Security Grant Program	97.056	2007GBT70141	2,456,052	-
Port Security Grant Program	97.056	2006GBT60081	91,579	-
Homeland Security Biowatch Program	97.091	**	244,844	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
PASSED THROUGH DEPARTMENT OF COMMUNITY AFFAIRS:				
Flood Mitigation Assistance (FMA)	97.029	07FM71042602192	227,282	-
Flood Mitigation Assistance (FMA)	97.029	07FM2304260235	46,641	-
Flood Mitigation Assistance	97.029	10SL57042602	1,833	-
Public Assistance Grant-H1N1 Swine Flu	97.036	70070201453	33,617	-
Public Assistance Grant-Hurricane Fay	97.036	**	6,378	-
Hazard Mitigation	97.039	10HM41042602001	63,512	-
Hazard Mitigation	97.039	09HM12042602007	136	-
Emergency Management Performance Grants	97.042	08BG24042601	102,724	-
Emergency Management Performance Grants	97.042	09BG20042601088	147,273	-
Hazard Material Sustainment	97.067	09DS51130016409	110,388	-
Homeland Security Program Grant	97.067	09DS5104260109	73,680	-
Homeland Security Grant Program-CERT	97.067	09CI49042602314	10,078	-
Homeland Security Grant Program-CERT	97.067	10CI43042602383	3,422	-
Homeland Security Grant Program-Urban	97.067	08DS62042601271	1,510,699	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	09DS48042601383	1,757,286	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	10DS48042601	157,234	-
Homeland Security Grant Program-Metro Medical Response	97.067	08DS65042602346	112,380	-
Homeland Security Grant Program-Metro Medical Response	97.067	09DS44042602447	73,159	-
Repetitive Flood Claims Program	97.092	09DS31042601302	236,486	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
Repetitive Flood Claims Program	97.092	10RF53042602	236,593	-
Severe Loss Repetitive Program	97.110	09SR47042602282	36,047	-
Severe Loss Repetitive Program	97.110	09SR47042602425	57,389	-
Severe Loss Repetitive Program	97.110	10SL57042602	440	-
Severe Loss Repetitive Program	97.110	10SL57042602	189,251	-
Severe Loss Repetitive Program	97.110	10SL57042602	1,607	-
Severe Loss Repetitive Program	97.110	10SL57042602	1,676	-
PASSED THROUGH FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION				
Homeland Security Grant	97.067	9115	183,840	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT				
Homeland Security Grant Program-SWAT	97.067	2009SHSPDUVA1V3009	38,732	-
Buffer Zone Protection Program	97.078	BZPPDUVA1VA006	173,685	-
Homeland Security Grant Program-Aviation GAP	97.067	SHSPDUVA2V3008	76,828	-
PASSED THROUGH FLORIDA DEPARTMENT OF FINANCIAL SERVICES				
Homeland Security Grant Program-Sustainment	97.067	08DS60130016373	31,671	-
Homeland Security Grant Program-Sustainment	97.067	07DS5N130016007	65,868	-
Homeland Security Grant Program-Sustainment	97.067	DS5N130016217	191,656	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 9,405,174</u>	<u>\$ -</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 88,867,758</u>	<u>\$ 14,928,567</u>

