

# CITY OF JACKSONVILLE, FLORIDA

## SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009



PREPARED BY THE DEPARTMENT OF FINANCE  
ACCOUNTING DIVISION

**City of Jacksonville, Florida**  
**Single Audit Report**  
**For the Fiscal Year Ended September 30, 2009**

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**SINGLE AUDIT**

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## Report of Independent Certified Public Accountants

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the Jacksonville Retirement System pension trust fiduciary fund included in the accompanying combining individual fund statements and schedules for the year ended September 30, 2009. 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 Jacksonville Port Authority, Jacksonville Transportation Authority, and Downtown Vision, Inc., which collectively represent 14%, 23%, and 12%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of the Police and Fire Pension Plan Trust Fund, which represents 37% and 34%, respectively, of the assets and net assets of the pension trust funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned component units and the pension trust fund, are based solely on the reports of the other auditors. The prior year summarized comparative information has been derived from the City's 2008 financial statements and, in our report dated May 6, 2009, which refers to the reports of other auditors, we expressed unqualified opinions on the respective 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the City's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major

fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jacksonville Retirement System pension trust fiduciary fund of the City as of September 30, 2009, and the changes in financial position thereof for the year then ended in conformity with US generally accepted accounting principles.

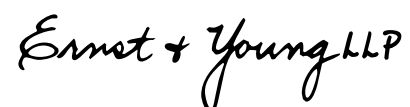
As discussed in Note 1 R. to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 54 related to fund balance reporting.

As discussed in Note 15 D. to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 49 related to pollution remediation obligations.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance – budget and actual – general fund, and the schedules of employer contributions and funding progress listed under required supplementary information on pages 6 through 20 and 152 through 159 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 combining individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors 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 information presented in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

March 24, 2010

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Jacksonville, Florida (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 24, 2010. Our report was modified to include reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Jacksonville Port Authority, Jacksonville Transportation Authority, and Downtown Vision, Inc., which collectively represent 14%, 23%, and 12%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. In addition, other auditors audited the financial statements of the Police and Fire Pension Plan Trust Fund, which represents 37% and 34%, respectively, of the assets and net assets of the pension trust funds. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic 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 misstatements on a timely basis. A material weakness is a deficiency, or 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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **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*.

This report is intended solely for the information and use of management, the Mayor and Members of the City Council, federal and state awarding agencies, pass-through entities 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.

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

March 24, 2010

**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 entire report.

### Financial Highlights

- Capital assets were \$2.9 billion on September 30, 2009, a \$170 million, 5.8% increase over last fiscal year.
- Property tax revenues experienced a \$3 million, 1% decrease. Capital grants and contributions decreased \$3.8 million. A decrease of \$17.4 million occurred in sales and tourist taxes as well as an \$18 million decrease in intergovernmental revenues.
- Increases in governmental activities expenses were net \$27.5 million or 3%. The major portion of the increase of \$38.3 million occurred in transportation, additional expense increases occurred with \$7.5 million in general government, \$5.9 million in human services, and \$16.2 million in public safety. These expense increases were offset by decreases in expenses for interest on long term debt and economic & physical environment of \$43.3 million.
- The City continues to maintain a \$44 million emergency reserve.
- The City's general fund operations had total revenues of \$959 million a 2.3% increase over fiscal year 2008.

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

### City Highlights

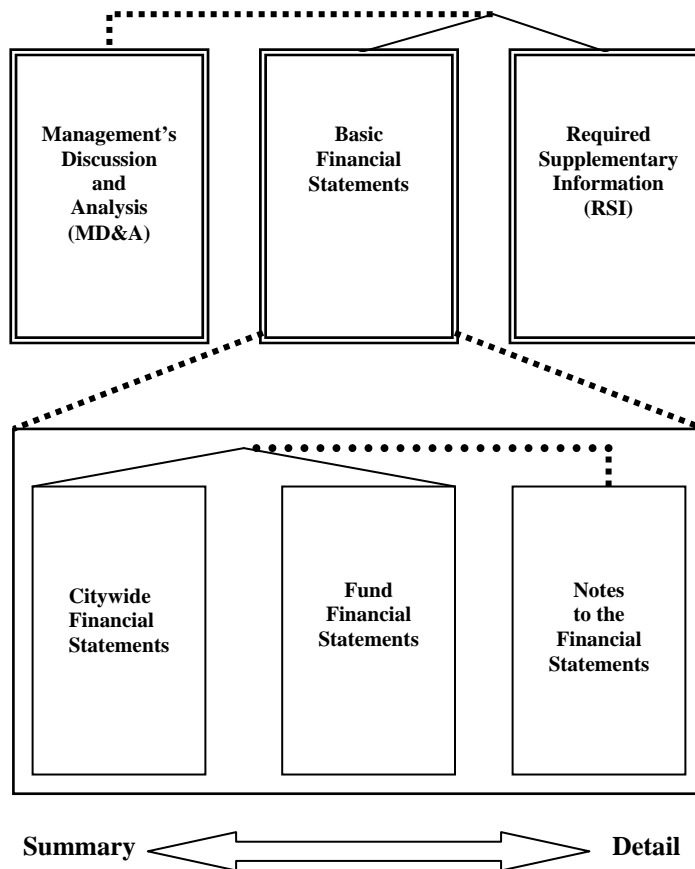
- Fiscal year 2008-2009 was the second year of Governor/Speaker of the House state imposed property tax rollback/restructure which involved both legislative and constitutional amendment required actions.
- In light of the actions in Tallahassee and an identified need to diversify the City revenue base, the mayor introduced, and the City Council approved, three new fees common around the state but historically not used in the City:
  - A 3% franchise fee on electric, water and sewer
  - A \$3 residential solid waste fee
  - A \$5 per equivalent residential unit (ERU) stormwater feeThe three fees were phased-in with partial impact in fiscal year 2007-2008 and a full year impact in fiscal year 2008-2009 with fees recorded in fiscal year 2009 of \$37.5 million, \$11.3 million and \$29 million, respectfully.
- To address the problem of violent crime, the mayor initiated a 150 member citizen commission to produce a multifaceted, multi-year phased-in action plan. Included in the 2008-2009 budget was a \$31 million program to a) get tougher on convicted criminals; (b) put more police on the street; (c) guide ex-offenders away from crime and toward self-sufficiency; and (d) to provide appropriate supervision and guidance for children in after-school programs and summer activities.
- In light of the January 1, 2009 property tax base contraction (a 6% reduction) the 2009-2010 millage rollback/rollup produced the first millage rate increase in 17 years to produce a revenue neutral result.

## 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 of Jacksonville's basic financial statements are comprised of three components: 1) citywide basic financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary and statistical information in addition to the basic financial statements themselves.

**Figure A-1**

### COMPONENTS OF THE ANNUAL FINANCIAL REPORT



## **Citywide Basic Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

### **Proprietary Funds**

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

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

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

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

### **Fiduciary Funds**

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

### **Notes to the Financial Statements**

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

## Other Information

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

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

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

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

## CITYWIDE FINANCIAL ANALYSIS

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

As of September 30, 2009, 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, 2009 and September 30, 2008

	Governmental Activities		Business Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Cash and Investments	\$ 684,962	\$ 710,501	\$ 113,252	\$ 94,181	798,214	\$ 804,682
Other Current Assets	306,028	339,518	36,980	32,316	343,008	371,834
Capital Assets	2,480,672	2,310,411	436,791	436,848	2,917,463	2,747,259
Total assets	<u>3,471,662</u>	<u>3,360,430</u>	<u>587,023</u>	<u>563,345</u>	<u>4,058,685</u>	<u>3,923,775</u>
Current Liabilities	247,168	268,192	32,675	21,732	279,843	289,924
Long-term obligations	2,510,678	2,401,428	409,092	403,475	2,919,770	2,804,903
Total liabilities	<u>2,757,846</u>	<u>2,669,620</u>	<u>441,767</u>	<u>425,207</u>	<u>3,199,613</u>	<u>3,094,827</u>
Net assets						
Invested in capital assets, net of related debt	1,007,636	1,000,539	129,274	114,078	1,136,910	1,114,617
Restricted for:						
State and Federal Grants	52,938	40,979	-	-	52,938	40,979
Capital Projects	42,040	39,336	-	-	42,040	39,336
Permanent Fund						
non-expendable	123	123	-	-	123	123
Other	4,271	610	-	-	4,271	610
Unrestricted	<u>(393,192)</u>	<u>(390,777)</u>	<u>15,982</u>	<u>24,060</u>	<u>(377,210)</u>	<u>(366,717)</u>
Total net assets (deficit)	<u>\$ 713,816</u>	<u>\$ 690,810</u>	<u>\$ 145,256</u>	<u>\$ 138,138</u>	<u>\$ 859,072</u>	<u>\$ 828,948</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 \$12 million increase in Restricted for State and Federal Grants in Table A-1 is reflective of decreases in expenses in the Housing Department due to a reduction in owner-occupied rehabilitation grant programs. The increase in capital assets in the 2009 governmental activity includes \$39 million from developer contributions for infrastructure assets.

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 a 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. (See Note 18 for further discussion.)
- For several other projects within the City, such as septic tank removals and sewer expansion and pollution remediation, etc.

On the following page, Table A-2 provides a summary comparison of the City's operations for the 2008 and 2009 fiscal year ends. .



**Table A-2**  
**Statement of Activities**  
**(In Thousands)**  
**as of September 30, 2009 and September 30, 2008**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total Primary Government</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Fines & charges for services	\$ 125,048	\$ 142,289	\$ 87,490	\$ 65,629	\$ 212,538	\$ 207,918
Operating grants/contributions	83,067	84,250	-	-	83,067	84,250
Franchise Fees	38,891	19,478	-	-	38,891	19,478
JEA Contribution	96,962	94,188	-	-	96,962	94,188
Capital grants/contributions	52,464	56,230	-	-	52,464	56,230
<b>General revenues:</b>						
Property taxes	474,381	477,368	-	-	474,381	477,368
Utility service taxes	118,453	114,392	-	-	118,453	114,392
Sales and tourist taxes	162,295	179,645	10,875	12,695	173,170	192,340
Intergovernmental	166,923	185,041	-	-	166,923	185,041
Earnings on Investments	73,326	15,263	8,237	2,516	81,563	17,779
Miscellaneous	29,028	48,976	20,400	8,822	49,428	57,798
<b>Total Revenues</b>	<b>1,420,838</b>	<b>1,417,120</b>	<b>127,002</b>	<b>89,662</b>	<b>1,547,840</b>	<b>1,506,782</b>
<b>Expenses</b>						
General government	180,054	174,777	-	-	180,054	174,777
Human services	107,991	102,076	-	-	107,991	102,076
Public safety	527,227	511,009	-	-	527,227	511,009
Cultural and recreational	71,091	67,054	-	-	71,091	67,054
Transportation	217,296	178,949	-	-	217,296	178,949
Economic & physical environment	169,685	203,444	-	-	169,685	203,444
Interest on long term debt	94,289	102,835	-	-	94,289	102,835
Parking system	-	-	3,417	3,921	3,417	3,921
Motor vehicle inspections	-	-	433	462	433	462
Solid Waste	-	-	86,674	69,230	86,674	69,230
Stormwater services	-	-	14,612	55	14,612	55
Jacksonville Municipal Stadium	-	-	20,361	11,850	20,361	11,850
Veterans Memorial Arena	-	-	12,355	8,055	12,355	8,055
Baseball Stadium	-	-	1,993	1,297	1,993	1,297
Performing Arts Center	-	-	4,006	3,264	4,006	3,264
Convention Center	-	-	4,342	3,681	4,342	3,681
Equestrian Center	-	-	1,890	1,449	1,890	1,449
<b>Total Expenses</b>	<b>1,367,633</b>	<b>1,340,144</b>	<b>150,083</b>	<b>103,264</b>	<b>1,517,716</b>	<b>1,443,408</b>
Increases (decreases) in net assets before transfers	53,205	76,976	(23,081)	(13,602)	30,124	63,374
Transfers	(30,199)	(232,306)	30,199	232,306	-	-
<b>Change in net assets</b>	<b>23,006</b>	<b>(155,330)</b>	<b>7,118</b>	<b>218,704</b>	<b>30,124</b>	<b>63,374</b>
Net assets (deficit), beginning of year	690,810	846,140	138,138	(80,566)	828,948	765,574
<b>Net assets (deficit), end of year</b>	<b>\$ 713,816</b>	<b>\$ 690,810</b>	<b>\$ 145,256</b>	<b>\$ 138,138</b>	<b>\$ 859,072</b>	<b>\$ 828,948</b>

**Governmental activities:**

The City's governmental activities revenues increased \$14.5 million from 2008 to 2009 (see Table A-2) and consists of:

- Franchise fee revenues increased by \$19.4 million due to a full year of the new franchise fee in fiscal year 2009. Fines & charges for services decreased \$17.2 million comprised of a \$7.4 million decrease in Circuit Court revenues and a \$6.9 million decrease in the Fair Share revenues due to the downturn in the economy.
- Utility service taxes increased \$4 million due to JEA rate increases in fiscal year 2009.
- Interest revenues increased \$58 million due to the upturn in the investment markets.
- Miscellaneous revenues decreased from FY 2008 because FY 2008 included \$6.2 million for land sold to the federal government to be used as a veteran's cemetery and \$7.4 million in revenues from sale of Loblolly Wetlands credits.
- Property tax revenues reflected a \$3 million decrease in FY 2009, although the ad valorem tax rate remained at 8.4841 throughout FY 2008 and FY 2009.
- The largest source of decreases in revenue in FY 2009 was an \$18 million decrease in intergovernmental revenue representing a reduction in state shared revenues of \$4.7 million and a \$14 million reduction in the ½ cent sales tax due to the downturn in the economy.

Increases in governmental activities expenses were \$40.5 million.

- Transportation expenses increased \$38.3 million in 2009 due to funding the Jacksonville Transportation Authority for use on the bus system and other related transportation costs in fiscal year 2009.
- Public safety expenses increased \$16.2 million with a \$15.8 million increase in the Sheriff's Office salaries and related benefits for additional police and correctional officers.
- Human services increased \$5.9 million primarily due to the new *Jacksonville Journey* initiative which funded \$5 million in programs such as Early Literacy, Team Up, and Juvenile Summer Camps in FY 2009.
- A decrease of \$33.8 million occurred in economic & physical environment due to \$50 million in FY 2008 increase in the estimated liability for pollution remediation at the ash sites, with only a \$17 million increase in landfill closure/post-closure liability in FY 2009.
- A \$13.5 million decrease occurred in FY 2009 in interest on long term debt due to lower rates on variable rate debt.

**Business Type activities:**

The City's business type revenues significantly changed from 2008 to 2009 (see Table A-2) and consists of:

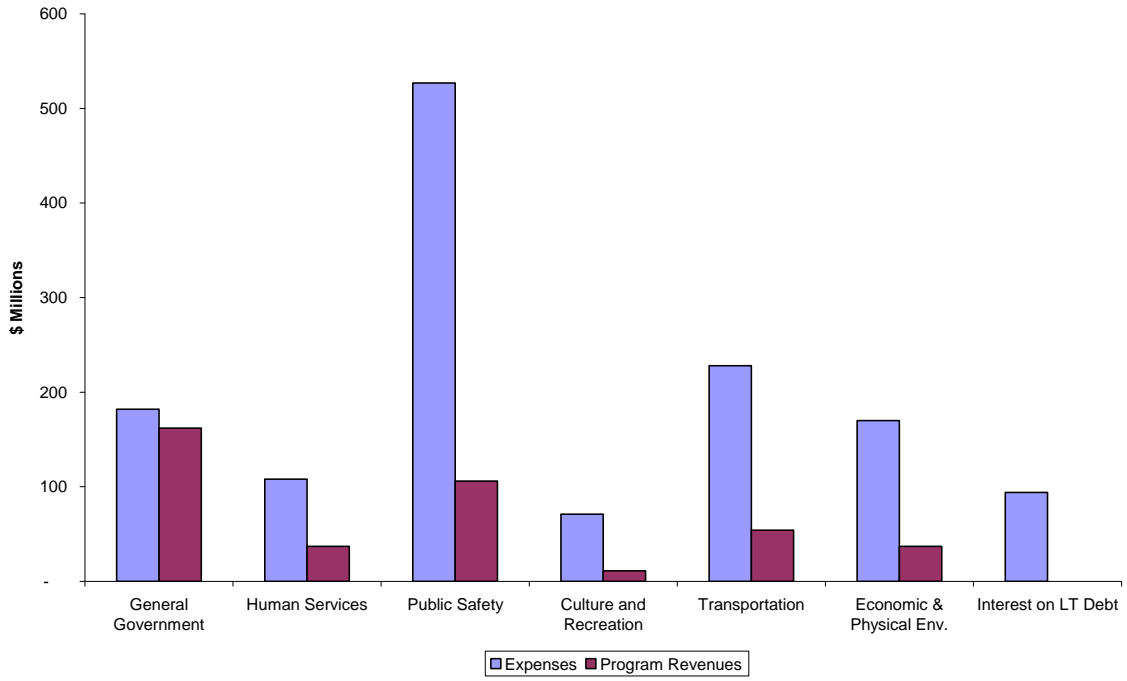
- Increases in fines and charges for services of \$22 million were due to the first full year of the new storm water user fees in FY 2009.
- There was a \$1.8 decrease in the tourist taxes in FY 2009 due to the downturn in the economy and related impact in hotel occupancy.
- Miscellaneous revenues increased \$11.6 million due to the removal of Mayport Ferry assets in FY 2008 and an increase in rental revenues due to the expiration of the Jaguar's rental discount in FY 2009.

Increases in business type activities expenses were \$44.6 million:

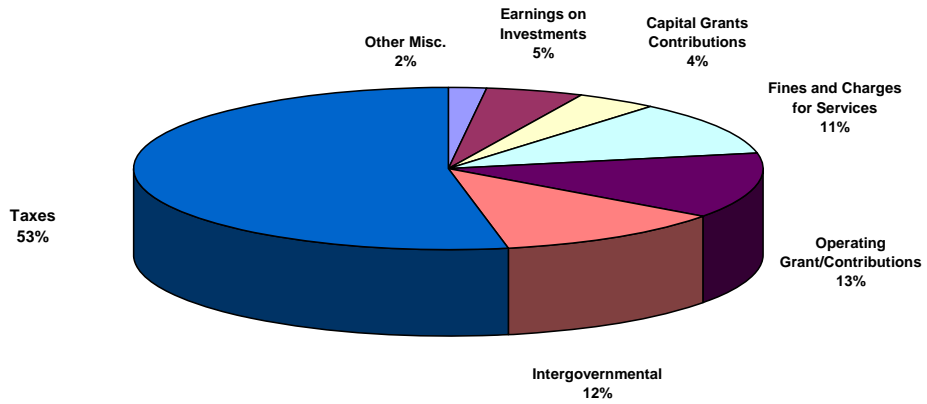
- Storm Water Services' increase of \$14.5 million was the result of the streets and drainage operations being moved from the General Fund.
- Solid Waste's increase of \$17.4 was due to the increased landfill closure/post-closure liability in FY 2009.
- The Jacksonville Municipal Stadium's \$8.5 million and the Veterans Memorial Arena's \$4.3 million expenditure increases are due to depreciation and interest expense from the movement/realignment of capital assets and debt to the venues from governmental activities.

The change in transfers between governmental and business type is due to movement/realignment of assets and debt to the enterprise venues in FY 2008.

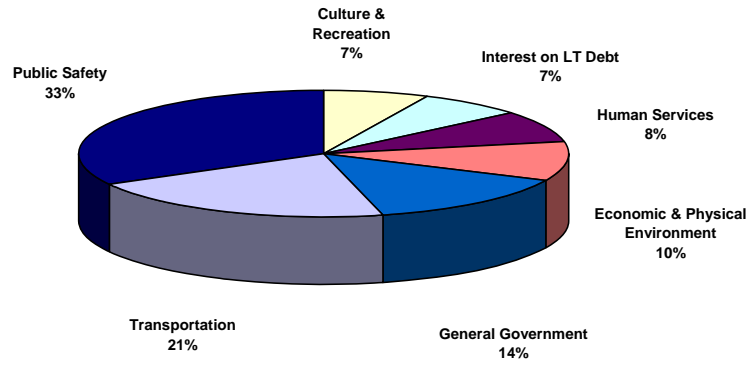
**Expenses and Program Revenues - Governmental Activities**



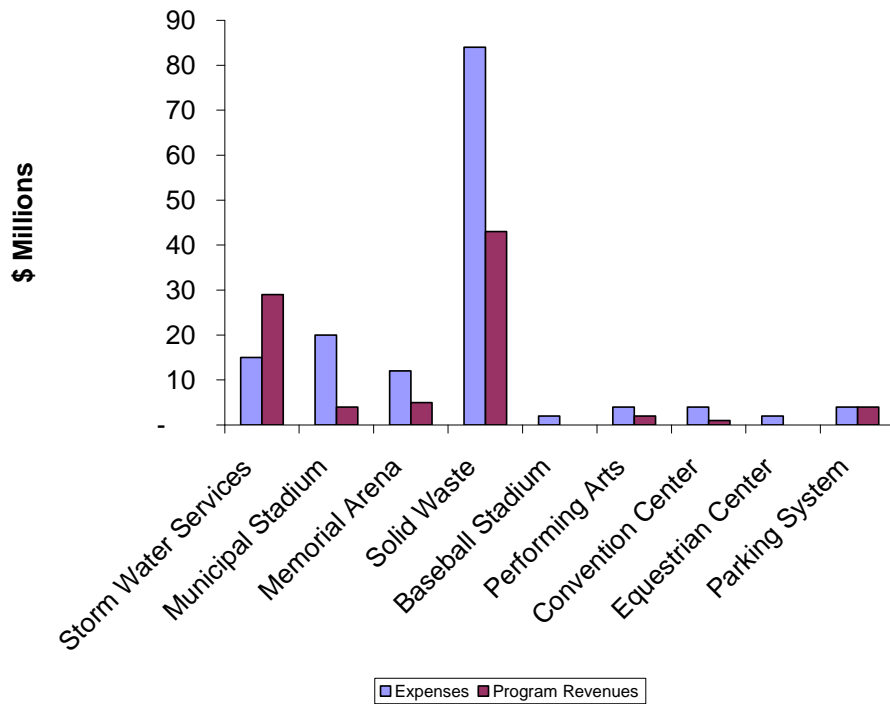
**Revenues - Governmental Activities**



### 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 of Jacksonville'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 2009. The City of Jacksonville 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. The General Fund Budget and Actual Schedule is included as Required Supplementary Information following the Notes to the Financial Statements.

