

# CITY OF JACKSONVILLE, FLORIDA

## SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011



PREPARED BY THE DEPARTMENT OF FINANCE  
ACCOUNTING DIVISION



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**City of Jacksonville, Florida**  
**Single Audit Report**  
**For the Fiscal Year Ended September 30, 2011**

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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, 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 year ended September 30, 2011, 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, JEA, and Water & Sewer Expansion Authority, which collectively represents 88% and 93%, respectively, of the assets and revenue of the aggregate discretely presented component units. We also did not audit the Police and Fire Rescue Pension Plan Trust Fund which represents 26% of the assets and 12% of the revenue/additions of the aggregate 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, JEA, Water & Sewer Expansion Authority, and the Police and Fire Rescue Pension Plan Trust Fund, is based on the reports of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Downtown Vision, Inc. financial statements were not audited in accordance with *Government Auditing Standards*. 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 the 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, 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, 2012 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 (budgetary basis) – 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.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned to the left of the date and location information.

Jacksonville, Florida  
March 30, 2012



**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2012. 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***

Management of the City is responsible for establishing and maintaining effective 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 opinion 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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.

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.

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Jacksonville, Florida  
March 30, 2012

**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, 2011, resulting in a \$68 million, 2% increase over last fiscal year.
- The City's General Fund operations had total revenues of \$984 million a 1% increase over fiscal year 2010.
- Although there was an increase in economic & physical environment expenditures due to capital asset expense of \$74 million, total governmental activity expense went up a total of \$42.7 million or 3%.
- Property Tax revenues experienced a \$5.3 million, 1% increase. The \$42.3 million reduction in earnings on investments was due to the continued economic downturn in fiscal year 2011. The \$143 million decrease in Capital Grants and Contributions was primarily a result of a reduction of City/County road projects constructed by the Jacksonville Transportation Authority (JTA), a component unit.

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

### City Highlights

The economy adversely impacted revenue streams which required a reduction in expenditures to balance the budget. Some of the impact and improvements in fiscal year 2011 were as follows;

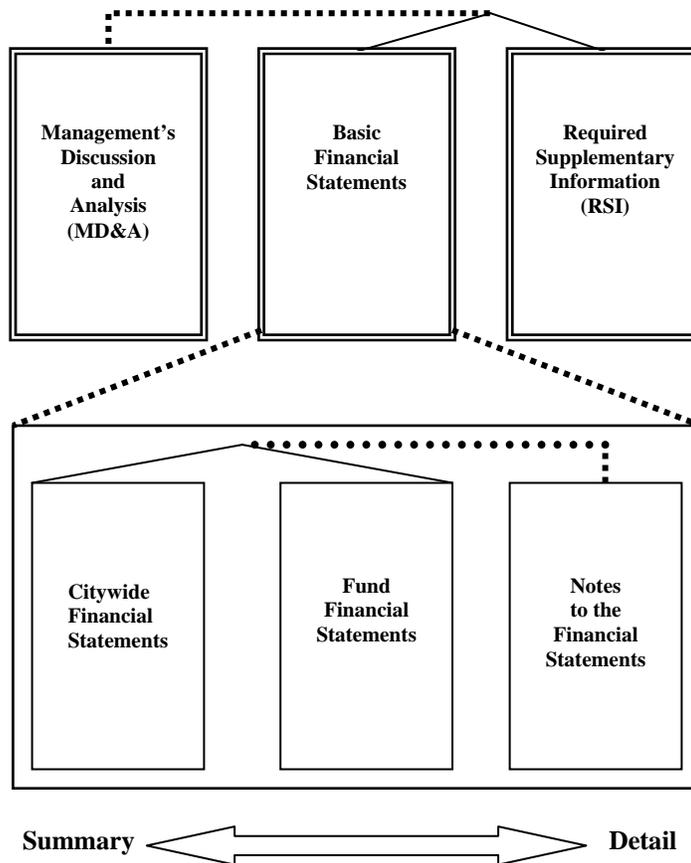
- Reduction of expenditure budget of \$60 million
- Reorganization and streamlining of the City's government
- The first Education Officer was appointed to the School Board for educational improvements
- The first Military Affairs Officer was appointed to further support the military and veterans

## 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, and public parking).

Component Units are other governmental units over which the City can exercise influence and/or may be obligated to provide financial subsidy. 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., Police & Fire Pension and Jacksonville Economic Development Commission. Separate financial statements are published by JEA, Jacksonville Transportation Authority, Jacksonville Aviation Authority, Jacksonville Port Authority and Downtown Vision, Inc. For more information, see footnote 1B. 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 Obligations Fund, Better Jacksonville Plan Special Bonded Debt Obligations Fund, and General Projects 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 the Solid Waste Disposal Fund, the EverBank Field Fund and the Veteran's Memorial Arena Fund, which are major funds. Stormwater Services, Baseball Stadium, Performing Arts, Convention Center, Equestrian Center, Motor Vehicle Inspection and Public Parking, are non-major enterprise 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 supplemental 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, 2011, 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, 2011 and September 30, 2010

	Governmental Activities		Business Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Cash and Investments	\$ 926,371	\$ 832,174	\$ 84,167	\$ 79,393	1,010,538	\$ 911,567
Current and Other Assets	270,675	329,989	62,328	70,589	333,003	400,578
Capital Assets	2,813,775	2,745,099	433,263	433,798	3,247,038	3,178,897
Total assets	<u>4,010,821</u>	<u>3,907,262</u>	<u>579,758</u>	<u>583,780</u>	<u>4,590,579</u>	<u>\$ 4,491,042</u>
Current Liabilities	203,333	252,485	18,707	37,221	222,040	289,706
Non-current Liabilities	2,973,274	2,795,609	395,626	396,061	3,368,900	3,191,670
Total liabilities	<u>3,176,607</u>	<u>3,048,094</u>	<u>414,333</u>	<u>433,282</u>	<u>3,590,940</u>	<u>3,481,376</u>
Net assets						
Invested in capital assets, net of related debt	908,709	974,561	124,213	135,912	1,032,922	1,110,473
Restricted for:						
State and Federal Grants	46,268	90,561	-	-	46,268	90,561
Capital Projects	-	-	2,667	-	2,667	-
Permanent Fund non-expendable	123	123	-	-	123	123
Other participant's equity	112	1,652	-	-	112	1,652
Unrestricted	<u>(120,998)</u>	<u>(207,729)</u>	<u>38,545</u>	<u>14,586</u>	<u>(82,453)</u>	<u>(193,143)</u>
Total net assets (deficit)	<u>\$ 834,214</u>	<u>\$ 859,168</u>	<u>\$ 165,425</u>	<u>\$ 150,498</u>	<u>999,639</u>	<u>\$ 1,009,666</u>

The largest portion of the City's net assets reflects its substantial capital assets, net of related debt. This displays the City's commitment to investing in assets that have useful lives in excess of the life of the debt issues used to finance the assets. The \$44 million decrease in Restricted for State and Federal Grants in Table A-1 is the result of funds allocated with out the expectation of return per specifications of the grants.

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 Note 18 for further discussion.

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 pollution remediation, etc. (See Note 18 for further discussion.)

On the following page, Table A-2 provides a summary comparison of the City's operations for the 2010 and 2011 fiscal year ends.

**Table A-2**  
**Statement of Activities**  
(In Thousands)  
as of September 30, 2011 and September 30, 2010

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program Revenues:						
Fines & charges for services	\$ 129,700	\$ 127,960	\$ 103,539	\$ 90,661	\$ 233,239	\$ 218,621
Operating grants/contributions	96,142	83,456	-	-	96,142	83,456
Capital grants/contributions	27,565	170,558	-	-	27,565	170,558
General revenues:						
Property taxes	498,507	493,171	-	-	498,507	493,171
Utility service taxes	127,955	126,653	-	-	127,955	126,653
Sales and tourist taxes	161,943	158,062	11,134	10,965	173,077	169,027
Intergovernmental	172,571	170,687	-	-	172,571	170,687
Franchise Fees	43,037	39,842	-	-	43,037	39,842
JEA Contribution	101,688	99,188	-	-	101,688	99,188
Earnings on Investments	18,844	57,454	2,127	5,770	20,971	63,224
Miscellaneous	35,693	26,626	12,533	10,954	48,226	37,580
<b>Total Revenues</b>	<b>1,413,645</b>	<b>1,553,657</b>	<b>129,333</b>	<b>118,350</b>	<b>1,542,978</b>	<b>1,672,007</b>
<b>Expenses</b>						
General government	171,163	186,072	-	-	171,163	186,072
Human services	108,837	112,785	-	-	108,837	112,785
Public safety	559,401	549,369	-	-	559,401	549,369
Cultural and recreational	74,066	75,451	-	-	74,066	75,451
Transportation	170,557	192,231	-	-	170,557	192,231
Economic & physical environment	243,084	169,140	-	-	243,084	169,140
Interest on long term debt	88,404	87,723	-	-	88,404	87,723
Parking system	-	-	3,879	3,585	3,879	3,585
Motor vehicle inspections	-	-	446	476	446	476
Solid Waste	-	-	62,977	73,934	62,977	73,934
Stormwater services	-	-	18,730	17,340	18,730	17,340
EverBank Field	-	-	23,603	24,485	23,603	24,485
Veterans Memorial Arena	-	-	14,747	15,602	14,747	15,602
Baseball Stadium	-	-	3,142	3,335	3,142	3,335
Performing Arts Center	-	-	4,369	4,265	4,369	4,265
Convention Center	-	-	3,764	3,804	3,764	3,804
Equestrian Center	-	-	1,836	1,816	1,836	1,816
<b>Total Expenses</b>	<b>1,415,512</b>	<b>1,372,771</b>	<b>137,493</b>	<b>148,642</b>	<b>1,553,005</b>	<b>1,521,413</b>
Increases (decreases) in net assets before transfers	(1,867)	180,886	(8,160)	(30,292)	(10,027)	150,594
Transfers	(23,087)	(35,534)	23,087	35,534	-	-
<b>Change in net assets</b>	<b>(24,954)</b>	<b>145,352</b>	<b>14,927</b>	<b>5,242</b>	<b>(10,027)</b>	<b>150,594</b>
Net assets (deficit), beginning of year	859,168	713,816	150,498	145,256	1,009,666	859,072
Net assets (deficit), end of year	<b>\$ 834,214</b>	<b>\$ 859,168</b>	<b>\$ 165,425</b>	<b>\$ 150,498</b>	<b>\$ 999,639</b>	<b>\$ 1,009,666</b>

**Governmental activities:**

The City's governmental activities revenues decreased \$140 million from 2010 to 2011 (see Table A-2) and consists of:

- Capital grants/contributions decreased \$143 million due to the reduction of completed projects from JTA from fiscal year 2010 to 2011.
- Property tax revenues reflected a \$5.3 million increase due to the increase in new construction within the City with an additional \$5.2 million increase in sales and utility taxes.
- Utility service taxes increased \$1.3 million due to JEA rate increases in fiscal year 2011.
- Interest revenues decreased \$38.6 million due to the decreased earnings on investment portfolio from 7.25% in fiscal year 2010 to 2% in fiscal year 2011.
- Operating grant/contributions revenues increased a total of \$12.7 million with \$4.8 million in human services and public safety due to grant reimbursements for increased spending in the American Recovery & Reinvestment Act, an additional increase of \$3 million in public safety revenues was due to the COPS grant from JSO Waterborne grant, and the increased revenues in physical environment of \$3.8 million were received from the Beach Nourishment and Energy Efficiency grants.
- Miscellaneous revenues increased \$9 million primarily due to an increase in advanced court funding and the sale of Prudential stock in fiscal year 2011. The City had a Prudential life insurance policy in force as of December 2000 when Prudential adopted a plan to demutualize. Demutualization compensation consisted of shares of Prudential Financial, Inc. common stock, cash, or policy credits. The City chose the common stock and received stock payments in 2002 which were held until fiscal year 2011 when they were sold.
- Additional increases occurred in franchise fees, \$3.2 million, and JEA contributions \$2.5 million.

Increases in governmental activities expenses were \$42.7 million.

- Transportation expenses decreased \$21.7 million in fiscal year 2011 primarily due to the completion of multiple road projects in fiscal year 2010.
- General government expenses decreased \$14.9 million due to decreased spending on the courthouse project in fiscal year 2011.
- Economic and Physical Environment expenses increased by \$73.9 million due to additional depreciation and an expense to reduce project assets from Jacksonville Transit Authority (JTA) in fiscal year 2011. JTA receives funds from the city and state for road projects which are kept on their records as custodial assets. Upon completion of the projects JTA transfers these projects to the custodian (city or state). In fiscal year 2010 JTA transferred \$126 million of completed projects to the City.

**Business Type activities:**

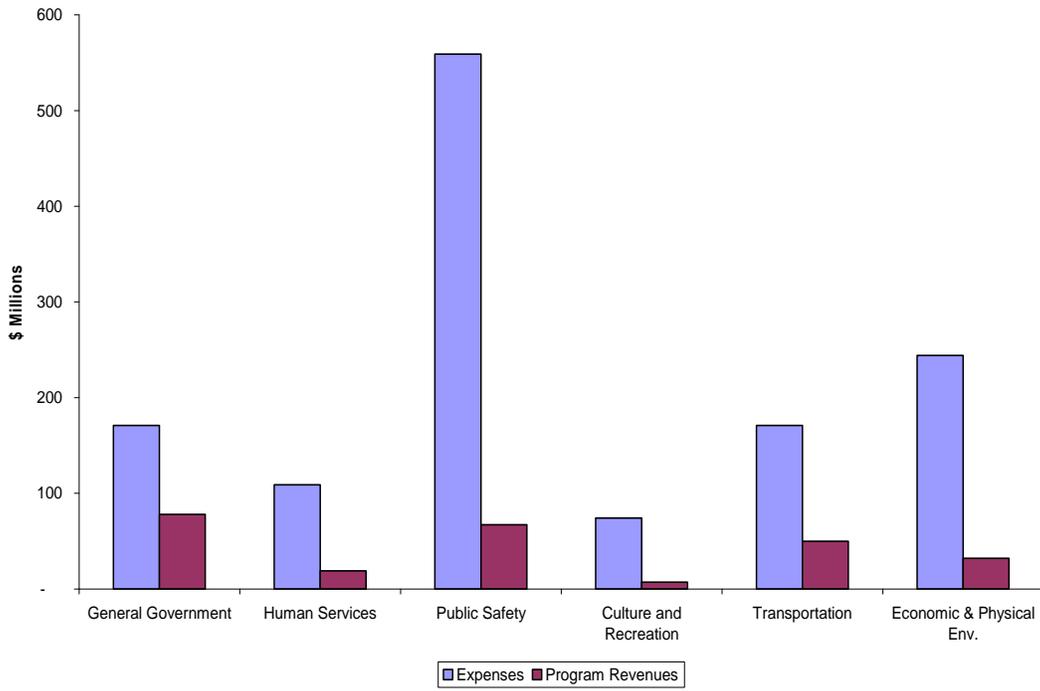
The City's business type revenues increased \$11 million in fiscal year 2011:

- Increases in fines and charges for services of \$12.9 million were due to the increase in Solid Waste user fees in fiscal year 2011.
- Earnings on investment revenues decreased \$3.6 million due to the decreased earnings on investment portfolio from 7.25% in fiscal year 2010 to 2% in fiscal year 2011.

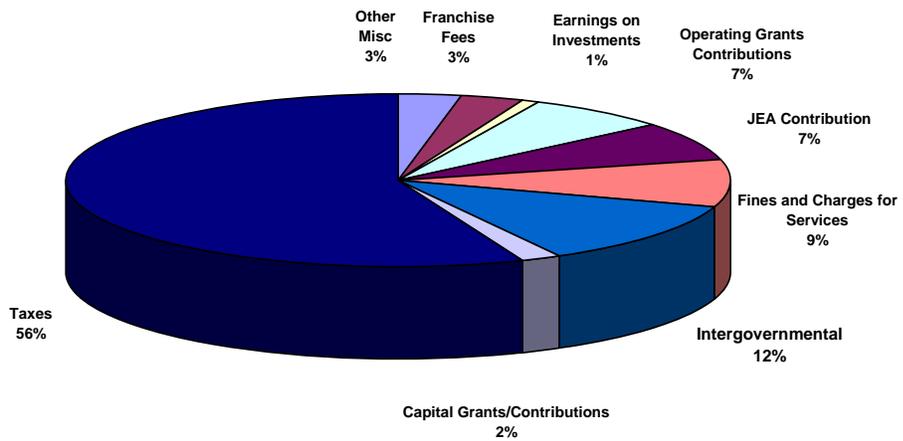
Business type activities expenses decreased \$11 million in fiscal year 2011:

- Solid Waste's landfill closure/post-closure liability decreased \$4.7 along with a \$3.3 million decrease in Solid Waste's contract garbage/recycling expense in fiscal year 2011.

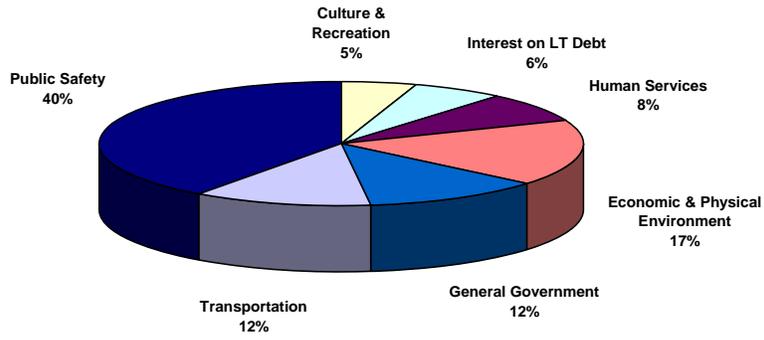
**Expenses and Program Revenues - Governmental Activities**



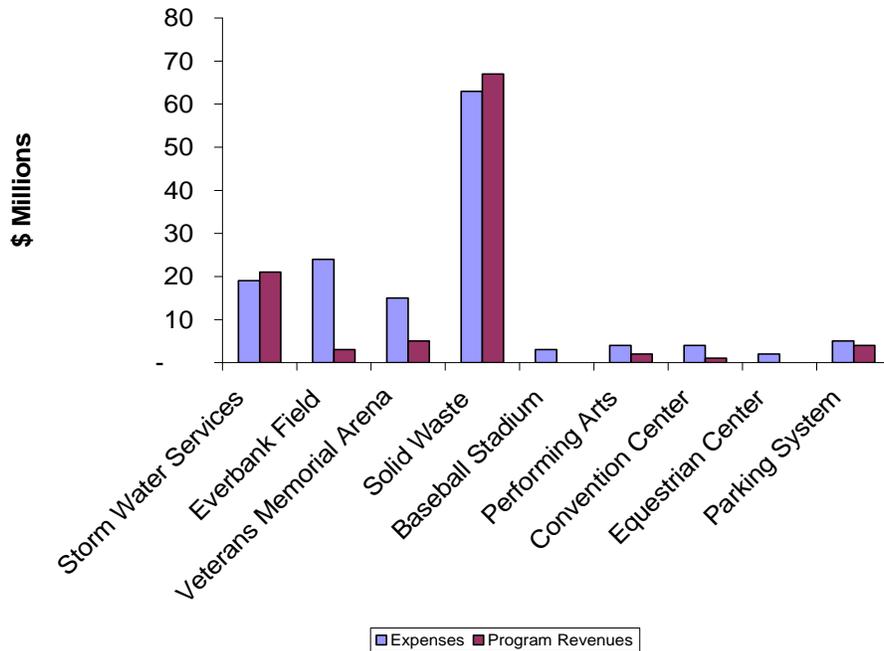
**Revenues - Governmental Activities**



### 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 2011. 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 \$61.8 million. The General Fund's total fund balance was \$128.9 million, with \$45.9 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 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 2011 operations are as follows:

### General Fund:

- Property taxes account for approximately 50% of the General Fund revenue and increased \$6.2 million or 1% above the previous fiscal year. Interest revenue decreased \$10.8 million due to a higher than average 7.25% investment portfolio in fiscal year 2010 and a lower than average 2% in fiscal year 2011. General Fund revenues had an overall increase of \$7.6 million in revenues over prior 2010 fiscal year and an overall decrease in expenditures of \$14.7 million.

### 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 increased by \$5.5 million in fiscal year 2011 as compared to a \$5.2 decrease in fiscal year 2010.
- Principal and interest payments increased \$20.1 million in FY 2011, with a \$14 million increase in principal payments due to the issuance of \$208 million in bonds in fiscal years 2009 and 2010 and a \$6 million increase in interest payments and fiscal agent fees.

### Special Bonded Debt – Obligations:

- There was a \$9.6 million increase in bond and interest payable from fiscal year 2010 of \$57.8 million to fiscal year 2011 of \$67.4 million. 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 revenues decreased in fiscal year 2011 \$13.2 million primarily due to contributions from the Jacksonville Economic Development Commission and St Johns River Water Management received in fiscal year 2010 that did not reoccur in fiscal year 2011. Additionally interest earnings decreased \$2.3 million in fiscal year 2011.

- Major projects in fiscal year 2011 resulted in a decrease in capital outlay expense of \$8.2 million due to the larger portion of completion in the Courthouse and the Radio System Replacement projects and increased expense in the Ash Site/Pollution Remediation.

**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 2011. The \$12.9 million increase in fines and charges for service revenues is representative of increases in Solid Waste fees and the \$11 million decrease in Solid Waste expense is the result of a decrease in fiscal year 2011 of the accrual for additional landfill closure/postclosure liability in Solid Waste and a reduction of contracted garbage/recycling expense as compared to fiscal year 2010.

**General Fund Budgetary Highlights:**

- Actual revenues for fiscal year 2011 were \$16 million below the final budgeted amount, primarily with Property Taxes \$2.8 million due to the continued decrease in property values, Utility Service Taxes \$5.2 million with a reduction in communications service tax rates and Interest \$6.6 million due to the lower interest rates in fiscal year 2011.
- Overall actual expenditures for fiscal year 2011 were \$82.2 million under final budget with \$42.6, more than half, related to the budgeted but unused emergency reserve. The additional savings were due to salary and benefit costs reductions and departmental and non-departmental operating cost savings from a variety of sources. All departments within the General Fund had actual expenditures under final budget.
- The final expenditure budget was \$6.1 million below the original fiscal year 2011 budget due to the final salary/benefit assumptions used to prepare the fiscal year 2011 budget.