** not available

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2010**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>FLORIDA EXECUTIVE OFFICE OF GOVERNOR</u>				
DIRECT PROGRAMS:				
Economic Development Transportation Fund	31.002	**	\$ 99,248	\$ -
Brownfield Development	31.011	OT99112	5,283	-
Military Base Protection	31.044	DIG 07-02	29,200	-
Military Base Protection	31.044	**	72,000	-
Military Base Protection	31.044	DRG-09-01	83,333	-
TOTAL FLORIDA EXECUTIVE OFFICE OF THE GOVERNOR			<u>\$ 289,064</u>	<u>\$ -</u>
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION:</u>				
DIRECT PROGRAMS:				
Beach Erosion Grant	37.003	00DU1	17,355	-
FL. Development Asst. Program	37.017	9122	132,673	-
FL. Development Asst. Program	37.017	F8098	180,000	-
FL. Development Asst. Program	37.017	9123	29,160	-
Petroleum Contamination Site Cleanup (Task 8)	37.024	GC-625	781,504	-
Petroleum Contamination Site Cleanup (Task 9)	37.024	**	255,156	-
Statewide Surface Water Restoration & Wastewater- Magnolia Gardens	37.039	LP6736	151,417	-
Statewide Surface Water Restoration & Wastewater	37.039	SP592	(38,731)	-
Statewide Surface Water Restoration & Waterwater- Lower St. Johns River Basin	37.037	**	5,419	-
Statewide Surface Water Restoration & Wastewater- Cedar River	37.039	SO271	22,400	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2010**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
Statewide Surface Water Restoration & Wastewater-SJWMD	37.039	24903	4,364,925	4,364,925
Ambient Air Monitoring Agreement	37.042	SO336	52,663	-
Ambient Air Monitoring Agreement	37.042	**	18,705	-
Delegated Title V Air Pollution Control	37.043	**	128,880	-
Delegated Title V Air Pollution Control	37.043	SO493	399,620	-
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION:			6,501,146	4,364,925
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES:</u>				
DIRECT PROGRAMS:				
Mosquito control	42.017	13071	37,683	-
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			37,683	-
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE:</u>				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	09ST24	243,303	-
State Aid to Libraries	45.030	08ST25	497,706	-
State Aid to Libraries	45.030	07ST25	241,008	-
State Aid to Libraries	45.030	10ST24	625,596	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE:			\$ 1,607,613	\$ -

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2010**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>DEPARTMENT OF COMMUNITY AFFAIRS:</u>				
DIRECT PROGRAMS:				
Florida Forever Act-Yellow Creek	52.002	04CT8K02F2A1086	\$ 65,072	\$ -
Florida Forever Act-Sal Taylor Creek	52.002	04CT9Q03F3A1048	80	-
Emergency Management Projects	52.023	10CP04042602184	<u>23,034</u>	<u>-</u>
TOTAL DEPARTMENT OF COMMUNITY AFFAIRS			<u>\$ 88,186</u>	<u>\$ -</u>
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	52.901	HFC01	\$ 173,245	\$ -
State Housing Initiatives Partnerships	52.901	HFC01	158,511	-
State Housing Initiatives Partnerships	52.901	HFC01	513,067	-
State Housing Initiatives Partnerships	52.901	HFC01	676,576	-
State Housing Initiatives Partnerships	52.901	**	15,529	-
State Housing Initiatives Partnerships	52.901	**	790,064	-
State Housing Initiatives Partnerships	52.901	**	732,359	-
State Housing Initiatives Partnerships	52.901	**	120,862	-
State Housing Initiatives Partnerships	52.901	**	<u>894,530</u>	<u>-</u>
TOTAL FLORIDA HOUSING FINANCE CORPORATION			<u>\$ 4,074,743</u>	<u>\$ -</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>				
DIRECT PROGRAMS:				
Florida Highway Beautification Council Grants	55.003	AP0-05	\$ 13,509	\$ -
County Incentive Grant Program-Collins/Rampart	55.008	AL861	354,622	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2010**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
County Incentive Grant Program-Main St.	55.008	AM957	606,851	-
State Infrastructure Bank - JTB Ramps	55.020	AOI87	8,201,235	-
State Infrastructure Bank - Intercoastal Bridge	55.020	ANQ90	7,405,033	-
State Highway Project Reimbursement-Winona Dr	55.023	**	585,374	-
State Highway Project Reimbursement-Edgewood Resurfacing	55.023	AO186	647,358	-
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 17,813,982	-
<u>DEPARTMENT OF HEALTH:</u>				
DIRECT PROGRAMS:				
County Grant Awards	64.005	C8016	\$ 138,887	\$ -
County Grant Awards	64.005	C9016	255,836	-
TOTAL DEPARTMENT OF HEALTH			\$ 394,723	\$ -
<u>DEPARTMENT OF ELDER AFFAIRS:</u>				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families	65.006	R009CJ	\$ 60,341	\$ -
Respite for Elders Living in Everyday Families	65.006	R010CJ	18,111	-
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			\$ 78,452	\$ -
<u>DEPARTMENT OF MANAGEMENT</u>				
<u>SERVICES:</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System	72.001	**	\$ 185,293	-
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			\$ 185,293	-