The General Fund is the chief operating fund of the City of Jacksonville. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$37.6 million. The General Fund's total fund balance was \$110 million, with \$44 million reserved 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 2009 assessed tax roll is up \$4 billion over the prior year an increase of 6%.

Key factors affecting changes in major funds and fund balance in fiscal year 2009 operations are as follows:

### General Fund:

- Property taxes account for approximately 50% of the general fund revenue and decreased \$4.8 million or 1% below the previous year. The property tax millage rate was maintained at 8.4841 throughout FY 2008 and FY 2009.

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

- Under the Interlocal Agreement, the City and JTA agreed to pledge the ½ cent sales tax and Constitutional Gas Tax to the payment of the BJP bonds. The ½ cent sales tax revenues decreased by \$14 million in fiscal year 2009 as compared to the prior fiscal year.
- Principal and Interest payments increased \$1.9 million in FY 2009 in accordance with the related amortization schedules.

### Better Jacksonville Plan Construction Project Fund:

- The Better Jacksonville Plan continued major projects with \$86.2 million on road improvement projects, \$20.6 million on drainage projects, \$51 million on courthouse and building projects, and an additional \$25.8 million on projects such as countywide resurfacing, parks, fire stations, and other miscellaneous projects.
- Additional BJP debt of \$108 million was issued in fiscal year 2009, thus reflected in the \$67.6 million net increase in long term debt. See Note 8 for further reference.

**Proprietary Funds:** The City of Jacksonville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Solid Waste, the Jacksonville Municipal Stadium and the Veteran's Memorial Arena are reported as major proprietary funds in fiscal year 2009. The \$22 million increase in fines and charges for service revenues is representative of a full year of the new stormwater fees, and a reduction of \$2 million in sales and tourist taxes due to the downturn in the economy.

**General Fund Budgetary Highlights:**

- Actual revenues for fiscal year 2009 were \$20.7 million below the final budgeted amount. Positive variances in final budget to actual occurred with \$4.5 million actual over budget property tax revenue and \$9.6 in interest and other miscellaneous revenues. Intergovernmental was below final budget \$21.4 million primarily due to a decrease of the ½ cent sales tax and state's City/County shared revenues.
- Overall actual expenditures for fiscal year 2009 were \$83.6 million under final budget.
- Jacksonville Citywide Activities expenditure budget was increased \$9.2 million due to a realignment of debt service related to general capital projects including environmental remediation, primarily ash cleanup.

## 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, 2009, amounts to \$2.9 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 drainage projects in fiscal year 2008, a focus was placed in fiscal year 2009 on areas such as buildings and the courthouse. Both fiscal years experienced considerable costs in road projects due to the continuation of the Better Jacksonville Plan. Additional information on the City of Jacksonville's capital assets can be found in Notes to the Financial Statements, Footnote 6 of this report.

**Table A-3**  
**Capital Assets**  
**Net of Accumulated Depreciation**  
**(In Thousands)**  
**as of September 30, 2009 and September 30, 2008**

	<u>Governmental</u> <u>Activities</u>		<u>Business Type</u> <u>Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Land	\$ 280,404	\$ 277,562	\$ 45,089	\$ 34,859	\$ 325,493	\$ 312,421
Buildings and improvements	754,792	700,771	547,997	547,911	1,302,789	1,248,682
Furniture & Equipment	311,709	293,184	6,927	7,075	318,636	300,259
Construction in progress	97,090	60,217	-	-	97,090	60,217
Infrastructure	1,796,854	1,641,279	2,841	-	1,799,695	1,641,279
Other Assets	21,078	19,391	-	-	21,078	19,391
Less accumulated depreciation	(781,255)	(681,992)	(166,063)	(152,999)	(947,318)	(834,991)
Total	<u>\$ 2,480,672</u>	<u>\$ 2,310,411</u>	<u>\$ 436,791</u>	<u>\$ 436,848</u>	<u>\$ 2,917,463</u>	<u>\$ 2,747,259</u>

Major project costs in fiscal year 2009 included the following:

	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>	<u>Change</u>
Road Projects	\$ 86.2 million	\$ 88.2 million	\$( 2.0)
Building Projects	14.8 million	7.5 million	7.3
Drainage Projects	20.6 million	35.4 million	( 14.8)
Countywide Resurfacing	11.6 million	12.3 million	( .7)
Park Department Projects	5.9 million	8.9 million	( 3.0)
Fire Department Projects	2.5 million	6.4 million	( 3.9)
Courthouse Project	36.2 million	6.5 million	29.7
Miscellaneous Projects	<u>5.8 million</u>	<u>2.7 million</u>	<u>3.1</u>
Total	<u>\$ 183.6 million</u>	<u>\$167.9 million</u>	<u>\$ 15.7</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 \$2.5 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**  
**(In Thousands)**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Special Obligation Bonds	\$ 771,550	\$ 779,533	\$ -	\$ -	\$ 771,550	\$ 779,533
Special Obligation-BJP	1,178,193	1,090,568			1,178,193	1,090,568
Revenue Bonds Payable	82,828	54,215	341,887	357,124	424,715	411,339
Notes Payable	79,605	106,145	-	-	79,605	106,145
Notes Payable-BJP	60,719	66,414	-	-	60,719	66,414
Deferred Amounts						
Loss on Adv Ref	(4,065)	(4,449)	(1,158)	(1,441)	(5,223)	(5,890)
Issuance premiums	26,285	20,246	-	-	26,285	20,246
Issuance discounts	(3,160)	(3,315)	-	-	(3,160)	(3,315)
<b>Total</b>	<b>\$ 2,191,955</b>	<b>\$ 2,109,357</b>	<b>\$ 340,729</b>	<b>\$ 355,683</b>	<b>\$ 2,532,684</b>	<b>\$ 2,465,040</b>

The City of Jacksonville's debt increased by \$67.6 million as compared to fiscal year 2008.

New indebtedness of the City of Jacksonville consists of:

Closing Date	Par Amount	Source	Primary Use
September 2009	\$108,015,000	Revenue Bonds	BJP Capital Projects
September 2009	\$ 28,613,000	Revenue Bonds	Capital Projects/Refunding
September 2009	\$ 92,325,000	Revenue Bonds	Capital Projects/Refunding

During the fiscal year the City successfully addressed its declining sales tax revenue streams pledged to the Better Jacksonville Plan capital program by passing legislation to provide alternative covenant to budget and appropriate financing. By structuring the bonds to take advantage of excess general fund borrowing capacity while utilizing sales tax cash flows to service the debt the City was able to accelerate construction of capital projects with little burden on the general fund. The plan was received well by the rating agencies as demonstrated by the removal of the negative watch previously assigned to the AA/Aa3/AA-rated sales tax revenue pledge by two of the agencies.

The City continued to manage through market related challenges primarily related to liquidity providers by successfully replacing a downgraded bank surety and extending the combined replacement surety agreement through 2013.



## 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 10.8%. This compares to the state's average unemployment rate (11.1%) and the national average unemployment rate (9.8%). The Bureau of Labor Statistics reported forty-three states had statistically significant unemployment rate increases from 2008;
- 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 2009-2010:

- For fiscal year 2010, the City raised the millage rate for the first time in 17 years, from 8.4841 to the rollback rate of 9.2727. The rollback rate is the millage rate that will generate the same amount of property tax revenue in the current year as in the previous year from properties that were on the tax roll in the previous year. For the owner of a home with an assessed value of \$95,000 the increase in property taxes would be approximately \$75.00.
- A total of \$61.9 million in expenses was eliminated from the projected General Fund budget during the budget process. The savings include reductions in salary and benefit costs (including eliminated positions), time extension of the City vehicle replacement schedule, and several reductions in departmental and non-departmental operating costs from a variety of sources.
- *The Jacksonville Journey* is a major anti-crime initiative that was launched to focus on crime prevention as well as boosting law enforcement efforts. Although *The Jacksonville Journey* began operations in FY 2009, FY 2010 will be its full year of funding. A separate subfund for *The Jacksonville Journey* will receive \$8.1 million from the general fund for various prevention and intervention programs. These include expanded early literacy programs, supervised after-school guidance and recreational programs and expanded activities during the summer. Also included are funds for juvenile crime prevention programs and programs that will help ex-offenders become productive citizens. *Jacksonville Journey* funds have been allocated in the FY 2010 budget to hire an additional 44 correctional officers and 19 civilian support positions, including 7 technicians and 5 crime scene investigators.
- The City will receive a significant contribution in grants from the American Recovery and Reinvestment Act of 2009 (ARRA). For the non-police related programs of *The Jacksonville Journey*, approximately \$2.7 million in funding through ARRA will be received in FY2010. In addition, the Sheriff's Office grant of \$9 million over a three year period is also funded through ARRA. Subsequent to the original budget appropriation the City has received an addition ARRA grant contributions of \$5 million.

## 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.

**CITYWIDE FINANCIAL  
STATEMENTS**

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF NET ASSETS -**  
**SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	PRIMARY GOVERNMENT				COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
			2009	2008	
<b>ASSETS:</b>					
Equity in cash and investments.....	\$ 585,120	\$ 113,252	\$ 698,372	\$ 692,656	\$ 1,357,288
Cash in escrow and with fiscal agents.....	99,842	-	99,842	112,026	208
Securities lending.....	56,609	-	56,609	83,864	-
Receivables, net.....	89,674	17,705	107,379	85,361	342,568
Internal balances.....	963	(963)	-	-	-
Due from independent agencies and other governments.....	130,510	103	130,613	153,768	55,580
Inventories.....	8,009	11	8,020	6,457	162,908
Prepaid expenses and other assets.....	20,263	132	20,395	19,714	337,007
Deferred charge - landfill related costs.....	-	19,722	19,722	22,362	-
Other deferred charges.....	-	270	270	308	427,517
<b>CAPITAL ASSETS:</b>					
Land and work in progress.....	378,187	45,089	423,276	373,183	816,352
Other capital assets, net of depreciation.....	2,102,485	391,702	2,494,187	2,374,076	7,202,627
<b>TOTAL ASSETS.....</b>	<b>3,471,662</b>	<b>587,023</b>	<b>4,058,685</b>	<b>3,923,775</b>	<b>10,702,055</b>
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities.....	96,424	7,081	103,505	112,458	221,320
Contracts payable.....	6,959	1	6,960	6,342	-
Due to component units.....	33	-	33	419	-
Due to independent agencies and other governments.....	16,067	-	16,067	2,822	11,401
Deposits.....	4,026	3,962	7,988	5,494	47,485
Accrued interest payable.....	35,508	9,193	44,701	35,943	106,984
Unearned revenue.....	26,522	12,438	38,960	36,730	44,779
Securities lending.....	58,646	-	58,646	86,795	-
Liabilities payable from restricted assets.....	-	-	-	-	21,230
Other current liabilities.....	2,983	-	2,983	2,921	90,533
<b>NONCURRENT LIABILITIES:</b>					
Due within one year.....	135,450	16,145	151,595	122,542	250,388
Due in more than one year.....	2,375,228	392,947	2,768,175	2,682,361	7,256,033
<b>TOTAL LIABILITIES.....</b>	<b>2,757,846</b>	<b>441,767</b>	<b>3,199,613</b>	<b>3,094,827</b>	<b>8,050,153</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt.....	1,007,636	126,221	1,133,857	1,114,617	1,411,825
Restricted for:					
Debt service.....	-	-	-	-	29,350
State and Federal Grants.....	52,938	-	52,938	40,979	-
Capital projects.....	42,040	-	42,040	39,336	21,662
Permanent fund, non-expendable.....	123	-	123	123	-
Other purposes.....	4,271	-	4,271	610	562,098
Unrestricted.....	(393,192)	19,035	(374,157)	(366,717)	626,967
<b>TOTAL NET ASSETS.....</b>	<b>\$ 713,816</b>	<b>\$ 145,256</b>	<b>\$ 859,072</b>	<b>\$ 828,948</b>	<b>\$ 2,651,902</b>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF ACTIVITIES -**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (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		
		2009	2008						
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government.....	\$ 180,054	\$ 64,978	\$ 97,284	\$ 334	\$ (17,458)	\$ (17,458)	\$ 22,029		
Human services.....	107,991	1,210	35,221	566	(70,994)	(70,994)	(88,486)		
Public safety.....	527,227	92,096	14,079	-	(421,052)	(421,052)	(446,866)		
Culture and recreation.....	71,091	3,874	1,036	6,282	(59,899)	(59,899)	(60,123)		
Transportation.....	217,296	779	513	41,627	(174,377)	(174,377)	(122,024)		
Economic environment.....	72,571	1	28,365	1	(44,204)	(44,204)	(26,139)		
Physical environment.....	97,114	1,001	3,531	3,654	(88,928)	(88,928)	(119,265)		
Interest on long term debt.....	94,289	-	-	-	(94,289)	(94,289)	(102,835)		
<b>Total governmental activities.....</b>	<b>1,367,633</b>	<b>163,939</b>	<b>180,029</b>	<b>52,464</b>	<b>(971,201)</b>	<b>(971,201)</b>	<b>(943,709)</b>		
Business-type activities:									
Parking system.....	3,417	3,783	-	-	-	366	290		
Motor vehicle inspections.....	433	422	-	-	-	(11)	(25)		
Solid Waste.....	86,674	42,752	-	-	-	(43,922)	(29,338)		
Storm Water Services.....	14,612	29,134	-	-	-	14,522	7,451		
Jacksonville Municipal Stadium..	20,361	3,536	-	-	-	(16,825)	(7,744)		
Veterans Memorial Arena.....	12,355	4,704	-	-	-	(7,651)	(2,535)		
Baseball Stadium.....	1,993	340	-	-	-	(1,653)	(617)		
Performing Arts.....	4,006	1,750	-	-	-	(2,256)	(1,614)		
Convention Center.....	4,342	767	-	-	-	(3,575)	(2,645)		
Equestrian Center.....	1,890	302	-	-	-	(1,588)	(858)		
<b>Total business-type activities.....</b>	<b>150,083</b>	<b>87,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,593)</b>	<b>(37,635)</b>		
<b>Total primary government.....</b>	<b>\$ 1,517,716</b>	<b>\$ 251,429</b>	<b>\$ 180,029</b>	<b>\$ 52,464</b>	<b>(971,201)</b>	<b>(62,593)</b>	<b>(1,033,794)</b>	<b>(981,344)</b>	
<b>COMPONENT UNITS:</b>									
Governmental activities.....	\$ 88,237	\$ 1,148	\$ 11,523	\$ 4,210				\$ (71,356)	
Business-type activities.....	2,083,880	1,959,112	14,520	71,545				(38,703)	
<b>Total component units.....</b>	<b>\$ 2,172,117</b>	<b>\$ 1,960,260</b>	<b>\$ 26,043</b>	<b>\$ 75,755</b>				<b>\$ (110,059)</b>	
General revenues:									
Property taxes.....					474,381	-	474,381	477,368	-
Utility service taxes.....					118,453	-	118,453	114,392	-
Sales and tourist taxes.....					162,295	10,875	173,170	192,340	64,020
Intergovernmental - unrestricted.....					166,923	-	166,923	185,041	55,735
Unrestricted earnings on investments.....					73,326	8,237	81,563	17,779	36,220
Miscellaneous.....					29,028	20,400	49,428	57,798	47,408
Transfers.....					(30,199)	30,199	-	-	-
<b>Total general revenues and transfers.....</b>					<b>994,207</b>	<b>69,711</b>	<b>1,063,918</b>	<b>1,044,718</b>	<b>203,383</b>
Change in net assets.....					23,006	7,118	30,124	63,374	93,324
Net assets (deficit), beginning of year.....					690,810	138,138	828,948	765,574	2,560,923
Adjustment to beginning Net assets.....					-	-	-	-	(2,345)
Net assets (deficit), beginning of year, as restated.....					690,810	138,138	828,948	765,574	2,558,578
Net assets, end of year.....					<b>\$ 713,816</b>	<b>\$ 145,256</b>	<b>\$ 859,072</b>	<b>\$ 828,948</b>	<b>\$ 2,651,902</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 Better Jacksonville Plan Construction Projects Fund** receives revenues from the two local option sales tax programs and proceeds from the sale of bonded debt issued by the City to fund projects under the Better Jacksonville Plan.



**CITY OF JACKSONVILLE, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	<b>GENERAL FUND</b>	<b>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</b>	<b>SPECIAL BONDED DEBT- OBLIGATIONS</b>
<b>ASSETS:</b>			
Equity in cash and investments.....	\$ 79,887	\$ 89,575	\$ 20,410
Cash in escrow and with fiscal agents.....	377	40,591	55,557
Securities lending collateral.....	56,609	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	15,264	-	-
Mortgages.....	35	-	-
Other.....	14,458	-	-
Due from other funds.....	4,716	-	-
Due from independent agencies and other governments.....	55,780	-	-
Inventories.....	6,259	-	-
Prepaid items.....	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 233,385</b>	<b>\$ 130,166</b>	<b>\$ 75,967</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities.....	\$ 43,041	\$ 43,056	\$ 55,747
Contracts payable.....	-	-	-
Due to other funds.....	33	-	-
Due to component units.....	33	-	-
Due to individuals.....	-	-	-
Deposits.....	1,289	-	-
Unearned revenue.....	20,162	-	-
Securities lending obligations.....	58,646	-	-
Advances from other funds.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>\$ 123,204</b>	<b>\$ 43,056</b>	<b>\$ 55,747</b>
<b>FUND BALANCES:</b>			
<b>Non Spendable:</b>			
Non Spendable.....	6,259	-	-
<b>Spendable:</b>			
Restricted.....	-	87,371	15,360
Committed.....	62,846	-	-
Assigned.....	3,114	-	4,860
Unassigned.....	37,962	(261)	-
<b>TOTAL FUND BALANCES.....</b>	<b>110,181</b>	<b>87,110</b>	<b>20,220</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 233,385</b>	<b>\$ 130,166</b>	<b>\$ 75,967</b>

See accompanying notes.

BETTER JACKSONVILLE PLAN CONSTRUCTION PROJECT	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2009	2008
			Adjusted for GASB 54
\$ 378	\$ 273,108	\$ 463,358	\$ 485,305
-	3,317	99,842	112,026
-	-	56,609	83,864
-	2,608	17,872	17,251
-	38,617	38,652	26,872
-	447	14,905	15,284
-	24,000	28,716	1,913
27,134	46,277	129,191	151,052
-	-	6,259	4,300
-	-	-	433
<u>\$ 27,512</u>	<u>\$ 388,374</u>	<u>\$ 855,404</u>	<u>\$ 898,300</u>
\$ 30,719	\$ 22,553	\$ 195,116	\$ 197,760
4,481	2,478	6,959	6,338
24,000	3,000	27,033	1,580
-	-	33	33
-	203	203	441
-	2,735	4,024	3,687
-	3,851	24,013	24,656
-	-	58,646	86,795
-	8,500	8,500	9,164
<u>\$ 59,200</u>	<u>\$ 43,320</u>	<u>\$ 324,527</u>	<u>\$ 330,454</u>
-	123	6,382	4,423
-	94,978	197,709	155,333
-	248,364	311,210	346,443
-	3,904	11,878	26,827
(31,688)	(2,315)	3,698	34,820
<u>(31,688)</u>	<u>345,054</u>	<u>530,877</u>	<u>567,846</u>
<u>\$ 27,512</u>	<u>\$ 388,374</u>	<u>\$ 855,404</u>	<u>\$ 898,300</u>



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**City of Jacksonville, Florida**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2009**  
**(in thousands)**

Total fund balances- governmental funds		\$ 530,877
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,480,672
Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable	(2,172,895)	
Unamortized bond discounts	3,160	
Unamortized bond premium	(26,285)	
Unamortized loss on advance refunding of debt	4,065	
Total bonds and notes payable		(2,191,955)
Certain assets and liabilities reported in governmental activities are not financial resources and therefore are not reported in the funds:		
Compensated absences		(61,739)
Reduction of accounts payable in debt service funds for debt principal and interest		112,067
Unamortized bond issuance costs		17,137
Estimated settlement for Shipyards project		(2,500)
Estimated liability for self insured losses		(88,265)
Other post employment benefits (OPEB) liability		(14,839)
Accrued liability for pollution remediation		(153,567)
Accrued liability to other governments - Home program		(2,780)
Interest payable		(35,508)
Amounts due to independent agencies or other governments		(13,567)
Capitalized lease obligations		(313)
Eliminate government advance from Internal Service Fund		8,500
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.		129,596
Net assets of governmental activities		\$ 713,816

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	<b>GENERAL FUND</b>	<b>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</b>	<b>SPECIAL BONDED DEBT- OBLIGATIONS</b>
<b>REVENUE:</b>			
Property taxes.....	\$ 458,539	\$ -	\$ -
Utility Service taxes.....	118,453	-	-
Sales and tourist taxes.....	1,101	-	-
Licenses and permits.....	46,774	-	-
Intergovernmental.....	122,056	25,702	-
Charges for services.....	69,713	-	-
Fines and forfeitures.....	3,364	-	-
JEA contribution.....	96,688	-	-
Interest.....	21,918	10,956	4,789
Other.....	20,541	-	-
<b>Total Revenue.....</b>	<b>959,147</b>	<b>36,658</b>	<b>4,789</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	135,264	-	-
Human services.....	69,886	-	-
Public safety.....	492,961	-	-
Culture and recreation.....	56,895	-	-
Transportation.....	42,700	-	-
Economic environment.....	13,771	-	-
Physical environment.....	15,990	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	25,604	53,110
Interest and fiscal charges.....	-	50,544	38,391
Other.....	-	1,136	1,710
<b>Total Expenditures.....</b>	<b>827,467</b>	<b>77,284</b>	<b>93,211</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES.....</b>	<b>131,680</b>	<b>(40,626)</b>	<b>(88,422)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Long term debt issued.....	5,292	8,015	6,074
Refunding bond issued.....	-	-	18,200
Premium on special obligation bonds payable.....	-	3,868	4,036
Payment to escrow agent - refunded bonds.....	-	-	(18,622)
Transfers in.....	6,113	42,434	93,471
Transfers out.....	(131,062)	(7,016)	(12,733)
<b>Total Other Financing Sources (Uses).....</b>	<b>(119,657)</b>	<b>47,301</b>	<b>90,426</b>
<b>NET CHANGES IN FUND BALANCES.....</b>	<b>12,023</b>	<b>6,675</b>	<b>2,004</b>
<b>FUND BALANCES, BEGINNING OF YEAR:</b>			
Fund balance, beginning of year.....	98,158	80,435	18,216
Prior year adjustments.....	-	-	-
Restated beginning fund balance.....	98,158	80,435	18,216
<b>FUND BALANCES, END OF YEAR.....</b>	<b>\$ 110,181</b>	<b>\$ 87,110</b>	<b>\$ 20,220</b>

See accompanying notes.