## 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, 2011, 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 2010, a focus was placed in fiscal year 2011 on the completion of the radio system, road projects and the courthouse. New parks projects such as the Southbank Riverwalk and Friendship Fountain began in fiscal year 2011. 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, 2011 and September 30, 2010**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land and easements	\$ 306,555	\$ 304,144	\$ 45,577	\$ 45,567	\$ 352,132	\$ 349,711
Buildings and improvements	809,042	782,767	550,829	548,742	1,359,871	1,331,509
Furniture & Equipment	331,026	321,610	6,312	6,719	337,338	328,329
Construction and work in progress	265,854	187,996	1,392	-	267,246	187,996
Infrastructure	2,079,977	2,009,805	21,158	11,608	2,101,135	2,021,413
Other Assets	33,986	33,828	1,392	-	35,378	33,828
Less accumulated depreciation	(1,012,665)	(895,051)	(192,005)	(178,838)	(1,204,670)	(1,073,889)
Total	<u>\$ 2,813,775</u>	<u>\$ 2,745,099</u>	<u>\$ 434,655</u>	<u>\$ 433,798</u>	<u>\$ 3,248,430</u>	<u>\$ 3,178,897</u>

Major capital asset project costs in fiscal year 2011 included the following:

	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Change</u>
Courthouse Project	\$ 69.8 million	\$ 87.0 million	\$ (17.2)
Road Projects	38.8 million	52.9 million	(14.1)
Countywide Resurfacing	12.2 million	13.3 million	( 1.1)
Citywide Radio System	7.1 million	13.1 million	( 6.0)
Miscellaneous Projects	7.3 million	10.8 million	( 3.5)
Park Projects	15.7 million	9.6 million	6.1
Drainage Projects	1.6 million	9.0 million	( 7.4)
Building Projects	1.0 million	4.5 million	( 3.5)
Easements	1.7 million	2.9 million	( 1.2)
Fire Department Projects	<u>2.7 million</u>	<u>1.1 million</u>	<u>1.6</u>
Total	<u>\$ 157.9 million</u>	<u>\$ 204.2 million</u>	<u>\$ (46.3)</u>

## 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 \$2.9 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, 2011**  
**(In Thousands)**

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Special Obligation Bonds	\$ 869,266	\$ 826,574	\$ -	\$ -	\$ 869,266	\$ 826,574
Special Obligation-BJP	1,316,408	1,256,964			1,316,408	1,256,964
Revenue Bonds Payable	249,154	195,713	313,015	326,143	562,169	521,856
Notes Payable	45,900	59,845	-	-	45,900	59,845
Notes Payable-BJP	62,511	65,872	-	-	62,511	65,872
Deferred Amounts						
Loss on Adv Ref	(2,707)	(3,386)	(606)	(882)	(3,313)	(4,268)
Issuance premiums	79,824	59,055	-	-	79,824	59,055
Issuance discounts	(2,850)	(3,005)	-	-	(2,850)	(3,005)
<b>Total</b>	<b>\$ 2,617,506</b>	<b>\$ 2,457,632</b>	<b>\$ 312,409</b>	<b>\$ 325,261</b>	<b>\$ 2,929,915</b>	<b>\$ 2,782,893</b>

The City of Jacksonville's debt increased a net of \$147 million as compared to fiscal year 2010.

New indebtedness of the City of Jacksonville consists of:

<b>Closing Date</b>	<b>Par Amount</b>	<b>Source</b>	<b>Primary Use</b>
December 2010	\$ 27,205,000	Revenue Bonds	Capital Projects
June 2011	\$ 108,880,000	Revenue Bonds	Capital Projects
June 2011	\$ 86,600,000	Revenue Bonds	BJP Capital Projects
July 2011	\$ 79,220,000	BJP Sales Tax Bonds	BJP RB Refunding

During fiscal year 2011 the City observed a recovery of pledged revenues along all but one of its bond programs. Year over year gains in pledged revenues ranged from 0.9% to 4.6% reversing a three year trend of declines. Despite improving revenues, Standard & Poor's downgraded the Better Jacksonville Infrastructure Sales Tax bonds from "AA-" to "A" citing prior revenue declines and weakened debt service coverage. The City's underlying ratings from Standard & Poor's were not affected.

The City took advantage of historically positive market conditions during the year to partially refund a prior series of Better Jacksonville Plan bonds for debt service savings. The economic gain from the refunding is the difference between the new present values of the old and new debt service payments and was \$7.2 million or 8.54%. The City also issued its final installment of the previously authorized Better Jacksonville Plan related covenant to budget and appropriate pledged debt, which utilizes Better Jacksonville Sales Tax cash flows as the primary source to fund debt service. The debt service savings on the refunded bonds, and improvement in pledged revenues, further insulated the General Fund from any potential draw on the covenant pledged revenues.

The City continued to experience historically low rates on its variable rate debt. The expiring liquidity facility on the Capital Projects, Series 2008A bonds was extended during fiscal year 2011 until July 2014. The expiring liquidity facility on the Capital Projects, Series 2008B bonds was voluntarily terminated upon a conversion from a Weekly Interest Rate (variable) mode to a Long-Term Interest Rate (fixed) mode.

## **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 10.0%, a 1.5% improvement over 2010. This compares to the state's average unemployment rate (10.3%) and the national average unemployment rate (9.0%).
- 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 2011-2012:**

- The housing market continues to impact property taxes which is the City's largest revenue source. This current fiscal year includes another drop in the City's property tax base of 6.3% or \$3.1 billion on a year over year basis.
- The budget was balanced without an increase to the millage rate which is maintained at 10.0353, which is below the rolled-back rate of 10.9947 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. This means that while, on the whole, property values declined the impact to individual property owners varied. The change in the assessed value of the property determined whether there was an increase or a decrease, as well as the size of the increase or decrease.
- A total of \$58 million in expenses were cut from the general fund during the budget process. The savings include \$15.3 million from reductions in salary and benefit costs from eliminated positions and departmental and non-departmental operating cost savings from a variety of sources. Also included in these savings are debt service reductions in excess of \$8 million and \$8.2 million in information technology operating costs reductions and \$10.5 million in various internal services, program and other state mandated payments. In total, all but six departments/offices out of 21 within the City's general fund experienced a reduction in their total budget from fiscal year 2011 to fiscal year 2012. Those that did increase were due to costs beyond their immediate control such as utilities and pension.
- The budget also includes the reduction of 240 classified positions in fiscal year 2012. Public Safety accounts for 95 of those positions while the remaining 145 positions are Non-Public Safety.

## **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, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<b>PRIMARY GOVERNMENT</b>				
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTALS</b>		<b>COMPONENT UNITS</b>
			<b>2011</b>	<b>2010</b>	
<b>ASSETS:</b>					
Cash and investments.....	\$ 788,301	\$ 63,397	\$ 851,698	\$ 787,957	\$ 1,698,346
Cash in escrow and with fiscal agents.....	138,070	20,770	158,840	123,610	60
Securities lending.....	32,324	-	32,324	58,668	-
Receivables, net.....	72,697	50,198	122,895	159,566	353,312
Internal balances.....	2,441	(2,441)	-	-	-
Due from independent agencies and other governments.....	112,260	188	112,448	116,734	44,960
Inventories.....	7,258	14	7,272	8,177	152,599
Prepaid expenses and other assets.....	7,294	176	7,470	5,190	317,925
Deferred outflows .....	18,617	-	18,617	17,517	183,731
Deferred charge - landfill related costs.....	-	14,000	14,000	16,935	-
Unamortized debt issuance costs.....	17,784	193	17,977	17,791	-
<b>CAPITAL ASSETS:</b>					
Land, easements, art in public places and work in progress.....	572,409	46,969	619,378	537,529	766,343
Other capital assets, net of depreciation.....	2,241,366	386,294	2,627,660	2,641,368	7,223,465
<b>TOTAL ASSETS.....</b>	<b>4,010,821</b>	<b>579,758</b>	<b>4,590,579</b>	<b>4,491,042</b>	<b>10,740,741</b>
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities.....	60,737	9,266	70,003	92,376	220,588
Contracts payable.....	6,625	7	6,632	7,892	-
Due to component units.....	778	-	778	2,340	-
Due to independent agencies and other governments.....	14,005	-	14,005	21,552	9,134
Deposits.....	3,831	2,302	6,133	5,925	55,876
Accrued interest payable.....	53,026	7,073	60,099	54,874	133,625
Unearned revenue.....	29,208	59	29,267	42,278	48,838
Securities lending.....	33,988	-	33,988	60,344	-
Liabilities payable from restricted assets.....	-	-	-	-	-
Other current liabilities.....	1,135	-	1,135	2,125	90,144
<b>NONCURRENT LIABILITIES:</b>					
Fair market value of debt management instruments.....	18,617	-	18,617	17,517	183,068
Due within one year.....	148,728	14,354	163,082	112,578	341,485
Due in more than one year.....	2,805,929	381,272	3,187,201	3,061,575	6,775,488
<b>TOTAL LIABILITIES.....</b>	<b>3,176,607</b>	<b>414,333</b>	<b>3,590,940</b>	<b>3,481,376</b>	<b>7,858,246</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt.....	908,709	124,213	1,032,922	1,110,473	1,173,967
Restricted for:					
Debt service.....	-	-	-	-	721,856
State and federal grants.....	46,268	-	46,268	90,561	-
Capital projects.....	-	2,667	2,667	-	214,227
Other participant's equity.....	112	-	112	1,652	-
Permanent fund, non-expendable.....	123	-	123	123	-
Other purposes.....	-	-	-	-	13,098
Unrestricted (deficit).....	(120,998)	38,545	(82,453)	(193,143)	759,347
<b>TOTAL NET ASSETS .....</b>	<b>\$ 834,214</b>	<b>\$ 165,425</b>	<b>\$ 999,639</b>	<b>\$ 1,009,666</b>	<b>\$ 2,882,495</b>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF ACTIVITIES -**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (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		
		2011	2010						
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government.....	\$ 171,163	\$ 73,440	\$ 4,194	\$ 283	\$ (93,246)		\$ (93,246)	\$ (99,767)	
Human services.....	108,837	1,646	16,676	239	(90,276)		(90,276)	(96,708)	
Public safety.....	559,401	45,908	17,285	4,875	(491,333)		(491,333)	(491,100)	
Culture and recreation.....	74,066	4,075	933	1,636	(67,422)		(67,422)	(68,319)	
Transportation.....	170,557	3,161	27,223	19,828	(120,345)		(120,345)	(53,219)	
Economic environment.....	124,520	-	22,106	272	(102,142)		(102,142)	(5,040)	
Physical environment.....	118,564	1,470	7,725	432	(108,937)		(108,937)	(88,921)	
Interest on long term debt.....	88,404	-	-	-	(88,404)		(88,404)	(87,723)	
<b>Total governmental activities.....</b>	<b>1,415,512</b>	<b>129,700</b>	<b>96,142</b>	<b>27,565</b>	<b>(1,162,105)</b>		<b>(1,162,105)</b>	<b>(990,797)</b>	
Business-type activities:									
Parking system.....	3,879	3,274	-	-	-	(605)	(605)	(202)	
Motor vehicle inspections.....	446	443	-	-	-	(3)	(3)	(45)	
Solid Waste.....	62,977	66,610	-	-	-	3,633	3,633	(26,822)	
Storm Water Services.....	18,730	20,789	-	-	-	2,059	2,059	10,695	
EverBank Field.....	23,603	3,379	-	-	-	(20,224)	(20,224)	(20,766)	
Veterans Memorial Arena.....	14,747	5,288	-	-	-	(9,459)	(9,459)	(10,805)	
Baseball Stadium.....	3,142	438	-	-	-	(2,704)	(2,704)	(2,909)	
Performing Arts.....	4,369	2,087	-	-	-	(2,282)	(2,282)	(2,505)	
Convention Center.....	3,764	967	-	-	-	(2,797)	(2,797)	(3,009)	
Equestrian Center.....	1,836	264	-	-	-	(1,572)	(1,572)	(1,613)	
<b>Total business-type activities.....</b>	<b>137,493</b>	<b>103,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,954)</b>	<b>(33,954)</b>	<b>(57,981)</b>	
<b>Total primary government.....</b>	<b>\$ 1,553,005</b>	<b>\$ 233,239</b>	<b>\$ 96,142</b>	<b>\$ 27,565</b>	<b>(1,162,105)</b>	<b>(33,954)</b>	<b>(1,196,059)</b>	<b>(1,048,778)</b>	
<b>COMPONENT UNITS:</b>									
Governmental activities.....	\$ 77,683	\$ 806	\$ 7,555	\$ 5					\$ (69,317)
Business-type activities.....	2,173,209	2,185,487	19,486	64,079					95,843
<b>Total component units.....</b>	<b>\$ 2,250,892</b>	<b>\$ 2,186,293</b>	<b>\$ 27,041</b>	<b>\$ 64,084</b>					<b>\$ 26,526</b>
General revenues:									
Property taxes.....					498,507	-	498,507	493,171	-
Utility service taxes.....					127,955	-	127,955	126,653	-
Sales and tourist taxes.....					161,943	11,134	173,077	169,027	64,981
Intergovernmental - unrestricted.....					172,571	-	172,571	170,687	50,753
JEA Contribution.....					101,688	-	101,688	99,188	-
Unrestricted earnings on investments.....					18,844	2,127	20,971	63,224	27,145
Franchise Fees.....					43,037	-	43,037	39,842	-
Miscellaneous.....					35,693	12,533	48,226	37,580	16,126
Transfers.....					(23,087)	23,087	-	-	-
Distributions.....					-	-	-	-	(14,128)
<b>Total general revenues and transfers.....</b>					<b>1,137,151</b>	<b>48,881</b>	<b>1,186,032</b>	<b>1,199,372</b>	<b>144,877</b>
Change in net assets.....					(24,954)	14,927	(10,027)	150,594	171,403
Net assets, beginning of year.....					859,168	150,498	1,009,666	859,072	2,711,092
<b>Net assets, end of year.....</b>					<b>\$ 834,214</b>	<b>\$ 165,425</b>	<b>\$ 999,639</b>	<b>\$ 1,009,666</b>	<b>\$ 2,882,495</b>

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, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<u>GENERAL FUND</u>	<u>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</u>	<u>SPECIAL BONDED DEBT- OBLIGATIONS</u>
<b>ASSETS:</b>			
Equity in cash and investments.....	\$ 84,004	\$ 107,064	\$ 19,173
Cash in escrow and with fiscal agents.....	355	54,452	65,856
Securities lending collateral.....	32,324	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	16,690	-	-
Mortgages.....	31	-	-
Other.....	14,316	-	-
Due from other funds.....	6,931	-	-
Due from independent agencies and other governments.....	48,973	-	-
Inventories.....	5,149	-	-
Prepaid items.....	298	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 209,071</b>	<b>\$ 161,516</b>	<b>\$ 85,029</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities.....	\$ 24,560	\$ 429	\$ 118
Contracts payable.....	11	-	-
Due to other funds.....	-	-	-
Due to component units.....	33	-	-
Due to independent agencies and other governments.....	438	-	-
Due to individuals.....	-	-	-
Bonds payable.....	-	36,328	45,669
Interest payable.....	123	26,020	21,700
Matured interest payable.....	-	-	-
Deposits.....	1,194	-	-
Unearned revenue.....	19,803	-	-
Securities lending obligations.....	33,988	-	-
Advances from other funds.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>80,150</b>	<b>62,777</b>	<b>67,487</b>
<b>FUND BALANCES:</b>			
<b>Non Spendable:</b>			
Non Spendable.....	5,149	-	-
<b>Spendable:</b>			
Restricted.....	-	\$ 98,739	\$ 15,752
Committed.....	60,012	-	-
Assigned.....	1,962	-	1,790
Unassigned.....	61,798	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>128,921</b>	<b>98,739</b>	<b>17,542</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 209,071</b>	<b>\$ 161,516</b>	<b>\$ 85,029</b>

See accompanying notes.

GENERAL PROJECTS	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2011	2010
\$ 153,531	\$ 269,451	\$ 633,223	\$ 597,256
-	4,515	125,178	93,699
-	-	32,324	58,668
-	2,083	18,773	18,078
-	5,106	5,137	52,076
313	15	14,644	14,704
-	-	6,931	10,269
-	61,853	110,826	114,918
-	-	5,149	6,163
-	1,178	1,476	4
<u>\$ 153,844</u>	<u>\$ 344,201</u>	<u>\$ 953,661</u>	<u>\$ 965,835</u>

\$ 13,601	\$ 26,465	\$ 65,173	\$ 89,853
449	6,165	6,625	7,862
-	4,490	4,490	6,419
-	745	778	2,340
-	-	438	440
-	209	209	272
-	-	81,997	61,254
-	-	47,843	44,160
-	-	-	39
-	2,635	3,829	4,062
313	6,852	26,968	23,466
-	-	33,988	60,344
7,083	-	7,083	7,807
<u>21,446</u>	<u>47,561</u>	<u>279,421</u>	<u>308,318</u>

-	124	5,273	6,731
\$ 54,795	127,615	296,901	329,146
77,603	168,812	306,427	273,885
-	289	4,041	5,981
-	(200)	61,598	41,774
<u>132,398</u>	<u>296,640</u>	<u>674,240</u>	<u>657,517</u>
<u>\$ 153,844</u>	<u>\$ 344,201</u>	<u>\$ 953,661</u>	<u>\$ 965,835</u>



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**City of Jacksonville, Florida**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2011**  
**(in thousands)**

Total fund balances- governmental funds \$ 674,240

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities 2,813,775  
are not financial resources and therefore are not reported in the funds

Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:

Bonds and notes payable	(2,543,239)
Unamortized bond discounts	2,850
Unamortized bond premium	(79,824)
Unamortized loss on advance refunding of debt	2,707
	2,707

Total bonds and notes payable (2,617,506)

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	81,997
Compensated absences	(63,047)
Reduction of accounts payable for debt accruals	16,672
Unamortized bond issuance costs	17,784
Estimated liability for self insured losses-current	(21,157)
Estimated liability for self insured losses-long-term	(68,489)
Other post employment benefits (OPEB) liability	(27,230)
Accrued liability for pollution remediation	(157,228)
Accrued liability to other governments - Home program	(926)
Amounts due to independent agencies or other governments	(13,567)

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.

198,896

Net assets of governmental activities \$ 834,214

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<b>GENERAL FUND</b>	<b>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</b>	<b>SPECIAL BONDED DEBT- OBLIGATIONS</b>
<b>REVENUES:</b>			
Property taxes.....	\$ 482,694	\$ -	\$ -
Utility Service taxes.....	127,955	-	-
Sales and tourist taxes.....	1,057	-	-
Licenses and permits.....	50,484	-	-
Intergovernmental.....	124,777	39,063	88
Charges for services.....	72,522	-	-
Fines and forfeitures.....	2,656	-	-
JEA contribution.....	101,688	-	-
Interest.....	3,200	2,886	1,297
Other.....	17,000	-	-
<b>Total Revenues.....</b>	<b>984,033</b>	<b>41,949</b>	<b>1,385</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	142,659	-	-
Human services.....	67,735	-	-
Public safety.....	520,779	-	-
Culture and recreation.....	56,907	-	-
Transportation.....	40,832	-	-
Economic environment.....	8,946	-	-
Physical environment.....	17,479	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	36,328	45,669
Interest and fiscal charges.....	-	52,422	38,113
Other.....	-	3,354	997
<b>Total Expenditures.....</b>	<b>855,337</b>	<b>92,104</b>	<b>84,779</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>128,696</b>	<b>(50,155)</b>	<b>(83,394)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Long term debt issued.....	379	-	-
Refunding bond issued.....	-	79,220	-
Premium on special obligation bonds payable.....	-	14,323	-
Payment to escrow agent - refunded bonds.....	-	(85,238)	-
Transfers in.....	11,158	41,020	82,572
Transfers out.....	(121,377)	-	(1,118)
<b>Total Other Financing Sources (Uses).....</b>	<b>(109,840)</b>	<b>49,325</b>	<b>81,454</b>
<b>NET CHANGES IN FUND BALANCES.....</b>	<b>18,856</b>	<b>(830)</b>	<b>(1,940)</b>
<b>FUND BALANCE, BEGINNING OF YEAR .....</b>	<b>110,065</b>	<b>99,569</b>	<b>19,482</b>
Change in reserve for inventory of supplies.....	-	-	-
Restated Beginning Fund Balance .....	110,065	99,569	19,482
<b>FUND BALANCES, END OF YEAR.....</b>	<b>\$ 128,921</b>	<b>\$ 98,739</b>	<b>\$ 17,542</b>

See accompanying notes.

GENERAL PROJECT	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2011	2010
\$ -	\$ 15,813	\$ 498,507	\$ 493,171
-	-	127,955	126,878
-	160,886	161,943	158,062
-	368	50,852	47,894
3,069	105,449	272,446	268,008
23	45,204	117,749	112,563
-	1,480	4,136	5,095
-	-	101,688	99,188
2,575	4,969	14,927	48,495
1,225	13,207	31,432	27,996
<u>6,892</u>	<u>347,376</u>	<u>1,381,635</u>	<u>1,387,350</u>
-	28,732	171,391	180,259
-	40,160	107,895	112,792
-	32,967	553,746	553,756
-	6,244	63,151	67,352
-	107,961	148,793	163,768
-	108,930	117,876	70,626
-	11,835	29,314	21,726
116,250	79,895	196,145	243,601
-	945	82,942	61,777
-	138	90,673	84,325
-	359	4,710	8,536
<u>116,250</u>	<u>418,166</u>	<u>1,566,636</u>	<u>1,568,518</u>
<u>(109,358)</u>	<u>(70,790)</u>	<u>(185,001)</u>	<u>(181,168)</u>
121,989	88,390	210,758	319,680
-	-	79,220	-
-	4,158	18,481	19,543
-	-	(85,238)	-
6,395	33,047	174,192	181,638
(439)	(72,755)	(195,689)	(212,543)
<u>127,945</u>	<u>52,840</u>	<u>201,724</u>	<u>308,318</u>
18,587	(17,950)	16,723	127,150
113,811	314,590	657,517	530,877
-	-	-	(510)
<u>113,811</u>	<u>314,590</u>	<u>657,517</u>	<u>530,367</u>
<u>\$ 132,398</u>	<u>\$ 296,640</u>	<u>\$ 674,240</u>	<u>\$ 657,517</u>

**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, 2011**  
**(in thousands)**

Net change in fund balances- total governmental funds: \$ 16,723

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 income not reported in the funds.