(Continued)

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2010**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUBRECIPIENT
<u>DEPARTMENT OF REVENUE:</u>				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise	73.016	**	\$ 2,166,671	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			<u>\$ 2,166,671</u>	<u>\$ -</u>
<u>FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION:</u>				
DIRECT PROJECTS:				
Florida Boating Improvement Program-Derelict	77.006	7078	\$ 7,191	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			<u>\$ 7,191</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 33,244,747</u></u>	<u><u>\$ 4,364,925</u></u>

** not available

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

**Notes to Schedule of
Expenditures of Federal Awards
And State Financial Assistance**

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2010

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Jacksonville, Florida (the "City") for the year ended September 30, 2010. The schedules do not include the grant activity of the City's discretely presented component units, the Jacksonville Aviation Authority, the JEA, the Jacksonville Port Authority and the Jacksonville Transportation Authority. Activity for the discretely presented component units is reported on separately. The schedules are presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.500, Rules of the Auditor General.

Note 2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the federal programs with CFDA numbers 14.218 and 14.253 were deemed to be a cluster of programs and were tested accordingly.

Note 3. U.S. Department of Housing & Urban Development Section 108 Loan Guarantee Program

The City participates in the U.S. Department of Housing and Urban Development ("HUD") Section 108 Loan Guarantee Program. These notes are guaranteed under Section 108 of Title 1 of the Housing and Urban Development Act of 1974 and a pledge of certain future Community Development Block Grant revenues. The Section 108 Loan Guarantee Program is considered federal financial assistance under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Federal Single Audit Act. As of September 30, 2010, the City had notes outstanding as follows:

U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2014, with interest ranging from 4.79% to 5.19%	\$ 1,860,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2012, with interest ranging from 0.56% to 0.86%	160,000
U.S. Government Guaranteed Note Payable, Series 2010 payable in semi-annual installments to 2015, with interest ranging from 0.56% to 2.20%	1,420,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.56% to 2.66%	685,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.56% to 2.66%	440,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2015, with interest ranging from 0.56% to 2.20%	280,000
Total outstanding principal amounts	<u><u>\$ 4,845,000</u></u>

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

 X Yes _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 X Yes _____ 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 major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 X Yes _____ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grants – Entitlement

14.253

Community Development Block Grants – Entitlement – ARRA

14.257

Homeless Prevention and Rapid Re-Housing Program

16.710 & 16.710-ARRA

Community Oriented Policing Services Grant

16.804

Edward Byrne Memorial Justice Assistance Grant

93.575

Child Care and Development Block Grant

93.713

Child Care and Development Block Grant - ARRA

93.914

HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 2,666,033

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended September 30, 2010

State Financial Assistance

Internal control over major programs:

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 programs:

_____ Unqualified _____

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?

_____ Yes _____ X No

Identification of major programs:

CFDA Number(s)
 45.030
 55.020

Name of State Program or Project
 State Aid to Libraries
 State-Funded State Infrastructure Bank
 Loan Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 987,562

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section II – Financial Statement Findings

A. Internal Control Over Financial Reporting

IC 2010-1 – Segregation of Duties – Clerk of the Courts Office

Criteria: An effective system of internal control is premised on a reasonable, cost-effective segregation of critical accounting functions, so that no one individual has control or access to all phases of an accounting transaction without some independent verification by another employee.

Condition: We noted that the Clerk has several employees who have the responsibility and function of entering invoices for payment, printing checks, and reconciling bank accounts to the accounting subsidiary ledger.

Context: The finding is considered systemic in nature.

Cause: The Clerk has not adequately distributed the duties of the various key functions to its accounting personnel.

Effect: The lack of an adequate segregation of duties can result in the misappropriation of the Clerk's assets.

Recommendation: To the extent possible, duties and key accounting functions such as entering invoices for payment, printing checks, and reconciling bank accounts to the accounting subsidiary ledger, should be segregated and be performed by separate individuals.