BETTER JACKSONVILLE PLAN CONSTRUCTION PROJECT	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2009	2008
\$ -	\$ 15,842	\$ 474,381	\$ 477,368
-	-	118,453	114,392
-	161,194	162,295	179,645
-	-	46,774	27,356
7,750	107,808	263,316	286,492
148	42,152	112,013	128,570
-	1,788	5,152	5,841
-	-	96,688	94,188
-	24,930	62,593	15,346
6	8,484	29,031	47,443
<u>7,904</u>	<u>\$ 362,198</u>	<u>\$ 1,370,696</u>	<u>1,376,641</u>
-	31,981	167,245	162,202
-	37,423	107,309	100,858
-	34,066	527,027	502,305
-	7,181	64,076	59,096
-	101,598	144,298	164,918
-	52,942	66,713	72,433
-	8,955	24,945	20,539
179,314	94,204	273,518	216,770
-	840	79,554	74,365
-	404	89,339	102,423
-	-	2,846	1,607
<u>179,314</u>	<u>369,594</u>	<u>1,546,870</u>	<u>1,477,516</u>
<u>(171,410)</u>	<u>(7,396)</u>	<u>(176,174)</u>	<u>(100,875)</u>
100,000	47,477	166,858	584,893
-	-	18,200	-
-	-	7,904	3,587
-	-	(18,622)	(410,460)
16,288	38,608	196,914	219,862
-	(81,238)	(232,049)	(245,238)
<u>116,288</u>	<u>4,847</u>	<u>139,205</u>	<u>152,644</u>
(55,122)	(2,549)	(36,969)	51,769
23,434	347,603	567,846	623,973
-	-	-	(107,896)
<u>23,434</u>	<u>347,603</u>	<u>567,846</u>	<u>516,077</u>
<u>(\$ 31,688)</u>	<u>\$ 345,054</u>	<u>\$ 530,877</u>	<u>\$ 567,846</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, 2009**  
(in thousands)

Net change in fund balances- total governmental funds: \$ (36,969)

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

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	221,820	
Capital assets contributed by developers	39,412	
Capital assets transferred from proprietary funds of the city	590	
Current year depreciation	(93,543)	
Loss on disposition of assets	(389)	
		167,890

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	1,941	
Amortization of issuance costs	(995)	
Amortization of bond discounts	(155)	
Amortization of bond premium	1,851	
Additional bond premium with new debt issue	(7,904)	
Amortization - loss on refunding	(679)	
		(5,941)

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	(185,058)	
Debt retired with refunding issue	18,622	
Principal repayment	79,554	
		(86,882)

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:

Accrued for self insured liabilities	(1,265)	
Increases in compensated absences payable	(712)	
Increase amounts due to independent agencies and other governments	(13,567)	
Miscellaneous payable	1,507	
Payable to other governments	(300)	
Other post employment benefits liability	(6,346)	
Pollution remediation accrual	(14,237)	
Net effect-elimination receivable/payable	5,581	
		(122,162)

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	10,733	
Other non-operating expenses	(7,834)	
Operating income	7,002	
Transfers in, net	4,346	
		14,247

Change in Net Assets - Governmental Activities \$ 23,006

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 Jacksonville Municipal Stadium 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, 2009  
WITH COMPARATIVE TOTALS FOR 2008 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	JACKSONVILLE MUNICIPAL STADIUM	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2009	2008	
<b>ASSETS:</b>							
Equity in cash and investments.....	\$ 49,420	\$ 385	\$ 1,704	\$ 20,967	\$ 72,476	\$ 74,454	\$ 121,762
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts.....	5,308	184	1,800	10,411	17,703	9,386	60
Loans receivable.....	-	-	-	-	-	-	53,095
Other.....	-	-	-	-	-	-	1,607
Due from other funds.....	-	-	33	-	33	75	-
Due from independent agencies and other governments.....	103	-	-	-	103	167	1,319
Interest and dividend receivables.....	2	-	-	-	2	2	-
Inventories.....	-	-	-	11	11	14	1,750
Prepaid expenses and other assets.....	-	-	132	-	132	272	4,643
<b>Total Current Assets.....</b>	<b>54,833</b>	<b>569</b>	<b>3,669</b>	<b>\$ 31,389</b>	<b>\$ 90,460</b>	<b>84,370</b>	<b>184,236</b>
<b>NONCURRENT ASSETS:</b>							
Advances to other funds.....	-	-	-	-	-	-	8,500
Sinking fund cash and investments.....	21,441	7,732	5,550	6,053	40,776	19,727	-
Loans receivable.....	-	-	-	-	-	-	86,680
Other receivables.....	-	-	-	-	-	-	14,328
<b>CAPITAL ASSETS:</b>							
Land and work in progress.....	11,881	23,339	1,602	8,267	45,089	34,859	203
Other capital assets, net of depreciation.....	17,773	172,572	109,259	92,098	391,702	401,989	74,426
Deferred charge - Landfill related costs.....	19,722	-	-	-	19,722	22,362	-
Other deferred charges.....	270	-	-	-	270	308	-
<b>Total Noncurrent Assets.....</b>	<b>71,087</b>	<b>203,643</b>	<b>116,411</b>	<b>106,418</b>	<b>497,559</b>	<b>479,245</b>	<b>184,137</b>
<b>TOTAL ASSETS.....</b>	<b>125,920</b>	<b>204,212</b>	<b>120,080</b>	<b>137,807</b>	<b>588,019</b>	<b>563,615</b>	<b>368,373</b>

CITY OF JACKSONVILLE, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
SEPTEMBER 30, 2009  
WITH COMPARATIVE TOTALS FOR 2008 (in thousands)

ENTERPRISE FUNDS

	SOLID WASTE DISPOSAL	JACKSONVILLE MUNICIPAL STADIUM	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2009	2008	
<b>LIABILITIES:</b>							
Accounts payable and accrued liabilities.....	\$ 4,076	\$ 492	\$ 218	\$ 2,295	\$ 7,081	\$ 8,341	\$ 14,095
Contracts payable.....	1	-	-	-	1	4	-
Due to other funds.....	-	2	1	993	996	270	720
Capitalized lease obligations.....	-	-	-	-	-	-	313
Deposits.....	220	201	2,965	576	3,962	1,805	2
Accrued interest payable.....	948	4,161	2,846	1,238	9,193	1,939	-
Current portion of bonds payable.....	3,695	4,005	2,927	5,116	15,743	15,184	-
Unearned revenue.....	3,875	-	75	8,488	12,438	9,643	2,509
Accrued compensated absences, current portion....	177	-	-	225	402	208	1,100
Current portion of notes payable.....	-	-	-	-	-	-	40,315
Current portion of loans payable.....	-	-	-	-	-	-	21,491
<b>Total Current Liabilities.....</b>	<b>12,992</b>	<b>8,861</b>	<b>9,032</b>	<b>\$ 18,931</b>	<b>49,816</b>	<b>37,394</b>	<b>80,545</b>
<b>NONCURRENT LIABILITIES:</b>							
Estimated liability for self-insured losses.....	-	-	-	-	-	-	86,750
Liability for landfill closure and postclosure care...	64,300	-	-	-	64,300	46,943	-
Accrued compensated absences.....	414	-	-	525	939	485	2,568
Notes payable.....	-	-	-	-	-	-	33,500
Loans payable.....	2,250	-	-	-	2,250	-	19,890
Bonds payable.....	31,083	148,975	110,117	34,811	324,986	340,499	83,155
Other liabilities.....	207	-	-	265	472	156	853
<b>Total Noncurrent Liabilities.....</b>	<b>98,254</b>	<b>148,975</b>	<b>110,117</b>	<b>35,601</b>	<b>392,947</b>	<b>388,083</b>	<b>226,716</b>
<b>TOTAL LIABILITIES.....</b>	<b>111,246</b>	<b>157,836</b>	<b>119,149</b>	<b>54,532</b>	<b>442,763</b>	<b>425,477</b>	<b>307,261</b>
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt.....	24,103	42,931	(2,183)	61,370	126,221	114,078	53,480
Restricted for:							
Other.....	-	-	-	-	-	-	4,271
Unrestricted.....	(9,429)	3,445	3,114	21,905	19,035	24,060	3,361
<b>TOTAL NET ASSETS .....</b>	<b>\$ 14,674</b>	<b>\$ 46,376</b>	<b>\$ 931</b>	<b>\$ 83,275</b>	<b>\$ 145,256</b>	<b>\$ 138,138</b>	<b>\$ 61,112</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, 2009  
WITH COMPARATIVE TOTALS FOR 2008 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	JACKSONVILLE MUNICIPAL STADIUM	VETERANS MEMORIAL ARENA	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2009	2008	
<b>OPERATING REVENUE:</b>							
Sales and tourist taxes.....	\$ -	\$ 6,509	\$ -	\$ 4,366	\$ 10,875	\$ 12,695	\$ -
Charges for services.....	42,752	3,536	4,704	36,498	87,490	65,629	210,924
Charges for services for independent authorities..	-	-	-	-	-	-	9,369
Other.....	-	-	-	-	-	-	2,420
Total Operating Revenue.....	<u>42,752</u>	<u>10,045</u>	<u>4,704</u>	<u>40,864</u>	<u>98,365</u>	<u>78,324</u>	<u>222,713</u>
<b>OPERATING EXPENSES:</b>							
Personal services.....	5,682	1,993	1,682	13,977	23,334	14,684	33,294
Supplies and materials.....	203	64	39	451	757	510	22,638
Central services.....	4,215	122	108	2,873	7,318	4,622	8,571
Interdepartmental charges.....	126	889	415	1,192	2,622	2,566	-
Other services and charges.....	69,688	8,090	5,033	9,030	91,841	75,947	20,442
Depreciation and amortization.....	2,194	5,476	2,446	3,163	13,279	2,869	22,944
Court reporter services.....	-	-	-	-	-	-	35
Claims and losses.....	-	-	-	-	-	-	19,916
Insurance premiums and participant dividends....	-	-	-	-	-	-	87,872
Total Operating Expenses.....	<u>82,108</u>	<u>16,634</u>	<u>9,723</u>	<u>30,686</u>	<u>139,151</u>	<u>101,198</u>	<u>215,712</u>
<b>OPERATING (LOSS) INCOME.....</b>	<u>(39,356)</u>	<u>(6,589)</u>	<u>(5,019)</u>	<u>10,178</u>	<u>(40,786)</u>	<u>(22,874)</u>	<u>7,001</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>							
Interest revenue.....	6,649	80	-	1,508	8,237	2,516	10,733
Interest expense.....	(1,896)	(3,727)	(2,632)	(7)	(8,262)	(2,066)	-
Other.....	(2,670)	9,351	5,165	5,884	17,730	8,822	(7,834)
Total Non-Operating Revenue (Expenses).....	<u>2,083</u>	<u>5,704</u>	<u>2,533</u>	<u>7,385</u>	<u>17,705</u>	<u>9,272</u>	<u>2,899</u>
<b>(LOSS) INCOME BEFORE TRANSFERS.....</b>	<u>(37,273)</u>	<u>(885)</u>	<u>(2,486)</u>	<u>17,563</u>	<u>(23,081)</u>	<u>(13,602)</u>	<u>9,900</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>							
Capital Contributions.....	-	-	-	-	-	97,925	-
Transfers in.....	21,200	16,280	5,550	10,708	53,738	156,383	4,346
Transfers out.....	(590)	(12,213)	(607)	(10,129)	(23,539)	(22,002)	-
Net Transfers	<u>20,610</u>	<u>4,067</u>	<u>4,943</u>	<u>579</u>	<u>30,199</u>	<u>232,306</u>	<u>4,346</u>
<b>CHANGES IN NET ASSETS.....</b>	<u>(16,663)</u>	<u>3,182</u>	<u>2,457</u>	<u>18,142</u>	<u>7,118</u>	<u>218,704</u>	<u>14,246</u>
<b>NET ASSETS (DEFICIT),</b>							
<b>BEGINNING OF YEAR.....</b>	<u>31,337</u>	<u>43,194</u>	<u>(1,526)</u>	<u>65,133</u>	<u>138,138</u>	<u>(80,566)</u>	<u>46,866</u>
<b>NET ASSETS,</b>							
<b>END OF YEAR.....</b>	<u>\$ 14,674</u>	<u>\$ 46,376</u>	<u>\$ 931</u>	<u>\$ 83,275</u>	<u>\$ 145,256</u>	<u>\$ 138,138</u>	<u>\$ 61,112</u>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>JACKSONVILLE MUNICIPAL STADIUM</b>	<b>VETERANS MEMORIAL ARENA</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers.....	\$ 40,572	\$ 10,796	\$ 3,366
Payments to suppliers.....	(75,501)	(5,706)	(2,917)
Payments to employees .....	(5,538)	(1,993)	(1,682)
Internal activity-cash receipts from other funds.....	2,250	51	2,052
Internal activity-cash payments to other funds.....	-	(46)	(28)
Other cash receipts .....	17,430	9,351	5,213
Other operating cash payments.....	(546)	(945)	(415)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>(21,333)</b>	<b>11,508</b>	<b>5,589</b>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>			
Interest payment on non-capital borrowing.....	-	-	-
Cash received through transfers from other funds.....	21,200	16,280	5,550
Cash payments through transfers to other funds.....	(590)	(12,213)	(606)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>20,610</b>	<b>4,067</b>	<b>4,944</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Increase to property, plant and equipment.....	(10,074)	(8)	1
Decrease in landfill costs and other charges.....	2,678	-	-
Increase in construction fund cash and investments.....	(1,714)	(7,732)	(5,550)
Proceeds from loans receivable.....	-	-	-
Proceeds on long-term obligations.....	-	-	-
Principal paid on long-term obligations.....	(3,410)	(3,901)	(2,887)
Decrease in capitalized lease obligations.....	-	-	-
Proceeds from loans payable.....	-	-	-
Payments on loans payable.....	-	-	-
Proceeds on notes payable.....	-	-	-
Proceeds on bonds payable.....	-	-	-
Interest and payments to refunded bond escrow agent.....	(1,896)	(3,727)	(2,632)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(14,416)</b>	<b>(15,368)</b>	<b>(11,068)</b>
<b>INVESTING ACTIVITIES:</b>			
Interest and dividends on investments.....	6,649	80	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES.....</b>	<b>6,649</b>	<b>80</b>	<b>-</b>
<b>NET INCREASE IN CASH AND INVESTMENTS.....</b>	<b>(8,490)</b>	<b>287</b>	<b>(535)</b>
Equity in cash and investments at October 1, 2008.....	57,910	98	2,239
Equity in cash and investments at September 30, 2009.....	<u>\$ 49,420</u>	<u>\$ 385</u>	<u>\$ 1,704</u>

**ENTERPRISE FUNDS**

<b>NON MAJOR ENTERPRISE</b>	<b>TOTALS</b>		<b>INTERNAL SERVICE FUNDS</b>
	<b>2009</b>	<b>2008</b>	
\$ 36,064	\$ 90,798	\$ 82,485	\$ 218,955
(9,797)	(93,921)	(80,234)	(140,187)
(13,157)	(22,370)	(14,550)	(32,714)
790	5,143	210	570
-	(74)	(7)	-
5,928	37,922	18,786	4,318
(1,198)	(3,104)	(7,282)	(28,171)
<u>18,630</u>	<u>14,394</u>	<u>(592)</u>	<u>22,771</u>
-	-	(953)	-
10,708	53,738	43,951	4,346
(10,129)	(23,538)	(22,002)	-
<u>579</u>	<u>30,200</u>	<u>20,996</u>	<u>4,346</u>
(3,141)	(13,222)	(2,510)	(25,312)
-	2,678	4,975	-
(6,053)	(21,049)	(5,011)	-
-	-	-	(13,474)
-	-	18	-
(4,756)	(14,954)	(7,379)	-
-	-	-	(296)
-	-	-	23,195
-	-	-	(16,611)
-	-	-	(25,700)
-	-	-	28,940
-	(8,255)	(2,066)	-
<u>(13,950)</u>	<u>(54,802)</u>	<u>(11,973)</u>	<u>(29,258)</u>
<u>1,501</u>	<u>8,230</u>	<u>2,516</u>	<u>10,733</u>
<u>1,501</u>	<u>8,230</u>	<u>2,516</u>	<u>10,733</u>
6,760	(1,978)	10,947	8,592
<u>14,207</u>	<u>74,454</u>	<u>63,507</u>	<u>113,170</u>
<u>\$ 20,967</u>	<u>\$ 72,476</u>	<u>\$ 74,454</u>	<u>\$ 121,762</u>

(continued)

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands; continued)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>JACKSONVILLE MUNICIPAL STADIUM</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).....	(\$ 41,606)	(\$ 6,589)	(\$ 5,019)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	2,194	5,476	2,446
Interest payment on non-capital borrowing.....	-	-	-
Other non-operating revenue/(expenses).....	(420)	9,351	5,164
(Increase) decrease in assets:			
Receivables and other current assets, net.....	(1,684)	555	(1,372)
Due from other funds.....	-	51	(19)
Advances to other funds.....	-	-	-
Due from independent agencies and other governments.....	(103)	167	-
Interest and dividend receivables.....	-	-	-
Inventories.....	-	-	-
Other receivables.....	-	-	-
Loan receivables.....	-	-	-
Prepaid expenses and other assets.....	-	29	71
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses.....	(1,307)	(1,233)	(356)
Contracts payable.....	(3)	-	-
Due to other funds.....	-	(46)	(9)
Deposits.....	73	(56)	2,101
Accrued interest payable.....	(85)	3,803	2,618
Current portion of bonds payable.....	-	-	-
Unearned revenue.....	1,857	-	(36)
Loans payable.....	2,250	-	-
Other liabilities.....	102	-	-
Interest payable.....	-	-	-
Liability for landfill closure and postclosure care.....	17,357	-	-
Liability for self-insured losses.....	-	-	-
Accrued compensated absences.....	42	-	-
<b>TOTAL ADJUSTMENTS.....</b>	<b>20,273</b>	<b>18,097</b>	<b>10,608</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>(\$ 21,333)</b>	<b>\$ 11,508</b>	<b>\$ 5,589</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in the fair value of investments.....	\$ 2,864	\$ 44	(\$ 34)
Capital assets transferred from governmental activities to proprietary funds of the city.....	-	-	-
Capital assets transferred from proprietary funds to governmental activities of the city.....	590	-	-
Debts transferred from governmental activities to proprietary funds of the city.....	-	-	-
Capital assets transferred to JPA.....	-	-	-
Transfer of long term pollution remediation liability to governmental activities.....	-	-	-

**ENTERPRISE FUNDS**

<u>NON MAJOR ENTERPRISE</u>	<u>TOTALS</u>		<u>INTERNAL SERVICE FUNDS</u>
	<u>2009</u>	<u>2008</u>	
<u>\$ 10,178</u>	<u>(\$ 43,036)</u>	<u>(\$ 22,874)</u>	<u>\$ 7,001</u>
3,163	13,279	2,869	22,944
-	-	953	-
5,884	19,979	12,742	(7,834)
(5,814)	(8,315)	(5,491)	5
10	42	209	12
-	-	-	664
-	64	7	1,230
-	-	(2)	-
3	3	(8)	393
-	-	-	565
-	-	-	(5,915)
40	140	8	(308)
1,608	(1,288)	777	(1,021)
28	25	4	-
780	725	203	570
38	2,156	650	-
-	6,336	(826)	-
-	-	270	-
974	2,795	9,643	78
-	2,250	-	-
214	316	156	420
918	918	-	-
-	17,357	343	-
-	-	(203)	3,807
606	648	(22)	160
<u>8,452</u>	<u>57,430</u>	<u>22,282</u>	<u>15,770</u>
<u>\$ 18,630</u>	<u>\$ 14,394</u>	<u>(\$ 592)</u>	<u>\$ 22,771</u>
\$ 605	\$ 3,479	(\$ 595)	\$ 5,033
-	-	404,899	-
-	590	-	-
-	-	(306,974)	-
-	-	(3,920)	-
-	-	112,432	-

See accompanying notes.