Capital assets acquired by use of financial resources	151,492	
Capital assets contributed by developers and JTA	23,832	
Capital assets transferred from proprietary funds of the city	140	
Current year depreciation	(115,099)	
Loss on disposition of assets	(977)	
		59,388

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	1,516	
Amortization of issuance costs	(1,292)	
Amortization of bond discounts	(155)	
Amortization of bond premium	5,548	
Additional bond premium with new debt issue	(18,481)	
Amortization - loss on refunding	(679)	
		(13,543)

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	(289,978)	
Principal repayment	167,027	
		(122,951)

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 compensated absences payable	619	
Decrease amounts due to independent agencies and other governments	7,545	
Decrease of Miscellaneous payable	225	
Decrease of payable to other governments	927	
Decrease to miscellaneous revenue	(331)	
Increase in other post employment benefits	(5,884)	
Increase of accrual for pollution remediation	(6,550)	
Principal reduction of Internal Banking fund debt	30,532	
		(109,411)

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	3,917	
Other non-operating revenue	4,223	
Operating income	1,806	
Transfers in, net	(1,600)	
		8,346

Change in Net Assets - Governmental Activities \$ (24,954)

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, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2011	2010	
<b>ASSETS:</b>							
Equity in cash and investments.....	\$ 19,598	\$ 1,798	\$ 740	\$ 22,538	\$ 44,674	\$ 40,571	\$ 155,078
Cash with fiscal agents.....	4,667	7,891	5,372	2,840	20,770	20,797	12,892
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts.....	29,071	338	1,193	19,594	50,196	56,859	199
Loans .....	-	-	-	-	-	-	46,948
Other.....	-	-	-	-	-	-	1,383
Due from other funds.....	-	-	350	-	350	674	-
Due from independent agencies and other governments.....	21	167	-	-	188	191	1,434
Advances to other funds.....	-	-	-	-	-	-	-
Interest and dividend receivables.....	2	-	-	-	2	2	-
Inventories.....	-	-	-	14	14	8	2,109
Prepaid expenses and other assets.....	-	16	143	17	176	200	7,334
<b>Total Current Assets.....</b>	<b>53,359</b>	<b>10,210</b>	<b>7,798</b>	<b>45,003</b>	<b>116,370</b>	<b>119,302</b>	<b>227,377</b>
<b>NONCURRENT ASSETS:</b>							
Advances to other funds.....	-	-	-	-	-	-	7,083
Sinking fund cash and investments.....	18,723	-	-	-	18,723	18,025	-
Loans receivable.....	-	-	-	-	-	-	226,293
Other receivables.....	-	-	-	-	-	-	13,433
<b>CAPITAL ASSETS:</b>							
Land, easements and work in progress.....	13,427	23,339	1,602	8,601	46,969	45,567	20,658
Other capital assets, net of depreciation.....	15,023	163,281	104,762	103,228	386,294	388,231	56,678
Deferred charge - Landfill related costs.....	14,000	-	-	-	14,000	16,935	-
Other deferred charges.....	193	-	-	-	193	231	-
<b>Total Noncurrent Assets.....</b>	<b>61,366</b>	<b>186,620</b>	<b>106,364</b>	<b>111,829</b>	<b>466,179</b>	<b>468,989</b>	<b>324,145</b>
<b>TOTAL ASSETS.....</b>	<b>114,725</b>	<b>196,830</b>	<b>114,162</b>	<b>156,832</b>	<b>582,549</b>	<b>588,291</b>	<b>551,522</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2011	2010	
<b>LIABILITIES:</b>							
Accounts payable and accrued liabilities.....	\$ 3,812	\$ 1,650	\$ 909	\$ 2,895	\$ 9,266	\$ 11,171	\$ 12,236
Contracts payable.....	7	-	-	-	7	30	-
Due to other funds.....	-	-	-	2,791	2,791	4,511	-
Deposits.....	213	127	1,561	401	2,302	1,861	2
Accrued interest payable.....	587	3,566	2,223	697	7,073	7,705	5,183
Estimated liability for self-insured losses, current portion...	-	-	-	-	-	-	21,157
Current portion of bonds payable.....	4,080	4,325	3,149	2,150	13,704	13,129	7,386
Unearned revenue.....	-	-	59	-	59	16,454	2,240
Accrued compensated absences, current portion.....	197	-	-	232	429	426	958
Current portion of notes payable.....	-	-	-	-	-	-	8,250
Current portion of loans payable.....	-	-	-	221	221	-	10,306
<b>Total Current Liabilities.....</b>	<b>8,896</b>	<b>9,668</b>	<b>7,901</b>	<b>9,387</b>	<b>35,852</b>	<b>55,287</b>	<b>67,718</b>
<b>NONCURRENT LIABILITIES:</b>							
Estimated liability for self-insured losses.....	-	-	-	-	-	-	67,389
Liability for landfill closure and postclosure care.....	61,663	-	-	-	61,663	65,825	-
Accrued compensated absences.....	460	-	-	539	999	994	2,238
Notes payable.....	-	-	-	-	-	-	33,750
Loans payable.....	-	-	-	18,909	18,909	2,250	24,624
Bonds payable.....	23,370	140,510	103,918	30,907	298,705	312,134	266,636
Other liabilities.....	377	-	-	619	996	1,303	1,431
<b>Total Noncurrent Liabilities.....</b>	<b>85,870</b>	<b>140,510</b>	<b>103,918</b>	<b>50,974</b>	<b>381,272</b>	<b>382,506</b>	<b>396,068</b>
<b>TOTAL LIABILITIES.....</b>	<b>94,766</b>	<b>150,178</b>	<b>111,819</b>	<b>60,361</b>	<b>417,124</b>	<b>437,793</b>	<b>463,786</b>
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt.....	23,489	41,785	(703)	59,642	124,213	135,912	42,406
Restricted for:							
Capital.....	-	-	-	2,667	2,667	-	-
Restricted - other participant's equity.....	-	-	-	-	-	-	112
Unrestricted (deficit).....	(3,530)	4,867	3,046	34,162	38,545	14,586	45,218
<b>TOTAL NET ASSETS .....</b>	<b>\$ 19,959</b>	<b>\$ 46,652</b>	<b>\$ 2,343</b>	<b>\$ 96,471</b>	<b>\$ 165,425</b>	<b>\$ 150,498</b>	<b>\$ 87,736</b>

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, 2011  
WITH COMPARATIVE TOTALS FOR 2010 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2011	2010	
<b>OPERATING REVENUE:</b>							
Sales and tourist taxes.....	\$ -	\$ 6,731	\$ -	\$ 4,403	\$ 11,134	\$ 10,965	\$ -
Charges for services.....	66,610	3,379	5,288	28,262	103,539	90,661	230,082
Charges for services for independent authorities..	-	-	-	-	-	-	13,588
Other.....	1,113	5,597	2,522	2,016	11,248	10,898	3,837
Total Operating Revenue.....	<u>67,723</u>	<u>15,707</u>	<u>7,810</u>	<u>34,681</u>	<u>125,921</u>	<u>112,524</u>	<u>247,507</u>
<b>OPERATING EXPENSES:</b>							
Personal services.....	5,756	1,779	1,555	13,782	22,872	23,574	29,410
Supplies and materials.....	101	90	63	432	686	601	30,831
Central services.....	3,603	197	98	3,852	7,750	8,243	6,608
Interdepartmental charges.....	322	845	405	1,221	2,793	2,815	-
Other services and charges.....	50,209	8,070	5,429	11,254	74,962	82,672	36,374
Depreciation and amortization.....	1,812	5,490	2,450	4,105	13,857	13,367	19,621
Court reporter services.....	-	-	-	-	-	-	62
Claims and losses.....	-	-	-	-	-	-	23,999
Insurance premiums and participant dividends.....	-	-	-	-	-	-	98,796
Total Operating Expenses.....	<u>61,803</u>	<u>16,471</u>	<u>10,000</u>	<u>34,646</u>	<u>122,920</u>	<u>131,272</u>	<u>245,701</u>
<b>OPERATING (LOSS) INCOME.....</b>	<u>5,920</u>	<u>(764)</u>	<u>(2,190)</u>	<u>35</u>	<u>3,001</u>	<u>(18,748)</u>	<u>1,806</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>							
Interest revenue.....	1,544	78	87	418	2,127	5,770	3,917
Interest expense.....	(1,174)	(7,132)	(4,747)	(1,520)	(14,573)	(15,500)	-
Other.....	564	1,707	386	(1,372)	1,285	(1,814)	4,223
Total Non-Operating Revenue (Expenses).....	<u>934</u>	<u>(5,347)</u>	<u>(4,274)</u>	<u>(2,474)</u>	<u>(11,161)</u>	<u>(11,544)</u>	<u>8,140</u>
<b>(LOSS) INCOME BEFORE TRANSFERS.....</b>	<u>6,854</u>	<u>(6,111)</u>	<u>(6,464)</u>	<u>(2,439)</u>	<u>(8,160)</u>	<u>(30,292)</u>	<u>9,946</u>
<b>TRANSFERS:</b>							
Transfers in.....	71	8,389	7,804	8,540	24,804	43,937	3,176
Transfers out.....	-	(508)	(782)	(427)	(1,717)	(8,403)	(4,776)
Net Transfers.....	<u>71</u>	<u>7,881</u>	<u>7,022</u>	<u>8,113</u>	<u>23,087</u>	<u>35,534</u>	<u>(1,600)</u>
<b>CHANGES IN NET ASSETS.....</b>	<u>6,925</u>	<u>1,770</u>	<u>558</u>	<u>5,674</u>	<u>14,927</u>	<u>5,242</u>	<u>8,346</u>
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<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>
<b>NET ASSETS, END OF YEAR.....</b>	<u>\$ 19,959</u>	<u>\$ 46,652</u>	<u>\$ 2,343</u>	<u>\$ 96,471</u>	<u>\$ 165,425</u>	<u>\$ 150,498</u>	<u>\$ 87,736</u>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>EVERBANK FIELD</b>	<b>VETERANS MEMORIAL ARENA</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers.....	\$ 53,621	\$ 9,768	\$ 5,240
Payments to suppliers.....	(52,117)	(8,815)	(5,662)
Payments to employees .....	(5,842)	(1,780)	(1,555)
Internal activity- receipts from other funds.....	68	-	-
Internal activity-payments to other funds.....	(5,012)	(194)	(87)
Other cash receipts .....	-	5,723	2,523
Other operating cash payments.....	-	-	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>(9,282)</b>	<b>4,702</b>	<b>459</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds .....	71	8,389	7,804
Transfers to other funds .....	-	(508)	(782)
Advances from other funds .....	-	(377)	190
Advances to their funds .....	-	-	(2)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>71</b>	<b>7,504</b>	<b>7,210</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets.....	(1,543)	(77)	(5)
Decrease in landfill costs and other charges.....	-	-	-
Cash with fiscal agent .....	(141)	(92)	251
Proceeds from capital debt.....	(2,250)	-	-
Proceeds from sale of capital assets .....	-	-	-
Transfers from other funds .....	-	-	-
Payments for bond administration fee .....	-	(3)	-
Interest paid on debt .....	(1,238)	(7,224)	(5,099)
Principal paid on debt.....	(3,875)	(4,140)	(3,049)
Proceeds from loans payable.....	-	-	-
Payments on loans payable.....	-	-	-
Payments on notes payable.....	-	-	-
Proceeds on bonds payable.....	-	-	-
Interest and payments to refunded bond escrow agent.....	-	-	-
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(9,047)</b>	<b>(11,536)</b>	<b>(7,902)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends .....	845	78	87
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES.....</b>	<b>845</b>	<b>78</b>	<b>88</b>
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS.....</b>	<b>(17,413)</b>	<b>748</b>	<b>(145)</b>
Equity in cash and investments at October 1, 2010.....	37,011	1,050	885
Equity in cash and investments at September 30, 2011.....	<b>\$ 19,598</b>	<b>\$ 1,798</b>	<b>\$ 740</b>

**ENTERPRISE FUNDS**

<b>NON MAJOR ENTERPRISE</b>	<b>TOTALS</b>		<b>INTERNAL SERVICE FUNDS</b>
	<b>2011</b>	<b>2010</b>	
\$ 38,748	\$ 107,377	\$ 77,225	\$ 248,399
(12,713)	(79,307)	(89,610)	(198,734)
(13,909)	(23,086)	(23,230)	(29,478)
-	68	3,815	-
(5,043)	(10,336)	(941)	(4,725)
3,139	11,385	5,183	2,553
-	-	(7,278)	(24,681)
<u>10,222</u>	<u>6,101</u>	<u>(34,836)</u>	<u>(6,666)</u>
8,170	24,434	43,937	3,176
(427)	(1,717)	(8,403)	(4,776)
1,204	1,017	-	-
(2,411)	(2,413)	-	724
<u>6,536</u>	<u>21,321</u>	<u>35,534</u>	<u>(876)</u>
(11,343)	(12,968)	(10,352)	(37,577)
-	-	-	-
9	27	3,036	(3,778)
19,130	16,880	-	-
-	-	30	13,317
370	370	-	-
(3)	(6)	-	-
(2,313)	(15,874)	-	-
(2,064)	(13,128)	(15,589)	-
-	-	-	15,813
-	-	-	(8,528)
-	-	-	(13,000)
-	-	-	60,351
-	-	(15,500)	-
<u>3,786</u>	<u>(24,699)</u>	<u>(38,375)</u>	<u>26,598</u>
<u>369</u>	<u>1,379</u>	<u>5,772</u>	<u>3,917</u>
<u>369</u>	<u>1,379</u>	<u>5,772</u>	<u>3,917</u>
20,913	4,103	(31,905)	22,973
<u>1,625</u>	<u>40,571</u>	<u>72,476</u>	<u>132,105</u>
<u>\$ 22,538</u>	<u>\$ 44,674</u>	<u>\$ 40,571</u>	<u>\$ 155,078</u>

(continued)

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands; continued)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>EVERBANK FIELD</b>	<b>VETERANS MEMORIAL ARENA</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
<b>OPERATING ACTIVITIES:</b>			
OPERATING INCOME (LOSS).....	\$ 5,920	(\$ 764)	(\$ 2,190)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	1,812	5,490	2,450
Miscellaneous nonoperating income.....	3,881	126	-
(Increase) decrease in assets:			
Receivables and other current assets, net.....	(5,570)	(41)	(1,074)
Due from other funds.....	-	-	-
Due from independent agencies and other governments.....	3	-	-
Inventories.....	-	-	-
Other receivables.....	-	-	-
Loan receivables.....	-	-	-
Prepaid expenses and other assets.....	-	14	4
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities.....	(1,103)	178	245
Contracts payable.....	-	-	-
Due to other funds.....	-	-	-
Deposits.....	-	(301)	1,000
Accrued interest payable.....	-	-	-
Unearned revenue.....	(9,410)	-	24
Other liabilities.....	(89)	-	-
Interest payable.....	-	-	-
Liability for landfill closure and postclosure care.....	(4,729)	-	-
Liability for self-insured losses.....	-	-	-
Accrued compensated absences.....	3	-	-
<b>TOTAL ADJUSTMENTS.....</b>	<b>(15,202)</b>	<b>5,466</b>	<b>2,649</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>(\$ 9,282)</b>	<b>\$ 4,702</b>	<b>\$ 459</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in the fair value of investments.....	\$ -	\$ -	\$ -
Capital assets transferred between proprietary funds.....	-	1,512	322
Capital assets transferred from governmental activities to proprietary funds.....	5	70	64
Disposal of capital assets.....	(129)	(522)	(48)
Accrued interest.....	(587)	(3,566)	(2,223)

**ENTERPRISE FUNDS**

<u>NON MAJOR ENTERPRISE</u>	<u>TOTALS</u>		<u>INTERNAL SERVICE FUNDS</u>
	<u>2011</u>	<u>2010</u>	
<u>\$ 35</u>	<u>\$ 3,001</u>	<u>(\$ 18,748)</u>	<u>\$ 1,806</u>
4,105	13,857	13,367	19,621
1,283	5,290	-	-
13,348	6,663	(39,158)	5
-	-	(641)	-
-	3	(88)	191
(6)	(6)	3	(103)
-	-	-	576
-	-	-	(39,501)
5	23	(68)	(658)
(1,156)	(1,836)	3,435	6,652
-	-	58	-
-	-	3,514	(13)
(260)	439	(2,102)	-
-	-	(6,964)	-
(7,009)	(16,395)	4,016	(118)
(127)	(216)	831	272
-	-	6,105	-
-	(4,729)	1,525	-
-	-	-	4,872
4	7	79	(268)
<u>10,187</u>	<u>3,100</u>	<u>(16,088)</u>	<u>(8,472)</u>
<u>\$ 10,222</u>	<u>\$ 6,101</u>	<u>(\$ 34,836)</u>	<u>(\$ 6,666)</u>
\$ -	\$ -	\$ 2,182	\$ 23,374
(1,834)	-	-	-
55	194	184	-
(77)	(776)	-	-
(696)	(7,072)	(7,705)	-

See accompanying notes.



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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, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<b>PENSION TRUST FUNDS</b>		<b>PRIVATE PURPOSE TRUST FUND</b>		<b>AGENCY FUNDS</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b><u>ASSETS</u></b>						
<b>CURRENT ASSETS:</b>						
Equity in cash and investments.....	\$ 34,966	\$ 47,511	\$ 243	\$ 247	\$ 43,024	\$ 37,977
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	5,295	6,709	-	-	-	-
Accounts.....	386	258	-	-	2,539	2,309
Other.....	732	1,926	-	-	-	-
Due from independent agencies and other governments.....	1,400	4,187	-	-	-	-
Due from component units.....	-	1,184	-	-	-	-
Investments, at fair value:						
U.S. Government obligations.....	191,921	138,824	-	-	-	-
Federal agencies.....	56,619	120,064	-	-	-	-
Municipal bonds.....	589	-	-	-	-	-
Domestic corporate bonds.....	256,341	434,403	-	-	-	-
Short-term investments.....	26,888	10,541	-	-	-	-
Domestic stocks.....	1,041,376	1,014,762	-	-	-	-
International stocks.....	456,115	470,381	-	-	-	-
Real estate.....	278,054	175,787	-	-	-	-
Other fixed income.....	62,641	56,804	-	-	-	-
Alternative investments.....	41,259	39,845	-	-	-	-
Equity in pooled investments.....	1,075	12,411	-	-	-	-
Total investments.....	<u>2,412,878</u>	<u>2,473,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets.....	<u>2,455,657</u>	<u>2,535,597</u>	<u>243</u>	<u>247</u>	<u>45,563</u>	<u>40,286</u>
<b>CAPITAL ASSETS</b>						
Other capital assets, net of depreciation.....	34	23	-	-	-	-
Total Capital Assets, Net.....	<u>34</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Securities lending collateral.....	128,284	107,046	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b><u>2,583,975</u></b>	<b><u>2,642,666</u></b>	<b><u>243</u></b>	<b><u>247</u></b>	<b><u>45,563</u></b>	<b><u>40,286</u></b>
<b><u>LIABILITIES</u></b>						
<b>CURRENT LIABILITIES:</b>						
Obligations under securities lending agreement.....	129,556	108,319	-	-	-	-
Accounts payable and accrued liabilities.....	1,443	9,140	3	-	4,805	164
Due to independent agencies and other governments.....	-	-	-	-	15,436	16,125
Due to individuals.....	-	-	-	-	5,851	5,312
Current portion accrued compensated absences.....	-	-	-	-	-	-
Deposits held in escrow.....	-	-	-	-	18,518	17,849
Miscellaneous liabilities.....	-	-	-	-	953	836
Total Current Liabilities.....	<u>130,999</u>	<u>117,459</u>	<u>3</u>	<u>-</u>	<u>45,563</u>	<u>40,286</u>
<b>NONCURRENT LIABILITIES:</b>						
Other post employment benefits.....	9	-	-	-	-	-
Accrued compensated absences.....	95	101	-	-	-	-
Terminal leave - group care.....	233	326	-	-	-	-
Due to participants.....	218,036	193,768	-	-	-	-
Total Noncurrent Liabilities.....	<u>218,373</u>	<u>194,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>349,372</u></b>	<b><u>311,654</u></b>	<b><u>3</u></b>	<b><u>-</u></b>	<b><u>\$ 45,563</u></b>	<b><u>\$ 40,286</u></b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....</b>	<b><u>\$ 2,234,603</u></b>	<b><u>\$ 2,331,012</u></b>	<b><u>\$ 240</u></b>	<b><u>\$ 247</u></b>		

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR 2010 (in thousands)**

	<b>PENSION TRUST FUNDS</b>		<b>PRIVATE PURPOSE TRUST</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b><u>ADDITIONS</u></b>				
Contributions:				
Employer.....	\$ 128,772	\$ 135,254	\$ -	\$ -
Plan members.....	41,949	41,303	-	-
Total contributions.....	<u>170,721</u>	<u>176,557</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	8,955	8,829	-	-
Court fines & penalties.....	1,173	1,511	-	-
Miscellaneous.....	101	81	-	-
Transfers in.....	172	37	-	15
Total other additions.....	<u>10,401</u>	<u>10,458</u>	<u>-</u>	<u>15</u>
Investment income:				
Net (depreciation) appreciation in fair value of investments.....	(35,503)	183,280	-	-
Interest.....	31,714	34,920	4	13
Dividends.....	24,321	18,140	-	-
Rebate of commissions.....	153	84	-	-
Rental income.....	1,937	2,027	-	-
Other miscellaneous.....	-	(2)	-	-
Total investment income .....	<u>22,622</u>	<u>238,449</u>	<u>4</u>	<u>13</u>
Less investment expense.....	(12,301)	(10,256)	-	-
Less rental expense.....	(228)	(351)	-	-
Net investment income .....	<u>10,093</u>	<u>227,842</u>	<u>4</u>	<u>13</u>
From Securities Lending Activities:				
Securities lending.....	414	550	-	-
Securities lending expenses				
Interest expense (returned to borrower).....	7	(66)	-	-
Agent fees.....	(94)	(61)	-	-
Total securities lending activities .....	<u>327</u>	<u>423</u>	<u>-</u>	<u>-</u>
<b>TOTAL ADDITIONS, NET.....</b>	<u>191,542</u>	<u>415,280</u>	<u>4</u>	<u>28</u>
<b><u>DEDUCTIONS</u></b>				
Benefit payments.....	219,695	206,716	-	-
DROP benefits.....	43,919	36,806	-	-
Refund of contributions.....	20,270	9,272	-	-
Transfers out.....	167	37	-	-
Administrative expenses.....	3,900	3,473	-	-
Operating expenses.....	-	-	11	10
<b>TOTAL DEDUCTIONS.....</b>	<u>287,951</u>	<u>256,304</u>	<u>11</u>	<u>10</u>
<b>CHANGE IN NET ASSETS.....</b>	(96,409)	158,976	(7)	18
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<u>2,331,012</u>	<u>2,172,036</u>	<u>247</u>	<u>229</u>
<b>NET ASSETS, END OF YEAR.....</b>	<u>\$ 2,234,603</u>	<u>\$ 2,331,012</u>	<u>\$ 240</u>	<u>\$ 247</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, 2011**