Views of Responsible Officials and Planned Corrective Action: The court system generates a considerable amount of time sensitive paperwork which places exceptional demands upon accounting's limited staff. It is the position of the Clerk to minimize wherever possible any risks associated with accounting controls. The audit finding is well received, and additional adjustments have been implemented to further segregate accounting functions. The detailed work for the monthly bank reconciliation has been shifted to the desk of another qualified individual who has no responsibilities for writing checks. Regarding any risks involved with staff authorized to produce checks, additional supervisory review of payment journals is in place to assure that only legitimate and authorized payments are being processed.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

A. Internal Control Over Financial Reporting (Continued)

IC 2010-2

Schedule of Expenditures of Federal Awards

Criteria: OMB Circular A-133 Section 310(b), requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. The SEFA should be presented fairly in all material respects in relation to the auditee's financial statements taken as a whole. To ensure accuracy and completeness, the SEFA and the financial statements should be reconciled. In addition, Section 310(b) of OMB Circular A-133 minimum requirements state that the schedule be prepared for the same period covered by the financial statements. Transactions should be recorded in the accounting system and reported on the schedule in the fiscal period in which they occur.

Condition: On the SEFA presented for audit, the City's Jacksonville Children's Commission (JCC) reported total expenditures of \$27,465,972, under the Child Care and Development Block Grant (CCDBG) and the Recovery Act – Child Care & Development Block Grant (CCDBG-R) for the fiscal period ended September 30, 2010. Amounts reported as granted to the City did not properly reconcile to recorded and reported expenditures as of 2010 on the City's SEFA. Contrary to OMB Circular A-133 guidance, the City reported expenditures under the grant when the cash disbursement was made rather than the prescribed methodology of reporting when the expenditure or expense transactions occur. As a result, the City's 2009 SEFA was understated by \$2,008,838 and the 2010 SEFA was understated by \$196,123 which represented the difference between the 2010 expenditures that should have been accrued and removal of the expenditures related to fiscal year 2009. The program amounts have been corrected to properly reflect 2010 expenditures on the SEFA presented herein.

Additionally, the City's Recovery-funded Public Safety and Policing – COPS grant reported \$1,782,089 as total expenditures for the fiscal period ended September 30, 2010. The amount reported as granted to the City did not properly reconcile to expenditures for fiscal year 2010 on the City's SEFA. The City included in the SEFA presented for audit expenditures which were not eligible for reimbursement under the grant program. While the City did not report these expenditures to the funding agency nor did they request reimbursement for such expenditures, the SEFA presented for audit was overstated by \$66,952.

Effect: By not recording expenditures when incurred and including non-grant related expenditures, the SEFA was not accurate and the City may have potentially failed to have a major program identified and audited pursuant to OMB Circular A-133. Failure to properly report all program expenditures in the fiscal year in which the expenditure occurred may also result in underreporting to the granting agency of actual fiscal year activity.

Recommendation: We recommend that the City revise its control procedures for determining amounts to be reported on the SEFA to ensure amounts reported are accurately classified, complete and in accordance with federal rules and regulations. We also recommend that the JCC review its procedures to ensure that the methodology used to identify amounts for reporting are appropriate and the amounts reported are accurate and complete. The City should provide a reminder to all departments submitting grant-related expenditures to ensure all amounts are properly reflected, including any accrued expenditures.

View of Responsible Officials and Planned Corrective Action: The City concurs with the recommendations and has recently implemented additional policies and procedures to enforce compliance with the requirements as specified above.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

B. Compliance and Other Matters

None reported.

Section III – Findings and Question Costs for Federal Awards and State Projects

FA 2010-1

Davis-Bacon Act

U.S. Department of Housing and Urban Development (HUD) –
Community Development Block Grant – Entitlement – ARRA (CFDA No. 14.253)

Criteria: OMB Circular A-133 and Section 1606 of the American Recovery and Reinvestment Act of 2009 (ARRA) provides that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirement of the Davis-Bacon Act and the Department of Labor regulations (29 CFR Part 5.5(a)(3)(ii)(A), “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”) and the Federal contracting/assisting agencies must include the standard Davis-Bacon contract clauses found in 29 CFR 5.5(a) in bid solicitations and resultant covered construction contracts that are in excess of \$2,000 for construction, alteration or repair, regardless of the amount of ARRA funding or assistance. In addition, the Davis-Bacon Act provides that all laborers and mechanics employed by contractors and subcontractors on projects funded by this grant shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 and the Copeland Act, section 3145 of title 40, United States Code (ARRA Sec. 1606).