(continued)





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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 program. 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, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	<b>PENSION TRUST FUNDS</b>		<b>PRIVATE PURPOSE TRUST FUND</b>		<b>AGENCY FUNDS</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b><u>ASSETS</u></b>						
<b>CURRENT ASSETS:</b>						
Equity in cash and investments.....	\$ 49,197	\$ 38,814	\$ 229	\$ 221	\$ 64,238	\$ 60,419
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	6,682	6,637	-	-	-	-
Accounts.....	189	2,073	-	-	3,137	2,620
Total receivables.....	<u>6,871</u>	<u>8,710</u>	<u>-</u>	<u>-</u>	<u>3,137</u>	<u>2,620</u>
Investments, at fair value:						
U.S. Government obligations.....	81,855	135,108	-	-	-	-
Federal Agencies.....	117,271	-	-	-	-	-
Domestic corporate bonds.....	442,147	654,079	-	-	-	-
Short-term investments.....	37,319	-	-	-	-	-
Domestic stocks.....	972,251	1,114,727	-	-	-	-
International stocks.....	374,912	238,960	-	-	-	-
Real Estate.....	171,227	276,578	-	-	-	-
Other fixed income.....	60,509	-	-	-	-	-
Alternative investments.....	43,556	-	-	-	-	-
Total investments.....	<u>2,301,047</u>	<u>2,419,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets.....	<u>2,357,115</u>	<u>2,466,976</u>	<u>229</u>	<u>221</u>	<u>67,375</u>	<u>63,039</u>
<b>CAPITAL ASSETS</b>						
Other capital assets, net of depreciation.....	49	44	-	-	-	-
Total Capital Assets, net.....	<u>49</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Securities Lending Collateral.....	103,599	137,967	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b><u>2,460,763</u></b>	<b><u>2,604,987</u></b>	<b><u>229</u></b>	<b><u>221</u></b>	<b><u>67,375</u></b>	<b><u>63,039</u></b>
<b><u>LIABILITIES</u></b>						
<b>CURRENT LIABILITIES:</b>						
Obligations under securities lending agreement.....	105,108	140,791	-	-	-	-
Accounts payable and accrued liabilities.....	7,677	7,839	-	4	227	211
Due to independent agencies and other governments....	-	-	-	-	28,235	14,806
Due to individuals.....	-	-	-	-	4,627	6,620
Current portion accrued compensated absences.....	26	-	-	-	-	-
Deposits held in escrow.....	-	-	-	-	34,286	41,402
Total Current Liabilities.....	<u>112,811</u>	<u>148,630</u>	<u>-</u>	<u>4</u>	<u>67,375</u>	<u>63,039</u>
<b>NONCURRENT LIABILITIES:</b>						
Accrued compensated absences.....	62	83	-	-	-	-
Due to participants.....	175,854	160,450	-	-	-	-
Total Noncurrent Liabilities.....	<u>175,916</u>	<u>160,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>288,727</u></b>	<b><u>309,163</u></b>	<b><u>-</u></b>	<b><u>4</u></b>	<b><u>\$ 67,375</u></b>	<b><u>\$ 63,039</u></b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....</b>	<b><u>\$ 2,172,036</u></b>	<b><u>\$ 2,295,824</u></b>	<b><u>\$ 229</u></b>	<b><u>\$ 217</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, 2009**  
**WITH COMPARATIVE TOTALS FOR 2008 (in thousands)**

	<b>PENSION TRUST FUNDS</b>		<b>PRIVATE PURPOSE TRUST</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b><u>ADDITIONS</u></b>				
Contributions:				
Employer.....	\$ 84,927	\$ 82,501	\$ -	\$ -
Plan members.....	37,188	36,521	-	-
Total contributions.....	<u>122,115</u>	<u>119,022</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	8,901	9,427	-	-
Court fines & penalties.....	1,456	1,758	-	-
Contributions from other governmental units.....	4,286	-	-	-
Miscellaneous.....	186	80	-	-
Transfers in.....	-	24	-	8
Total other additions.....	<u>14,829</u>	<u>11,289</u>	<u>-</u>	<u>8</u>
Investment income:				
Net (depreciation) appreciation in fair value of investments.....	(77,655)	(496,729)	-	-
Interest.....	42,257	48,377	17	6
Dividends.....	19,690	33,420	-	-
Rebate of commissions.....	169	212	-	-
Rental income.....	1,874	2,070	-	-
Other miscellaneous.....	8	-	-	-
Total investment income (loss).....	<u>(13,657)</u>	<u>(412,650)</u>	<u>17</u>	<u>6</u>
Less investment expense.....	(10,442)	(12,374)	-	-
Less rental expense.....	(205)	(195)	-	-
Net investment income (loss).....	<u>(24,304)</u>	<u>(425,219)</u>	<u>17</u>	<u>6</u>
From Securities Lending Activities:				
Securities lending.....	2,601	7,375	-	-
Securities lending expenses				
Interest expense (returned to borrower).....	(316)	(7,601)	-	-
Agent fees.....	(24)	(650)	-	-
Total securities lending activities.....	<u>2,261</u>	<u>(876)</u>	<u>-</u>	<u>-</u>
<b>TOTAL ADDITIONS, NET.....</b>	<u>114,901</u>	<u>(295,784)</u>	<u>17</u>	<u>14</u>
<b><u>DEDUCTIONS</u></b>				
Benefits payments.....	195,807	187,176	-	-
DROP Benefits.....	31,908	25,485	-	-
Refunds of contributions.....	8,074	6,055	-	-
Administrative expenses.....	2,900	5,066	-	-
Operating expenses.....	-	-	5	13
<b>TOTAL DEDUCTIONS.....</b>	<u>238,689</u>	<u>223,782</u>	<u>5</u>	<u>13</u>
<b>CHANGE IN NET ASSETS.....</b>	<u>(123,788)</u>	<u>(519,566)</u>	<u>12</u>	<u>1</u>
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<u>2,295,824</u>	<u>2,815,390</u>	<u>217</u>	<u>216</u>
<b>NET ASSETS, END OF YEAR.....</b>	<u>\$ 2,172,036</u>	<u>\$ 2,295,824</u>	<u>\$ 229</u>	<u>\$ 217</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 the City that results in a centralization of economic development programs.

**CITY OF JACKSONVILLE, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS -**  
**COMPONENT UNITS (in thousands)**  
**SEPTEMBER 30, 2009**

**MAJOR COMPONENT UNITS**

	<u>JEA</u>	<u>JACKSONVILLE TRANSPORTATION AUTHORITY</u>	<u>JACKSONVILLE AVIATION AUTHORITY</u>	<u>JACKSONVILLE PORT AUTHORITY</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 758,934	\$ 83,587	\$ 49,954	\$ 44,895
Cash in escrow with fiscal agent.....	-	-	-	-
Investments.....	319,397	26,581	39,632	-
Due from primary government.....	-	-	-	-
Due from other governmental agencies.....	-	55,574	-	-
Accounts and interest receivable.....	239,313	708	4,864	3,341
Mortgages receivable.....	-	-	-	-
Other receivables.....	-	-	12,936	26,916
Inventories.....	157,473	3,082	799	1,554
Other assets.....	312,294	345	2,172	17,761
Custodial Assets - Construction projects.....	-	427,517	-	-
Capital assets:				
Land and construction in progress.....	437,842	50,896	83,853	239,838
Buildings and improvements.....	-	73,052	736,268	497,067
Vehicles.....	-	39,607	-	-
Equipment.....	-	1,037	-	92,107
Utility plant in service.....	9,564,569	-	-	-
Other capital assets.....	-	13,557	2,420	-
Less: accumulated depreciation.....	(3,324,088)	-	(268,835)	(227,874)
Total capital assets, net of depreciation.....	<u>6,678,323</u>	<u>178,149</u>	<u>553,706</u>	<u>601,138</u>
Total assets.....	<u>8,465,734</u>	<u>775,543</u>	<u>664,063</u>	<u>695,605</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses.....	184,656	5,736	7,791	18,190
Deposits.....	44,297	-	-	2,802
Unearned revenue.....	-	-	-	6,307
Due to other governmental agencies.....	-	848	-	10,553
Interest payable.....	102,655	-	4,329	-
Other current liabilities.....	90,000	-	-	533
Liabilities payable with restricted assets.....	-	21,230	-	-
Long-term liabilities:				
Due within one year:				
Estimated liability for injury and damage claims.....	-	1,854	-	-
Bonds, notes payable, capital leases and contracts.....	224,402	-	13,286	10,542
Compensated absences.....	-	301	-	-
Due in more than one year:				
Estimated liability for injury and damage claims.....	-	973	-	-
Bonds, capital leases and commercial paper.....	6,131,894	-	206,092	195,575
Compensated absences.....	-	1,368	-	-
Custodial projects - due to other governments.....	-	447,943	-	-
OPEB liability.....	-	-	693	-
Other noncurrent liabilities.....	121,548	-	-	149,665
Total liabilities.....	<u>6,899,452</u>	<u>480,253</u>	<u>232,191</u>	<u>394,167</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	605,128	178,149	359,245	261,640
Restricted for:				
Capital projects.....	-	-	3,731	17,931
Debt service.....	-	-	21,037	8,313
Other purposes.....	550,129	-	9,638	2,331
Unrestricted.....	411,025	117,141	38,221	11,223
Total Net Assets.....	<u>\$ 1,566,282</u>	<u>\$ 295,290</u>	<u>\$ 431,872</u>	<u>\$ 301,438</u>

See accompanying notes.

<b>JACKSONVILLE HOUSING FINANCE AUTHORITY</b>	<b>JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION</b>	<b>NON MAJOR COMPONENT UNITS</b>	<b>TOTAL</b>
\$ 6,968	\$ 25,893	\$ 1,447	\$ 971,678
188	20	-	208
-	-	-	385,610
-	64	-	64
6	-	-	55,580
-	902	784	249,912
12,482	5,700	-	18,182
-	32,772	1,786	74,410
-	-	-	162,908
4,218	-	217	337,007
-	-	-	427,517
-	-	3,923	816,352
-	-	-	1,306,387
-	-	-	39,607
33	107	169	93,453
-	-	3,974	9,568,543
-	-	-	15,977
(32)	(99)	(412)	(3,821,340)
<u>1</u>	<u>8</u>	<u>7,654</u>	<u>8,018,979</u>
<u>23,863</u>	<u>65,359</u>	<u>\$ 11,888</u>	<u>10,702,055</u>
4,256	559	132	221,320
-	386	-	47,485
-	38,472	-	44,779
-	-	-	11,401
-	-	-	106,984
-	-	-	90,533
-	-	-	21,230
-	-	-	1,854
-	-	-	248,230
-	3	-	304
-	-	-	973
-	-	-	6,533,561
-	251	-	1,619
-	-	-	447,943
1	30	-	724
-	-	-	271,213
<u>4,257</u>	<u>39,701</u>	<u>132</u>	<u>8,050,153</u>
1	8	7,654	1,411,825
-	-	-	21,662
-	-	-	29,350
-	-	-	562,098
19,605	25,650	4,102	626,967
<u>\$ 19,606</u>	<u>\$ 25,658</u>	<u>\$ 11,756</u>	<u>\$ 2,651,902</u>

(continued)



**CITY OF JACKSONVILLE, FLORIDA  
 COMBINING STATEMENT OF ACTIVITIES -  
 COMPONENT UNITS (in thousands)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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	\$ 72,699	\$ -	\$ -	\$ -	(\$ 72,699)	-
Jacksonville Housing Finance Authority	670	-	-	-	-	(670)
Jacksonville Economic Development Commission	12,568	1	10,659	606	-	-
Non Major Component Units	2,300	1,147	864	3,604	-	-
<b>Total governmental activities.....</b>	<b>88,237</b>	<b>1,148</b>	<b>11,523</b>	<b>4,210</b>	<b>(72,699)</b>	<b>(670)</b>
Business-type activities:						
JEA	1,827,479	1,831,380	-	39,587	-	-
Jacksonville Transportation Authority	97,929	20,479	11,773	10,818	-	-
Jacksonville Aviation Authority	91,150	59,909	31	16,132	-	-
Jacksonville Port Authority	67,322	47,344	2,716	5,008	-	-
<b>Total business-type activities.....</b>	<b>2,083,880</b>	<b>1,959,112</b>	<b>14,520</b>	<b>71,545</b>	<b>-</b>	<b>-</b>
<b>Total component units.....</b>	<b>\$ 2,172,117</b>	<b>\$ 1,960,260</b>	<b>\$ 26,043</b>	<b>\$ 75,755</b>	<b>\$ (72,699)</b>	<b>\$ (670)</b>
General revenues:						
Sales and tourist taxes.....					64,020	-
Intergovernmental - unrestricted.....					-	-
Payments from other governments.....					-	8
Unrestricted earnings on investments.....					1,381	569
Miscellaneous.....					117	2,145
Transfer .....					4,869	-
<b>Total general revenues, special items and transfers.....</b>					<b>70,387</b>	<b>2,722</b>
Change in net assets.....					(2,312)	\$ 2,052
Net assets, beginning of year:						
Net assets, beginning of year.....					112,646	17,554
Changes to beginning net assets.....					-	-
Restated beginning net assets .....					112,646	17,554
Net assets, end of year.....					\$ 110,334	\$ 19,606

See accompanying notes

Cont.

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
-	-	-	-	-	-	(\$ 72,699)
-	-	-	-	-	-	(670)
(1,302)	-	-	-	-	-	(1,302)
-	3,315	-	-	-	-	3,315
(1,302)	3,315					(71356)
-	-	43,488	-	-	-	43,488
-	-	-	(54,859)	-	-	(54,859)
-	-	-	-	(15,078)	-	(15,078)
-	-	-	-	-	(12,254)	(12,254)
-	-	43,488	(54,859)	(15,078)	(12,254)	(38703)
\$ (1,302)	\$ 3,315	\$ 43,488	\$ (54,859)	\$ (15,078)	\$ (12,254)	\$ (110,059)
-	-	-	-	-	-	64,020
-	-	-	55,482	-	-	55,482
-	-	-	-	245	-	253
2,859	132	27,551	97	3,312	319	36,220
1,119	33	12,708	-	11,506	19,780	47,408
-	-	-	(4,869)	-	-	-
3,978	165	40,259	50,710	15,063	20,099	203,383
\$ 2,676	3,480	83,747	(4,149)	(15)	7,845	\$ 93,324
22,982	8,276	1,482,535	189,105	431,887	295,938	2,560,923
-	-	-	-	-	(2,345)	(2,345)
22,982	8,276	1,482,535	189,105	431,887	293,593	2,558,578
\$ 25,658	\$ 11,756	\$ 1,566,282	\$ 184,956	\$ 431,872	\$ 301,438	\$ 2,651,902

See accompanying notes



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**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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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 20 are note disclosures of the primary government with significant disclosures for major component units incorporated within. Additional significant component unit disclosures are presented in Note 17.

**A. Basis of Presentation:**

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

**B. Financial Reporting Entity:**

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

---

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

**B. Financial Reporting Entity: (continued)**

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

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

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

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

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

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



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

---

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

**B. Financial Reporting Entity: (continued)**

**Major Component Units**

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

---

**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 (JHFA)**, 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 JHFA. The JHFA 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 8J. Conduit Debt. The JHFA engages only in governmental activities. There are no separately issued financial statements for the JHFA, whose financial activity is accounted for by the City. The JHFA 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, 2009**

---

**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 8J Conduit Debt. During the fiscal year presented, JHFA had no financial transactions or assets and liabilities to report. Therefore, there are no separately issued financial statements for JHFA.

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

---

**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**

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

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

**C. Basic Financial Statements:**

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

---

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

**C. Basic Financial Statements: (continued)**

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

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

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

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

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

**D. Fund Structure:**

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

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

Debt Service Funds:

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

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

Capital Project Funds:

The Better Jacksonville Plan Construction Projects Fund receives revenues from the two local option sales tax programs and proceeds from the sale of bonded debt issued by the City to fund projects under the Better Jacksonville Plan.

Other Non-major Governmental Funds:

This is the aggregate of all of the non-major governmental funds. Individual fund statements for these funds are included in the Combining and Individual Fund Statements and Schedules Section. Proceeds from the Banking fund are also recorded within these 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 Jacksonville Municipal Stadium Fund accounts for events held at the stadium including National Football League and college football games, concerts and other activities.

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

Other Non-major Enterprise - This is the aggregate of all of the non-major enterprise funds. Individual fund statements for these funds are included in the Combining Individual Fund Statements and Schedules Section.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

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

In addition, the City reports the following fund types:

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

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

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

**Permanent Fund** - This fund is used to account for activities of the City relative to cemetery maintenance at specified locations. All resources of the fund, including earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**E. Basis of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The citywide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary pension trust fund financial statements. 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. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

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

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

Property taxes billed but uncollected as of the end of the fiscal year are reflected in the accompanying financial statements as due from individuals offsetting a liability due to other governments in the Tax Collector Agency Fund. These amounts are not considered to be available by the City to finance current operations. Accordingly, property taxes are recognized as revenue in the fiscal year in which they are collected and remitted to the City's General Fund by the Tax Collector Agency Fund. (See Note 5.)

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 principal and interest on general long-term indebtedness and capital lease obligations, which are recognized when paid, and payments for compensated absences and claims and judgments which are recognized when due.

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.

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



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

Cash, cash equivalents and investments and related accrued investment earnings are reported in the financial statements as "Equity in cash and investments" under the City's "pooling" concept. (See Note 3.) All monies, which are not legally restricted to separate administration, are pooled together for investment purposes while each individual fund and/or account is maintained on a daily transaction basis by the city Treasurer. 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 equivalents for purposes of the Statement of Cash Flows. Investments are stated at fair value based on quoted market prices. Short term investments are reported at cost which approximates fair value. 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 March 1, 2004. The City utilizes interest rate swaps to manage the interest rate risk associated with various assets. The City continuously works toward developing the optimal capital structure, including the amounts and types of variable rate exposure, in view of the City's risk tolerance to market fluctuations, capital market outlook, future capital funding needs, rating agency considerations, counterparty credit profiles, and competition. Interest rate swaps are one instrument used in achieving an optimal capital structure.

**G. Receivables:**

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based on past collection experience and current economic conditions, except for mortgages receivables which are reported within restricted fund balance because it is externally constrained for specific purposes. Types of receivables include amounts that are principally due from the State of Florida for state-shared revenues. Receivables in other funds have arisen in the ordinary course of business.

**H. Inventories:**

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

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**I. Capital Assets:**

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, 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.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**K. Interfund Activity: (continued)**

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

**L. Restricted Assets:**

Assets are reported as restricted in the citywide Statement of Net Assets and the enterprise fund level statements when constraints are placed on net asset use. The constraints are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation. Certain proceeds of the City's revenue bonds, both governmental and proprietary funds, as well as resources set aside for their repayment are classified as restricted assets on the statements.

**M. Compensated Absences:**

City employees may accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements. For all funds, 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:**

The City is self-insured for general and automobile liability and 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, 2009, 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 employers liability at limits of \$1 million per occurrence and \$3 million in the aggregate subject to a \$1.2 million self-insured retention.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**O. Pension Costs:**

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

**P. Landfill Closure and Postclosure Care Costs:**

The City recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988 (the "1988 Act"), 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 FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation, (FAS 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 FAS 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

Non Asset Bonds are created when the City issues debt and either (a) constructs an asset which will become the asset of another entity (e.g. State of Florida); (b) contributes proceeds to another entity (e.g. Shands Jacksonville Hospital) to participate in a construction project; or (c) provides an economic incentive to a development or redevelopment project. Part of the Better Jacksonville Plan (BJP) referendum was to make improvements to state roads and/or interchanges with/between state roads.

While these projects enhance traffic movements in and around Jacksonville, the constructed assets and the future maintenance responsibility are transferred to the Florida Department of Transportation. Additionally, under the BJP program, the City provided for non-capital expenditures, such as septic tank remediation and ash clean up, from debt proceeds, which will not result in a capital asset of the City. The City has also provided grants to Shands Jacksonville Hospital, a provider of health care for indigents, from debt proceeds. The City and/or its Community Redevelopment Authority (CRA) districts, to encourage target development, will enter into incentive agreements (including grants loans) which are in some instances designed to be repaid by either the CRA's tax increment revenues and/or the developer.

**R. Categories and Classification of Fund Balance:**

The City of Jacksonville has elected early implementation of GASB 54. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance for fiscal year 2008 has been restated for comparative purposes, in the fund level financial statements. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note 19.

**S. Bond Discounts, Premiums and Issuance Costs:**

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

In the 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**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.

**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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**V. Reclassifications:**

Certain 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, 2008, from which the summarized information was derived.

**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, 2009**

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**3. CASH, INVESTMENTS AND SECURITIES LENDING**

**A. Equity in Cash and Investments:**

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.

The schedule below details the cash, cash equivalents (including the cash management pool), cash in escrow, cash with fiscal agents, interest and dividends receivable and pension portfolios as shown in the city-wide financial statements.

**CASH and INVESTMENTS**

Cash and Cash Equivalents	\$ 116,985,297
Investments	681,228,703
Pension, Private Purpose Trust and Agency Funds:	
Cash and Cash Equivalents	113,664,000
Investments	2,307,729,000
Component Units:	
Cash and Cash Equivalents	971,886,000
Investments	385,610,000
Total Cash and Investments	<u>\$4,577,103,000</u>
Investments Schedules:	
Operating Portfolio	\$ 1,066,838,703
Pension Portfolio	<u>2,307,729,000</u>
Sub-total	3,374,567,703
Other Cash/Investments:	
Cash	445,411,297
Cash with Fiscal Agent	100,050,000
Restricted Funds	<u>657,074,000</u>
Total Cash and Investments	<u>\$4,577,103,000</u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**B. Cash on Deposit:**

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 shall be 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.

**C. Investments and Investment Practices - 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 investment 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 opportunities for the City.

The fair market value of the City's fixed maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates typically translate into decreases in the fair market value of fixed maturity investments. Fair values of interest rate sensitive instruments may also be affected by the liquidity and duration of the instrument, creditworthiness of the issuer, prepayment options, and other general market conditions.

All invested cash is managed by third-party money managers other than operating cash invested overnight through the City's zero balance sweep accounts. Within the aggregate portfolio, the Policy establishes a Liquidity Portfolio which is required to contain not less than 15% of the aggregate portfolio, and an Active Portfolio containing funds not earmarked to the Liquidity Portfolio. Performance benchmarks for the Liquidity and Active Portfolios are established in the Policy and performance benchmarks for each of the third party managers are established by the Investment Committee. The Policy defines the Average Duration and Compliance Categories for investments. Compliance Categories are stated as a percentage of the Normal Portfolio Balance (the average total portfolio balance for the proceeding twelve months). Performance and compliance reports for both portfolios are submitted to the Investment Committee monthly, and to the Finance Committee quarterly.



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**C. Investments and Investment Practices - General Operating Investments (continued):**

The City employs an independent investment custodian who takes direction from the money managers and independently settles all trades. In addition, the custodian provides performance and compliance reporting both for the portfolios and by individual managers. Managers are required to report any instances of noncompliance with investment guidelines.

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond for a given change in interest rates. Shorter durations 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; no more than 7.5% of the individual securities in the portfolio can have a duration greater than 8.5 years.

The following schedule reports the minimum and/or maximum investment percentages for each Compliance Category and shows the current percentages of investments per actual balances at year end and as a percentage of the Normal Portfolio Balance.