**MAJOR COMPONENT UNITS**

	<b>JEA</b>	<b>JACKSONVILLE TRANSPORTATION AUTHORITY</b>	<b>JACKSONVILLE AVIATION AUTHORITY</b>	<b>JACKSONVILLE PORT AUTHORITY</b>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,022,209	\$ 69,563	\$ 42,445	\$ 42,248
Cash in escrow with fiscal agent.....	-	-	-	-
Investments.....	408,363	30,155	53,465	-
Due from other governmental agencies.....	-	44,896	-	-
Accounts and interest receivable.....	261,160	822	4,751	5,271
Mortgages receivable.....	-	-	-	-
Other receivables.....	-	-	7,796	14,838
Inventories.....	146,319	3,872	988	1,420
Deferred outflows.....	176,758	-	3,951	3,022
Other assets.....	104,180	7,645	1,891	4,486
Custodial Assets - Construction projects.....	-	199,389	-	-
Capital assets:				
Land and construction in progress.....	367,734	50,079	83,730	264,800
Buildings and improvements.....	-	145,615	738,537	514,814
Vehicles.....	-	90,456	-	-
Equipment.....	-	80,805	44,227	95,002
Utility plant in service.....	10,055,215	-	-	-
Infrastructure assets.....	-	-	-	-
Other capital assets.....	-	-	2,032	-
Less: accumulated depreciation.....	(3,747,280)	(194,760)	(327,523)	(273,707)
Total capital assets, net of depreciation.....	<u>6,675,669</u>	<u>172,195</u>	<u>541,003</u>	<u>600,909</u>
Total assets.....	<u>8,794,658</u>	<u>528,537</u>	<u>656,290</u>	<u>672,194</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses.....	189,528	14,530	7,313	8,005
Deposits.....	52,655	-	-	2,802
Unearned revenue.....	-	-	-	6,203
Due to other governmental agencies.....	-	597	-	8,537
Interest payable.....	129,602	-	4,023	-
Other current liabilities.....	90,000	-	-	144
Liabilities payable with restricted assets.....	-	-	-	-
Long-term liabilities:				
Due within one year:				
Estimated liability for injury and damage claims.....	-	1,835	-	-
Bonds, notes payable, capital leases and contracts.....	310,754	-	12,779	15,833
Compensated absences.....	-	282	-	-
Due in more than one year:				
Estimated liability for injury and damage claims.....	-	1,644	-	-
Bonds, capital leases and commercial paper.....	5,922,622	-	187,634	184,373
Fair market value of debt management instruments.....	176,095	-	3,951	3,022
Compensated absences.....	-	830	-	-
Custodial projects - due to other governments.....	-	219,256	-	-
OPEB liability.....	-	264	1,297	-
Other noncurrent liabilities.....	114,843	-	-	142,363
Total liabilities.....	<u>6,986,099</u>	<u>239,238</u>	<u>216,997</u>	<u>371,282</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	399,451	172,194	349,691	252,599
Restricted for:				
Capital projects.....	202,613	-	7,218	4,396
Debt service.....	684,249	-	22,154	15,453
Other purposes.....	-	-	10,503	2,595
Unrestricted.....	522,246	117,105	49,727	25,869
Total Net Assets.....	<u>\$ 1,808,559</u>	<u>\$ 289,299</u>	<u>\$ 439,293</u>	<u>\$ 300,912</u>

See accompanying notes.

<u>JACKSONVILLE HOUSING FINANCE AUTHORITY</u>	<u>JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION</u>	<u>NON MAJOR COMPONENT UNITS</u>	<u>TOTAL</u>
\$ 6,832	\$ 22,181	\$ 777	\$ 1,206,255
40	20	-	60
-	-	108	492,091
-	64	-	44,960
-	1,987	618	274,609
13,434	-	-	13,434
-	42,635	-	65,269
-	-	-	152,599
-	-	-	183,731
328	-	6	118,536
-	-	-	199,389
-	-	-	766,343
-	-	77	1,399,043
-	-	-	90,456
-	100	118	220,252
-	-	-	10,055,215
-	-	-	-
-	-	-	2,032
-	(100)	(163)	(4,543,533)
-	-	32	7,989,808
<u>20,634</u>	<u>66,887</u>	<u>1,541</u>	<u>10,740,741</u>
227	966	19	220,588
32	387	-	55,876
-	42,635	-	48,838
-	-	-	9,134
-	-	-	133,625
-	-	-	90,144
-	-	-	-
-	-	-	1,835
-	-	-	339,366
2	-	-	284
-	-	-	1,644
-	-	-	6,294,629
-	-	-	183,068
-	303	-	1,133
-	-	-	219,256
5	54	-	1,620
-	-	-	257,206
<u>266</u>	<u>44,345</u>	<u>19</u>	<u>7,858,246</u>
-	-	32	1,173,967
-	-	-	214,227
-	-	-	721,856
-	-	-	13,098
20,368	22,542	1,490	759,347
<u>\$ 20,368</u>	<u>\$ 22,542</u>	<u>\$ 1,522</u>	<u>\$ 2,882,495</u>

(continued)

**CITY OF JACKSONVILLE, FLORIDA  
 COMBINING STATEMENT OF ACTIVITIES -  
 COMPONENT UNITS (in thousands)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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	\$ 65,715	\$ -	\$ -	\$ -	\$ (65,715)	\$ -
Jacksonville Housing Finance Authority	929	-	3	-	-	(926)
Jacksonville Economic Development Commission	9,015	1	6,621	-	-	-
Non Major Component Units	2,024	805	931	5	-	-
<b>Total governmental activities.....</b>	<b>77,683</b>	<b>806</b>	<b>7,555</b>	<b>5</b>	<b>(65,715)</b>	<b>(926)</b>
Business-type activities:						
JEA	1,916,696	2,039,558		35,004	-	-
Jacksonville Transportation Authority	103,219	21,381	12,174	14,460	-	-
Jacksonville Aviation Authority	82,278	73,677	202	9,502	-	-
Jacksonville Port Authority	71,016	50,871	7,110	5,113	-	-
<b>Total business-type activities.....</b>	<b>2,173,209</b>	<b>2,185,487</b>	<b>19,486</b>	<b>64,079</b>	<b>-</b>	<b>-</b>
<b>Total component units.....</b>	<b>\$ 2,250,892</b>	<b>\$ 2,186,293</b>	<b>\$ 27,041</b>	<b>\$ 64,084</b>	<b>(65,715)</b>	<b>(926)</b>
Sales and tourist taxes.....					64,981	-
Intergovernmental - unrestricted.....					-	-
Unrestricted earnings on investments.....					141	163
Miscellaneous.....					143	878
Transfers .....					3,331	-
Distributions .....					-	-
<b>Total general revenues and distributions.....</b>					<b>68,596</b>	<b>1,041</b>
Change in net assets.....					2,881	115
Net assets, beginning of year.....					112,050	20,253
Net assets, end of year.....					<b>\$ 114,931</b>	<b>\$ 20,368</b>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (65,715)
-	-	-	-	-	-	(926)
(2,393)	-	-	-	-	-	(2,393)
-	(283)	-	-	-	-	(283)
(2,393)	(283)					(69,317)
-	-	157,866	-	-	-	157,866
-	-	-	(55,204)	-	-	(55,204)
-	-	-	-	1,103	-	1,103
-	-	-	-	-	(7,922)	(7,922)
-	-	157,866	(55,204)	1,103	(7,922)	95,843
(2,393)	(283)	157,866	(55,204)	1,103	(7,922)	26,526
-	-	-	-	-	-	64,981
-	-	-	50,753	-	-	50,753
1,358	83	24,173	18	981	228	27,145
1,248	70	13,085	-	516	186	16,126
-	-	-	(3,331)	-	-	-
-	(14,128)	-	-	-	-	(14,128)
2,606	(13,975)	37,258	47,440	1,497	414	144,877
213	(14,258)	195,124	(7,764)	2,600	(7,508)	171,403
22,329	15,780	1,613,435	182,132	436,693	308,420	2,711,092
\$ 22,542	\$ 1,522	\$ 1,808,559	\$ 174,368	\$ 439,293	\$ 300,912	\$ 2,882,495



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**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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 864,601 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 codification section 2100 Defining 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, 2011**

---

**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 statements 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 codification section 2100, 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, 2011**

---

**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 Chief Financial Officer at 14201 Pecan Park Road, Jacksonville, Florida 32218.

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, 2011**

---

**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, 2011**

---

**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. Per City Ordinance 2011-133, the WSEA was dissolved in 2011. Related assets, liabilities and responsibilities were transferred to the City or JEA. The statement of activities includes a distribution of 14,265 (thousand), which reflects the transaction. The governing body of the WSEA consisted of seven members appointed by the mayor and confirmed by the City Council. The City had 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 issued final separate financial statements as June 30, 2011, which may be obtained from its administrative office at 21 West Church Street, T - 16 Jacksonville, Florida 32202.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

---

**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, the governor agreed to the apportionment plan of newly proposed members. The City Council no longer serves as the MPO Board. The organization's name was changed to the **North Florida Transportation Planning Organization (TPO)** in 2008 to better reflect the mission and service area. The mayor, three Jacksonville City Council Members and various other leaders of the involved agencies, make up the 15 member board, with five members being non-voting.

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

**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, 2011**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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:

**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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Structure: (continued)**

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.

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 proprietary 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 presentation. 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.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Fund Structure:** (continued)

**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, Sheriffs Fund accounts for deposits held in accordance with statutes for civil action, safeguarding of monetary evidence, and inmate funds.

**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 and state 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.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Basis of Accounting: (continued)**

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.

**F. Cash, Cash Equivalents, and Investments:**

Cash, cash equivalents and investments and related accrued investments 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 the Statement of Cash Flows 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 August 9, 2011. 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Receivables:**

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based on past collection experience and current economic conditions, to the net realizable values. 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.

Certain receivables are related to loans made for economic development purposes. Repayment of these loans is contingent upon a number of economic factors that are outside of the control of the City. Due to the uncertainty over the ultimate collectability of these amounts, a deferral has been recorded in the amount equal to the balance of the receivable.

**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 expensed when consumed.

**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, capital 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 citywide financial statements, and in the Proprietary Fund Level Statements.

Infrastructure capitalizations according to GASB 34 phase 1 were included in the City's assets beginning in FY 2003 including the 20 year required prior totals.

Starting in FY 2010, the City implemented GASB Statement 51 and began capitalizing right of way easements as intangible assets.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Capital Assets: (continued)**

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

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. Software development is capitalized if over a threshold of \$30,000.

**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.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 citywide 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, 2011, 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.

**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.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 citywide 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.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Long-Term Obligations: (continued)**

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:**

Fund balance is classified using 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 constraint 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 citywide 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.

**T. Deferred Loss on Debt Refundings:**

Losses resulting from advance refundings of debt in the citywide 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 2010 amounts have been reclassified to conform with the 2011 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, 2010, from which the summarized information was derived. Limited 2010 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, 2011**

**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, 2011

*(in thousands)*

Primary Government:	
Cash and Cash Equivalents	\$67,781
Cash in escrow and with fiscal agents	\$158,840
Investments - Primary Government	783,917
Primary Government Total:	<u>1,010,538</u>
Pension and Agency Funds:	
Cash and Cash Equivalents	
Pension Trust Funds	34,966
Private Purpose Trust Funds	243
Agency Funds	43,024
Investments - Pensions	2,418,173
Pension and Agency Total:	<u>2,496,406</u>
Component Units:	
Cash and Cash Equivalents	1,206,255
Cash in escrow and with fiscal agents	60
Investments - Component Units	492,091
Component Unit Total:	<u>1,698,406</u>
Total Cash and Investments:	<u><u>\$5,205,350</u></u>
Investments Schedules:	
Operating Portfolio	\$1,276,008
(includes interest and dividends receivable)	
Pension Portfolio	2,418,173
(includes interest and dividends receivable)	
Sub-total:	<u>3,694,181</u>
Other Cash/Investments:	
Cash	367,016
Cash with Fiscal Agent	158,900
Restricted Funds	985,253
Sub-total:	<u>1,511,169</u>
Total Cash and Investments:	<u><u>\$5,205,350</u></u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)**

**A. Cash on Deposit (continued)**

**1. Custodial Credit Risk**

At September 30, 2011, primary government deposits in financial institutions totaled \$89.2 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.

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Performance benchmarks for the Portfolio 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 2010-11 Normal Portfolio Balance of \$745 million, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)**

**B. Investments and Investment Practices (continued)**

**1. General Operating Investments (continued)**

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.

**Operating Fund  
Compliance Guideline Characteristics  
as of September 30, 2011**

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
<b>Duration<sup>1</sup></b>	2.44	NA	3.01	5.00
<b>Liquidity</b>	\$ 250,370,282	33.6%	42.9%	100.0%
<b>Requirements</b>				
USG + Agencies	\$ 256,789,059	34.5%	35.5%	100.0%
US Govt (USG)	124,678,293	16.7%	22.2%	100.0%
<b>Constraints</b>				
Agencies	\$ 132,110,766	17.7%	17.7%	45.0%
MBS	100,974,267	13.6%	14.2%	35.0%
Agency MBS	58,626,863	7.9%	8.0%	35.0%
Non-Agency MBS	42,347,404	5.7%	6.5%	15.0%
Asset Backed Securities <sup>2</sup>	16,084,318	2.2%	2.2%	7.5%
Corporates	344,198,651	46.2%	55.9%	60.0%
Corporates > 1 Year	164,603,656	22.1%	33.0%	40.0%
Municipal Bonds	5,254,370	0.7%	0.8%	10.0%
Bond Funds	209,669,542	28.1%	47.7%	85.0%
Money Market Funds	36,789,987	4.9%	8.3%	40.0%
Certificates of Deposit	1,000,600	0.1%	0.3%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities <sup>2</sup>	61,343,872	8.2%	8.2%	10.0%
<b>Specialty Risk</b>				
High Yield	\$ 40,311,581	5.4%	5.7%	7.5%
International	22,124,085	3.0%	6.3%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Market	3,279,971	0.4%	6.0%	7.5%
Duration > 8.5	34,015,932	4.6%	5.4%	7.5%
Normal Portfolio Balance	\$ 745,000,000			

<sup>1</sup>Commingled Funds and Cash are excluded

<sup>2</sup>New Compliance Guideline

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)  
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  
9/30/2011**

	Equities		Bonds		Other		Cash		Total	Percentage	
Equity (Domestic)	\$	528,345,472	\$	-	\$	-	\$	10,585,263	\$	538,930,735	37%
Large Cap Value		140,544,817		-		-		1,396,463		141,941,280	10%
Large Cap Growth		125,929,033		-		-		5,110,103		131,039,136	9%
Large Cap Core		133,760,178		-		-		1,182,785		134,942,963	9%
Small Cap Value		32,240,744		-		-		1,118,045		33,358,789	2%
Small Cap Growth		68,415,585		-		-		1,648,987		70,064,572	5%
Small Cap Core		27,455,115		-		-		128,880		27,583,995	2%
Equity (International)	\$	288,878,885	\$	-	\$	-	\$	5,523	\$	288,884,408	21%
Value		137,858,536		-		-		5,523		137,864,059	10%
Growth		76,427,780		-		-		-		76,427,780	5%
Emerging		74,592,569		-		-		-		74,592,569	5%
Bonds*	\$	-	\$	412,763,126	\$	-	\$	978,569	\$	413,741,695	27%
Intermediate		-		242,841,164		-		919,516		243,760,680	16%
Aggregate		-		128,019,373		-		101		128,019,474	9%
Inflation Protected		-		41,902,589		-		58,952		41,961,541	3%
Cash Account	\$	-	\$	-	\$	-	\$	3,994,566	\$	3,994,566	0%
Other	\$	11,855,559	\$	-	\$	203,785,540	\$	5,738,751	\$	221,379,850	15%
Real Assets		11,855,559		-		203,785,540		5,738,751		221,379,850	15%
<b>Total investments</b>	<b>\$</b>	<b>829,079,916</b>	<b>\$</b>	<b>412,763,126</b>	<b>\$</b>	<b>203,785,540</b>	<b>\$</b>	<b>21,302,672</b>	<b>\$</b>	<b>1,466,931,254</b>	<b>100%</b>

Less: Amount reported as receivables (3,173,774)

Total Investments less receivables \$ 1,463,757,480

\*Duration of bond portfolio is 4.47 years

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING(continued)  
B. Investments and Investment Practices (continued)  
2. Pension Plan Investments (continued)**

**Police and Fire Pension Fund  
Distribution by Asset Type  
9/30/2011**

	Equities	Bonds	Other	Cash	Total	Percentage
<u>Equity (Domestic)</u>	\$ 415,310,130	\$ -	\$ -	\$ 18,752,612	\$ 434,062,742	46%
Large Cap Value	83,381,781	-	-	3,186,137	86,567,918	9%
Large Cap Growth	78,115,371	-	-	8,030,885	86,146,256	9%
Large Cap Core	94,532,703	-	-	149,985	94,682,688	10%
Small Cap Value	63,634,744	-	-	2,671,120	66,305,864	7%
SMID Cap Growth	47,511,899	-	-	1,676,155	49,188,054	5%
MLPs	\$ 48,133,632			\$ 3,038,330	\$ 51,171,962	6%
<u>Equity (International)</u>	\$ 164,972,284	\$ -	\$ -	\$ 2,258,964	\$ 167,231,248	18%
Value	57,536,532	-	-	2,258,964	59,795,496	6%
Growth	61,017,093	-	-	-	61,017,093	7%
Emerging Markets	46,418,659	-	-	-	46,418,659	5%
<u>Bonds</u>	\$ -	\$ 248,880,657	\$ -	\$ (2,288,884)	\$ 246,591,773	26%
Intermediate	-	83,933,566	-	(6,048,411)	77,885,155	8%
Aggregate	-	164,947,091	-	3,759,527	168,706,618	18%
Cash Account	\$ -	\$ -	\$ -	\$ 4,194,107	\$ 4,194,107	0%
<u>Other</u>	\$ -	\$ -	\$ 98,086,838	\$ -	\$ 98,086,838	10%
Real Estate	-	-	98,086,838	-	98,086,838	10%
<u>Total investments</u>	\$ 580,282,414	\$ 248,880,657	\$ 98,086,838	\$ 22,916,799	\$ 950,166,708	100%
Less: Amount reported as receivables					(2,120,651)	
Total Investments less receivables					\$ 948,046,057	

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)  
B. Investments and Investment Practices (continued)**

**3. 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.

**4. 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 9.0% 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, 2011	
		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Aaa	34%	43%	73%
Aa1-Aa3	7%	4%	8%
A1-A3	12%	14%	11%
Baa1-Baa3	20%	11%	8%
Other	4%	2%	0%
Commingled	23%	26%	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, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)  
B. Investments and Investment Practices (continued)**

**5. 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.

	Operating Portfolio		General Employees Pension Fund		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	\$ 771,175,236	98.37%	\$ 1,466,640,865	99.98%	\$ 900,059,216	94.73%
CANADIAN DOLLAR	6,679,837	0.85%	-	0.00%	-	0.00%
NEW ZEALAND DOLLAR	1,741,532	0.22%	-	0.00%	-	0.00%
AUSTRALIAN DOLLAR	681,153	0.09%	-	0.00%	2,947,544	0.31%
SOUTH KOREAN WON	518,076	0.07%	-	0.00%	467,415	0.05%
MEXICAN NEW PESO	1,319,870	0.17%	-	0.00%	-	0.00%
BRAZIL REAL	440,296	0.06%	-	0.00%	-	0.00%
INDONESIAN RUPIAN	599,214	0.08%	-	0.00%	-	0.00%
INDIAN RUPEE	-	0.00%	-	0.00%	-	0.00%
MALAYSIAN RINGGIT	498,147	0.06%	-	0.00%	-	0.00%
SINGAPORE DOLLAR	-	0.00%	-	0.00%	1,097,717	0.12%
SWISS FRANC	-	0.00%	253,292	0.02%	4,105,974	0.43%
EURO CURRENCY UNIT	85,076	0.01%	10,880	0.00%	14,844,717	1.56%
JAPANESE YEN	-	0.00%	15,349	0.00%	13,374,665	1.41%
SWEDISH KRONA	-	0.00%	5,068	0.00%	1,918,892	0.20%
BRITISH POUND STERLING	-	0.00%	5,800	0.00%	8,947,554	0.94%
HONG KONG DOLLAR	-	0.00%	-	0.00%	1,666,248	0.17%
SOUTH AFRICAN RAND	-	0.00%	-	0.00%	555,262	0.06%
NORWEGIAN KRONE	179,056	0.02%	-	0.00%	181,504	0.02%
Total	\$ 783,917,493	100.00%	\$ 1,466,931,254	100.00%	\$ 950,166,708	100.00%

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)**

**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.

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, 2011 was 49 days for the City's Operating Portfolio and 70 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)  
C. Securities Lending (continued)**

The City cannot pledge or sell these obligations in the absence of a default by the borrower. The net asset value of the collateral may 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, 2011, the City of Jacksonville maintained a sufficient 102.4% collateral on loaned securities. During the fiscal year ended September 30, 2011; Securities Lending net income was \$0.43 million (\$0.1 million Operating, \$0.42 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.

**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, 2011.

<b>Fund</b>	<b>Accounts Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Amount Shown on Balance Sheet</b>
Major Governmental Funds:			
General Fund	\$ 61,760	\$ (30,754)	\$ 31,006
General Capital Project Fund	313	-	313
Non-Major Governmental Funds	2,159	(61)	2,098
Major Enterprise Funds:			
Solid Waste Disposal	35,311	(6,240)	29,071
EverBank Field	338	-	338
Veterans Memorial Arena	1,210	(17)	1,193
Non-Major Enterprise Funds	34,597	(15,003)	19,594
Fiduciary Funds:			
Pension Trust Funds	5,681	-	5,681
Agency Funds	2,539	-	2,539
<b>Fund</b>	<b>Mortgages Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Amount Shown on Balance Sheet</b>
General Fund	\$ 31	\$ -	\$ 31
Non-Major Governmental Funds	45,578	(40,472)	5,106

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011.