Condition: Our testing disclosed that the City’s records did not contain evidence of compliance with the Federal Davis-Bacon Act of standard clauses found in 29 CFR 5.5(a) resultant covered construction contracts, and did not adequately monitor certified payrolls submitted by contractors and subcontractors submitted weekly for compliance with the Federal Wage Rate Decision. We also noted 9 laborers in connection with the CDBG-R program were not paid the prevailing wage rates per the Federal Wage Rate Decision.

Our testing of construction contracts included reviewing bid documentation and contracts for the Davis-Bacon provisions, and testing payroll data received from contractors for complying with the prevailing Federal wage rate. Our testing disclosed total labor costs of \$73,794 of which approximately 2% of total labor costs were not paid in accordance with the prevailing Federal wage rate.

Questioned costs: \$1,242

Context: This condition is considered to be systemic in nature.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

Effect: Non-compliance with Davis-Bacon Act by a contractor/subcontractor could occur and not be detected or followed up on by the City in a timely manner. In addition, failure to monitor and review the Davis-Bacon Act requirements in accordance with HUD regulations could result in ineligible payments resulting in underpayments or overpayments of the Federally mandated rate. This could result in disallowed costs that would have to be repaid to the granting agency by the City.

Cause: The City's policies and procedures were not adequate to ensure compliance with Federal requirements with the Davis-Bacon Act under the grant, OMB Circular A-133 Compliance Supplement, and Section 1606 of ARRA.

Recommendation: The City should document remediation of payment by the contractor(s) to the laborer(s) such that all laborers are paid pursuant to the Federally mandated rates. The City should also implement additional procedures to monitor contractors and subcontractors in the submission of weekly certified payrolls to ensure wages are paid in accordance with the prevailing wage rates under the CDBG-R Federally mandated rate. These additional procedures should also include tracking of notification of remediation needed to comply with the provisions of the Davis Bacon Act and accumulation of documentation that such remediation was completed.

View of Responsible Officials and Planned Corrective Action: The City concurs with the recommendations and has recently implemented additional procedures to enforce compliance with the reporting requirements.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

FA 2010-2

Subrecipient Monitoring

U.S. Department of Housing and Urban Development (HUD) -

Community Development Block Grant – Entitlement (CFDA No. 14.218)

Community Development Block Grant – Entitlement - ARRA (CFDA No. 14.253)

Homeless Prevention and Rapid Re-Housing Program (HPRP) – ARRA (CFDA No. 14.257)

Department of Justice – Edward Byrne Memorial Justice Assistance (CFDA No. 16.804)

Criteria: As provided in 2 CFR section 176.210, Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification in their SEFA and Data Collection Form (SF-SAC).

In addition, OMB Circular A-133 and the American Recovery and Reinvestment Act of 2009 (ARRA) provides that, sub-recipients receiving awards made from the federal stimulus funds are subject to Section 1606 of the Recovery Act, which requires compliance with the Davis-Bacon Act of 1931 that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part with ARRA funds shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

With this act, this requirement passes through to sub-recipients who may have previously been exempt from compliance. As a pass-through entity, departments are required to notify sub-recipients of their need to comply with the Davis Bacon Act and Section 1606 of ARRA

With certain exceptions, Section 1605 of ARRA prohibits use of recovery funds for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The law requires that this prohibition be applied in a manner consistent with U.S. obligations under international agreements (e.g., the government procurement provisions of the nation's trade agreements). ARRA mandates that this Buy American requirement pass down to sub-recipients and departments must notify sub-recipients of their need to comply with Buy American.