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**C. Investments and Investment Practices - General Operating Investments (continued):**

Compliance Category	Operating Fund Portfolio Characteristics as of September 30, 2009			
	Total Aggregate Portfolio			
	Actual Year End \$	Actual Year End %	% of Portfolio	
			During Year	By Policy
<b>Duration</b>	2.69	N/A	3.23	5.00
<b>Liquidity</b>	\$ 153,548,379	23%	44%	100%
<b>Requirements</b>				
US Govt (USG)	\$ 67,472,035	10%	14%	100%
USG + Agencies*	\$ 155,000,820	23%	31%	100%
<b>Constraints</b>				
Agencies	\$ 87,528,786	13%	20%	45%
MBS*	\$ 75,726,944	11%	15%	35%
Agency MBS*	\$ 38,361,440	6%	13%	35%
Non-Agency MBS	\$ 37,365,504	5%	7%	15%
Corporates	\$ 209,347,953	31%	39%	60%
Corporates > 1 Year*	\$ 207,690,249	30%	39%	40%
Munis	\$ 10,958	0%	0%	10%
Bond Funds <sup>1</sup>	\$ 106,752,985	16%	21%	85%
Money Market Funds*	\$ 68,866,476	10%	38%	40%
CDs	\$ 502,500	0%	1%	20%
Repos	\$ -	0%	0%	20%
<b>Specialty Risk</b>				
High Yield <sup>1</sup>	\$ 32,966,167	5%	6%	8%
International*	\$ -	0%	0%	8%
International (non-hedged)	\$ -	0%	0%	5%
Emerging Market <sup>1</sup>	\$ 4,939,518	1%	1%	8%
Duration > 8.5*	\$ 22,853,348	3%	4%	8%
Sum	\$ 1,268,934,061	186%		
*Classification Adjustment - Assets in more than one category	\$ 587,705,359	86%		
Total	\$ 681,228,703	100%		

<sup>1</sup>Fidelity (Pyramis) is a commingled bond fund whose characteristics are reported as indicated. The investment fund as a whole is in compliance with investment policy.

<sup>2</sup>Normal Portfolio Balance \$ 686,000,000

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**C. Investments and Investment Practices - General Operating Investments (continued):**

Note that Agency securities carry an “implicit” government guarantee, meaning that in the event of default, it is believed rather than explicitly stated, that the U.S. Government would ensure timely payments of the interest and principal. Consequently, the quality is considered higher than the highest-rated corporate bonds, but below that of actual U.S. Government-backed instruments.

The Operating Portfolio by Credit Quality reports on the General Operating Portfolio investment rating using Moody’s rating schedule as an indicator of investment credit quality. The City’s Investment Policy Statement is designed to control credit risk by requiring both minimum amounts that must be invested in the highest quality U.S. Government securities, as well as a maximum limit of 7.5% of the portfolio that can be invested in non-investment grade securities. Operating Fund by Credit Quality reports on the overall portfolio to illustrate the credit risk of the portfolio at year end.

**Operating Portfolio by Credit Quality  
 September 30, 2009**

Quality Breakdown (Moody's)	Active Portfolio
Treasury	12%
Agency	12%
AAA	10%
AA1-AA3	4%
A1-A3	10%
BAA1-BAA3	12%
Non-investment Grade / Unrated	4%
Commingled / Mutual Funds	36%
	100%

Moody’s rating definitions:

- Treasury – United States Treasury Securities
- Agency – Government Agency Securities
- AAA – Highest Investment Grade Quality Rating
- AA1–AA3 – Medium Investment Grade Quality Rating
- BAA1-BAA3 – 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, 2009**

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

**C. Investments and Investment Practices - General Operating Investments (continued):**

The City has nominal exposure to foreign currency in the Operating Fund due to investments in non-U.S. markets. 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		
Foreign Currency Exposure		
September 30, 2009		
U.S. DOLLAR	\$ 667,736,917	98.02%
CANADIAN DOLLAR	\$ 5,081,488	0.75%
NEW ZEALAND DOLLAR	\$ 3,525,545	0.52%
AUSTRALIAN DOLLAR	\$ 2,894,294	0.42%
MEXICAN NEW PESO	\$ 1,644,651	0.24%
BRAZIL REAL	\$ 272,901	0.04%
INDONESIAN RUPIAN	\$ 72,907	0.01%
Total	<u>\$ 681,228,703</u>	<u>100.00%</u>

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)  
C. Investments and Investment Practices - 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:

<b>Jacksonville Retirement System  Distribution by Asset Type  9/30/2009</b>											
	Equities		Bonds		Other		Cash	Total	Percentage		
Equity (Domestic)	\$	533,288,950	\$	-	\$	-	\$	16,324,936	\$	549,613,886	38%
Large Cap Value	\$	125,660,678	\$	-	\$	-	\$	2,950,201	\$	128,610,879	9%
Large Cap Growth	\$	139,571,763	\$	-	\$	-	\$	4,599,987	\$	144,171,750	10%
Large Cap Core	\$	152,058,441	\$	-	\$	-	\$	968,834	\$	153,027,275	11%
Small Cap Value	\$	59,710,011	\$	-	\$	-	\$	4,902,938	\$	64,612,949	5%
Small Cap Growth	\$	36,039,986	\$	-	\$	-	\$	2,709,634	\$	38,749,620	3%
Small Cap Core	\$	20,248,071	\$	-	\$	-	\$	193,342	\$	20,441,413	1%
Equity (International)	\$	232,030,232	\$	-	\$	-	\$	21,047	\$	232,051,279	10%
Value	\$	125,533,896	\$	-	\$	-	\$	15,242	\$	125,549,138	9%
Growth	\$	88,548,594	\$	-	\$	-	\$	5,805	\$	88,554,399	0%
Core	\$	17,947,742	\$	-	\$	-	\$	-	\$	17,947,742	1%
Bonds*											
Intermediate	\$	-	\$	323,737,892	\$	-	\$	9,985,260	\$	333,723,152	23%
Aggregate	\$	-	\$	161,339,588	\$	-	\$	9,002,976	\$	170,342,564	12%
Cash	\$	-	\$	-	\$	-	\$	5,574,025	\$	5,574,025	
Other											
Real Estate	\$	9,660,171	\$	-	\$	126,411,259	\$	540,924	\$	136,612,354	10%
<b>Total investments</b>	<b>\$</b>	<b>774,979,353</b>	<b>\$</b>	<b>485,077,480</b>	<b>\$</b>	<b>126,411,259</b>	<b>\$</b>	<b>41,449,168</b>	<b>\$</b>	<b>1,427,917,260</b>	<b>100%</b>
Less: Amount reported as receivables								\$		4,130,497	
<b>Total Investments less receivables</b>								<b>\$</b>		<b>1,423,786,763</b>	

\*Duration of bond portfolio is 4.45 years

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**C. Investments and Investment Practices - Pension Plan Investments (continued):**

The Jacksonville Retirement System by Credit Quality reports on the plan's portfolio investments rating using Moody's rating schedule as an indicator of investment credit quality.

**General Employees Pension Fund by Credit Quality  
September 30, 2009**

Quality Breakdown (Moody's)	Portfolio (%)
Treasury	9%
Agency	37%
AAA	3%
AA1-AA3	3%
A1-A3	16%
BAA1-BAA3	17%
Other	3%
Outliers	13%
	<u>100%</u>

Moody's rating definitions:

Treasury – United States Treasury Securities

Agency – Government Agency Securities

AAA – Highest Investment Grade Quality Rating

AA1-AA3 – Medium Investment Grade Quality Rating

BAA1-BAA3 – Lowest Investment Grade Quality Rating

Outliers – Securities that are not applicable to Quality Ratings - Outliers' 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, 2009**

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

**C. Investments and Investment Practices - Pension Plan Investments (continued):**

The City has nominal exposure to foreign currency in the Pension Fund due to investments in non-U.S. markets. 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.

General Employees Pension Fund  
Foreign Currency Exposure  
September 30, 2009

Currency	Exposure	Percentage
U.S. DOLLAR	\$ 1,425,090,746	99.80%
NORWEGIAN KRONE	\$ 1,438,375	0.10%
SINGAPORE DOLLAR	\$ 746,162	0.05%
SWISS FRANC	\$ 563,865	0.04%
EURO CURRENCY UNIT	\$ 56,382	0.00%
JAPANESE YEN	\$ 13,788	0.00%
SWEDISH KRONA	\$ 4,978	0.00%
BRITISH POUND STERLING	\$ 2,962	0.00%
CANADIAN DOLLAR	\$ 1	0.00%
Total	<u>\$ 1,427,917,260</u>	<u>100.00%</u>

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**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**C. Investments and Investment Practices: (continued)**

Investment performance is measured against comparable indices that are consistent with the City's Investment Policy Statements, market opportunities, and liquidity/cash flow requirements.

The following schedule includes the actual fund returns as well as stocks and bond market indices to gauge relative performance.

**INVESTMENT PORTFOLIO PERFORMANCE**

October 1, 2008 to September 30, 2009

(Gross of investment management fees)

	% Annual Return		
	One Year	3-Year Average	5-Year Average
<b>Operating Fund*</b>	11.72	5.94	4.99
<b>Pension Fund</b>	0.33	-0.96	2.99
<b>Indices</b>			
Fixed Income			
Barclays Aggregate Bond	10.56	6.41	5.13
BofA ML US Treasuries 1 - 3 Year	3.46	5.17	4.03
Citigroup Treasury Bill 3-Month	0.39	2.63	2.96
Equity			
Russell 1000 Large Cap Index	-6.14	-5.10	1.49
Russell 2000 Small Cap Index	-9.55	-4.57	2.41
MSCi EAFE Int'l Equity Index	3.80	-3.12	6.57

\*Excludes depository accounts

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**D. Securities Lending:** The City participates in securities lending for 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. The Police and Fire Pension fund withdrew from the Securities Lending program with Northern Trust Company in March 2008. The transactions are designed to be invisible to either the third party money managers or in-house staff who manage segments of various portfolios. 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, and then 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 maturity duration of the collateral investment at September 30, 2009 was 54 days for the City's Operating Portfolio and 80 days for the Jacksonville Retirement System.

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 30 days. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate interest rate, (b) the overnight investment will experience a loss in fair value (i.e., principal) and (c) the collateral will not be sufficient if the borrower fails to return the security back to the lending bank. As noted above, cash collateral is invested in short-term income instruments. When non-cash collateral is provided the collateral must be obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The City cannot pledge or sell these obligations in the absence of a default by the borrower. While the net asset value of the collateral will fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%, as of September 30, 2009, the City of Jacksonville maintained a sufficient 102.7%. During the fiscal year ended September 30, 2008, the Securities Lending program experienced a realized loss in the value of certain securities held in the collateral investment pool of \$5.7 million which was reported as a reduction in income earned over the course of the year. During the fiscal year ended September 30, 2009 the invested collateral market values recovered value, increasing Securities Lending income by \$2.2 million (\$0.9 million Operating, \$1.3 million Jacksonville Retirement System).

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009.

<b>Fund</b>	<b>Accounts Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Amount Shown on Balance Sheet</b>
General Fund	\$ 43,671	\$ (28,407)	\$ 15,264
Non-Major Special Revenue Funds:			
Budgeted General Government	2	-	2
Major Enterprise Fund:			
Solid Waste Disposal	8,861	(3,553)	5,308
Jacksonville Municipal Stadium	184	-	184
Veterans Memorial Arena	1,801	(1)	1,800
Non-Major Enterprise Funds:			
Performing Arts	94	(27)	67
Convention Center	60	(14)	46
Equestrian Center	64	(53)	11
Storm Water Services	17,471	(7,243)	10,228
Motor Vehicle Inspection	59	(1)	58
Baseball Stadium	1	-	1

<b>Fund</b>	<b>Mortgages Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Amount Shown on Balance Sheet</b>
Non-Major Special Revenue Funds:			
Community Development Block Grant	\$ 4,885	\$ (1,920)	\$ 2,965
Housing and Neighborhoods	26,917	(6,311)	20,606
State Housing Initiative Partnership	15,571	(525)	15,046

**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 9.2727 for the fiscal year ended September 30, 2009. The maximum millage rate for the City that may be levied is 20 mils due to the City being a consolidated City and County.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**5. PROPERTY TAXES (continued)**

**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. 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, 2009**

**6. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended September 30, 2009, was as follows (in thousands):

**Primary Government**

	*Beginning Balance October 1, 2008	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2009
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 277,562	\$ 2,842	\$ -	\$ 280,404
Art In Public Places	545	148	-	693
Construction in progress	53,913	43,102	(10,008)	87,007
* Furniture and equipment in work in process	43	473	(43)	473
Software Development In Process	6,304	3,306	-	9,610
Total capital assets not being depreciated	<u>338,367</u>	<u>49,871</u>	<u>(10,051)</u>	<u>378,187</u>
Capital assets being depreciated:				
Buildings	523,110	20,734	-	543,844
* Furniture, equipment and library books	293,141	36,581	(18,013)	311,709
Improvements	177,661	33,287	-	210,948
Infrastructure	1,641,279	155,575	-	1,796,854
Purchased Software	6,296	704	-	7,000
Internal Software	12,549	836	-	13,385
Total assets being depreciated	<u>2,654,036</u>	<u>247,717</u>	<u>(18,013)</u>	<u>2,883,740</u>
Less accumulated depreciation for:				
Buildings	147,428	9,041	-	156,469
Furniture, equipment and library books	208,236	34,439	(17,336)	225,339
Improvements	25,999	7,218	-	33,217
Infrastructure	294,444	62,531	-	356,975
Purchased Software	3,315	2,101	-	5,416
Internal Software	2,570	1,269	-	3,839
Total accumulated depreciation	<u>681,992</u>	<u>116,599</u>	<u>(17,336)</u>	<u>781,255</u>
Total capital assets being depreciated, net	<u>1,972,044</u>	<u>131,118</u>	<u>(677)</u>	<u>2,102,485</u>
Governmental activities capital assets, net	<u>\$ 2,310,411</u>	<u>\$ 180,989</u>	<u>\$ (10,728)</u>	<u>\$ 2,480,672</u>

\* Beginning balances have been reallocated to classify Internal Service Funds into major classes of capital assets and accumulated depreciation.

	Beginning Balance October 1, 2008	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2009
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 34,859	\$ 10,230	\$ -	\$ 45,089
Total capital assets not being depreciated	<u>34,859</u>	<u>10,230</u>	<u>-</u>	<u>45,089</u>
Capital assets being depreciated:				
Buildings and improvements	547,912	85	-	547,997
Infrastructure	-	2,841	-	2,841
Furniture and equipment	7,075	70	(218)	6,927
Total assets being depreciated	<u>554,987</u>	<u>2,996</u>	<u>(218)</u>	<u>557,765</u>
Less accumulated depreciation for:				
Buildings and improvements	146,268	13,129	-	159,397
Furniture and equipment	6,730	150	(214)	6,666
Total accumulated depreciation	<u>152,998</u>	<u>13,279</u>	<u>(214)</u>	<u>166,063</u>
Total capital assets being depreciated, net	<u>401,989</u>	<u>(10,283)</u>	<u>(4)</u>	<u>391,702</u>
Business-type activities capital assets, net	<u>\$ 436,848</u>	<u>\$ (53)</u>	<u>\$ (4)</u>	<u>\$ 436,791</u>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**6. CAPITAL ASSET ACTIVITY**

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

**Governmental activities:**

General government	\$	27,296
Human services		695
Public Safety		11,036
Culture and recreation		12,472
Transportation		10,806
Economic environment		80
Physical environment		54,214
Total depreciation expense - governmental activities	\$	<u>116,599</u>

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

**Business-type activities:**

Parking system	\$	369
Motor vehicle inspections		1
Solid waste		2,194
Stormwater Services		-
Jacksonville Municipal Stadium		5,476
Veterans Memorial Arena		2,446
Baseball Stadium		640
Performing Arts		762
Convention Center		651
Equestrian Center		740
Total depreciation expense - business-type activities	\$	<u>13,279</u>

**CITY OF JACKSONVILLE , FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

A summary of interfund balances follows (in thousands):

<u><b>DUE TO OTHER FUNDS</b></u>	<u><b>AMOUNT</b></u>	<u><b>DUE FROM OTHER FUNDS</b></u>	<u><b>PURPOSE</b></u>
<b>MAJOR FUNDS:</b>			
<b>General Funds</b>			
General Services	\$ 3,000	Public Safety	Emergency Incident Funding
General Services	70	Public Parking System	Temporary Interfund Loan
General Services	2	Jacksonville Municipal Stadium	Receivable Adjustment-Venues
General Services	1	Veterans Memorial Arena	Receivable Adjustment-Venues
General Services	2	Convention Center	Receivable Adjustment-Venues
General Services	501	Performing Arts	Temporary Interfund Loan
General Services	420	Equestrian Center	Temporary Interfund Loan
General Services	360	Copy Center	Temporary Interfund Loan
General Services	360	Information Technology	Temporary Interfund Loan
	<u>4,716</u>		
<b>Capital Project Funds</b>			
Better Jacksonville Projects	24,000	Bond Projects	BJP Bond Project Funding
	<u>24,000</u>		
<b>Enterprise Funds</b>			
Veterans Memorial Arena	33	General Fund	Receivable Adjustment-Venues
	<u>33</u>		
<b>TOTAL</b>	<u><u>\$ 28,749</u></u>		
<u><b>ADVANCES TO OTHER FUNDS</b></u>	<u><b>AMOUNT</b></u>	<u><b>ADVANCES FROM OTHER FUNDS</b></u>	<u><b>PURPOSE</b></u>
<b>NON-MAJOR FUNDS:</b>			
<b>Internal Service Funds</b>			
Self Insurance	8,500	General Projects	Loan for Redevelopment Agreement
	<u><u>\$ 8,500</u></u>		

**CITY OF JACKSONVILLE , FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

A summary of interfund transfers follows (in thousands):

<u>TRANSFERS IN</u>	<u>AMOUNT</u>	<u>TRANSFERS OUT</u>
<b>MAJOR FUNDS:</b>		
<b>General Fund</b>		
General Fund	\$ 408	Concurrency Management
General Fund	25	General Government Budgeted
General Fund	4,746	Tax Increment Districts
General Fund	183	Community Development Block Grant
General Fund	751	General Government Non Budgeted
Total	6,113	
<b>Debt Service</b>		
Special Bonded Debt Obligations	65,624	General Fund
Special Bonded Debt Obligations	2,003	Tax Increment Districts
Special Bonded Debt Obligations	6,335	Better Jacksonville Plan Trust
Special Bonded Debt Obligations	3,178	Public Parking
Special Bonded Debt Obligations	10,262	Municipal Stadium
Special Bonded Debt Obligations	3,362	Convention Center
Special Bonded Debt Obligations	2,707	Stormwater Services
Special Bonded Debt Obligations BJP	42,434	Better Jacksonville Plan Trust
Total	135,905	
<b>Capital Projects</b>		
Better Jacksonville Construction Project	16,288	Better Jacksonville Plan Trust Fund
Total	16,288	
<b>Enterprise Funds</b>		
Solid Waste Disposal	20,786	General Fund
Solid Waste Disposal	414	Special Bonded Debt Obligations
Municipal Stadium	7,567	General Fund
Municipal Stadium	99	Veterans Memorial Arena
Municipal Stadium	882	Convention Center
Municipal Stadium	7,732	Special Bonded Debt Obligations
Veterans Memorial Arena	5,550	Special Bonded Debt-BJP
Total	43,030	
<b>NON-MAJOR FUNDS:</b>		
<b>Special Revenue</b>		
General Government - Budgeted	1,035	General Fund
General Government - Budgeted	5,979	General Capital Projects
General Government Non Budgeted	67	Concurrency Management
Jacksonville Children's Commission	16,390	General Fund
Community Development Block Grant	270	General Fund
Community Development Block Grant	74	Tax Increment Districts
Maintenance, Parks and Recreation	1,728	General Fund
Other Federal, State & Local Grant Funds	4,579	General Fund
Housing and Neighborhoods	579	Community Development Block Grant
Air Pollution Control	424	General Fund
Total	31,125	

**CITY OF JACKSONVILLE , FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

A summary of interfund transfers follows (in thousands):

<u>TRANSFERS IN</u>	<u>AMOUNT</u>	<u>TRANSFERS OUT</u>
<b>Debt Service</b>		
Other Non-Bonded Debt Obligations	101	General Fund
Other Non-Bonded Debt Obligations	1,153	Tax Increment District
Total	1,254	
<b>Capital Projects</b>		
General Capital Projects	1,863	General Fund
General Capital Projects	1,951	Municipal Stadium
General Capital Projects	25	General Government Non Budgeted
Grant Capital Improvement Projects	128	General Capital Projects
Grant Capital Improvement Projects	2,262	General Fund
Total	6,229	
<b>Enterprise Funds</b>		
Public Parking System	1,563	General Fund
Public Parking System	4,466	Special Bonded Debt Obligations
Baseball Stadium	554	General Fund
Baseball Stadium	188	Veterans Memorial Arena
Baseball Stadium	1,466	Special Bonded Debt-BJP
Performing Arts	323	General Fund
Performing Arts	259	Veterans Memorial Arena
Performing Arts	26	Special Bonded Debt Obligations
Convention Center	16	Special Bonded Debt Obligations
Equestrian Center	146	General Fund
Equestrian Center	61	Veterans Memorial Arena
Equestrian Center	79	Special Bonded Debt Obligations
Stormwater Services	1,561	General Funds
Total	10,708	
<b>Internal Service Funds</b>		
Fleet Management	2,689	General Fund
Fleet Management	60	Other Federal, State and Local Grants
Information Technology	525	General Fund
Self Insurance	1,072	General Fund
Total	4,346	
<b>TOTAL</b>	<b>\$ 254,998</b>	

In the fund financial statements, net transfers out are greater than total transfers in by \$590. This is due to the treatment of transfers of capital assets and debt from enterprise funds to the general government. No amounts were reported in the governmental funds as the amount did not involve the transfer of current financial resources.



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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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 \$8,500,217 at September 30, 2009.

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, 2009 was \$14,328,163 which is recorded in the Self Insurance Fund.

Vestcor will repay the City an amount of \$17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual payments are \$595,248 which includes both principal and interest with a balloon payment of \$10,304,798 on July 1, 2023. The balance of the loan at September 30, 2009 was \$15,725,315 which is recorded in the Jacksonville Economic Development Commission Fund.

During fiscal year 2009, the City had financial transactions with its discretely presented component units classified as follows for the financial reporting purposes:

**JEA: Termination of Enhanced Joint Agency Financing Program-** On November 5, 1996 the City and JEA executed a Financial Agreement in relation to the use of an “enhanced joint agency agreement” potentially requiring supplemental payments from JEA in support of certain bonds used to acquire and construct various marine facilities for the Jacksonville Port Authority. On December 7, 2007, the City and JEA mutually agreed to terminate the Financial Agreement.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**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 ending September 30, 2009 these contributions totaled \$76,094,124 and \$20,593,422, respectively. 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.

**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 \$65.1 million in fiscal year 2009. 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 \$65.1 million transfer from the City as sales tax revenue.

In fiscal year 2000, the City and the JTA entered into an interlocal 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 is in effect until all of the bonds have been duly paid in full or defeased in accordance with their terms. The City and JTA agreed to pledge the sales tax and the constitutional gas tax for the payment of bonds issued to implement the program. Monies available above debt service would be collected in a Pay-As-You-Go fund to assist with the payment of program expenditures. The City is making available the Local Option Gas Tax for the operation of the JTA's Mass Transit Division.