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, 2011**

**6. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended September 30, 2011, was as follows (in thousands):

**Primary Government**

	Beginning Balance October 1, 2010	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 301,192	\$ 732	\$ -	\$ 301,924
Easements	2,952	1,679	-	4,631
Art In Public Places	693	-	-	693
Construction in progress	187,126	82,358	(24,777)	244,707
Furniture and equipment in work in process	473	19,995	(239)	20,229
Purchased Software work in process	-	225	-	225
Software Development Work In Process	397	-	(397)	-
<b>Total capital assets not being depreciated</b>	<b>492,833</b>	<b>104,989</b>	<b>(25,413)</b>	<b>572,409</b>
Capital assets being depreciated:				
Buildings	547,742	1,430	-	549,172
Furniture, equipment and library books	321,610	27,763	(18,347)	331,026
Improvements	235,025	24,845	-	259,870
Infrastructure	2,009,805	70,172	-	2,079,977
Purchased Software	7,154	59	-	7,213
Internal Software	25,981	792	-	26,773
<b>Total assets being depreciated</b>	<b>3,147,317</b>	<b>125,061</b>	<b>(18,347)</b>	<b>3,254,031</b>
Less accumulated depreciation for:				
Buildings	166,155	10,591	-	176,746
Furniture, equipment and library books	244,978	30,025	(17,106)	257,897
Improvements	41,783	9,479	-	51,262
Infrastructure	429,758	81,434	-	511,192
Purchased Software	8,247	593	(1,949)	6,891
Internal Software	4,130	2,598	1,949	8,677
<b>Total accumulated depreciation</b>	<b>895,051</b>	<b>134,720</b>	<b>(17,106)</b>	<b>1,012,665</b>
<b>Total capital assets being depreciated, net</b>	<b>2,252,266</b>	<b>(9,659)</b>	<b>(1,241)</b>	<b>2,241,366</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,745,099</b>	<b>\$ 95,330</b>	<b>\$ (26,654)</b>	<b>\$ 2,813,775</b>

	Beginning Balance October 1, 2010	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2011
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 45,232	\$ 10	\$ -	\$ 45,242
Easements	335	-	-	335
Construction in progress	-	1,392	-	1,392
<b>Total capital assets not being depreciated</b>	<b>45,567</b>	<b>1,402</b>	<b>-</b>	<b>46,969</b>
Capital assets being depreciated:				
Buildings and improvements	548,742	2,087	-	550,829
Furniture and equipment	6,719	377	(784)	6,312
Infrastructure	11,608	9,550	-	21,158
<b>Total assets being depreciated</b>	<b>567,069</b>	<b>12,014</b>	<b>(784)</b>	<b>578,299</b>
Less accumulated depreciation for:				
Buildings and improvements	172,393	12,738	-	185,131
Furniture and equipment	6,207	153	(690)	5,670
Infrastructure	238	966	-	1,204
<b>Total accumulated depreciation</b>	<b>178,838</b>	<b>13,857</b>	<b>(690)</b>	<b>192,005</b>
<b>Total capital assets being depreciated, net</b>	<b>388,231</b>	<b>(1,843)</b>	<b>(94)</b>	<b>386,294</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 433,798</b>	<b>\$ (441)</b>	<b>\$ (94)</b>	<b>\$ 433,263</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**6. CAPITAL ASSET ACTIVITY**  
 (continued)

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

<b>Governmental activities:</b>		
General government	\$	23,832
Human services		776
Public Safety		11,135
Culture and recreation		13,711
Transportation		10,553
Economic environment		58
Physical environment		74,655
Total depreciation expense - governmental activities	\$	<u>134,720</u>

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

<b>Business-type activities:</b>		
Solid Waste	\$	1,812
EverBank Field		5,490
Veterans Memorial Arena		2,450
Parking system		361
Stormwater Services		967
Motor vehicle inspections		1
Baseball Stadium		639
Performing Arts		767
Convention Center		656
Equestrian Center		714
Total depreciation expense - business-type activities	\$	<u>13,857</u>

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**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

<u>DUE FROM OTHER FUNDS</u>	<u>AMOUNT</u>	<u>DUE TO OTHER FUNDS</u>	<u>PURPOSE</u>
<b>MAJOR FUNDS:</b>			
<b>General Funds</b>			
General Services District	\$ 2,308	Community Dev. Block Grant	Temporary Interfund Loan
General Services District	1,334	Public Parking System	Temporary Interfund Loan
General Services District	1,107	Performing Arts	Temporary Interfund Loan
General Services District	2,182	American Recovery & Reinvestment	Temporary Interfund Loan
	<u>6,931</u>		
<b>Enterprise Funds</b>			
Veterans Memorial Arena	350	Equestrian Center	Temporary Interfund Loan
	<u>350</u>		
<b>TOTAL</b>	<b>\$ <u>7,281</u></b>		

<u>ADVANCES TO OTHER FUND</u>	<u>AMOUNT</u>	<u>ADVANCES FROM OTHER FUNDS</u>	<u>PURPOSE</u>
<b>NON-MAJOR FUNDS:</b>			
<b>Internal Service Funds</b>			
Self Insurance	7,083	General Projects	Loan for Redevelopment Agreement
	<u>\$ 7,083</u>		

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**CITY OF JACKSONVILLE , FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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>
<b>MAJOR FUNDS:</b>			
<b>General Fund</b>			
General Fund	\$ 177	Concurrency Management	Operations Funding
General Fund	125	General Government Budgeted	Riverside Park Duck Pond Dredging
General Fund	5,191	Tax Increment Districts	Recapture Excess Revenue
General Fund	1,267	Office of General Counsel	Recapture Excess Revenue
General Fund	140	Community Development Block Grant	Economic Development
General Fund	4	Other Federal, State & Local Grants	Operations Funding
General Fund	745	General Government Non-Budgeted	Nuisance Abatement
General Fund	3,509	Self Insurance	Return of Excess Premiums
	<u>11,158</u>		
<b>Debt Service</b>			
Special Bonded Debt Obligations	71,703	General Fund	Debt Service Funding
Special Bonded Debt Obligations	3,149	Tax Increment Districts	Debt Service Funding
Special Bonded Debt Obligations	7,125	Better Jacksonville Plan Trust	Debt Service Funding
Special Bonded Debt Obligations	595	General Government Budgeted	Debt Service Funding
Special Bonded Debt Obligations BJP	41,020	Better Jacksonville Plan Trust	Debt Service Funding
Total	<u>123,592</u>		
<b>General Capital Projects</b>			
General Capital Projects	2,803	General Fund	Capital Improvement Funding
General Capital Projects	400	EverBank Field	Loan Repayment
General Capital Projects	1,000	General Government Non-Budgeted	Firing Range
General Capital Projects	1,750	Tax Increment Districts	Capital Improvement Funding
General Capital Projects	442	Grant Capital Improvement Projects	Return of prior year unused funding
Total	<u>6,395</u>		
<b>Enterprise Funds</b>			
Solid Waste Disposal	71	General Fund	Budget Stabilization Contingency
EverBank Field	6,526	General Fund	Operations Funding
EverBank Field	688	Veterans Memorial Arena	Operations Funding
EverBank Field	1,118	Special Bonded Debt Obligations	Return of Excess Debt Svc Funds
EverBank Field	57	Convention Center	Operations Funding
Veterans Memorial Arena	7,804	Better Jacksonville Plan Trust	Enterprise Debt Service
	<u>16,264</u>		
<b>NON-MAJOR FUNDS:</b>			
<b>Special Revenue</b>			
Emergency 9-1-1	4	General Fund	Budget Stabilization Contingency
Concurrency Management	4	General Fund	Budget Stabilization Contingency
Tourism Development	1	General Fund	Budget Stabilization Contingency
General Government - Budgeted	17	General Fund	Budget Stabilization Contingency
General Government - Budgeted	879	General Fund	Program Funding
General Government Non-Budgeted	2	General Fund	Budget Stabilization Contingency
General Government Non-Budgeted	20	General Fund	Operations Funding
Other Federal, State & Local Grant	3,547	General Fund	Senior Services Program
Other Federal, State & Local Grant	14	General Fund	Help America Vote
Other Federal, State & Local Grant	19	General Government Non-Budgeted	Program Funding
Other Federal, State & Local Grant	129	Jacksonville Children's Commission	Program Funding
Jacksonville Children's Commission	20,674	General Fund	Program Funding
Jacksonville Children's Commission	40	General Fund	Budget Stabilization Contingency
Community Development Block Grant	260	General Fund	Grant Funding
Community Development Block Grant	3	General Fund	Budget Stabilization Contingency
Community Development Block Grant	75	Tax Increment Districts	Museum of Modern Art Repayment
State Housing Initiative Partnership	89	Community Development Block Grant	Housing
Tax Increment Districts	2,221	General Fund	Operations Funding
Maintenance, Parks and Recreation	2,009	General Fund	Hanna Park & Cecil Comm Funding
Maintenance, Parks and Recreation	19	General Fund	Budget Stabilization Contingency
Air Pollution Control	491	General Fund	Grant Funding
Total	<u>30,517</u>		

**CITY OF JACKSONVILLE , FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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>
<b>Debt Service</b>			
Other Non-Bonded Debt Obligations	1,116	Tax Increment Districts	Debt Service Funding
Total	<u>1,116</u>		
<b>Capital Projects</b>			
Grant Capital Improvement Projects	1,414	General Fund	Grant Project Funding
Total	<u>1,414</u>		
<b>Enterprise Funds</b>			
Baseball Stadium	2,059	Better Jacksonville Plan Trust	Enterprise Debt Service
Baseball Stadium	682	General Fund	Operations Funding
Baseball Stadium	93	Veterans Memorial Arena	Operations Funding
Performing Arts	596	General Fund	Operations Funding
Performing Arts	65	EverBank Field	Operations Funding
Convention Center	1,252	General Fund	Enterprise Debt Service
Convention Center	25	EverBank Field	Operations Funding
Equestrian Center	745	General Fund	Operations Funding
Equestrian Center	18	EverBank Field	Operations Funding
Sports Complex Maintenance	370	Convention Center	Operations Funding
Motor Vehicle Inspection	40	General Fund	Operations Funding
Motor Vehicle Inspection	4	General Fund	Budget Stabilization Contingency
Public Parking System	1,136	General Fund	Operations Funding
Public Parking System	25	General Fund	Budget Stabilization Contingency
Stormwater Services	439	General Capital Projects	Operations Funding
Stormwater Services	121	General Fund	Budget Stabilization Contingency
Stormwater Services	870	General Fund	Operations Funding
Total	<u>8,540</u>		
<b>Internal Service Funds</b>			
Fleet Management	1,250	General Fund	Vehicle Replacement Funding
Fleet Management	89	General Fund	Budget Stabilization Contingency
Information Technologies	482	General Fund	Operations Funding
Information Technologies	185	General Fund	Budget Stabilization Contingency
Office of General Counsel	88	General Fund	Budget Stabilization Contingency
Copy Center	5	General Fund	Budget Stabilization Contingency
Self Insurance	1,072	General Fund	Group Health Funding
Insured Programs	5	General Fund	Budget Stabilization Contingency
Total	<u>3,176</u>		
<b>Fiduciary Funds</b>			
General Employees Plan	5	General Fund	Budget Stabilization Contingency
Defined Contribution Plan	167	General Employees Plan	Defined Contribution Funding
Total	<u>172</u>		
<b>TOTAL</b>	<b><u>\$ 202,344</u></b>		

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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 \$7,082,666 at September 30, 2011.

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, 2011 was \$13,432,838 which is recorded in the Self Insurance Fund as other receivables noncurrent.

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, 2011 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, 2011**

**8. LONG-TERM OBLIGATIONS**

**A. Bonds and loans outstanding:**

The bonds and loans outstanding as of September 30, 2011 are as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost <sup>(1)</sup>
<b>Revenue Bonds Supported by General Fund:</b>				
Excise Taxes Revenue Bonds:				
Series 1993	\$ 43,605	\$ 6,279	6.250-6.300%	6.292%
Series 2001B	46,735	41,105	4.400-5.125%	5.271%
Series 2002A	56,685	12,700	5.500%	4.270%
Series 2002B	68,475	53,210	4.000-5.375%	4.576%
Series 2003A	18,745	15,725	3.250-4.500%	4.051%
Series 2003C (AMT)	34,540	32,505	4.000-5.250%	4.915%
* Series 2005A	42,820	41,785	3.625-5.000%	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	39,220	4.000-5.000%	4.534%
Series 2009A	39,585	38,585	3.000-5.000%	4.399%
* Series 2009B	18,535	16,960	4.000-5.000%	3.035%
* Series 2009C	2,275	1,790	3.000-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	47,682	2,687	5.125%	5.352%
Series 2001	103,725	65,060	5.500%	4.571%
Series 2002	63,060	42,170	3.750-5.375%	4.407%
Guaranteed Entitlement Revenue Bonds:				
Series 2002	115,265	97,445	3.875-5.375%	5.019%
Capital Project Revenue Bonds:				
* Series 2008A	67,037	63,990	Variable, assumed 3.55%	N/A
* Series 2008B	67,037	63,990	Variable, assumed 2.89%	N/A
Special Revenue Bonds				
* Series 2009C-1	30,170	29,215	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%
* Series 2011A	76,500	76,500	3.000-5.250%	4.674%
Total Revenue Bonds Supported by General Fund	<u>\$ 1,113,066</u>	<u>\$ 869,266</u>		
<b>Notes Payable Supported by General Fund:</b>				
U.S. Government Guaranteed:				
Series 1995 (Coach)	\$ 3,845	\$ 1,440	4.960-5.190% (taxable)	N/A
Series 2010 (Sally Beauty)	1,065	80	0.860% (taxable)	N/A
Series 2010 (Hilton Hotel)	2,850	1,170	0.860-2.200% (taxable)	N/A
Series 2010 (La Villa)	1,700	595	0.860-2.660% (taxable)	N/A
Series 2010 (Armor Holdings)	775	380	0.860-2.660% (taxable)	N/A
Series 2010 (Hampton Inns)	550	235	0.860-2.200% (taxable)	N/A
Total Notes Payable Supported by General Fund	<u>\$ 10,785</u>	<u>\$ 3,900</u>		
Total Bonds and Notes Supported by General Fund	<u>\$ 1,123,851</u>	<u>\$ 873,166</u>		

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**A. Bonds and loans outstanding (continued)**

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost <sup>(1)</sup>
<b>Special Revenue (Covenant) Bonds Payable from Internal Service Operations:</b>				
Special Revenue Bonds (\$183,591 authorized but unissued):				
Series 2008	\$ 54,215	\$ 51,085	3.500-5.625%	4.966%
Series 2009A	28,613	27,654	Variable, assumed 5.00%	N/A
* Series 2009C-1	40,160	37,570	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%
* Series 2010C-1	27,205	27,205	5.000%	2.763%
* Series 2011A	32,380	32,380	3.000-5.250%	4.674%
	<u>\$ 255,833</u>	<u>\$ 249,154</u>		
<b>Notes Payable from Internal Service Operations:</b>				
Commercial Paper Notes (\$75,220 authorized but unissued):				
	\$ 137,125	\$ 42,000	Variable, assumed 4.15%	N/A
	<u>\$ 137,125</u>	<u>\$ 42,000</u>		
Total bonds and notes payable from Internal Service Funds				
	<u>\$ 392,958</u>	<u>\$ 291,154</u>		
<b>Revenue Bonds Supported by BJP Revenues:</b>				
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	91,845	4.000-5.000%	4.745%
Series 2008A	154,535	154,535	Variable, assumed 4.05%	N/A
Series 2008B	121,740	108,560	Variable, assumed 3.20%	N/A
Infrastructure Sales Tax Revenue Bonds				
* Series 2001	163,956	51,486	5.000-5.500%	5.263%
* Series 2003	158,416	132,291	3.500-5.250%	4.715%
* Series 2004	164,200	139,531	2.750-4.625%	4.345%
Series 2008	105,470	99,820	4.000-5.000%	4.626%
Series 2011	79,220	79,220	2.000-5.000%	3.615%
	<u>\$ 1,227,492</u>	<u>\$ 1,021,588</u>		
<b>Special Revenue (Covenant) Bonds Supported by BJP Revenues:</b>				
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%
Series 2011B	86,600	86,600	3.000-5.000%	2.953%
	<u>\$ 294,820</u>	<u>\$ 294,820</u>		

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**A. Bonds and loans outstanding (continued)**

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost <sup>(1)</sup>
<b>Notes Payable Supported by BJP Revenues:</b>				
State of Florida Infrastructure Bank (\$3,091 authorized but unissued):				
Series 2005	\$ 40,000	\$ 27,238	2.000%	1.901%
Series 2007	48,698	35,273	2.500%	2.456%
<b>Total Notes Payable Supported by BJP Revenues</b>	<b>\$ 88,698</b>	<b>\$ 62,511</b>		
<b>Total Bonds and Notes Supported by BJP Revenues</b>	<b>\$ 1,611,010</b>	<b>\$ 1,378,919</b>		
<b>Total Governmental Activities</b>	<b>\$ 3,127,819</b>	<b>\$ 2,543,239</b>		

**BUSINESS-TYPE ACTIVITIES:**

**Revenue Bonds Supported by Business-Type Activities:**

Excise Taxes Revenue Bonds:				
Series 2003B	\$ 9,530	\$ 1,305	5.000%	2.915%
* Series 2005A	2,000	2,000	3.625-5.000%	4.685%
* Series 2009B	10,475	9,190	4.000-5.000%	3.035%
* Series 2009C (AMT)	21,455	18,865	3.000-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	17,958	1,013	5.125%	5.352%
Capital Project Revenue Bonds				
* Series 2008A	248	225	Variable, assumed 3.55%	N/A
* Series 2008B	248	225	Variable, assumed 2.89%	N/A
Infrastructure Sales Tax Revenue Bonds				
* Series 2001	54,474	45,044	5.000-5.500%	5.263%
* Series 2003	52,634	43,954	3.500-5.250%	4.715%
* Series 2004	54,555	46,359	2.750-4.625%	4.345%
Capital Improvement Revenue Bonds:				
Series 1997	8,285	5,760	5.100-5.250%	5.452%
Series 1998	37,310	34,575	4.600-5.000%	5.250%
Series 2002A	54,135	51,625	3.600-5.000%	4.820%
Series 2002B	42,170	30,320	5.000-5.250%	4.820%
Series 2002C	26,920	22,555	3.600-5.250%	4.820%
<b>Total Business-Type Activities</b>	<b>\$ 392,397</b>	<b>\$ 313,015</b>		

**COMPONENT UNITS (Note 8N):**

Bond and notes payable:	
JEA	6,334,363
JAA	200,480
JPA	226,866
<b>Total Component Unit bonds and notes payable</b>	<b>\$ 6,761,709</b>

\* 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, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**B. Debt Service Requirements to Maturity:**

The Debt service requirements to maturity on long-term obligations at September 30, 2011 are as follows (in thousands). The amounts reported include designated maturities established by management as discussed below and there can be no assurance that the stated debt maturities can be revised in accordance with management’s plan. The table also does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8.G.

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			
2012	\$ 67,044	\$ 52,600	\$ 41,392	\$ 58,463	\$ 13,704	\$ 14,576	\$ 247,779	\$ 248,296	\$ 144,102
2013	66,694	51,941	31,818	59,281	11,678	14,067	235,479	313,006	228,992
2014	66,932	49,322	35,899	58,138	12,219	13,565	236,075	296,254	217,874
2015	62,190	46,678	47,319	56,437	12,799	13,011	238,434	335,119	206,326
2016	60,940	44,090	50,443	54,490	13,646	12,411	236,020	259,482	193,197
2017- 2021	306,686	156,376	247,239	242,678	55,857	53,539	1,062,375	1,279,249	828,243
2022- 2026	204,297	98,839	324,260	182,053	73,314	39,385	922,148	1,004,064	627,466
2027- 2031	174,833	55,811	501,184	86,235	119,312	16,299	953,674	1,022,668	469,581
2032- 2036	114,134	19,354	84,780	8,969	486	24	227,747	1,017,765	300,819
2037- 2041	35,475	5,840	14,585	738	-	-	56,638	789,879	109,652
2042- 2046	5,095	127	-	-	-	-	5,222	130,500	10,480
Totals	<u>\$ 1,164,320</u>	<u>\$ 580,978</u>	<u>\$ 1,378,919</u>	<u>\$ 807,482</u>	<u>\$ 313,015</u>	<u>\$ 176,877</u>	<u>\$ 4,421,591</u>	<u>\$ 6,696,282</u>	<u>\$ 3,336,732</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.

A summary of the stated maturity debt and designated maturity debt outstanding at fiscal year end are shown in the tables below (in thousands).