Condition: We did not find evidence that the City made their subrecipients aware of all award information and additional compliance requirements associated with CDBG and CDBG-R funded programs. Our testing disclosed that the City did not notify subrecipients of the following: (1) federal award numbers and the Catalog of Federal Domestic Assistance number for their subrecipients to provide appropriate identification in their SEFA (SEFA) and the SF-SAC for CDBG and CDBG-R funded contracts; (2) a contract condition requiring subrecipients to comply with the American Recovery and Reinvestment Act of 2009 established by the Department of Housing and Urban Development (HUD) and the American Recovery and Reinvestment Act of 2009, including but not limited to the following – (i) Section 1512 Reporting of ARRA, (ii) Section 1606 of ARRA – Davis-Bacon, and (iii) Section 1605 of ARRA – Buy American Act – for CDBG-R funded contracts; and (3) the requirement to specifically identify Recovery Act funding on their SEFA by identifying expenditures for Federal awards made under the Recovery Act and as separate rows on the Federal Audit Clearinghouse SF-SAC. In identifying Recovery Act expenditures, the prefix “ARRA” must be used in the name of the Federal program for CDBG-R funded contracts.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

Our testing of subrecipients included reviewing bid documentation and contracts for the required federal provisions. Our testing disclosed that, 10 subrecipients under the CDBG and CDBG-R funded contracts were not notified in agreements of the Federal Award Number and CFDA number to properly comply with identification in their SEFA and the SF-SAC and all CDBG-R funded subrecipients for the fiscal period 2009-2010 were not notified in its contract agreement of the requirements to comply with special ARRA requirements and provisions.

Therefore the City did not comply with the subrecipient monitoring requirements of this program and did not have sufficient internal controls in place to ensure that compliance with subrecipient monitoring requirements was properly maintained.

Questioned costs: Not determinable

Context: This condition is considered to be systemic in nature.

Effect: Failure to communicate to subrecipients the CDBG and CDBG-R reporting requirements applicable to subawards of the CDBG program and the CDBG-R, Recovery Act funds increases the risk that subrecipients will not be aware of such requirements and consequently, will not comply. Failure of the subrecipients to comply would result in the City also failing to comply with the program requirements and may lead to potential disallowed costs that the City would have to repay to the granting agency.

Cause: The City's policies and procedures were not sufficient to ensure compliance with the Federal requirements for subrecipients under the grant in accordance with OMB Circular A-133 Compliance Supplement and the American Recovery and Reinvestment Act of 2009.

Recommendation: We recommend that the City inform each of its subrecipients of the CDBG and CDBG-R reporting requirements applicable to subawards of the CDBG and CDBG-R funded programs, applicable to Recovery Act subawards and establish procedures for monitoring compliance with such requirements. In addition, the City should evaluate the current language provided in the contracts and ensure that sufficient information is provided to meet its obligation of communicating these requirements.

View of Responsible Officials and Planned Corrective Action: The City concurs with the recommendations and has recently implemented additional policies and procedures to enforce compliance with the requirements as specified above.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

FA 2010-3

Procurement, Suspension and Debarment

U.S. Department of Housing and Urban Development (HUD) -
Community Development Block Grant – Entitlement - ARRA (CFDA No. 14.253)

Criteria: OMB Circular A-133 Compliance Supplement, A-102 Common Rule and OMB Circular A-110, Section 1605 of the American Recovery and Reinvestment Act of 2009 (ARRA), prohibits use of recovery funds for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. In addition, contractors and subcontractors must provide certifications that the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States (2 CFR part 176, Subpart B).

Condition: Our testing disclosed that the City's records did not contain evidence of compliance with the Buy-American Act requirement for contractor certifications of goods used in projects produced in the United States, totaling \$1,499,301 paid to four contractors from CDBG-R funds for services relating to construction, alteration, maintenance, and repairs. Upon inquiry of City personnel and additional testing, however, we were able to obtain evidence from all four contractors used under this program that they complied with the Buy American Act. While compliance by the contractors was ultimately established, the City did not have an appropriate control procedure in place to monitor compliance with the Buy American Act.

Questioned costs: Not applicable

Context: The condition noted above appears to be systemic problem attributable to the lack of adequate control procedures designed and performed by the City to require receipt of contractor certifications in compliance with the Federal procurement - Buy American Act.