**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").

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**JPA: (continued)**

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, 2009, the amount of Pledged Revenues in excess of the debt service requirements of the bonds was \$2.4 million with a total of \$2.7 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 accounts 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, 2009**

**8. LONG-TERM OBLIGATIONS**

**A. Bonds and loans outstanding at September 30, 2009, are comprised of the following (in thousands):**

**SPECIAL OBLIGATION BONDS PAYABLE FROM SPECIFIC  
REVENUE SOURCES OTHER THAN AD VALOREM TAXES:**

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost (1)
<b>Governmental Activities:</b>				
Excise Taxes Revenue Bonds:				
Series 1993	\$ 43,605	\$ 7,545	6.20-6.30%	6.292%
* Series 1995A	7,580	1,735	5.00-5.125%	5.113%
* Series 1999A	75,834	1,395	4.00-5.00%	4.325%
Series 2001B	46,735	43,135	4.25-5.125%	5.271%
Series 2002A	56,685	25,320	4.250-5.50%	4.270%
Series 2002B	68,475	57,770	3.30-5.375%	4.576%
Series 2003A	18,745	17,565	3.00-4.50%	4.051%
* Series 2003B	17,535	3,280	3.00-5.00%	2.914%
Series 2003C (AMT)	34,540	32,535	3.00-5.250%	4.915%
* Series 2005A	42,820	42,820	3.50-5.00%	4.685%
Series 2006A	36,540	36,540	3.375-5.00%	4.559%
Series 2006B (AMT)	9,255	9,255	3.625-4.00%	4.169%
Series 2006C	23,555	23,555	4.88-5.22%	5.228%
Series 2007	42,245	41,295	3.50-5.00%	4.534%
Series 2009A	39,585	39,585	2.50-5.00%	4.399%
* Series 2009B	18,535	18,535	2.50-5.00%	3.035%
* Series 2009C	2,275	2,275	2.50-5.00%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	47,682	2,688	5.125%	5.352%
Series 2001	103,725	81,195	4.00-5.50%	4.571%
Series 2002	63,060	47,775	3.125-5.375%	4.407%
Guaranteed Entitlement Revenue Bonds:				
Series 2002	115,265	102,330	3.50-5.375%	5.019%
Capital Project Revenue Bonds:				
* Series 2008A	67,035	66,711	Variable, assumed 4.53%	5.559%
* Series 2008B	67,035	66,711	Variable, assumed 4.53%	5.559%
Total Special Obligation Bonds Payable from Specific Revenue Sources other than Ad Valorem Taxes	<u>\$ 1,048,346</u>	<u>\$ 771,550</u>		

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**A. Bonds and loans outstanding at September 30, 2009, are comprised of the following (in thousands): (continued)**

**SPECIAL OBLIGATIONS BONDS PAYABLE FROM SPECIFIC REVENUE SOURCES  
OTHER THAN AD VALOREM TAXES - BETTER JACKSONVILLE PLAN:**

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost (1)
Transportation Revenue Bonds (\$152,568 authorized but unissued):				
Series 2001	\$ 179,280	\$ 164,300	4.10-5.50%	4.042%
Series 2007	100,675	98,035	4.00-5.00%	4.745%
Series 2008A	154,535	154,535	Variable, assumed 4.01%	5.079%
Series 2008B	121,740	117,570	Variable, assumed 4.01%	4.089%
Sales Tax Revenue Bonds (\$34,731 authorized but unissued):				
* Series 2001	163,956	142,491	4.10-5.50%	5.263%
* Series 2003	158,416	139,632	3.00-5.250%	4.715%
* Series 2004	164,200	148,145	2.00-5.00%	4.345%
Series 2008	105,470	105,470	4.00-5.00%	4.626%
Special Obligation Bonds (\$191,985 authorized but unissued)				
Series 2009B-1A	52,090	52,090	2.00-5.00%	4.006%
Series 2009B-1B (Taxable BABs)	55,925	55,925	6.259% (taxable)	6.341%
Total Special Obligation Bonds Payable from Specific Revenue Sources Other Than Ad Valorem Taxes - Better Jacksonville Plan				
	<u>\$ 1,256,287</u>	<u>\$ 1,178,193</u>		

**NOTES PAYABLE FROM GENERAL REVENUE:**

U.S. Government Guaranteed:				
Series 1995 (Coach)	\$ 3,845	\$ 2,245	4.32-5.19% (taxable)	N/A
Series 1996 (Sally Beauty)	1,065	240	6.70-6.88% (taxable)	N/A
Series 1996B (Hilton Hotel)	2,850	1,635	6.70-7.03% (taxable)	N/A
Series 1997 (La Villa)	1,700	755	6.70-7.08% (taxable)	N/A
Series 1997 (HTV Associates)	700	95	6.70-6.78% (taxable)	N/A
Series 1997 (Armor Holdings)	775	495	6.70-7.08% (taxable)	N/A
Series 1997 (Hampton Inns)	550	325	6.70-7.03% (taxable)	N/A
Total Notes Payable from General Revenue	<u>\$ 11,485</u>	<u>\$ 5,790</u>		

**NOTES PAYABLE FROM BJP REVENUE:**

State of Florida Infrastructure Bank (\$13,279 authorized but unissued):				
Series 2005	\$ 29,942	\$ 21,260	2.00%	1.901%
Series 2007	46,779	39,459	2.50%	2.456%
Total Notes Payable from BJP Revenue	<u>\$ 76,721</u>	<u>\$ 60,719</u>		

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. LONG-TERM OBLIGATIONS (continued)**

**A. Bonds and loans outstanding at September 30, 2009, are comprised of the following (in thousands): (continued)**

**BONDS and NOTES PAYABLE FROM INTERNAL SERVICE OPERATIONS:**

Special Revenue Bonds (\$221,571 authorized but unissued):

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost (1)
Series 2008	\$ 54,215	\$ 54,215	3.50-5.625%	4.966%
Series 2009A	\$ 28,613	\$ 28,613	Variable, assumed 5.12% (taxable)	5.071%

Commercial Paper Notes Maturing No Later Than 270 Days after  
Date of Issuance, and in No Event Later than December 31, 2034  
(\$62,227 authorized but unissued):

\$ 122,705	\$ 73,815	Variable, assumed 4.31%
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Total bonds and notes payable from Internal Service Funds 156,643

Total Governmental Activities \$ 2,569,759      \$ 2,172,895

**Business-Type Activities:**

Excise Taxes Revenue Bonds:

* Series 1995A	\$ 12,270	\$ 3,100	5.00-5.125%	5.113%
Series 1996A	19,965	1,230	4.70-5.50%	4.993%
* Series 1999A	56	15	4.00-5.00%	4.325%
Series 1999B	40,835	2,465	4.875-5.75%	5.388%
* Series 2003B	9,530	3,745	3.00-5.00%	2.915%
* Series 2005A	2,000	2,000	3.50-5.00%	4.685%
* Series 2009B	10,475	10,475	3.00-5.00%	3.035%
* Series 2009C (AMT)	21,455	21,455	3.00-5.00%	3.281%

Local Government Sales Tax Revenue Bonds:

* Series 1996	17,958	1,012	5.125%	5.352%
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Capital Project Revenue Bonds

* Series 2008A	250	249	Variable, assumed 5.40%	5.559%
* Series 2008B	250	249	Variable, assumed 5.40%	5.559%

Sales Tax Revenue Bonds

* Series 2001	54,474	47,329	4.10-5.50%	5.263%
* Series 2003	52,634	46,378	3.00-5.250%	4.715%
* Series 2004	54,555	49,205	2.00-5.00%	4.345%

Capital Improvement Revenue Bonds:

Series 1997	8,285	6,250	4.80-5.250%	5.452%
Series 1998	37,310	34,975	4.30-5.00%	5.250%
Series 2002A	54,135	52,475	3.00-5.00%	4.820%
Series 2002B	42,170	34,825	3.00-5.250%	4.820%
Series 2002C	26,920	24,455	3.00-5.250%	4.820%

Total Business-type Activities \$ 465,527      \$ 341,887

\* Indicates individual bond series that were issued in support of both Governmental Activities and Business-Type Activities. The par amount of bonds allocated to the Business-Type Activities was determined prorata based on the project funded at the time of closing.

(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, 2009**

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

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

Debt service requirement to maturity on the city's Long-Term Obligations at September 30, 2009, are as follows (in thousands):

Fiscal Year Ending September 30	General Long-Term Bonds				Bonds Payable From Enterprise Funds		Other Long-Term Obligations		Total Long-Term Obligations And Interest
	Special Obligation		Special Obligation BJP		Principal	Interest	Principal	Interest	
	Principal	Interest	Principal	Interest					
2010	\$ 34,115	\$ 35,155	\$ 21,434	\$ 53,333	\$ 15,743	\$ 15,953	\$ 46,830	\$ 7,289	\$ 229,852
2011	32,861	36,403	23,291	52,521	13,125	15,161	24,091	6,600	204,053
2012	39,538	35,067	36,828	51,329	13,704	14,631	19,469	5,692	216,258
2013	36,503	34,297	25,673	50,091	12,962	14,087	17,643	4,990	196,246
2014	38,471	32,869	28,792	48,929	13,575	13,511	14,724	4,390	195,261
2015- 2019	203,058	127,161	189,497	218,963	68,885	57,564	59,753	15,239	940,120
2020- 2024	133,044	76,078	193,372	179,082	67,999	41,753	27,377	5,616	724,321
2025- 2029	124,383	45,320	365,574	113,973	85,193	23,256	5,760	2,894	766,353
2030- 2034	118,337	14,914	265,922	30,172	50,691	2,792	7,505	1,092	491,425
2035- 2039	11,240	153	27,810	2,866	10	1			42,080
Total Principal and Interest	771,550	437,417	1,178,193	801,259	341,887	198,709	223,152	53,802	4,005,969
Less: Interest to be paid	-	(437,417)	-	(801,259)	-	(198,709)	-	(53,802)	(1,491,187)
Totals	<u>\$ 771,550</u>	<u>\$ -</u>	<u>\$ 1,178,193</u>	<u>\$ -</u>	<u>\$ 341,887</u>	<u>\$ -</u>	<u>\$ 223,152</u>	<u>\$ -</u>	<u>\$ 2,514,782</u>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. LONG-TERM OBLIGATIONS (continued)**

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

Changes in long-term liabilities for the fiscal year ended September 30, 2009, are summarized as follows (in thousands):

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Due within one year
<b>Governmental activities:</b>					
General long-term obligations:					
Special Obligation Bonds	779,533	60,395	68,378	771,550	34,115
Special Obligation -BJP	1,090,568	108,015	20,390	1,178,193	21,434
Other long-term obligations:					
Notes Payable- General Revenue	6,630	-	840	5,790	945
Notes Payable- BJP	66,414	-	5,695	60,719	5,035
Debt activity reported in governmental funds	<u>1,943,145</u>	<u>168,410</u>	<u>95,303</u>	<u>2,016,252</u>	<u>61,529</u>
Bonds/Notes Payable- Banking Fund					
Special Revenue Bonds	54,215	28,613	-	82,828	535
Notes Payable	99,515	-	25,700	73,815	40,315
Debt activity reported in internal service funds	<u>153,730</u>	<u>28,613</u>	<u>25,700</u>	<u>156,643</u>	<u>40,850</u>
Total governmental activities	<u>2,096,875</u>	<u>197,023</u>	<u>121,003</u>	<u>2,172,895</u>	<u>102,379</u>
Deferred amounts:					
Loss on Advance Refunding	(4,449)	(295)	(679)	(4,065)	-
Issuance premiums	20,246	7,904	1,865	26,285	-
Issuance discounts	(3,315)	-	(155)	(3,160)	-
Total deferred amounts	<u>12,482</u>	<u>7,609</u>	<u>1,031</u>	<u>19,060</u>	<u>-</u>
Accrued Compensated Absences	60,867	36,443	35,571	61,739	18,521
Capitalized Lease Obligations	609	-	296	313	313
Estimated Liability for Self-					
Insurance Fund Losses	82,926	3,806	-	86,732	-
Pollution Remediation	139,330	14,250	13	153,567	14,237
Other Post-Employment Benefits	8,073	6,766	-	14,839	-
Miscellaneous long-term liability	266	1,267	-	1,533	-
Governmental activity long-term obligations	<u>2,401,428</u>	<u>267,164</u>	<u>157,914</u>	<u>2,510,678</u>	<u>135,450</u>
<b>Business-type activities:</b>					
Revenue Bonds	357,124	31,930	47,167	341,887	15,743
Less: Unamortized Discount/Premium and,					
Deferred Loss on Advance Refunding	(1,441)	-	(283)	(1,158)	-
Total Revenue Bonds, less Unamortized Discount/Premium and, Deferred	<u>355,683</u>	<u>31,930</u>	<u>46,884</u>	<u>340,729</u>	<u>15,743</u>
Loss on Advance Refunding	355,683	31,930	46,884	340,729	15,743
Accrued Compensated Absences	693	648	-	1,341	402
Liability for Landfill Closure					
and Post Closure Care	46,943	17,465	740	63,668	7,826
Picketville Waste Site	-	700	68	632	-
Other Post-Employment Benefits	156	316	-	472	-
Loans Payable - Banking Fund	-	2,250	-	2,250	-
Business-type activity long-term liabilities	<u>403,475</u>	<u>53,309</u>	<u>47,692</u>	<u>409,092</u>	<u>23,971</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 2,804,903</u>	<u>\$ 320,473</u>	<u>\$ 205,606</u>	<u>\$ 2,919,770</u>	<u>\$ 159,421</u>

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities of \$3,668 for compensated absences payable and \$313 for capital leases are included above in the totals for governmental activities. Compensated absences for governmental activities are generally liquidated by the general fund.



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**D. 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.

	Range of remaining term	Approximate future principal and interest	Current year revenue received	Current year principal and interest	Principal and interest as % of revenue
Excise Taxes:	2011 - 2034	\$691,524,550	\$119,651,685	\$46,281,545	38.68%
<b>Local Government</b>					
<b>1/2 Cent Sales Tax:</b>	2018	\$170,604,481	\$70,510,011	\$17,395,298	24.67%
<b>Guaranteed Entitlement</b>					
<b>Revenues:</b>	2032	\$176,277,469	\$7,825,119	\$7,448,800	95.19%
<b>JEA Charter Revenues</b>					
<b>(Capital Project Bonds):</b>	2034	\$225,870,120	\$96,687,546	\$4,261,483	4.41%
<b>(Better Jacksonville)</b>					
<b>Transportation Sales Tax:</b>	2027 - 2037	\$915,275,757	\$73,825,240	\$28,548,838	38.67%
<b>Better Jacksonville</b>					
<b>(Infrastructure) Sales Tax:</b>	2014 - 2030	\$1,183,496,636	\$63,330,499	\$55,989,494	88.41%
<b>Sports Facilities Capital</b>					
<b>Improvement Revenues:</b>	2019 - 2030	\$250,529,720	\$19,117,281	\$11,458,270	59.94%

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**D. Pledged Revenues (continued)**

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

**Sports Facilities Capital Improvement Revenues:** Bonds have been issued to fund renovations to 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.

**E. New Indebtedness and Refunding Issued by the City:**

On September 15, 2009, the City closed on the sale of \$28,613,000 Special Revenue and Refunding Bonds, Taxable Series 2009A with a true interest cost of 5.071% and a targeted average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2014. The proceeds of the 2009A bonds were used to currently retire a maturing portion of the City's outstanding commercial paper (\$3,000,000), to advance refund a portion of the Commercial Paper program (\$19,522,733 maturing on October 28, 2009), and to reimburse the City's Building Inspection Funds for leasehold capital expenditures from prior fiscal years (\$5,980,000). The issuance provided net proceeds of \$28,472,733, which is inclusive of underwriter's discounts and costs of issuance totaling \$140,267. Since both the refunded and refunding bonds are variable rate, no economic gain or loss (based on the present value differences of the debt service payment streams of the old and new bonds) was realized.

On September 30, 2009, the City closed on the sale of \$108,015,000 Special Revenue Bonds issued as Series 2009B-1A (\$52,090,000) and Taxable Direct Payment Build America Special Revenue Bonds Series 2009B-1B (\$55,925,000). The 2009B-1A bonds have a true interest cost of 4.006% and a targeted average coupon rate of 4.787% with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2025. The 2009B-1B Taxable Direct Pay Build America Bonds have a true interest cost of 4.163% after interest rebate and a targeted average coupon rate of 6.259% with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2030. The proceeds of the 2009B-1A and 2009B-1B bonds were used to fund the acquisition and construction of various capital projects constituting a part of the Better Jacksonville Plan (\$100,000,000) and to fund a Debt Service Reserve Fund (\$10,746,579). The issuance provided net proceeds of \$111,882,556, which is inclusive of underwriter's discounts and costs of issuance totaling \$1,135,976 and a bond premium of \$3,867,556.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**E. New Indebtedness and Refunding Issued by the City: (continued)**

On September 30, 2009, the City closed on the sale of \$92,325,000 Excise Tax Revenue and Refunding Bonds, Series 2009A, Series 2009B, and AMT Series 2009C with a true interest cost of 4.399%, 2.886%, and 3.281%, respectively, and a targeted average coupon rate of 4.545%, 4.854%, and 3.861%, respectively, with a mandatory sinking schedule beginning October 1, 2010 and a maturity date of October 1, 2034. The proceeds of the 2009 bonds, along with \$1,278,417 in other available debt service funds, were used i) to fund the acquisition and construction of various capital projects, ii) to refund the City's Excise Tax Revenue Bonds Series 1999A (\$18,005,000) under Governmental Activities, and iii) to refund the City's Excise Tax Revenue Bonds Series 1996 (\$10,475,000) and Series 1999B (\$21,455,000) bonds under the Business-Type Activities. The issuance provided net proceeds of \$97,639,172, which was inclusive of underwriter's discounts and costs of issuance totaling \$877,113 and a bond premium of \$4,035,754. 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 \$927,423, or 8.854%, on the refunded Series 1996 bonds, \$1,449,466.26, or 8.050%, on the refunded Series 1999A bonds, and \$1,474,743.35, or 6.874%, on the refunded Series 1999B bonds.

**F. 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 10, 2012.

**Terms of take out:** The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If the Bonds were to be purchased by the Bank, then the City would be required to amortize the balance of the Bonds over 12 equal quarterly installments beginning 180 days after the date of purchase.

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

As of September 30, 2009 the Bank was not holding any of the Bonds pending remarketing.

**\$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 May 1, 2010.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

*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 over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

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

As of September 30, 2009, 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, 2011.

*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 over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2009, there were no advances outstanding or bank bonds held under this Agreement.

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

*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 SunTrust Bank (the Bank) dated July 1, 2008 and expiring July 15, 2011.

*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 over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2009, 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, 2009**

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

**G. 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 city-wide statements, while the debt remains as a liability of the city. The following is a listing of the outstanding debt in the Governmental Activities that was issued for non-asset backed debt:

<u>Excise Taxes Bonds</u>	<u>Entity or Purpose</u>	<u>Amount</u>
Series 1993	Jacksonville Port Authority	\$ 7,545,140
Series 2001B	Economic Development	43,135,000
Series 2002B	Shands Jacksonville Medical Center	57,770,000
Series 2003C (AMT)	Jacksonville Port Authority	32,535,000
 <u>Better Jacksonville Plan (BJP) Transportation Bonds</u>		
Series 2007	Jacksonville Transportation Authority (JTA) road projects	98,035,000
Series 2008	Refund Series 2003 and 2004 bonds that Refund the State of FL Bonds for JTA	117,570,000
 <u>BJP State Infrastructure Bank Loan</u>		
Loan #1	JTA road projects	21,260,447
Loan #2	JTA road projects	39,458,379
 <u>Other Bond Issues</u>		
Various	Misc. projects - BJP	162,366,000
Various	Misc. projects – other	53,390,120
 <u>Banking Fund Financed Projects</u>		
Various	Misc. projects – other	<u>947,000</u>
 TOTAL		 \$ 634,012,086

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**H. 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, 2009, the city had legally defeased the following bond maturities (in thousands):

<u>ISSUE</u>	<u>REFUNDED BY</u>	<u>PRINCIPAL BALANCE AT SEPTEMBER 30, 2009</u>	<u>INVESTMENT BALANCE WITH ESCROW AGENT AT SEPTEMBER 30, 2009 (a)</u>
<b>Special Obligation Bonds payable from Specific Revenue Sources Other Than Ad Valorem Taxes:</b>			
Sales Tax Revenue Bonds, Series 1996 (RCR)	Cash Refunded on October 10, 2002	\$14,535	\$15,733
Excise Taxes Revenue Refunding and Capital Improvement Bonds, Series 1999A	Excise Taxes Revenue Refunding Bonds, Series 2009B	\$18,005	\$18,594
Excise Taxes Revenue Bonds, Series 2001A	Cash Refunded on August 31, 2009	\$8,395	\$8,605
<b>Bonds Payable from Enterprise Funds:</b>			
Excise Taxes Revenue Refunding Bonds, Series 1996A	Excise Taxes Revenue Refunding Bonds, Series 2009B	\$10,475	\$10,784
Excise Taxes Revenue Refunding and Capital Improvement Bonds, Series 1999B	Excise Taxes Revenue Refunding Bonds, Series 2009C	\$21,455	\$22,375

(a) Source: Escrow Agent's Records

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**I. Lease Obligations: (continued)**

At September 30, 2009, the city has one capital lease agreement in place. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The lease agreement contains options that allow the City to cancel the leases if sufficient funds are not appropriated. Since cancellation of the leases is not foreseen, the lease has been capitalized. Further, upon satisfaction of the lease obligations, asset title will pass to the City.

The City has copy equipment which was acquired through a capital lease (recorded in the Copy Center Internal Service Fund). Depreciation of the items acquired through this capital lease was \$769 thousand in fiscal year 2009 and was included in depreciation expense of capital assets.

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

	Internal Service Fund Copy Center
Asset:	
Furniture and Equipment	\$1,154
Less: Accumulated Depreciation	(769)
Total	<u>\$385</u>

The future minimum lease obligations as of September 30, 2009, were as follows (in thousands):

Fiscal Year Ending September 30,	General Fund
2010	<u>\$ 323</u>
Total minimum lease payments	\$ 323
Less: Amount representing interest	(10)
Present value of minimum lease Payments	<u>\$ 313</u>
Classified as:	
Current	\$313
Non-current	-
Total	<u>\$313</u>

The City does not have any material operating leases.