Fiscal Year Ending September 30	by Stated Maturity						
	Supported by General Revenue and Internal Service Funds			Supported by BJP Revenues			Total All Programs
	Series 2009C	Series 2010A	Total	Series 2010B	Series 2011B	Total	
2012	\$ 6,295		\$ 6,295				\$ 6,295
2013	6,530	\$ 5,765	12,295	\$ 7,705		\$ 7,705	20,000
2014	6,755	5,540	12,295	7,705		7,705	20,000
2015	6,995	5,300	12,295	7,705	\$ 7,000	14,705	27,000
2016	7,345	4,950	12,295	7,705	7,000	14,705	27,000
2017	-	6,200	6,200	7,705	10,175	17,880	24,080
2018	-	6,200	6,200	7,715	10,175	17,890	24,090
2019	-	6,160	6,160	7,715	10,175	17,890	24,050
2020	-	-	-	7,715	10,175	17,890	17,890
2021	-	-	-	7,715	10,175	17,890	17,890
Total by Series	<u>\$ 33,920</u>	<u>\$ 40,115</u>	<u>\$ 74,035</u>	<u>\$ 69,385</u>	<u>\$ 64,875</u>	<u>\$ 134,260</u>	<u>\$ 208,295</u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**B. Debt Service Requirements to Maturity: (continued)**

Fiscal Year Ending September 30	by Designated Maturity						Total All Programs
	Supported by General Revenue and Internal Service Funds			Supported by BJP Revenues			
	Series 2009C	Series 2010A	Total	Series 2010B	Series 2011B	Total	
2022	\$ 6,295		\$ 6,295	\$ 7,705	\$ 6,130	\$ 13,835	\$ 20,130
2023	6,530		6,530	7,710	6,375	14,085	20,615
2024	6,755		6,755	7,710	6,630	14,340	21,095
2025	6,995		6,995	7,710	6,895	14,605	21,600
2026	7,345	\$ 3,125	10,470	7,710	7,170	14,880	25,350
2027	-	3,280	3,280	7,710	7,460	15,170	18,450
2028	-	3,440	3,440	7,710	7,755	15,465	18,905
2029	-	3,615	3,615	7,710	8,070	15,780	19,395
2030	-	3,800	3,800	7,710	8,390	16,100	19,900
2031	-	1,820	1,820	-	-	-	1,820
2032	-	1,910	1,910	-	-	-	1,910
2033	-	2,005	2,005	-	-	-	2,005
2034	-	2,105	2,105	-	-	-	2,105
2035	-	2,210	2,210	-	-	-	2,210
2036	-	2,320	2,320	-	-	-	2,320
2037	-	2,435	2,435	-	-	-	2,435
2038	-	2,560	2,560	-	-	-	2,560
2039	-	2,680	2,680	-	-	-	2,680
2040	-	2,810	2,810	-	-	-	2,810
Total by Series	\$ 33,920	\$ 40,115	\$ 74,035	\$ 69,385	\$ 64,875	\$ 134,260	\$ 208,295

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**C. Changes in Long-Term Liabilities:**

Changes in long-term liabilities for the fiscal year ended September 30, 2011 are as follows (in thousands):

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Due within one year
<b>Governmental Activities:</b>					
Debt activity supported by general revenues:					
Revenue bonds	\$ 826,574	\$ 76,500	\$ 33,808	\$ 869,266	\$ 40,703
Notes payable	4,845	-	945	3,900	1,025
Debt activity - general revenues	<u>831,419</u>	<u>76,500</u>	<u>34,753</u>	<u>873,166</u>	<u>41,728</u>
Bonds/notes payable - Banking Fund					
Special revenue (covenant) bonds	195,713	59,585	6,144	249,154	7,386
Notes payable	55,000	-	13,000	42,000	8,250
Debt activity - internal service funds	<u>250,713</u>	<u>59,585</u>	<u>19,144</u>	<u>291,154</u>	<u>15,636</u>
Debt activity - general revenues and internal service	<u>1,082,132</u>	<u>136,085</u>	<u>53,897</u>	<u>1,164,320</u>	<u>57,364</u>
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	1,048,744	79,220	106,376	1,021,588	35,328
Special revenue (covenant) bonds - BJP	208,220	86,600	-	294,820	1,000
Notes payable - BJP	65,872	1,790	5,151	62,511	4,966
Debt activity - BJP	<u>1,322,836</u>	<u>167,610</u>	<u>111,527</u>	<u>1,378,919</u>	<u>41,294</u>
Total governmental activities	<u>2,404,968</u>	<u>303,695</u>	<u>165,424</u>	<u>2,543,239</u>	<u>98,658</u>
Deferred amounts:					
Loss on Advance Refunding	(3,386)	-	(679)	(2,707)	-
Issuance premiums	59,055	28,299	7,530	79,824	-
Issuance discounts	(3,005)	-	(155)	(2,850)	-
Total deferred amounts	<u>52,664</u>	<u>28,299</u>	<u>6,696</u>	<u>74,267</u>	<u>-</u>
Accrued Compensated Absences	63,933	38,515	39,401	63,047	18,913
Estimated Liability for Self-Insured Losses	83,656	27,873	23,000	88,529	21,157
Pollution Remediation	150,678	15,562	9,012	157,228	10,000
Other Post - Employment Benefits	21,074	6,156	-	27,230	-
Miscellaneous long-term obligations	1,119	-	1	1,118	-
Governmental activity long-term obligations	<u>\$ 2,778,092</u>	<u>\$ 420,100</u>	<u>\$ 243,534</u>	<u>\$ 2,954,657</u>	<u>\$ 148,728</u>

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

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

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Due within one year
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 326,143	\$ 0	\$ 13,128	313,015	\$ 13,704
Less: Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	(882)		(276)	(606)	-
Total Revenue Bonds, less Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	\$ 325,261	\$ 0	\$ 12,852	\$ 312,409	\$ 13,704
Accrued Compensated Absences	1,421	1,041	1,034	1,428	429
Liability for Landfill Closure and Post Closure Care Picketville Waste Site	65,825	-	4,661	61,164	-
Other Post - Employment Benefits	567	-	68	499	-
Loans payable - Banking Fund	737	259	-	996	-
	2,250	19,130	2,250	19,130	221
Business-type activity long-term obligations	<u>\$ 396,061</u>	<u>\$ 20,430</u>	<u>\$ 20,865</u>	<u>\$ 395,626</u>	<u>\$ 14,354</u>
<b>Component Unit Activities:</b>					
Bonds and notes payable:					
JEA	\$ 6,385,763	\$ 512,274	\$ 563,674	\$ 6,334,363	\$ 245,327
JAA	209,880	-	9,400	200,480	9,775
JPA	234,701	19,107	26,942	226,866	8,740
Other long-term obligations	438	(469)	(431)	400	1,443
Component unit activity long-term obligations	<u>\$ 6,830,782</u>	<u>\$ 530,912</u>	<u>\$ 599,585</u>	<u>\$ 6,762,109</u>	<u>\$ 265,285</u>

**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.

Bond Series	Original Amount Issued	Outstanding debt reported in		Total Amount Outstanding
		Governmental Activities	Business-type Activities	
Excise Tax Revenue Bonds:				
Series 2005A	\$ 44,820	\$ 41,785	\$ 2,000	\$ 43,785
Series 2009B	29,010	16,960	9,190	26,150
Series 2009C	23,730	1,790	18,865	20,655
Local Government Sales Tax Revenue Bonds:				
Series 1996	65,640	2,687	1,013	3,700
Capital Projects Revenue Bonds:				
Series 2008A	67,285	63,990	225	64,215
Series 2008B	67,285	63,990	225	64,215
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2001	218,430	51,486	45,044	96,530
Series 2003	211,050	132,291	43,954	176,245
Series 2004	218,755	139,531	46,359	185,890

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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>
<b>Excise Taxes:</b>	2016 - 2034	\$602,743,379	\$129,369,615	\$47,659,606	36.84%
<b>Local Government</b>					
<b>1/2 Cent Sales Tax:</b>	2018	\$136,246,963	\$70,773,754	\$17,103,781	24.17%
<b>Guaranteed Entitlement Revenues:</b>	2032	\$161,467,463	\$7,825,119	\$7,401,625	94.59%
<b>JEA Charter Revenues (Capital Project Bonds):</b>	2034	\$199,969,102	\$101,687,540	\$8,513,110	8.37%
<b>(Better Jacksonville)</b>					
<b>Transportation Sales Tax:</b>	2027 - 2037	\$846,662,345	\$73,581,370	\$42,322,012	57.52%
<b>Better Jacksonville (Infrastructure) Sales Tax:</b>	2014 - 2030	\$1,005,385,309	\$63,060,924	\$47,224,285	74.89%
<b>with SIB Loans:</b>	2014 - 2030	\$1,076,801,909	\$63,060,924	\$53,671,585	85.11%
<b>Sports Facilities Capital Improvement Revenues:</b>	2019 - 2030	\$227,775,402	\$18,406,955	\$11,358,387	61.71%

**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 sales and use tax and 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**8. LONG-TERM OBLIGATIONS** (continued)

**E. Pledged Revenues** (continued)

**(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.

**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 the Municipal Stadium, 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 21, 2010, the City closed on the sale of \$27,205,000 Special Revenue Bonds, Series 2010C-1. The 2010C-1 bonds have a true interest cost of 2.763% and an average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2020. The proceeds of the 2010C-1 bonds were used to fund the acquisition and construction of certain capital equipment and Capital Improvements Plan capital projects (\$29,000,000) and a portion of the composite Debt Service Reserve Fund (\$1,637,920). The issuance provided net proceeds of \$30,867,795, which is inclusive of underwriter's discounts and costs of issuance totaling \$229,875 and a bond premium of \$3,662,795.

On June 10, 2011, the City closed on the sale of \$108,880,000 Special Revenue Bonds, Series 2011A with a true interest cost of 4.674% and an average coupon rate of 5.08% with a mandatory sinking schedule beginning October 1, 2012 and a stated maturity date of October 1, 2041. The proceeds of the 2011A bonds were used to fund the acquisition and construction of certain capital equipment and Capital Improvements Plan capital projects (\$109,920,046) and a portion of the composite Debt Service Reserve Fund (\$3,516,054). The issuance provided net proceeds of \$114,708,340, which was inclusive of underwriter's discounts and costs of issuance totaling \$1,272,240 and a bond premium of \$5,828,340.

On June 17, 2011, the City closed on the sale of \$86,600,000 Special Revenue Bonds, Series 2011B with a true interest cost of 2.953% and an average coupon rate of 4.99% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2021 and a Designated Maturity Date of October 1, 2030. The proceeds of the 2011A bonds were used to fund the acquisition and construction of various capital projects comprising the Better Jacksonville Projects (\$90,000,000) and to fund a Debt Service Reserve (\$8,002,626). The issuance provided net proceeds of \$98,760,740 which was inclusive of underwriter's discounts and costs of issuance totaling \$758,114 and a bond premium of \$12,160,740.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**8. LONG-TERM OBLIGATIONS (continued)**

**F. New Indebtedness Issued: (continued)**

On July 22, 2011, the City closed on the sale of \$79,220,000 Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2011. The 2011 bonds have a true interest cost of 3.615% and an average coupon rate of 4.86% with a mandatory sinking schedule beginning October 1, 2012 and a maturity date of October 1, 2023. The proceeds of the 2011 bonds were used to currently refund a portion of the City's Better Jacksonville Sales Tax Revenue Bonds, Series 2001 (\$86,307,695). The issuance provided net proceeds of \$85,540,607, which is inclusive of underwriter's discounts and costs of issuance totaling \$603,575 and a bond premium of \$6,320,607. As a result of the refunding, an economic gain was realized (the difference between the net present values of the old and new debt service payments) of \$7,186,518, or 8.547%.

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.

**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.

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 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, 2011, 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, 2011**

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**8. LONG-TERM OBLIGATIONS** (continued)

**G. Demand Bonds Issued by the City:** (continued)

**\$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.

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 (\$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, 2011, there were no advances outstanding or bank bonds held under this Agreement.

**\$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, 2014.

*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 (\$59,570,000 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, 2011, 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, 2011**

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**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 (in thousands):

<u>Excise Taxes Bonds</u>	<u>Entity or Purpose</u>	<u>Amount</u>
Series 1993	Jacksonville Port Authority	\$ 6,279
Series 2002B	Shands Jacksonville Medical Center	53,210
Series 2003C (AMT)	Jacksonville Port Authority	32,505
 <u>Plan (BJP)</u>		
Series 2007	Jacksonville Transportation Authority (JTA) road projects	53,772
Series 2009	Jacksonville Transportation Authority (JTA) road projects	2,830
Series 2010	Jacksonville Transportation Authority (JTA) road projects	14,018
Series 2011	Jacksonville Transportation Authority (JTA) road projects	20,836
 <u>Infrastructure Bank</u>		
Loan #1	JTA road projects	25,335
Loan #2	JTA road projects	32,112
 <u>Other Bond Issues</u>		
Various	Misc. projects - BJP	100,643
Various	Misc. projects – other	47,679
 <u>Banking Fund Financed Projects</u>		
Various	Misc. projects – other	<u>25,538</u>
TOTAL		\$ 414,757

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011, the City had legally defeased the following bond maturities (in thousands):

<u>Issue</u>	<u>Refunded by</u>	<u>Principal Balance at September 30, 2011</u>
Sales Tax Revenue Bonds, Series 1996 (RCR)	Cash Refunded on October 10, 2002	\$14,535

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**8. LONG-TERM OBLIGATIONS (continued)**

**J. Derivative Instrument Payments and Hedged Debt:**

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, 2011 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, 2011. 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 <sup>(1)</sup>	Transportation Revenue Bonds, 2004A <sup>(1)</sup>
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	\$36,950,000	\$70,525,000
Variable Rate Received (weighted average)	0.221%	0.154%
Fixed Rate Paid (weighted average)	4.010%	3.455%
Change in Fair Value - Current Year	(\$12,086)	(\$1,088,223)
Underlying Fair Value at Fiscal Year End	(\$5,811,156)	(\$12,806,180)
Net Swap Interest	(\$1,399,960)	(\$2,327,691)

(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, 2011, 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, 2011**

**8. LONG-TERM OBLIGATIONS (continued)**

**J. Derivative Instrument Payments and Hedged Debt (continued)**

**Basis Risk** - As of September 30, 2011, 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, 2011, 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, 2011 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 Pay	Var. Received	Net Pay	
2012	\$ 5,160	\$ 163	\$ 5,323	\$ 3,740	\$ 168	\$ 3,572	\$ 8,895
2013	4,680	155	4,835	3,555	159	3,396	8,231
2014	5,615	148	5,763	3,349	150	3,199	8,962
2015	5,695	140	5,835	3,136	141	2,995	8,830
2016	5,955	131	6,086	2,914	131	2,783	8,869
2017-2021	46,230	475	46,705	9,469	433	9,036	55,741
2022-2026	24,080	195	24,275	3,557	168	3,389	27,664
2027-2031	11,145	25	11,170	190	9	181	11,351
	<u>\$108,560</u>	<u>\$1,432</u>	<u>\$109,992</u>	<u>\$29,910</u>	<u>\$1,359</u>	<u>\$28,551</u>	<u>\$138,543</u>

The above chart is based upon actual rates as of September 30, 2011. The bond and swap rates as of fiscal 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 0.150%
- The BMA rate for swap receipts was 0.165%

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 0.150%
- The 67% of LIBOR rate for swap receipts was 0.160%

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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.

As of September 30, 2011, the City had \$763,747,691 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, 2011, the City had a total of \$124,220,000 Jacksonville Housing Finance Authority (JHOFA), formerly Duval County Housing Finance Authority (DCHFA), Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was \$34,095,000. The amount of Multi-Family Housing Bonds outstanding was \$90,125,000. Refunding of previous issues make up \$22,010,000 of the total amount outstanding.

As of September 30, 2011, the City had \$642,108,138 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, 2011**

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**8. LONG-TERM OBLIGATIONS (continued)**

**L. Interest Expense:**

Total interest expense for the fiscal year ended September 30, 2011 was \$88.4 million for governmental activities and \$14.6 million for business-type activities.

**M. 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  
14201 Pecan Park Road  
Jacksonville, Florida 32218

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

JTA  
100 North Myrtle Avenue  
Jacksonville, Florida 32203

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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. The City also follows 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, 2011**

**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.

**B. Trend Information and Plan Overview:**

(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, 2011 were \$48.0 and \$94.6 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:

<b>EMPLOYER CONTRIBUTIONS</b>			
(in thousands)			
Valuation Date	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
<b>General Employees Pension Plan</b>			
9/30/2009	29,491	100%	(156)
9/30/2010	38,609	105%	(2,097)
9/30/2011	39,101	101%	(2,374)
<b>Corrections Officers Pension Plan</b>			
9/30/2009	5,268	100%	146
9/30/2010	9,098	104%	(246)
9/30/2011	8,882	109%	(1,075)
<b>Police and Fire Pension Plan</b>			
9/30/2009	67,993	100%	-
9/30/2010	95,020	100%	-
9/30/2011	94,631	100%	-

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**9. PENSION PLANS (continued)  
B. Trend Information and Plan Overview (continued)**

Valuation Date	FUNDING PROGRESS					
	Actuarial Value of Assets	Actuarial Accrued Liability	(in thousands) Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as % of Covered Payroll
<b>General Employees Pension Plan</b>						
9/30/2011	1,582,042	2,217,381	635,339	71.35%	314,054	202.3%
<b>Corrections Officers Pension Plan</b>						
9/30/2011	103,154	223,579	120,425	46.14%	31,832	378.3%
<b>Police and Fire Pension Plan</b>						
9/30/2011	1,042,241	2,427,198	1,384,957	42.94%	148,968	929.7%

**Net Pension Obligation and Annual Pension Cost**

(Dollar amounts in thousands)	General Employees Pension Plan	Corrections Officers Pension Plan
Annual required contribution (ARC)	39,124	8,885
Interest on net pension obligation	(173)	(20)
Adjustment to ARC	(150)	(17)
Annual pension cost	39,101	8,882
Contributions made	(39,378)	(9,711)
Increase in net pension obligation (asset)	(277)	(829)
Net pension obligation (asset) beginning of year	(2,097)	(246)
Net pension obligation (asset) end of year	(2,374)	(1,075)

Note: Police & Fire Pension Plan did not have a net pension obligation or asset as of fiscal year end.

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

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**9. PENSION PLANS (continued)**

**B. Trend Information and Plan Overview (continued)**

AS OF SEPTEMBER 30, 2011

	Jacksonville Retirement System		
	General	Corrections	Police
	Employee	Officers	and Fire
	Pension Plan	Pension Plan	Pension Plan
<b>Actuarial reports:</b>			
Date of last actuarial valuation	October 1, 2011	October 1, 2011	October 1, 2011
Actuarial method	Entry age	Entry age	Entry age
<b>Membership:</b>			
Retirees and beneficiaries currently receiving benefits	4,603	76	2,004
Deferred Retirement Option (DROP) participants	NA	123	439
Terminated employees vested, not yet receiving benefits	90	1	38
Active employment plan members:			
Vested	3,697	363	2,021
Non-vested	2,412	312	430
Total plan membership	10,802	875	4,932
<b>Benefit structure:</b>			
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
<b>Plan assumptions:</b>			
Earnings rate	8.25%	8.25%	7.75%
Mortality Table in use	RP-2000	RP-2000	RP-2000
Salary growth	3.50%	3.50%	5.00%
Unfunded Liability Amortization period	30 years, Closed	30 years, Closed	5 - 30 years, Open
Amortization method	Level Pct of Payroll	Level Pct of Payroll	Level Percent
Asset Valuation Method	5-year smoothing	5-year smoothing	5-year smoothing
<b>Financial information (in millions):</b>			
Annual contributions 2010-11:			
City	\$ 24	\$ 10	\$ 78
Other participating employers	\$ 17	N/A	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	\$ 314	\$ 32	\$ 149
Benefit payments (including DROP payments)	\$ 126	\$ 8	\$ 129
Assets (net of securities lending) as of September 30, 2011:			
Market value	\$ 1,384	\$ 93	\$ 956
Actuarial value	\$ 1,582	\$ 103	\$ 1,042
Unfunded Actuarial Accrued Liability- September 30, 2011	\$ 635	\$ 120	\$ 1,385
Funded Ratio	71.35%	46.14%	42.94%

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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, 2011 is as follows (in thousands):

**ASSETS**

Equity in cash and investments.....	\$ 31,356
Receivables	3,906
Investments, at fair value	1,464,832
Capital assets, net of depreciation.....	-
Securities Lending Collateral.....	128,284
<b>TOTAL ASSETS.....</b>	<b>1,628,378</b>

**LIABILITIES**

Obligations Under Securities Lending Agreement.....	129,556
Accounts payable and accrued liabilities.....	157
Accrued Compensated Absences.....	62
Due to Drop Participants.....	15,448
<b>TOTAL LIABILITIES.....</b>	<b>145,223</b>

**NET ASSETS HELD IN TRUST FOR**

<b>PENSION BENEFITS.....</b>	<b>\$ 1,483,155</b>
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(2) The Statement of Changes in Fiduciary Net Assets – Jacksonville Retirement System for the year ended September 30, 2011 is as follows (in thousands):

**ADDITIONS**

Contributions:	
Employer.....	\$ 51,056
Plan Member.....	29,633
Total contributions.....	\$ 80,689
Other additions.....	482
Investment income.....	9,678
Securities Lending.....	327
<b>TOTAL ADDITIONS.....</b>	<b>91,176</b>

**DEDUCTIONS**

Benefits payments.....	128,715
DROP Benefits.....	5,578
Refunds of contributions.....	20,123
Administrative expenses.....	1,261
<b>TOTAL DEDUCTIONS.....</b>	<b>155,677</b>

Net change in net assets.....	(64,501)
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<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<b>1,547,656</b>
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<b>NET ASSETS, END OF YEAR.....</b>	<b>\$ 1,483,155</b>
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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**9. PENSION PLANS (continued)**

**D. Police and Fire Pension Plan**

- (1) 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 include two actuarially computed components, the City Stabilization Account and the Enhanced Benefit Account. The City Stabilization Account, which has a balance of \$8.1 million as of September 30, 2011, 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 \$16.2 million of September 30, 2011, 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.
- (2) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of \$9.0 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 \$6.5 million of the \$9.0 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 \$399 and \$400 thousand for the 2010-11 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, 2011**

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**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 \$469.2 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) A. Employer Contributions – For the fiscal years ended September 30, 2011, 2010, and 2009, the City contributed \$552,000, \$584,000, and \$562,000, respectively, to the System for covered employees.

B. Employee Contributions: Effective July 1, 2011 the Senate Bill 2100 – Pension Reform was passed, requiring a 3% Employee Contribution for all Plans except DROP. Total Employee contributions from July 1, 2011 to September 30, 2011 were \$21,560.

The City has contributed 100% of the annual required contribution for each of the last three years.

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, 2011, of 4.91% of the compensation for regular members, 14.10% for risk members, 11.14% for elected county officials, and 6.27% for senior management and 4.42% 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, 2011 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, 2011**

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**10. POST EMPLOYMENT 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 7,769 active participants and 1,369 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 \$4.2 million in premiums for fiscal year 2011, representing 39.5% of the total fiscal year 2011 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 on an open basis. It is calculated assuming a level percentage of projected payroll. 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 8.5% at September 30, 2011 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

The actuarial accrued liability (AAL) was determined as of September 30, 2011, based on the above assumptions and cost method, and applied to member data current at September 30, 2011. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2011, with an AAL calculated to be \$123 million, which is unfunded (or 0% funded).

The annual covered payroll is \$385 million, resulting in an unfunded AAL of 32%. 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, 2011.

OPEB Government Accounting Standards Board (GASB) 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)	<b>2011</b>
Annual Required City Contribution (ARC)	\$ 10,417
Interest on Plan Obligation	984
Adjustment to ARC	(780)
Annual Plan Retiree Cost	\$ 10,621
Contributions Made	(4,195)
Change in Plan Obligation	6,426
Plan Obligation Beg of Year	21,857
Plan Obligation End of Year	\$ 28,283

At fiscal year end 2011, the City accrued \$27 million in the Governmental Statement of Net Assets, \$996 thousand in the Business-Type Statement of Net Assets, \$54,000 in the Jacksonville Economic Development Commission (JEDC), and \$5,000 in the Jacksonville Housing Finance Authority (JHFA) 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 2011 and the preceding years are as follows: (in thousands)

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2009	11,010	35.5%	15,342
9/30/2010	11,219	41.9%	21,857
9/30/2011	10,621	39.5%	28,283

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

As of September 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$123.3 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$123.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$389.9 million and the ratio of the UAAL to the covered payroll was 32 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.