Effect: Non-compliance with Section 1605 of ARRA – Buy American Act by a contractor/subcontractor could occur and not be detected or followed up on by the City in a timely manner due to the lack of a control procedure. In addition, failure to obtain certifications as mandated by Section 1605 of ARRA could result in potential ineligible costs and payments for projects funded under CDBG-R that would be disallowed costs which HUD may require the City to reimburse to HUD.

Cause: The City did not have a policy and procedure in place to monitor compliance with this new procurement provision to ensure compliance with Federal requirements ARRA - Buy American Act, as noted in OMB Circular A-133 Compliance Supplement, A-102 Common Rule and OMB Circular A-110, Section 1605 of ARRA under the CDBG-R program.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

Recommendation: The City should evaluate its policies and procedures to ensure that all contracts awarded include provisions that require compliance with the Buy American Act as prescribed by OMB Circular A-133. The City should also establish policies and procedures to monitor compliance with the Buy American Act by all contractors employed by the City receiving grant program funding.

View of Responsible Officials and Planned Corrective Action: The City concurs with the recommendations and has recently implemented additional procedures to enforce compliance with the reporting requirements.

FA 2010-4

Procurement, Suspension and Debarment

U.S. Department of Housing and Urban Development (HUD) -

Community Development Block Grant – Entitlement (CFDA No. 14.218)

Community Development Block Grant – Entitlement - ARRA (CFDA No. 14.253)

Homeless Prevention and Rapid Re-Housing Program (HPRP) – ARRA (CFDA No. 14.257)

Criteria: HUD conflict-of-interest regulations at 24 Code of Federal Regulations (CFR) 570.611 and 85.36 are intended to protect the reputation of the Federal program from the appearance of providing special treatment or serving a special interest. These regulations prohibit elected officials and their family members from obtaining a financial interest or benefit from a HUD-assisted activity during their tenure or for 1 year thereafter. However, upon written request of the recipient, HUD may grant an exception to the conflict-of-interest provisions.

Condition: The City awarded a contract, through a competitive bid process, to an organization whose co-founder and Chief Executive Officer is related to a City official. The City did not submit timely disclosure or request for exception to the conflict-of-interest provisions from HUD in accordance with HUD regulations.

Questioned costs: \$368,964

Context: The condition noted above appears to be systemic in nature.

Effect: The City did not timely report the potential conflict of interest and obtain approval from HUD to proceed with the grant program expenditure. As a result HUD may either deem the expenditure to be allowed or deem the expenditure to not be allowed due to the potential conflict of interest and may request reimbursement of the expenditures from the City.

Cause: Staff responsible for this grant program were unaware of the potential conflict of interest that existed and relied on self-reporting by the eligible subrecipient who, in turn, did not realize there was a potential conflict of interest.

Summary Schedule of Prior Year's Findings
For the Year Ended September 30, 2010

Section III – Findings and Question Costs for Federal Awards and State Projects (Continued)

Recommendation: The City should advise HUD of the transaction and obtain approval of the transaction in accordance with the conflict-of-interest provisions for this contract from HUD. We also recommend the City revise its policies and procedures to include more robust language requiring disclosure of conflicts-of-interest during the application process or require a separate certification as to the lack of any conflicts of interest from program recipients. The City should also consider establishing a policy to provide for conflict checks to be performed for all contract awards in excess of a set threshold.

View of Responsible Officials and Planned Corrective Action: We agree that there appears to be a conflict of interest on the surface involving a grant we made to a subrecipient not for profit organization under this program. However, based on further review of the transactions, the subrecipient not for profit organization provided all of the funds received from the City to third party service providers. As a result, the subrecipient organization in question did not obtain any financial benefits from the transactions that might cause concern in accordance with federal regulations regarding conflict of interest reporting. As an improvement of its control procedures, the City has implemented a more robust application process which includes, in part, enhanced focus on the management of potential conflicts. Additionally, all upcoming application training will include disclosure training for all recipients. Further, all applying agencies will have an additional review of all listed board members and officers as reported on their IRS Form 990 (if applicable) and the Florida Division of Corporations website for potential conflicts.