**J. 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.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**J. Conduit Debt: (continued)**

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 serving 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 nor the State, or any political subdivision thereof, are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Effective January 1, 1983, the City pursuant to Chapter 159, Florida Statutes, assumed responsibility for approving applications for IDB's and PAB's. As of September 30, 2009, the City had authorized \$2,034,577,469 in IDB's and PAB's, of which \$1,648,563,523 have been issued. 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, 2009, the City has authorized a total of \$776,236,000 Jacksonville Housing Finance Authority (JHoFA), formerly Duval County Housing Finance Authority (DCHF), Single Family and Multi-Family Bonds, of which \$541,721,142 have been issued. The amount of Single Family Housing Revenue Bonds authorized and issued are \$513,290,000 and \$363,166,142, respectively, with a total amount outstanding of \$40,882,663. The amount of Multi-Family Housing Bonds authorized and issued is \$262,946,000 and \$178,555,000, respectively, with a total amount outstanding of \$78,625,000. There were \$73,500,000 Multi-Family Housing Revenue Bonds authorized but unissued during the fiscal year ended 2009. The amount of Multi-Family Housing Bonds both authorized and issued during the fiscal year ended 2009 is \$73,500,000 and \$0, respectively. Refundings of previous issues make up \$88,120,000 of the total amount authorized, \$87,875,000 of the total amount issued, and \$28,267,663 of the total amount outstanding.

As of September 30, 2009, the City has authorized \$907,415,000 of Jacksonville Health Facilities Authority (JHFA) Bonds, of which \$861,096,184 have been issued. During 2009, the Jacksonville Health Facilities Authority issued \$ 30,000,000 of revenue bonds on behalf of Baptist Medical Center.



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**K. Interest Rate Swaps with Better Jacksonville Plan:**

On July 1, 2003, the City of Jacksonville entered into a 17-year floating receiver swap with Wachovia Bank rated A+. The notional amount of the swap as of September 30, 2009 was \$40,365,000 and has a termination date of October 1, 2020. There were no payments at the initiation of the swap. The City receives a floating rate of the BMA Index and pays a fixed rate of 4.01%, which could result in a basis risk if there are changes in the tax laws. The City receives payments monthly and makes payments semi-annually. The swap is related to the \$47,775,000 Transportation Revenue Bonds, Series 2003 (Auction Rate Securities), which, together with the \$80,275,000 Transportation Revenue Bonds, Series 2004A (with a swap notional amount of \$76,300,000), has been refunded by the \$121,740,000 Transportation Revenue Bonds, Series 2008B. The swap was structured as an integrated hedge with the same amortization as the bonds, which resulted in synthetic fixed rate debt. For purposes of credit, the swap is 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 this transaction unless a termination event occurs. The City retains the right to terminate this swap agreement at any time.

As of September 30, 2009, the underlying swap had a fair value of \$(4,276,665). This fair value was obtained by the counter-parties' mark-to-market reports submitted to the City. The threshold for posting collateral is when the market value of the swap exceeds \$(25 million); which then requires the City to post an amount of collateral equal to the residual exposure. Collateral is in the form of cash. A lower credit rating will also increase the amount of collateral required.

On September 30, 2004, the City of Jacksonville entered into a 23-year floating-to-fixed interest rate swap with Wachovia Bank rated Aa2/A+. The notional amount of the swap as of September 30, 2009 was \$76,300,000 and has a termination date of October 1, 2027. There were no payments at the initiation of the swap. The City pays Wachovia a fixed rate of 3.455% and receives floating based on 67% of 1-month LIBOR, which could result in a basis risk if there are changes in the tax laws. The swap is related to the \$80,275,000 Transportation Revenue Bonds, Series 2004A (Auction Rate Securities), which, together with the \$47,775,000 Transportation Revenue Bonds, Series 2003 (with a swap notional amount of \$40,365,000), has been refunded by the \$121,740,000 Transportation Revenue Bonds, Series 2008B. The swap was structured as an integrated hedge with the same amortization as the bonds, which resulted in synthetic fixed rate debt. For purposes of credit, the swap is 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 this transaction unless a termination event occurs. The City retains the right to terminate this swap agreement at any time.

As of September 30, 2009, the underlying swap had a fair value of \$(8,383,232). This fair value was obtained by the counter-parties' mark-to-market reports submitted to the City. The threshold for posting collateral is when the market value of the swap exceeds \$(25 million); which then requires the City to post an amount of collateral equal to the residual exposure. Collateral is in the form of cash. A lower credit rating will also increase the amount of collateral required.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
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**8. LONG-TERM OBLIGATIONS (continued)**

**K. Interest Rate Swaps with Better Jacksonville Plan: (continued)**

As of September 30, 2009, 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.

As of September 30, 2009, 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 based on the one month LIBOR. If the fixed rate is greater than the rates on the LIBOR index, the City will be liable for the difference.

As of September 30, 2009, 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.

**Swap Payments and Associated Debt**

Using rates as of September 30, 2010, the debt service requirements for the City's hedged variable-rate bon current interest rates remain the same for their term, were as follows (in thousands):

Fiscal Year Ending 9/30	Variable-Rate Bonds			Swap Interest Payments		
	Principal	Interest	Total	Fixed	Variable	Net
2010	\$ 4,475	\$ 400	\$ 4,875	\$ 4,090	\$ 258	\$ 4,348
2011	4,535	385	4,920	3,918	247	4,165
2012	5,160	369	5,529	3,740	236	3,976
2013	4,680	352	5,032	3,555	224	3,779
2014	5,615	336	5,951	3,349	210	3,559
2015-2019	38,840	1,353	40,193	12,781	783	13,564
2020-2024	32,945	1,221	34,166	5,373	673	6,046
2025-2029	21,320	1,077	22,397	1,112	552	1,664
	<u>\$117,570</u>	<u>\$5,493</u>	<u>\$123,063</u>	<u>\$37,918</u>	<u>\$3,183</u>	<u>\$41,101</u>

The actual rates as of September 30, 2010 for the bond and swaps as of fical year end were as follows:

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

The 7-day variable rate reset was 0.340%

The BMA rate for swap receipts was 0.329%

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 0.340%

The 67% of LIBOR rate for swap receipts was 0.175%

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**L. Interest Expense:**

Total interest expense for the fiscal year ended September 30, 2009 was \$94.3 million for governmental activities and \$8.3 million for business-type activities.

**M. JEA - Long-Term Debt:**

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System and District Energy System (DES) revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds, other than the SJRPP capital appreciation bonds, is payable semiannually on April 1 and October 1 and principal is payable on October 1.

In accordance with the requirements of the SJRPP First Power Park resolution and the Agreement for Joint Ownership and Construction and Operation of St. Johns River Power Park Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system is sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by resolution of that system, and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

The following JEA long-term debt presentation contains highly summarized data. A more detailed debt presentation is available in JEA's separately issued financial report, which may be obtained from its administrative office in the JEA Plaza at 21 West Church Street, Jacksonville, Florida 32202.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**M. JEA - Long-Term Debt: (continued)**

Long-term bonded debt activity for the year ended September 30, 2009 was as follows (in thousands):

	Bonds Payable September 30, 2008	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2009	Current Portion September 30, 2009
Electric System	\$ 2,834,164	\$ 514,115	\$ (392,685)	\$ (52,068)	\$ -	\$ 2,903,526	\$ 46,755
Bulk Power Supply	-	77,945	-	-	-	77,945	-
SJRPP System	1,337,730	64,305	-	(95,500)	2,528	1,309,063	100,205
Water and Sewer System	1,939,221	130,168	(89,420)	(23,200)	-	1,956,769	27,442
District Energy System	47,800	-	-	-	-	47,800	-
Total	\$ 6,158,915	\$ 786,533	\$ (482,105)	\$ (170,768)	\$ 2,528	\$ 6,295,103	\$ 174,402

**N. JAA - Long-Term Indebtedness:**

A summary of noncurrent liability activity for the year ended September 30, 2009 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Revenue bonds	\$ 127,375	\$ -	\$ 2,000	\$ 125,375	\$ 2,055
Revenue refunding bonds	57,355	-	4,795	52,560	4,985
Revenue notes	41,490	-	540	40,950	1,965
Total	226,220	-	7,335	218,885	\$ 9,005
Unamortized deferred loss on bond refunding	(10,211)	-	863	(9,348)	
Unamortized bond discount	(56)	-	3	(53)	
Unamortized bond premium	6,122	-	(509)	5,613	
Total bonds and notes payable	\$ 222,075	-	\$ 7,692	\$ 215,097	

The above JAA long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in JAA's separately issued financial report, which may be obtained by contacting the JAA Chief Financial Officer at P.O. Box 18018, Jacksonville, Florida 32229-0018.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**O. JPA - Long-Term Debt, Capital Leases and Other Noncurrent Liabilities:**

A summary of noncurrent liability activity for the year ended September 30, 2009 was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one year
Bonds payable, notes payable and capital leases:					
Revenue bonds	\$ 108,130	\$ -	\$ (1,190)	\$ 106,940	\$ -
Revenue refunding bonds	53,295	-	(1,715)	51,580	3,960
Commercial Paper	77,000	-	(77,000)	-	-
State Infrastructure Bank Loan	45,100	-	(3,650)	41,450	3,657
Unamortized original issue discounts, premiums, and amounts deferred on refunding	(1,340)	-	285	(1,055)	-
Total bonds and notes payable	<u>282,185</u>	<u>-</u>	<u>(83,270)</u>	<u>198,915</u>	<u>7,617</u>
Liability for pollution remediation	1,568	-	-	1,568	-
Capital Leases	6,242	-	(964)	5,278	1,001
Compensated Absences & other	1,298	576	(496)	1,378	396
Line of Credit	-	35,295	-	35,295	-
	<u>\$ 291,293</u>	<u>\$ 35,871</u>	<u>\$ (84,730)</u>	<u>\$ 242,434</u>	<u>\$ 9,014</u>

The above JPA long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in JPA's separately issued financial report, which may be obtained from its administrative office at 2831 Tallyrand Avenue, Jacksonville, Florida 32206.

**P. JTA – Long-Term Debt:**

Accrued compensated absences at September 30, 2009 consisted of the following (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	<u>\$ 308</u>	<u>\$ 190</u>	<u>\$ (34)</u>	<u>\$ 464</u>	<u>\$ 157</u>
<b>Business-type Activities:</b>					
Compensated absences	<u>\$ 813</u>	<u>\$ 1,733</u>	<u>\$ (1,342)</u>	<u>\$ 1,204</u>	<u>\$ 145</u>

The above JTA long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in JTA's separately issued financial report which may be obtained from its administrative office at 100 North Myrtle Avenue, Jacksonville, Florida 32203.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**9. PENSION PLANS**

The City sponsors two employer public employee retirement systems (PERS), administered by two separate and distinct pension boards of trustees, that provide retirement, death and disability benefits: the City of Jacksonville Retirement System and the Police and Fire Pension Plan. Substantially all employees of the City participate in one of these two plans. In addition, less than 1% of City employees participate in the State of Florida Retirement System.

The City of Jacksonville Retirement System, as amended, encompasses the Corrections Officers Retirement Plan which was established by the Laws of Florida 2004-411, and covers all certified Corrections Officers. Currently, both the General Employees Retirement Plan and the Corrections Officers Retirement Plan have the same benefits. Both are governed by the same board.

Under both the City of Jacksonville Retirement System and Police and Fire Pension Plans, the State of Florida requires plan contributions be made based upon an actuarial valuation and any contribution shortfalls are the responsibility of the City to fund. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

**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 to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.
- (2) **Method Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**9. PENSION PLANS (continued)**

**B. City of Jacksonville Retirement System:**

(1) Plan Description - The City of Jacksonville Retirement System is a cost-sharing, multiple-employer contributory defined benefit pension plan. All full-time City employees, the employees of JEA and the employees of JHA are eligible to participate in the General Employees Retirement Plan upon employment. All certified Corrections Officers employed by the City are eligible to participate in the Corrections Officers Retirement Plan upon employment. There are no separately issued financial statements for the City of Jacksonville Retirement System. The system is administered by a seven-member board of Trustees that makes recommendations to the City Council. The City Council is responsible for establishing or amending the pension plan provisions.

The payroll for members covered by the system was \$ 303.9 million during the 2009 fiscal year, consisting of \$175.6 million City of Jacksonville payroll, \$124.4 million JEA payroll and \$3.9 million JHA payroll. The total 2009 payroll was \$426.9 million for the City, \$140.5 million for the JEA, \$9.1 million for JPA, \$12.7 million for JAA and \$8.5 million for JHA, for a total of \$597.7 million.

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

Benefits vest after five years of credited service equal to 2 1/2% of a member's average earnings for each year of credited service up to 32 years with a maximum of 80%. Average earnings is the average monthly salary or wages for the highest 36 months of employment within the ten years preceding retirement. The regular benefit is increased by 3% on the April 1 nearest the fifth anniversary of the initial benefit commencement date, and on each April 1 thereafter. A monthly supplement is payable equal to 5 times the number of years of creditable service to subsidize retiree's health insurance. However, only that portion of the increase in excess of the supplement is payable. Members who terminate covered employment with less than five years of credited service shall be paid a refund of 100% of their contributions to the Plan. All members of the City of Jacksonville Retirement System are required to contribute 8% of their earnings actuarially determined and required by City Ordinance effective October 1, 1993. There is no mandatory retirement age.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**9. PENSION PLANS (continued)  
 B. City of Jacksonville Retirement System: (continued)**

At October 1, 2008, the most recent census data reported by the actuary, Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees with future benefits	<u>General Employee</u>	<u>Corrections Officer</u>	<u>Total</u>
Retired	4,534	88	4,622
Current employees:			
Vested	3,523	449	3,972
Nonvested	1,628	104	1,732
Total Current Employees	5,151	553	5,704
Total Membership	9,685	641	10,326

(2) Contributions - The City's funding policy provides for contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the "entry age" actuarial cost method. Under this method, the cost of each member's projected retirement benefit is funded through a series of payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age.

The level-percentage-of-payroll method is also used to amortize the unfunded liability and changes in Plan provisions, actuarial assumptions and gains and losses over a period of 30 years. If the Plan is in a surplus position, the surplus is recognized as an amortization credit in a level dollar amount over ten years. The amortization period is closed.

City contribution requirements are, as part of the funding policy, met through two sources; cash payments from the City, and allocations from the Past Excess Contribution account, maintained as part of the pension fund in accordance with State requirements to track prior payments made in excess of the actuarially required amounts. Contributions during fiscal year 2009 totaled \$58.2 million. The City contributed \$33.2 million in cash with no allocation from the past excess contribution account. Employees paid \$25.0 million. Contributions during fiscal 2008 and 2007 were \$57.0 million and \$54.5 million, respectively. These contributions were made in accordance with contribution requirements determined through an actuarial valuation performed February, 2009. The actuarial methods used for this purpose are the same as those used in determining funding progress.



**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**9. PENSION PLANS (continued)**

**B. City of Jacksonville Retirement System: (continued)**

(3) Trend Information - 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. Nine-year historical trend information is presented on a year-by-year basis and is included in the accompanying required supplemental information. The Schedule of Funding Progress – Actuarial Assumptions for this pension plan are as follows:

Actuarial Accrued Liability - Present values are determined under the Individual Entry Age Actuarial Cost Method.

Investment rate of return	8.4%
Projected salary increases	4.0% to 7.5%
Includes inflation at:	3.5%
Cost-of-living adjustments	3.00% and Def. 5yrs.
Amortization method	Level percent open
Remaining amortization period	24 to 30 years
Asset value method	5 year smoothing
Actuarial value of assets – General Employees	\$1,591,345
Actuarial value of assets – Corrections	\$ 86,358
Actuarial Accrued Liability – General Employees	\$2,065,464
Actuarial Accrued Liability – Corrections	\$ 181,031
Unfunded Actuarial Liability – General Employees	\$ 474,119
Unfunded Actuarial Liability – Corrections	\$ 94,673
Funded Ratio – General Employees	77.05%
Funded Ratio – Corrections	47.70%

(4) Annual Pension costs and Contributions – The fund had annual pension costs of \$34.6 million for the fiscal year ended September 30, 2009 which was equal to the actual and required contributions. Three-year trend information is as follows:

(in thousands)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)	Unfunded Actuarial Liability % of Covered Payroll
<u>Valuation Date</u>	<u>Cost</u>	<u>Contributed</u>	<u>(Asset)</u>	<u>% of Covered Payroll</u>
<b>General Employees Pension Plan</b>				
9/30/2007	29,297	101%	(284)	77.3%
9/30/2008	29,371	100%	(117)	126.1%
9/30/2009	29,491	100%	(156)	171.6%
<b>Corrections Officers Plan</b>				
9/30/2007	1,830	136%	(652)	142.1%
9/30/2008	4,329	100%	(21)	208.0%
9/30/2009	5,268	100%	146	342.3%

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**9. PENSION PLANS**

**B. City of Jacksonville Retirement System: (continued)**

(5) The Statement of Fiduciary Net Assets – Jacksonville Retirement System - General Employees and Corrections Officers Plan for the year ended September 30, 2009 is as follows (in thousands):

<b><u>ASSETS</u></b>	
Equity in cash and investments.....	\$ 28,747
Receivables	
Interest and dividends.....	4,130
Accounts.....	-
Total receivables.....	<u>4,130</u>
Investments, at fair value:	
U.S. Government obligations.....	43,993
Federal Agencies.....	117,271
Domestic corporate bonds.....	263,305
Short-Term Investments.....	37,319
Domestic stocks.....	543,579
International stocks.....	231,400
Real Estate.....	82,855
Other Fixed Income.....	60,509
Alternative Investments.....	43,556
Total investments.....	<u>1,423,787</u>
Capital assets:	
Other capital assets, net of depreciation.....	<u>5</u>
Net capital assets.....	5
Securities Lending Collateral.....	<u>103,599</u>
<b>TOTAL ASSETS.....</b>	<b><u>1,560,268</u></b>
<b><u>LIABILITIES</u></b>	
Obligations Under Securities Lending Agreement.....	105,108
Accounts payable and accrued liabilities.....	6,522
Accrued Compensated Absences.....	70
Due to Drop Participants.....	<u>5,023</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>116,723</u></b>
<b>NET ASSETS HELD IN TRUST FOR</b>	
<b>PENSION BENEFITS.....</b>	<b><u><u>\$ 1,443,545</u></u></b>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**9. PENSION PLANS**

**B. City of Jacksonville Retirement System: (continued)**

(6) The Statement of Changes in Fiduciary Net Assets – Jacksonville Retirement System for the year ended September 30, 2009 is as follows (in thousands):

<b><u>ADDITIONS</u></b>	
Contributions:	
Employer.....	\$ 32,765
Plan Member.....	25,018
Total contributions.....	<u>57,783</u>
Other additions:	
Miscellaneous.....	467
Transfer In.....	-
Investment income:	
Net appreciation (depreciation) in fair value of investments	
Interest, dividends, and Securities Lending.....	<u>(3,239)</u>
<b>TOTAL ADDITIONS.....</b>	<b><u>55,011</u></b>
<b><u>DEDUCTIONS</u></b>	
Benefits payments.....	114,989
DROP Benefits.....	2,749
Refunds of contributions.....	7,811
Administrative expenses.....	1,121
<b>TOTAL DEDUCTIONS.....</b>	<b><u>126,670</u></b>
Net change in net assets.....	(71,659)
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<b><u>1,515,204</u></b>
<b>NET ASSETS, END OF YEAR.....</b>	<b><u>\$ 1,443,545</u></b>

**C. Police and Fire Pension Plan:**

(1) Plan Description - The Police and Fire Pension Plan (the “Plan”) is a single-employer contributory defined benefit pension plan covering all full-time civil-service members of the City of Jacksonville’s Sheriff’s Office and Fire and Rescue Departments. The Plan is administered solely by a five-member board of trustees. There are separately-issued financial statements for the Police and Fire Pension Plan. The City’s payroll for members covered by the Plan was \$156 million during the fiscal year, excluding DROP participants. The Plan, as amended effective April 1, 2001, provides, in general, a 3% annual rate of accrual for retirement benefits after 20 years of credited membership, regardless of age, with a minimum benefit of 60% of the average salary received for the 52 pay periods immediately preceding retirement. An additional 2% for each completed year over 20 up to a maximum of 80% may be earned. There is no mandatory retirement age. Effective April 1, 2000, the Fund provides for a cost of living increase to pensioners and their beneficiaries of 3% per annum. Pension benefits vest after a minimum of five years of membership. Benefits are computed based on average salary for the 52 pay periods immediately preceding vesting multiplied by 3% times the number of credited years of service. Employees, in this category, may alternatively select a 100% payout of member contributions to the Plan without interest, upon withdrawal from the Plan.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**9. PENSION PLANS (continued)**

**C. Police and Fire Pension Plan: (continued)**

At September 30, 2009, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,926
Deferred Retirement Option Program (DROP) Participants	314
Terminated Employees entitled to benefits but not yet receiving them	38
Active plan members	<u>2,583</u>
Total membership	<u><u>4,861</u></u>

- (2) The City is currently contributing 32.11% of Plan members' salaries. The Plan members contribute 7.00% of salaries, and DROP participants contribute 2.00%. The remaining required contribution is primarily comprised of state insurance contributions, fines and forfeitures, and transfers from reserve account.

The State of Florida requires funding of pension contributions to be made based upon an actuarial valuation; the most recent valuation is as of October 1, 2008. The City Council has the authority to amend its contribution to the Plan to not less than the minimum state requirement.

- (3) Net Assets Available for Benefits - 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, consisting of the following actuarially computed components as of September 30, 2009 (in thousands):

Combined Reserve Account <sup>(1)</sup>	\$ 13,048
Base benefits fund	715,443
Total net assets available for benefits	<u><u>\$ 728,491</u></u>

<sup>(1)</sup> The value of the Combined Reserve Account is composed of the value of the City Budget Stabilization Account and the Enhanced Benefit Account.

The City stabilization reserve account 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 was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements. The base benefits fund consists of the assets pledged to provide fund benefits. The combined balances as of September 30, 2009, have been calculated under the terms of the 2000 agreement between the Plan and the City of Jacksonville.