**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 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 specific plan. For the year ended September 30, 2011, the City contributed \$5,509 for 401A plan benefits.

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**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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.

**Major Categories of Policies purchased to transfer risk**

<b><u>Type of Policy</u></b>	<b><u>Principal Named Insured</u></b> <sup>(1)</sup>
Excess Medical Services Insurance	City (JSO only)
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)

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

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**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**12. RISK FINANCING (continued)**

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 <sup>(1)</sup>
\$1,200,000	Employer's Liability	\$3,000,000 <sup>(1)</sup>
\$1,200,000	Workers' Compensation	Statutory
\$100,000	Property (Real & Personal)	\$500,000,000 <sup>(2) (3) (4)</sup>
\$50,000	Boiler & Machinery	\$100,000,000
\$50,000	Employee Dishonesty Bond (Includes computer fraud)	\$3,000,000
\$0	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
\$0	Out of State Automobile Liability	\$1,000,000 <sup>(5)</sup>
\$1,500,000	Excess Medical Services Insurance	\$10,000,000 <sup>(6)</sup>

<sup>(1)</sup>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.

<sup>(2)</sup>The property retention and limits are on a per occurrence basis.

<sup>(3)</sup>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.

<sup>(4)</sup>The property retention and limits are shared between the entities.

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

<sup>(6)</sup>The policy is claims made excess health care providers liability insurance (medical professional liability and patient related general liability only). The policy limits are \$10M per loss or medical incident and \$10M in aggregate for each annual period for all coverage's combined with a \$1.5M retention per loss or medical incident without aggregate.

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. The liability is established at the expected level using a discounted rate of 3%. The claims liability at September 30, 2011 is \$88,529.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**12. RISK FINANCING (continued)**

The expected 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 will 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, 2011, the City has available excess revenues in the Self-Insurance fund of \$77 (in thousands) and an operating reserve in the amount of \$2,932 (in thousands) for a combined unrestricted net asset of \$3,009 (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, 2011.

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$ 10,490	\$ 11,195	\$ 73,167	\$ 75,537	\$ 83,657	\$ 86,732
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	3,883	3,313	6,402	8,504	10,285	11,817
Changes in the estimate for claims for the prior period	(1,347)	(2,803)	(648)	(7,468)	(699)	(10,271)
Payments on claims	<u>1,660</u>	<u>1,215</u>	<u>3,054</u>	<u>3,406</u>	<u>4,714</u>	<u>4,621</u>
Total Payments	<u>5,527</u>	<u>4,896</u>	<u>17,473</u>	<u>16,792</u>	<u>23,000</u>	<u>21,688</u>
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 11,366</u>	<u>\$ 10,490</u>	<u>\$ 77,163</u>	<u>\$ 73,167</u>	<u>\$ 88,529</u>	<u>\$ 83,657</u>

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**12. RISK FINANCING (continued)**

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

**SELF-INSURANCE FUND  
CURRENT AND NONCURRENT 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current Liability:						
Estimated Liability for self-insured losses	\$ 5,422	\$ 4,700	\$ 15,735	\$ 15,280	\$ 21,157	\$ 19,980
Noncurrent liability:						
Estimated Liability for self-insured losses	5,944	5,790	61,428	57,887	67,372	63,677
Total Liability	\$ 11,366	\$ 10,490	\$ 77,163	\$ 73,167	\$ 88,529	\$ 83,657

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**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011, (in thousands):

	<b><u>Fund Balance/ Net Asset</u></b>
Non-Major Special Revenue fund:	
American Recovery & Reinvestment Act	(\$200)
Internal Service Funds	
Copy Center	(\$103)

The American Recovery Act fund net asset deficit is due to normal cash flow timing differences related to grant reimbursement.

The Copy Center’s rates are being reviewed and will be adjusted to eliminate the fund deficit in FY2011. The 2011 net asset figure represents a \$79 thousand improvement from the 2010 deficit of (\$182) thousand.

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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, 2011, is (in thousands):

	Balance, September 30, 2010	Accrual / Adjustment of Costs	Payment of Costs	Balance, September 30, 2011
Inactive Landfills -				
Long-term care costs	\$ 9,200	\$ -	\$ (90)	\$ 9,110
Active Landfill -				
Closure and Long-term care costs	56,625	(4,571)	-	52,054
Total Landfill Liability	<u>\$ 65,825</u>	<u>\$ (4,571)</u>	<u>\$ (90)</u>	<u>\$ 61,164</u>

At September 30, 2011, the City's total liability for landfill closure and long-term care was \$61.2 million. Of this amount \$52 million relates to the active landfill, Trail Ridge, and \$9.1 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, 2011 the deferred balance of the capitalized cost is \$14 million, which during the year the City amortized \$2.9 million.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011 is \$52 million which represents a decrease of \$4.6 million compared to preceding year. This decrease 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 74%.

**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, 2011 is \$7.2 million for 7 years and \$1.9 million for 4 years, respectively. When compared to the preceding year, the liability balances decreased \$.7 million aggregately, 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, 2011 \$33,233,687 which includes \$5,504,961 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	\$ 26,445,957	\$ -	\$ -	\$ 26,445,957
Annual cost of long-term care	-	898,668	384,101	1,282,769
Accelerate funds above state minimum	<u>5,504,961</u>	<u>-</u>	<u>-</u>	<u>5,504,961</u>
Total balance in escrow account	<u>\$ 31,950,918</u>	<u>\$ 898,668</u>	<u>\$ 384,101</u>	<u>\$ 33,233,687</u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011**

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**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>
2012	4,091,334
2013	4,047,200
2014	4,006,519
2015	3,960,040
2016	4,768,677
2017 - 2021	22,788,564
2022 - 2026	22,679,207
2027 - 2030	23,152,586

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 \$12,284,014 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 eleven times since the original agreement, 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 deferments 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 \$12,284,014 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, 2011**

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**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 eligibility 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.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

**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. 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, 2011 of approximately \$157.2 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)  
D. Pollution Remediation: (continued)**

*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.

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 cleanup 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 \$79.1 million has been accrued based on the City's estimate used in its five year capital project plan.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

**D. Pollution Remediation: (continued)**

*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 projects, which are estimated to take several years to complete once started, have an estimated cost of \$36.4 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 \$41.7 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

The liability for *Picketville Waste Dump Site* at September 30, 2011, of \$0.5 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. 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 debt service, operating deficits, required reserves, and percentage return of equity, totaling approximately \$4 million per year. Associated therewith, the City has options to buyout the current business arrangement, refinance the related non-city debt and assume operational control thereof.

**F. Other Litigation:**

The City is involved in a number of legal matters as of September 30, 2011. Related claims involve various issues including contract disputes, civil rights, negligence, wrongful deaths and other contested matters. An estimate of potential losses for these claims cannot be made at this time.

Since September 30, 2011, the City settled several legal matters. 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, 2011**

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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

**G. Construction Commitments:** At September 30, 2011, the City had major construction contracts for the following projects:

<b>Economic Development Projects</b>	
Commercial Development	\$ 500,000
Edward Waters College	550,000
NW Jacksonville Economic Development	3,070,035
Pinnacle Project	722,442
Shipyards Project	619,745
UF Land Acquisition and Renovation	1,613,677
<b>Fire and Rescue Projects</b>	
Fire Station # 26	1,177,171
<b>Improvement Projects</b>	
Sheffield Park	4,093,722
Patton Park	1,500,000
Timucuan Bike Trail	1,024,953
Other Improvements	2,230,084
<b>Public Works Projects</b>	
Main Library	673,861
Veterans Memorial Arena	1,211,278
Courthouse Projects	36,231,839
<b>Public Works/Banking Fund Improvement Projects</b>	669,640
<b>Public Works Road Projects</b>	205,242,749
<b>Countywide Resurfacing</b>	2,886,610
<b>Drainage Rehab Projects</b>	7,209,918
<b>Septic Tank Remediation</b>	18,192,330
<b>Jacksonville Ash Site</b>	3,419,052
<b>Radio System Replacement</b>	984,335
	\$ 293,823,442

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

**H. Encumbrance Commitments:**

At September 30, 2011, the City had encumbrance commitments in the Governmental Funds as follows:

<u>MAJOR FUNDS</u>	
General Fund	13,879
General Projects	65,914
<b>Total Major Funds</b>	<u>79,793</u>
 <u>NON-MAJOR FUNDS</u>	
Concurrency Management	756
Tourism Development	1,020
Clerk of the Court	87
Transportation Fund	304
Budgeted General Government	4,193
Public Safety	3
Emergency 9-1-1	123
Tax Increment Districts	750
Jacksonville Children's Commission	3,009
American Recovery & Reinvestment Act	3,583
Community Development Block Grant	9,754
Maintenance, Parks and Recreation	76
Other Federal, State and Local Grants	8,404
Housing and Neighborhoods	241
State Housing Initiative Partnership	358
Non Budgeted General Government	338
Better Jacksonville Plan Construction Project	20,463
Bond Projects	8,796
Grant Projects	2,589
River City Renaissance Project	54
<b>Total Non-Major Funds</b>	<u>64,901</u>
 <b>TOTAL ENCUMBRANCES</b>	 <u>144,694</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, 2011**

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**16. SUBSEQUENT EVENTS**

**A. JEA**

In October 2011, JEA issued \$365.4 million of its SJPP Refunding Revenue Bonds Issue Two Series Twenty-Three and Twenty-Four to refund \$397.1 million of fixed rate bonds, with new debt service of \$424.2 million compared to the prior debt service of \$468.6 million, with an economic gain of \$41.1 million. Additionally, in November 2011, JEA redeemed \$16.5 million of fixed rate Water and Sewer System Subordinated Revenue Bonds with available cash from the revenue fund.

**B. JPA**

**Reserve Account Letter of Credit**

On October 21, 2011; to fund bond reserves on the Series 2008 Revenue Bonds which were previously funded by a cash fund, the Authority entered into a \$5 million Reserve Account Letter of Credit agreement with Wells Fargo Bank, NA.

**Terminal Wharf Rehabilitation Project \$30 million**

In October 2011, the Authority issued a \$30 million contract award for a three-year wharf rehabilitation project; funded approximately 50% state grant funding and 50% port authority financing.

**C. JAA**

On December 12, 2011 the paying agent disbursed payment from the debt service fund to the bondholders for partial mandatory redemption of the Series 2006 Revenue Bonds in the amount of \$6,740,000; with interest accrued of \$59,818.

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**17. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE**

During fiscal year 2011, 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, 2011 these contributions total \$101,687,540. 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.

**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, 2011, the City received from JEA \$32,591,566 and \$9,151,915 of its electric and water and sewer funds.

**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 \$65.2 million in fiscal year 2011. 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 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

**B. Jacksonville Transportation Authority (JTA) : (continued)**

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.

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, 2011, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was \$7.04 million with a total of \$7.11 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.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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.

**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)	\$ (120,998)
Impact of Better Jacksonville Plan’s (BJP) bond financed capital expenditures incurred by component units and other entities.	249,547
Economic Incentives to be repaid by TIF revenue and/or Developer	<u>34,762</u>
Governmental - Unrestricted Net Assets (adjusted for dedicated revenue funded portions)	<u><u>\$ 163,311</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, 2011**

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**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 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 Transfer (BT) and again approved 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, 2011**

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**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, 2011

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
<b>FUND BALANCES:</b>				
<b>Non Spendable:</b>				
Inventories	\$ 5,149	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>Spendable:</b>				
<b>Restricted for:</b>				
Debt Service Reserved by Debt Covenants	-	98,739	15,752	-
Water-Sewer Combination	-	-	-	-
Shipyards Project	-	-	-	-
Park Projects	-	-	-	5,332
Physical Environment	-	-	-	14,888
Conservation and Resource Management	-	-	-	-
Transportation Projects	-	-	-	6,272
Human Services	-	-	-	-
Regional Stormwater Facilities	-	-	-	-
Drainage System Projects	-	-	-	-
Housing and Urban Development	-	-	-	-
Building	-	-	-	-
Public Safety	-	-	-	1,997
Industry Development	-	-	-	2,590
Other Infrastructure and Development	-	-	-	-
Other	-	-	-	23,716
<b>Committed to:</b>				
City Council Emergency Use	45,913	-	-	-
Drainage Projects	-	-	-	-
Water-Sewer Combination	-	-	-	-
Park Projects	1,743	-	-	7,551
Planning Projects	3,681	-	-	-
Physical Environment	-	-	-	21,084
Conservation and Resource Management	-	-	-	-
Transportation Projects	481	-	-	8,883
Emergency and Disaster Relief	-	-	-	-
Court Projects and Operations	-	-	-	-
Public Safety	6,822	-	-	2,829
Industry Development	-	-	-	3,668
Other	1,372	-	-	33,588
<b>Assigned to:</b>				
Debt Service	-	-	1,790	-
Transportation Projects	67	-	-	-
Parks Projects	243	-	-	-
Planning Projects	512	-	-	-
Public Safety	949	-	-	-
Other	191	-	-	-
<b>Unassigned</b>	<b>61,798</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Fund Balances	<u>\$ 128,921</u>	<u>\$ 98,739</u>	<u>\$ 17,542</u>	<u>\$ 132,398</u>

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(Continued)

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NON MAJOR GOVERNMENTAL FUNDS	TOTAL ALL FUNDS	
	2011	2010
\$ -	\$ 5,149	\$ 6,604
124	124	127
-	114,491	116,074
-	-	5,759
-	-	3,122
27,084	32,416	29,883
-	14,888	20,298
6,847	6,847	1,120
11,990	18,262	19,964
16,610	16,610	13,156
5,690	5,690	8,828
6,663	6,663	14,077
11,005	11,005	56,621
12,228	12,228	4,704
1,534	3,531	14,489
1,841	4,431	-
7,322	7,322	11,969
18,801	42,517	9,082
-	45,913	44,920
1,452	1,452	6,029
-	-	5,018
9,345	18,639	14,064
1,331	5,012	5,023
-	21,084	17,689
19,452	19,452	19,882
112,143	121,507	114,342
6,459	6,459	6,879
2,844	2,844	1,233
6,372	16,023	23,611
2,871	6,539	2,795
6,543	41,503	12,400
289	2,079	3,215
-	67	114
-	243	396
-	512	654
-	949	1,318
-	191	284
(200)	61,598	41,774
<u>\$ 296,640</u>	<u>\$ 674,240</u>	<u>\$ 657,517</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, 2011**

	<b>GENERAL FUND</b>					<b>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>ENCUMBRANCES</b>	<b>BUDGETARY ACTUAL</b>	
<b>REVENUE:</b>						
Property taxes.....	\$ 485,533	\$ 485,533	\$ 482,694	\$ -	\$ 482,694	(\$ 2,839)
Utility service taxes.....	133,172	133,172	127,955	-	127,955	(5,217)
Sales and use taxes.....	1,139	1,139	1,057	-	1,057	(82)
Franchise Fees.....	43,924	43,924	43,037	-	43,037	(887)
Licenses and permits.....	7,776	7,776	7,447	-	7,447	(329)
Intergovernmental.....	124,305	124,305	124,777	-	124,777	472
Charges for services.....	72,772	72,772	72,522	-	72,522	(250)
Fines and forfeitures.....	3,330	3,330	2,656	-	2,656	(674)
JEA Charter.....	101,688	101,688	101,688	-	101,688	-
Interest.....	9,822	9,822	3,200	-	3,200	(6,622)
Other.....	16,283	16,605	17,000	-	17,000	395
<b>Total Revenue.....</b>	<b>999,744</b>	<b>1,000,066</b>	<b>984,033</b>	<b>-</b>	<b>984,033</b>	<b>(16,033)</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
Central Operations.....	21,866	21,863	18,270	1,466	19,736	2,127
City Council.....	9,143	9,043	8,233	121	8,354	689
Clerk of the Courts.....	3,569	3,591	3,347	-	3,347	244
Courts.....	856	855	835	5	840	15
Environmental and Compliance.....	19,162	20,053	18,383	345	18,728	1,325
Finance.....	6,953	7,090	7,007	79	7,086	4
Fire/Rescue.....	165,004	167,351	160,651	1,202	161,853	5,498
General Counsel.....	309	459	417	-	417	42
Health Administrator.....	769	880	870	-	870	10
Housing and Neighborhoods.....	782	505	505	-	505	-
Jacksonville Children's Commission.....	5,944	5,640	4,675	429	5,104	536
Jacksonville Human Rights Commission.....	994	1,006	948	-	948	58
Mayor.....	2,950	3,038	3,035	-	3,035	3
Mayor's Boards and Commissions.....	405	429	425	3	428	1
Medical Examiner.....	2,872	2,889	2,602	35	2,637	252
Property Appraiser.....	9,038	9,134	8,875	67	8,942	192
Public Defender.....	937	937	908	-	908	29
Planning and Development.....	7,940	8,016	7,051	551	7,602	414
Public Libraries.....	39,877	40,036	38,465	279	38,744	1,292
Public Works.....	81,512	81,320	78,794	2,140	80,934	386
Recreation and Community Services	53,418	51,522	49,325	2,049	51,374	148
State Attorney.....	189	189	185	1	186	3
Supervisor of Elections.....	11,515	11,511	8,009	75	8,084	3,427
Office of the Sheriff.....	356,168	359,996	351,278	4,725	356,003	3,993
Tax Collector.....	17,310	17,408	14,477	227	14,704	2,704
Federal Program Reserve.....	690	-	-	-	-	-
Contribution to Shands-Jacksonville.....	23,776	23,776	23,776	-	23,776	-
Cash Carryover Reserves.....	42,627	42,627	-	-	-	42,627
Jacksonville Misc. Citywide Activities.....	57,154	46,421	43,991	80	44,071	2,350
<b>Total Expenditures.....</b>	<b>943,729</b>	<b>937,585</b>	<b>855,337</b>	<b>13,879</b>	<b>869,216</b>	<b>68,369</b>
<b>EXCESS OF REVENUE OVER (UNDER)</b>						
<b>EXPENDITURES.....</b>	<b>56,015</b>	<b>62,481</b>	<b>128,696</b>	<b>(13,879)</b>	<b>114,817</b>	<b>52,336</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Long Term Debt Issued.....	3,464	4,050	379	-	379	(3,671)
Operating transfers in.....	4,938	11,158	11,158	-	11,158	-
Operating transfers out.....	(121,719)	(125,306)	(121,377)	-	(121,377)	3,929
<b>Total Other Financing Sources (Uses).....</b>	<b>(113,317)</b>	<b>(110,098)</b>	<b>(109,840)</b>	<b>-</b>	<b>(109,840)</b>	<b>258</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	(57,302)	(47,617)	18,856	(13,879)	4,977	52,594
<b>FUND BALANCES - BEGINNING.....</b>	<b>110,065</b>	<b>110,065</b>	<b>110,065</b>	<b>-</b>	<b>110,065</b>	<b>-</b>
<b>FUND BALANCES - ENDING.....</b>	<b>52,763</b>	<b>62,448</b>	<b>128,921</b>	<b>(13,879)</b>	<b>115,042</b>	<b>52,594</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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 2011, 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, 2011. 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, 2011**

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**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 2011 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. It is displayed in the preceding RSI schedule.
- 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  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

(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>
<b>General Employees Pension Plan</b>					
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%
2011	39,124	39,378	-	39,378	101%
<b>Corrections Officers Plan</b>					
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%
2011	8,885	9,711	-	9,711	109%

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 2011, additional interest credits attributable to the timing of contribution payments resulted in a net pension credit (negative NPO) of \$3,449 thousand for the plan as a whole represented by a net pension credit (negative NPO) of \$2,374 thousand for General Employees and \$1,075 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 AND MEMBER CONTRIBUTIONS  
 POLICE AND FIRE RETIREMENT SYSTEM  
 SEPTEMBER 30, 2011**

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(in thousands)

<b>Plan Year Ending Sept., 30</b>	<b>Annual Required Contributions</b>	<b>City Cash Contributions</b>	<b>Allocated from CBSA</b>	<b>Court Fines</b>	<b>Premium Tax Refunds</b>	<b>Total Employer Contributions</b>	<b>Total Member Contributions</b>	<b>Percentage Contributed</b>
2009	67,993	49,246	329	989	6,222	56,787	11,207	100%
2010 <sup>1</sup>	95,020	81,171	(5,015)	1,026	6,322	83,504	11,516	100%
2011	94,631	75,039	1,162	864	5,959	83,024	11,607	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.

(1) The FY2010 values have been revised per the FY2011 report.

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

(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)
<b>General Employees Pension Plan</b>						
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%
9/30/2011	1,582,042	2,217,381	635,339	71.35%	314,054	202.3%
<b>Corrections Officers Plan</b>						
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%
9/30/2011	103,154	223,575	120,421	46.14%	31,832	378.3%

(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, 2011**

(in thousands)

<b>Valuation Date</b>		<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
09/30/09		855,997	1,753,946	897,949	48.80%	155,558	577.24%
09/30/10	2	1,060,406	2,024,453	964,047	52.38%	158,047	609.97%
09/30/11	2	1,042,241	3 2,427,198	1,384,957	42.94%	148,968	929.70%

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

( 2) Beginning with 2010, the actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest since these are assets of the Trust.

(3) These accounts were redefined by the Restated Agreement effective April 1, 2000. As of September 30, 2011, the value of the City Budget Stabilization Account was \$8,134,910 and the Enhanced Benefit Account was \$16,235,904. 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, 2011**

(in thousands)

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
9/30/2009	\$ 136,879	\$ -	\$ 136,879	0.0%	\$ 386,761	35.4%
9/30/2010	\$ 139,600	\$ -	\$ 139,600	0.0%	\$ 393,800	35.5%
9/30/2011	\$ 123,300	\$ -	\$ 123,300	0.0%	\$ 384,900	32.0%

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 2009 to 2010 and 2011 were due to the following:

- (a) A 4.5% discount rate was used in fiscal years 2009, 2010, and 2011.
- (b) Used marginally lower participation assumptions based on actual data provided by the City.
- (c) The other key assumption was the treatment of retirees who are not eligible for Medicare.  
Based on the information provided by the City's health insurance carrier, fiscal years 2009, 2010, and 2011 assumed that 10% of the current retirees would not be eligible for Medicare.



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## **Single Audit**



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**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF AGRICULTURE</u>				
PASSED THROUGH STATE DEPARTMENT OF HEALTH:				
Child and Adult Care Food Program	10.558	A1109	\$ 1,756,679	\$ -
Child and Adult Care Food Program	10.558	A1109	178,286	-
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Summer Food Service Program for Children	10.559	F&N040851	859,134	
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,794,099	\$ -
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
Community Development Block Grant Grants/Entitlement	14.218	**	\$ 9,403,067	\$ -
Community Development Block Grant-Neighborhood Stabilization	14.218	**	5,423,097	-
Emergency Shelter Grants Program	14.231	**	298,065	-
Housing Opportunities for Persons with Aids	14.241	**	2,553,312	-
Home Investment Partnership Program	14.239	**	2,556,256	-
ARRA-Community Development Block Grant-Recovery	14.253-ARRA	B09UY120017	785,865	785,865
ARRA-Homeless Prevention-Financial Assistance	14.257-ARRA	S09UY12006	528,952	528,952
ARRA-Homeless Prevention-Housing-Stabilization	14.257-ARRA	S09UY12006	237,689	237,689
ARRA-Homeless Prevention-Evaluation	14.257-ARRA	S09UY12006	85,595	85,595
ARRA-Homeless Prevention-Rapid Housing	14.257-ARRA	S09UY12006	108,606	108,606
ARRA-Homeless Prevention-Rehousing Stabilization	14.257-ARRA	S09UY12006	76,496	76,496
Fair Housing Assistance Program-State & Local	14.401	FF204K004024	109,711	-
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS				
CDBG Disaster Recovery	14.228	10DBK4042602K10	74,174	-
CDBG Disaster Recovery	14.228	10DBK4042602K10	241,230	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 22,482,115	\$ 1,823,203

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF THE INTERIOR</u>				
PASSED THROUGH STATE OF FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION				
Sports Fish Restoration	15.605	FWC10159	\$ 48,895	\$ -
TOTAL DEPARTMENT OF THE INTERIOR			<u>\$ 48,895</u>	<u>\$ -</u>
<u>DEPARTMENT OF JUSTICE</u>				
DIRECT PROGRAMS:				
Grants to Encourage Arrest Policies & Enforcement	16.590	2008WEAX0031	\$ 322,161	\$ -
Weed and Seed Initiative	16.595	2009WSQX0172	1,000	-
Weed and Seed Initiative	16.595	2010WSQX0121	65,350	-
State Criminal Alien Assistance Program	16.606	2008APBX0416	22,464	-
Bulletproof Vest Partnership Program	16.607	**	66,966	-
Public Safety and Community Policing Grant	16.710	2009CKWX0569	123,686	-
Public Safety and Community Policing Grant	16.710	2009CKWX0569	80,019	-
Edward J. Byrne Memorial Justice Assistance- Juvenile Justice Implementation Strategies	16.738	2007DJBX0538	84	-
Congressionally Recommended Awards	16.753	2010JLFX0618	1,217,953	-
Edward J. Byrne Memorial Justice Assistance	16.738	2009DJBX1256	202,795	-
Edward J. Byrne Memorial Justice Assistance	16.738	2010DJBS1671	540,349	-
Edward J. Byrne Memorial Justice Assistance-Re-Entry	16.738	2007DJBX0538	4,525	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011JAGCDUVA5B2116	60,081	-
Edward J. Byrne Memorial Justice Assistance	16.738	2010JAGCDUVA34X106	202,237	-
ARRA-Public Safety and Policing-COPS	16.710-ARRA	2009RJWX0027	3,192,118	-
ARRA-Edward Byrne JAG-Journey	16.804-ARRA	2009SBB92640	489,821	36,032
PASSED THROUGH STATE DEPARTMENT CORRECTIONS				
Second Chance for Prisoner Reentry Initiative	16.812	C2954	259,609	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	V10243	131,455	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
PASSED THROUGH STATE FLORIDA, DEPARTMENT OF LAW ENFORCEMENT:				
P. Coverdell Forensic Science Improvement Grants	16.742	**	4,976	-
ARRA-Edward Byrne JAG-Public Service	16.803	2010ARRCDUVA7W7233	27,148	-
ARRA-Edward Byrne JAG-Public Service	16.803	2010ARRCDUVA6W7342	13,643	13,643
ARRA-Edward Byrne JAG-Public Service	16.803	2010ARRCDUVA5W7345	123,964	123,964
ARRA-Edward Byrne JAG-Public Safety	16.803	2010ARRCDUVA14W7088	240	-
ARRA-Edward Byrne JAG-Public Safety	16.803	2010ARRCDUVA15W7125	(10,156)	-
ARRA-Edward Byrne JAG-Public Safety	16.803	2010ARRCDUVA10W7130	186,000	-
ARRA-Edward Byrne JAG-Public Safety	16.803	2010ARRCDUVA347317	26,965	-
ARRA-Edward Byrne JAG-Public Safety	16.803	2010ARRCDUVA11W7328	111,228	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011JAGCDUVA4B2069	14,804	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011JAGCDUVA7B2207	106,593	-
TOTAL DEPARTMENT OF JUSTICE			\$ 7,588,078	\$ 173,639
<u>DEPARTMENT OF LABOR</u>				
DIRECT PROGRAMS:				
Youthbuild	17.274	YB190910960A12	\$ 295,915	\$ -
Homeless Veterans Reintegration Project	17.805	HV164400760512	23,658	-
TOTAL DEPARTMENT OF LABOR			\$ 319,573	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
Highway Planning & Construction-St. John River Ferry	20.205	ANJ86	\$ 80,288	\$ -
Highway Planning & Construction-St. John River Ferry III	20.205	AO984	33,180	-
Highway Planning & Construction-Timucuan	20.205	AJ130	425,461	-
Highway Planning & Construction-Water Taxi	20.205	A0542	511,378	-
Highway Planning & Construction-Edward Waters College	20.205	AO065	79,710	-
Highway Planning & Construction-Argyle Forest Blvd	20.205	9096-42	74,234	-
Highway Planning & Construction-West Central Civic Core	20.205	9096-32	201,354	-
Highway Planning & Construction-MS4 Permit	20.205	8326-19	274,334	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Highway Planning & Construction-Fort George	20.205	AOU30	147,400	-
State & Community Highway Safety	20.600	K4PT102120	19,064	-
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 1,846,403</u>	<u>\$ -</u>
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	**	\$ 139,550	\$ -
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u>\$ 139,550</u>	<u>\$ -</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Grants to States-VASE	45.310	09LTSAE03	\$ 1,964	\$ -
Grants to States-VASE	45.310	10LSTAE03	78,512	-
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			<u>\$ 80,476</u>	<u>\$ -</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	A004025100	\$ 560,033	\$ -
Surveys, Studies, Investigation, Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034	A004250940	78,198	-
Environmental Justice Small Grants Program	66.604	EQ954182090	10,252	-
Brownfield Cleanup Revol. Loan Grant	66.811	BF96426905	229,903	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 878,386</u>	<u>\$ -</u>
<u>DEPARTMENT OF ENERGY</u>				
DIRECT PROGRAMS:				
ARRA-Energy Efficient Appliance Rebate Program	81.128	DEEE000777	\$ 1,384,207	\$ 612,543
ARRA-Energy Efficient/Conservation	81.128	DEEE0003575	506,488	506,488
			<u>\$ 1,890,695</u>	<u>\$ 1,119,031</u>

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF EDUCATION</u>				
Fund for Improvement of Education	84.215	U215K090061	\$ 139,737	\$ 139,737
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Center	84.287	DCPS	640,213	624,011
Twenty-First Century Community Learning Center	84.287	DCPS	514,563	486,990
Twenty-First Century Community Learning Center	84.287	DCPS	61,435	57,767
Twenty-First Century Community Learning Center	84.287	DCPS	48,627	44,496
TOTAL DEPARTMENT OF EDUCATION			\$ 1,404,575	\$ 1,353,001
<u>ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Help America Vote Act Requirements Payments	90.401	**	\$ 84,461	\$ -
TOTAL ELECTION ASSISTANCE COMMISSION			\$ 84,461	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
SAMHS Projects of Regional & National Significance	93.243	1H79TI01994201	\$ 254,497	\$ -
SAMHS Projects of Regional & National Significance	93.243	1U79SM05993901	468,867	468,867
SAMHS Projects of Regional & National Significance	93.243	1H79T102190301	276,340	-
HIV Emergency Relief Project Grants	93.914	DIG1112	3,414,367	3,256,699
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,297,925	2,170,012
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement- Service of Process	93.563	CS616	84,809	-
Child Support Enforcement	93.563	CD316	820,425	-
Child Support Enforcement- Writ of Attachments	93.563	CS616	34,653	-
PASSED THROUGH STATE OF FLORIDA , DEPARTMENT OF CHILDREN & FAMILIES:				

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Refugee & Entrant Assistance-State Adm. Prog	93.566	LK918	181,226	-
Temporary Assistance for Needy Families-Ounce	93.558	HF111202	32,539	24,035
Community Based Family Resource and Support Grants	93.590	HF111202	5,089	3,759
Temporary Assistance for Needy Families-Ounce	93.558	HF101102	112,495	82,166
Community Based Family Resource and Support Grants	93.590	HF101102	17,593	12,850
PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION:				
Child Care and Development Block Grant	93.575	ELC	19,314,090	-
Child Care and Development Block Grant	93.575	ELC	6,000,108	-
ARRA-Child Care and Development Block Grant	93.713-ARRA	ELC	1,592,032	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Social Program for the Aging-Title III, Part B	93.044	A010CJ	118,793	-
Social Program for the Aging-Title III, Part B	93.044	A111CJ	387,881	-
Social Program for the Aging-Title III, Part C	93.045	A010CJ	73,048	-
Social Program for the Aging-Title III, Part C	93.045	A111CJ	631,358	-
Nutrition Services Incentive Program	93.053	U011CJ	48,955	-
Nutrition Services Incentive Program	93.053	U011CJ	112,140	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 36,279,230	\$ 6,018,388
CORPORATION FOR NATIONAL <u>AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	10SRSFL03	\$ 19,466	\$ -
Retired & Senior Volunteer Program	94.002	10SRSFL003	35,973	-
Youthbuild USA Americorps	94.006	**	12,823	-
Foster Grandparent Program	94.011	09SFSFL004	361,229	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	X1711	2,935	-
Senior Companion Program	94.016	X1712	263	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			\$ 432,689	\$ -
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Port Security Grant Program	97.056	2007GBT70141	\$ 550,133	\$ -
Port Security Grant Program	97.056	2006GBT60081	3,047,322	-
Port Security Grant Program	97.056	2007GBT7K310	20,972	-
Homeland Security Biowatch Program	97.091	**	284,175	-
PASSED THROUGH DEPARTMENT OF COMMUNITY AFFAIRS:				
Flood Mitigation Assistance (FMA)	97.029	07FM71042602192	232,732	-
Flood Mitigation Assistance (FMA)	97.029	07FM2304260235	193,229	-
Flood Mitigation Assistance (FMA)	97.029	10FM46042602	26,471	-
Flood Mitigation Assistance (FMA)	97.029	10FM56042602	3,624	-
Hazard Mitigation	97.039	11HMC042601001	196,941	-
Hazard Mitigation	97.039	09HM12042602007	60,342	-
Hazard Mitigation	97.039	10HM88042602020	44,395	-
Emergency Management Performance Grants	97.042	12BG042601016	25,594	-
Emergency Management Performance Grants	97.042	11FG7W042601135	178,204	-
Emergency Management Performance Grants	97.042	11BG25042601135	70,097	-
Homeland Security Program Grant	97.067	09DS51130016409	136,466	-
Severe Loss Repetitive Program	97.110	09SR47042602282	13,950	-
Severe Loss Repetitive Program	97.110	09SR47042602425	10,231	-
Severe Loss Repetitive Program	97.110	10SL57042602	15,550	-
Severe Loss Repetitive Program	97.110	10SL57042602	257,952	-
Severe Loss Repetitive Program	97.110	10SL57042602	222,333	-
Flood Mitigation Assistance	97.029	10FM56042602	218,313	-
Hazard Mitigation Grants	97.039	10HM88042602018	5,759	-
Homeland Security Grant Program-CERT	97.067	10CC43042602	1,962	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	09DS48042601383	2,545,663	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Homeland Security Grant Program-Urban Area Security Initiative	97.067	10DS41042602343	1,163,643	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	11DSA1042601349	150,000	-
Homeland Security Grant Program-Metro Medical Response	97.067	09DS44042602447	247,090	-
Homeland Security Grant Program-Metro Medical Response	97.067	10DS44042602007	55,974	-
Repetitive Flood Claims Program	97.092	10RF53042602	17,244	-
Repetitive Flood Claims Program	97.092	10RF53042602	19,351	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT				
Homeland Security Grant Program-SWAT	97.067	10DS39042601	57,575	-
PASSED THROUGH FLORIDA DEPARTMENT OF FINANCIAL SERVICES				
Homeland Security Grant Program-Sustainment	97.067	12DS52130016257	13,563	-
Assistance to Firefighters	97.044	EMW2009FO11800	641,900	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 10,728,749</u>	<u>\$ -</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u><u>\$ 86,997,975</u></u>	<u><u>\$ 10,487,262</u></u>

\*\* not available

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

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2011**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>EXECUTIVE OFFICE OF GOVERNOR</u>				
DIRECT PROGRAMS:				
Military Base Protection	31.044	**	\$ 29,000	\$ -
Military Base Protection	31.044	DRG1104	72,000	-
Military Base Protection	31.044	DIG1005	100,000	-
Military Base Protection	31.044	DIG1101	107,137	-
Military Base Protection	31.044	DIG0906	200,000	-
TOTAL EXECUTIVE OFFICE OF GOVERNOR			\$ 508,137	\$ -
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION:</u>				
DIRECT PROGRAMS:				
Beach Erosion Control Program	37.003	**	\$ 2,048,536	\$ -
Petroleum Contamination Site Cleanup (Task 10)	37.024	**	207,590	-
Petroleum Contamination Site Cleanup (Task 9)	37.024	**	644,934	-
Statewide Surface Water Restoration & Wastewater	37.039	SP592	143,693	-
Statewide Surface Water Restoration & Wastewater- Magnolia Gardens	37.039	LP6736	147,301	-
Statewide Surface Water Restoration & Wastewater- Lower St. Johns River Basin	37.039	**	9,351	-
Statewide Surface Water Restoration & Wastewater- Cedar River	37.039	SO271	50,319	-
Statewide Surface Water Restoration & Wastewater- SJWMD	37.039	24903	391,664	-
Ambient Air Monitoring Agreement	37.042	**	14,923	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2011**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Ambient Air Monitoring Agreement	37.042	**	48,578	-
Delegated Title V Air Pollution Control	37.043	**	382,503	-
Delegated Title V Air Pollution Control	37.043	**	125,241	-
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION:			\$ 4,214,633	\$ -
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES:</u>				
DIRECT PROGRAMS:				
Mosquito control	42.017	13071	\$ 27,655	\$ -
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			\$ 27,655	\$ -
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE:</u>				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	09ST24	\$ 428,563	\$ -
State Aid to Libraries	45.030	08ST25	115,088	-
State Aid to Libraries	45.030	07ST25	365,211	-
State Aid to Libraries	45.030	11ST23	17,899	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE:			\$ 926,761	\$ -
<u>DEPARTMENT OF COMMUNITY AFFAIRS:</u>				
DIRECT PROGRAMS:				
Residential Construction Mitigation Program	52.016	11RC62042602313	\$ 88,920	\$ -

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2011**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Emergency Management Projects	52.023	11VP03042602000	23,021	-
TOTAL DEPARTMENT OF COMMUNITY AFFAIRS			<u>\$ 111,941</u>	<u>\$ -</u>
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	52.901	HFC01	\$ 247,638	\$ -
TOTAL FLORIDA HOUSING FINANCE CORPORATION			<u>\$ 247,638</u>	<u>\$ -</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>				
DIRECT PROGRAMS:				
County Incentive Grant Program-Main St.	55.008	AM957	\$ 51,355	\$ -
State Infrastructure Bank - JTB Ramps	55.020	AOI87	971,415	-
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 1,022,770</u>	<u>\$ -</u>
<u>DEPARTMENT OF HEALTH:</u>				
DIRECT PROGRAMS:				
Public Safety Mental Health and Substance Abuse	60.115	LHZ31	\$ 12,656	\$ -
County Grant Awards	64.005	C8016	94,774	-
County Grant Awards	64.005	C9016	10,659	-
TOTAL DEPARTMENT OF HEALTH			<u>\$ 118,089</u>	<u>\$ -</u>
<u>DEPARTMENT OF ELDER AFFAIRS:</u>				
DIRECT PROGRAMS:				

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2011**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Respite for Elders Living in Everyday Families	65.006	R011CJ	\$ 21,105	\$ -
Respite for Elders Living in Everyday Families	65.006	R010CJ	73,267	-
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			<u>\$ 94,372</u>	<u>\$ -</u>
<u>DEPARTMENT OF MANAGEMENT</u>				
<u>SERVICES:</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System	72.001	**	\$ 80,494	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			<u>\$ 80,494</u>	<u>\$ -</u>
<u>DEPARTMENT OF REVENUE:</u>				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise	73.016	**	\$ 2,000,004	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			<u>\$ 2,000,004</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 9,352,494</u></u>	<u><u>\$ -</u></u>

\*\* not available

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

City of Jacksonville, Florida

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2011

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**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, 2011. The schedules do not include the federal and state 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. Federal and state grant 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 are a cluster in accordance with the OMB Circular A-133 Compliance Supplement and were tested together as part of the CDBG – Entitlement Grants Cluster. The federal programs with CFDA numbers 93.575 and 93.713 were deemed to be a cluster and were tested together as part of the Child Care and Development Block Grant Cluster.

**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, 2011, the City had notes outstanding as follows:

U.S. Government Guaranteed Note Payable, Series 1995, payable in semi-annual installments to 2014, with interest ranging from 4.96% to 5.19%	\$ 1,440,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2012, with interest of 0.86%	80,000
U.S. Government Guaranteed Note Payable, Series 2010 payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.66%	1,170,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%	595,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%	380,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.20%	235,000
<b>Total outstanding principal amounts</b>	<b>\$ 3,900,000</b>



**Independent Auditor's Report on  
Compliance With Requirements That Could Have a  
Direct and Material Effect on 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, Florida (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, 2011. 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 separately 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, 2011.

### ***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 compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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 describe in the accompanying *Schedule of Findings and Questioned Costs*, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 IC 2011-01 to be a material weakness.

The City's response to the finding identified in our audit is included in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City's response and, accordingly, we express no opinion on it.

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 LLP*

Jacksonville, Florida  
June 26, 2012

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2011**

**I - Summary of Independent Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
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)?	_____ Yes	_____ X	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	_____ No

**Federal Awards**

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

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	_____ X	_____ No

Identification of major programs:		
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
14.218	Community Development Block Grants – Entitlement Grants Cluster	
14.253	Community Development Block Grants – Entitlement Grants Cluster– ARRA	
14.257	Homeless Prevention and Rapid Re-Housing Program - ARRA	
16.710 & 16.710-ARRA	Community Oriented Policing Services Grant	
81.128	Energy Efficiency and Conservation Block Grant Program - ARRA	
93.575	Child Care and Development Block Grant Cluster	
93.713	Child Care and Development Block Grant Cluster - ARRA	
97.056	Port Security Grant Program	

Dollar threshold used to distinguish between type A and type B programs: \$ 2,609,939

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

**City of Jacksonville, Florida**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2011**

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***State Financial Assistance***

Internal control over major programs:

Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u>      </u> Yes	<u>  X  </u> None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

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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)

Name of State Program or Project

31.044

Military Base Protection

37.003

Beach Erosion Control Program

37.039

Statewide Surface Water Restoration and  
Wastewater Projects

37.043

Delegated Title V Air Pollution Control Activities

45.030

State Aid to Libraries

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

\$            300,000

**City of Jacksonville, Florida**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2011**

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**Section II – Financial Statement Findings**

A. Internal Control Over Financial Reporting

None reported.

B. Compliance and Other Matters

None reported.

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

A. Compliance

None reported.

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2011**

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

B. Internal Control over Compliance

**IC 2011-1 – Schedule of Expenditures of State Awards**

**Criteria:** Chapter 10.550, Rules of the Auditor General, requires the City to prepare a Schedule of Expenditures of State Financial Assistance (SESA) with the requirements of Chapter 69I-5 for the period covered by the City's financial statements. The SESA should be presented fairly in all material respects in relation to the City's financial statements taken as a whole. To ensure accuracy and completeness, the SESA and the financial statements should be reconciled. Transactions should be recorded in the accounting system and reported on the schedule in the fiscal period in which they occur.

**Condition:** On the SESA presented for audit, the City reported total expenditures of \$603,681 under the Department of Community Affairs - Florida Forever Act for the fiscal period ended September 30, 2011. Amounts reported as expenditures were inaccurately reported. The City had expended these funds during a prior period and had properly reported the expenditure of state financial assistance on the SESA covering that period. The funds received for the reimbursement of these expenditures were placed into an account designated for improvements on land that was originally purchased with the grant money from the Florida Forever Act. During the current year, the City was incorrectly recording expenditures paid from the reimbursed funds as expenditures of state financial assistance. As a result, the City's 2011 SESA was overstated by \$603,681. The program amounts have been corrected to properly reflect 2011 expenditures on the SESA presented herein.

**Context:** The finding is considered systemic in nature.

**Effect:** By overstating expenditures of state financial assistance, the SESA was not accurate, resulting in misidentification of a major project pursuant to Chapter 10.550, Rules of the Auditor General.

**Cause:** Expenditures were misidentified in the accounting system as expenditures of state financial assistance.

**Recommendation:** We recommend that after compilation of the SESA, the departments responsible for administration of the grants receive a copy of the SESA to be reconciled with their records and the general ledger in order to ensure that the amounts reported on the SESA are accurate. We further recommend that these reconciliations be reviewed and maintained by the accounting department.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with the recommendations. Although SEFA and SESA were confirmed by grant administrators, adequate documentation was not maintained by the department. Management will review the process to strengthen controls to ensure sufficient documentation is retained.

City of Jacksonville, Florida

Summary Schedule of Prior Year Audit Findings  
For the Year Ended September 30, 2011

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<b>No.</b>	<b>Prior Year's Observations</b>	<b>Observation is Still Relevant</b>	<b>Observation Addressed or No Longer Relevant</b>
IC 2010-1	Segregation of Duties – Clerk of the Courts Office		X
IC 2010-2	Schedule of Expenditures of Federal Awards		X
FA 2010-1	Davis-Bacon Act		X
FA 2010-2	Subrecipient Monitoring		X
FA 2010-3	Procurement, Suspension and Debarment		X
FA 2010-4	Procurement, Suspension and Debarment		X