- (4) Trend Information - 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. Six-year historical trend information, on a year- by-year basis, is included in the accompanying required supplemental information.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**9. PENSION PLANS (continued)**

**C. Police and Fire Pension Plan: (continued)**

Actuarial methods and assumptions used in the valuations on which reported information about the Annual Required Contribution, Annual Pension Cost, the funded status, and the funding progress of the Plan is based on the following:

Valuation date	October 1, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent, open
Remaining amortization period	5 - 30 years
Asset valuation method	5 year smoothing
Actuarial Assumptions:	
Net investment rate of return*	8.50%
Projected salary increases*	5.00%
*Includes inflation percentage of	3.00%
Post retirement benefit increases	3.00%
Actuarial value of assets	\$855,997
Actuarial accrued liability (AAL)	\$1,753,946
Unfunded AAL	\$897,949
Funded ratio	48.80%

See Note 1.B. concerning financial statement availability.

- (5) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of \$8.9 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 a Restated Agreement executed between the Plan and the City.

The Agreement stipulated that \$6.2 million of the \$8.9 million remittance received during the fiscal year is to be allocated for expenditures authorized within the current benefit structure, with the remaining \$2.7 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, \$1.6 million of the \$2.7 million uncommitted element was expended for ad-hoc non-recurring expenditures.

- (6) Annual Pension Costs and Contributions - The Fund had annual pension costs of \$67,993,368 for the fiscal year ended September 30, 2009, which was equal to the actual and required contributions. Three-year trend information is as follows: (in thousands)

<b>Plan fiscal years ended September 30th</b>	<b>Annual pension cost ("APC")</b>	<b>Percentage contributed</b>	<b>Net Pension Obligation</b>	<b>Unfunded Actuarial Liability % of Covered Payroll</b>
2007	55,927	100%	-	373.45%
2008	65,389	100%	-	538.23%
2009	67,993	100%	-	577.24%

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**9. PENSION PLANS** (continued)

**D. 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 \$463.9 million.

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after they have met one of the following; (1) after 30 years of service regardless of age; (2) six years of service and age 62; or (3) 25 years special risk service (age 55 if not continuous). Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death and disability benefits. Benefits are established by state statutes

- (2) Contributions – For the fiscal years ended September 30, 2009, 2008, and 2007, the City contributed \$562,000, \$569,000, and \$577,000 respectively, to the System for covered employees. For the fiscal year ended September 30, 2009, the contributions represented less than 1% of the System's total contributions required by all participating employers of \$3.2 billion. Contributions in fiscal years 2008 and 2007 were also less than 1% of the total contributions required by all participating employers, which amounted to approximately \$3.0 and \$2.3 billion per year.

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make contributions actuarially determined at the rates in effect at September 30, 2009, of 9.85% of the compensation for regular members, 20.92% for special risk members, 16.53% for elected county officials, 13.12% for senior management and 10.91% 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, 2009 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, 2009**

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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 7,919 active participants and 1,397 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 \$3.9 million in premiums for fiscal year 2009, representing 35.5% of the total fiscal year 2009 OPEB cost.

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

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

The City has elected to calculate the ARC and related information using the Entry Age Normal Salary Based Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 9.5% at September 30, 2009 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2018 of 5.0%. The salary increase assumption is 4% per year.

The actuarial accrued liability (AAL) was determined as of September 30, 2009, based on the above assumptions and cost method, and applied to member date current at September 30, 2009. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2009, with an AAL calculated to be \$137 million, which is unfunded (or 0% funded).

The annual covered payroll is \$387 million, resulting in an unfunded AAL of 35.4%. 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, 2009.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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:	<u>2009</u>	<u>2008</u>
Annual Required City Contribution (ARC)	\$ 10,933,000	\$ 13,280,398
Interest on Plan Obligation	371,000	-
Adjustment to ARC	(294,000)	-
Annual Plan Retiree Cost	<u>\$ 11,010,000</u>	<u>\$ 13,280,398</u>
Contributions Made	<u>(3,911,400)</u>	<u>(5,037,444)</u>
Change in Plan Obligation	7,098,600	8,242,954
Plan Obligation Beg of Year	<u>8,242,954</u>	<u>-</u>
Plan Obligation End of Year	<u>\$ 15,341,554</u>	<u>\$ 8,242,954</u>

At fiscal year end 2009, the City accrued \$14.839 million in the Governmental Statement of Net Assets, \$472,000 in the Business-Type Statement of Net Assets, \$30,000 in the Jacksonville Economic Development Commission (JEDC), and \$1,000 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 2009 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2007	12,280,398	37.9%	8,242,954
9/30/2009	11,010,000	35.5%	15,341,554

As of September 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$136.9 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$136.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$386.8 million and the ratio of the UAAL to the covered payroll was 35.4 percent.

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



**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**11. DEFERRED COMPENSATION PROGRAM AND 401A PLAN**

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

The City also provides a defined contribution plan under the Internal Revenue Code, Section 401(a). The plan provides an employer-paid, pre-tax allowance for employees under certain union contracts, managerial and confidential, and some appointed personnel. It also allows employees to participate on a post-tax basis. This benefit does not replace a pension plan, or serve in lieu of a qualified pension plan. The City contributes from .25% to 1.00% of the base salary of the employee depending on the bargaining unit and specific leave plan. For the year ended September 30, 2009, the City contributed \$436,855 for 401A plan benefits.

**12. RISK FINANCING**

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

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

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

**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 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
Wharfing Policy	City
Fine Arts Policy	City

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**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	\$1,000,000 <sup>(1)</sup>
\$1,200,000	Workers' Compensation	Statutory
\$100,000	Property (Real & Personal)	\$480,000,000 <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	\$105,625

<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.

The Division performs the following functions internally: loss prevention, workers' compensation claims, general liability and automobile liability claims, and related management activities.

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

**Estimated Risk Management Liability <sup>(1) (3)</sup>  
(In thousands)**

	<u>Discounted <sup>(2)</sup></u>	<u>Undiscounted</u>
Low	\$58,871,575	\$71,157,239
Middle	\$65,604,862	\$79,270,917
High	\$72,338,149	\$87,384,596

<sup>(1)</sup> Actuarial projection excludes property liability.

<sup>(2)</sup> 4 % yield on investments assumption

<sup>(3)</sup> Actuarial Unallocated Loss Adjustment Expense (ULAE) projections are \$6,285,202 discounted and \$7,461,194 undiscounted. Actuarial Unallocated Loss Adjustment Expense (ULAE) projections are not included.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**12. RISK FINANCING (continued)**

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

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2009, the City has available excess revenues in the Self-Insurance fund of \$8,243 (in thousands) and an operating reserve in the amount of \$2,499, (in thousands) for a combined unrestricted net asset of \$10,742 (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, 2009.

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$ 11,953	\$ 11,252	\$ 70,972	\$ 66,722	\$ 82,925	\$ 77,974
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	3,586	5,066	8,973	13,175	12,559	18,241
Increases (decreases) in provision for insured events of prior fiscal years	<u>257</u>	<u>1,073</u>	<u>9,077</u>	<u>4,551</u>	<u>9,334</u>	<u>5,624</u>
Total incurred claims and claim adjustment Expenses	<u>3,843</u>	<u>6,139</u>	<u>18,050</u>	<u>17,726</u>	<u>21,893</u>	<u>23,865</u>
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,428	1,942	3,147	2,894	4,575	4,836
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>3,173</u>	<u>3,496</u>	<u>10,338</u>	<u>10,582</u>	<u>13,511</u>	<u>14,078</u>
Total Payments	<u>4,601</u>	<u>5,438</u>	<u>13,485</u>	<u>13,476</u>	<u>18,086</u>	<u>18,914</u>
Total unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 11,195</u>	<u>\$ 11,953</u>	<u>\$ 75,537</u>	<u>\$ 70,972</u>	<u>\$ 86,732</u>	<u>\$ 82,925</u>

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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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, 2009, (in thousands):

	<b>Fund Balance/ Net Asset</b>
Major Capital Fund:	
Better Jacksonville Plan Construction Project	\$(31,688)
Non-Major Enterprise Fund:	
Baseball Stadium	(179)
Non-Major Special Revenue Fund:	
Public Safety	(1,790)
Internal Service Funds:	
Copy Center	(432)

The Better Jacksonville Plan is a \$2.25 billion construction plan that was appropriated in its entirety in FY2001. Funding for the plan comes from two ½ cent dedicated sales tax and from bond issued to support the construction as it occurs. In FY2009, the fund balance went negative due to the timing of debt issues versus construction expenditures. The City will address the deficit in FY2010 with currently authorized but unissued Better Jacksonville bonds.

The Baseball Stadium Net Asset deficit is due to transferring \$29.3 million net book value for assets and \$30.6 million of related debt to the enterprise fund from Governmental Activities City wide in 2008. The transfer was made to align all activity for the arena into one fund. The deficit will be eliminated over time as the bond principal payments will be greater under the debt schedule as compared to the reduction in net book value for the assets due to the straight line depreciation recorded over the life of the assets in the fund.

Public Safety – The Emergency Incidents Fund deficit is a result of Tropical Storm Fay. The deficit is made up of the 12.5% share of the costs and those costs that were not covered for reimbursement under the Stafford Act. The city will ultimately have to cover these costs after the event has been audited and is ready to close.

The Copy Center’s rates are being reviewed and will be adjusted to reduce the fund deficit in FY 2010.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**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 (the "Act") 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 postclosure 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 postclosure 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 Postclosure Care Costs. A liability of the Solid Waste Disposal Enterprise Fund (the "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 postclosure care costs at September 30, 2009, is (in thousands):

	Balance, September 30, 2008	Accrual of Costs	Payment of Costs	Balance, September 30, 2009
Closed Landfills -				
Postclosure care costs	\$ 11,333	\$ (303)	(\$740)	\$ 10,290
Operating Landfill -				
Closure and Postclosure care costs	<u>34,910</u>	<u>18,468</u>	<u>-</u>	<u>53,378</u>
Total Landfill Postclosure Care Costs	\$ 46,243	\$ 18,165	(\$740)	\$ 63,668

At September 30, 2009, the closure and postclosure care costs for the closed landfills (North and East sites) had been fully accrued as these two landfills both stopped accepting solid waste in April 1992. Of the total MSWLF closure and postclosure care cost liability, \$46.2 million had been accrued for the cost of closure and \$17.5 million has been increased for postclosure care costs through September 30, 2009.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES**

**C. Landfill Closure and Postclosure Care Costs: (continued)**

Funding MSWLF costs for these two closed landfills will be provided from future operating revenues of Solid Waste Disposal Enterprise Fund activities. As discussed in Note 1.P., after adjustments for the current year change in estimate, the \$61.2 million in MSWLF closure and postclosure care costs recorded for the City's two closed landfills, North and East, and the \$9.1 million in Waste Dump Site decontamination costs have been capitalized and recorded as a deferred charge in the Solid Waste Disposal Enterprise Fund. Through fiscal 2008, \$22.4 million of this deferred charge had been expensed to solid waste disposal operations. Additionally, during fiscal 2009, \$2.7 million of this deferred charge was expensed to solid waste operations, resulting in a balance at September 30, 2009, of \$19.7 million. It is the intent of the City that these costs be recovered from future operating revenues of the Solid Waste Disposal Enterprise Fund, and accordingly will be recognized as operating expenses as such revenue is earned.

The total closure and postclosure liability for the operating landfill (Trailridge) is \$53.4 million. This total is based on the estimated capacity used of 69.682% or 13,947,154 tons used with a total estimated capacity of 20,015,335 tons. The City will recognize the remaining estimated cost of closure and postclosure costs of \$23.2 million as the remaining capacity is filled.

These amounts are based upon what it would cost to perform all closure and postclosure care in 2009. The City expected to close the landfill in approximately three years (2012); however, it is presently extending the life of the landfill by increasing the capacity (Phase III) and the life to 24 more years (2036). As mentioned, actual costs may be higher due to inflation, changes in technology, or changes in environmental regulations.

Annually, the Florida Department of Environmental Protection (FDEP) requires the City to meet a proof of financial responsibility for its two closed (East and North) and one open (Trailridge) municipally owned landfills. This proof of financial responsibility provides assurance to FDEP that future closure and postclosure care costs will be adequately funded by the City. At September 30, 2009, this proof of financial responsibility has been met by the City under Rule 62-701.630(5)(c) of the Florida Administrative Code by \$28.7 million in deposits made to a restricted cash escrow account of the Solid Waste Disposal Enterprise Fund.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

The amount to be deposited into the escrow account is based on estimates made annually by a registered Professional Engineer plus an adjustment for additional future costs associated with the closing of the Trail Ridge landfill. The escrow account was comprised of the following estimated components at September 30, 2009 (in thousands):

	<u>Trail Ridge</u>	<u>North</u>	<u>East</u>	<u>Total</u>
Current cost of closure (1)	\$21,611,053	\$ -	\$ -	\$21,611,053
Annual cost of postclosure care (2)	-	889,771	380,299	1,270,070
Total estimated closure and postclosure care costs	<u>\$ 21,611,053</u>	<u>\$ 889,771</u>	<u>\$ 380,299</u>	<u>\$ 22,881,123</u>
Balance in escrow account (3)	\$ 27,408,772	\$ 889,771	\$ 380,229	\$ 28,678,772
City funding above state minimum (4)	\$ 5,797,719	\$ -	\$ -	\$ 5,797,719

1) Trail Ridge – Total submitted cost of \$ 25,424,769 x 17/20 (requirement is to annually fund current estimate divided by years remaining in landfill life; landfill is expected to reach capacity in 2012; at September 30, 2009 17 years of the 20 year landfill life have passed), North – landfill was certified closed in October 1999, East landfill was certified closed in April 1995.

2) Trail Ridge – Total cost of \$ 33,864,394 x 0/30 (since landfill is not closed yet, 30 year post closure care period has not begun) North – total cost of \$ 17,795,416 x 1/20 (requirement is to fund one year of postclosure care), East – total cost of \$ 7,605,975 x 1/20 (requirement is fund one year postclosure care).

3) The \$28,678,842 escrowed amounts are accounted for in the Solid Waste Disposal Fund, in separate subfund 443 - Landfill Closure per City of Jacksonville ordinance and is legally restricted. It consists of bank accounts to meet DEP funding requirements, with remaining funds to meet the additional amount required by the City of Jacksonville funding ordinance.

4) The City funding above the state minimum of \$ 5,797,719 represents the difference between the funding required by the State of Florida and the funding required by City ordinance. The funding of landfill closure is based on a formula passed by City ordinance, which approximates the projected cash flow needs for the future liability as calculated under GASB 18 – Accounting for Municipal Solid Waste Landfill Closure and Postclosure care costs. The liability is based on a per cell closing methodology utilized by the Solid Waste Division of the City.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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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 the Jacksonville Municipal 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.



**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**14. LESSOR OPERATING LEASE (continued)  
 A. Jacksonville Jaguars, Inc.**

A summary of scheduled lease payments is as follows:

<u>Year</u>	<u>Payment</u>
2010	3,964,861
2011	4,127,519
2012	4,091,334
2013	4,047,200
2014	4,006,519
2015 - 2019	22,931,825
2020 - 2024	20,242,264
2025 - 2029	31,100,431
2030	3,074,554

**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 40 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 federal

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**B. Grants and Contracts: (continued)**

grant, contracts or their sponsored agreements. Certain agencies and departments may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allocability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the City.

**C. Self-Insurance:**

Through the City's Risk Management Division, the City maintains an insurance and self-insurance program (See Note 12). The Division administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and Jacksonville Aviation Authority under the City's Ordinance Code Chapter 128. The City purchases commercial insurance for workers' compensation claims in excess of \$1.2 million. Under the laws of the State of Florida, the City has sovereign immunity for state tort claims in excess of \$100,000 per person, and \$200,000 per occurrence. 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) became effective in fiscal year 2009. GASB 49 provides proper 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

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

The City recorded a pollution remediation liability as of September 30, 2009 of approximately \$154.2 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. This did not have any material effects on beginning balance of net assets for FY09. 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.

The USEPA identified the City as a 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 EPA 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. The Florida Department of Environmental Protection (FDEP) has submitted a demand to the PRPs to assess the site further to determine the extent of contamination that may remain after the removal action. The liability to FDEP is being assessed, but the site may be eligible for the state-funded clean up program, relieving the City of any financial exposure. Because of the uncertainty of this event, no accrual has been recorded.

Incinerator Ash Site Pollution Remediation: 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 U. S. Environmental Protection Agency (EPA) 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 \$110.9 million has been accrued based on the City's estimate used in its five year capital project plan. Approximately \$22.7 million has been appropriated for FY2010.

Department of Environmental Protection (DEP) Sites: The City, working in conjunction with the DEP, have identified four sites of potential liability including the Burke St. Lime Pitts, Doe Boy Dump Site, Gold Merit / Pope Plan and Southside Incinerator Site.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

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

The project, which is estimated to take several years to complete once started, has an estimated cost of \$37.18 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 \$5.5 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

The liability for the Waste Dump Site at September 30, 2009, of \$0.632 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 Environmental Protection Agency. The City was identified as a responsible party, sharing 65% of the total clean-up costs

**E. Shipyards Project:**

In previous fiscal years, the City provided economic development grant monies to a developer totaling approximately \$36.5 million, funded by tax exempt bond proceeds (City of Jacksonville, Florida Excise Tax Revenue Bonds, Series 2001B). The grant was to provide for certain public improvements related to a project titled "Shipyards". The original developer did not complete the improvements anticipated in the public offering, and a City review of the project determined that the developer had inappropriately spent City grant proceeds (financed by the bonds) on private use elements of the overall project and/or business expenditures not related to the project, and therefore was in default under the Redevelopment Agreement. The City also determined that the original developer's default may have resulted in the private use portion of the bond proceeds exceeding limits allowed by the tax code. On June 28, 2005 the City reached agreement with a replacement developer to provide the anticipated public improvements with some modifications, and soon thereafter the developer commenced work on certain of the public improvements. In April 2009, the City deemed the replacement developer in default under the terms of replacement development agreement and in June 2009 the developer filed for bankruptcy protection. The City has obtained approval from the bankruptcy court to pursue a foreclosure action for purposes of obtaining title to the entire property through the foreclosure process.

The City anticipates that over time the tax exempt status of interest on the bond issue will be preserved by virtue of the City's retained beneficial ownership of the property in addition to the modified public improvements made by the replacement developer prior to their default.

The City in a previous fiscal year elected to notify the Internal Revenue Service of the matter and enter into voluntary negotiations intended to preserve the tax exempt status of interest on the bonds and provide for a city settlement payment. The settlement is anticipated to address the time period between the point of misuse and the substitution of appropriate public uses, and the incremental cost between tax exempt and taxable debt. While the City has submitted legal arguments that it believes will result in favorable settlement terms, the City estimates that the eventual settlement payment could be as much as \$2.5 million. This amount is accrued in the entity-wide financial statements as due to independent agencies and other governments.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**F. Other Litigation:**

The City is involved in a federal court litigation concerning alleged breach of agreement claims involving its landfill and disputed costs. The plaintiff seeks unspecified damages, but is expected to claim damages of over \$1,000,000 from the City.

The City is involved in a matter where the plaintiff is seeking reimbursement of attorney fees for previous litigation. Currently the parties have agreed on a stay of further litigation until the Court of Appeals renders a decision on a related issue. Potential liability exposure is \$1,400,000 plus interest running from April 2008.

The City is involved in two state law claims for negligence involving a motor vehicle accident. Maximum potential liability exposure is \$100,000 per claim.

The City is involved in a federal civil rights and wrongful death claim. Discovery is pending. Liability is not likely, but the plaintiff is seeking a large sum of damages. A potential loss estimate cannot be made at this time.

The City is involved in a case filed in state court by property owners for violation of civil rights, negligence, and inverse condemnation for the City's emergency demolition of property. Maximum potential liability is the value of the plaintiff's property plus attorney fees. Estimated potential liability exposure is \$200,000 - \$500,000.

The City is involved in a state law claim for negligence in connection with an accident involving an alleged defective sidewalk. Maximum potential liability exposure is \$100,000.

Since September 30, 2009, the City settled several legal matters including: state law claims for negligence and other threatened state law claims. The City does not consider the settlement amounts to be material.

In accordance with relevant accounting standards, no accrual has been made in the accompanying financial statements for these cases because relevant criteria have not been met. Funding for these payments, if any, will be from general revenue sources and earnings.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**G. Construction Commitments:** At September 30, 2009, the City had major construction contracts for the following projects:

<b>Public Works Projects</b>	
Ed Ball Building	\$ 1,547,402
<b>Economic Development Projects</b>	
Edward Waters College	550,000
Hallmark Partners - Phase I & II	9,021,850
Miles Development - Phase I & II	5,421,449
Pinnacle Project	800,000
Shipyards Project	3,122,399
<b>Infrastructure Projects</b>	
Pedestrian Vehicle RR Crossing	3,358,702
Coastline Drive & Riverwalk Repairs	958,198
Metro Park Marina - lighting, Elec & Water	671,400
Springfield Rd Improvement Project	513,896
<b>Public Works/Banking Fund Improvement Projects</b>	1,921,779
<b>Courthouse Projects</b>	157,354,138
<b>Public Works Road Projects</b>	42,703,328
<b>Countywide Resurfacing</b>	8,986,926
<b>Drainage Rehab Projects</b>	9,532,524
<b>Septic Tank Remediation</b>	15,284,831
<b>Jacksonville Ash Site</b>	6,377,027
<b>Radio System Replacement</b>	1,374,448
	<u>\$ 269,500,297</u>

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**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**H. Encumbrance Commitments:**

At September 30, 2009, the City had encumbrance commitments in the Governmental Funds as follows:

**ENCUMBRANCES: (in thousands)**

**MAJOR FUNDS**

General Fund	\$16,705
* Better Jacksonville Construction Project	84,513
	<hr/>
<b>Total Major Funds</b>	<b>101,218</b>

**NON-MAJOR FUNDS**

Concurrency Management Fund	3,137
Air Pollution Control & Monitoring Fund	-
Tourism Development Fund	1,467
Clerk of the Court	58
Transportation Fund	2,365
Budgeted General Government	4,926
Public Safety Fund	31
Emergency 9-1-1 Fund	415
Tax Increment Districts Fund	950
Jacksonville Children's Commission	1,213
Community Development Block Grant	5,502
Maintenance, Parks and Recreation Fund	106
Other Federal, State, & Local Grants Fund	10,009
Housing and Neighborhoods	2,932
State Housing Initiative Partnership	4,745
Non-Budgeted General Government	651
General Project	34,819
Bond Projects	25,933
Grant Projects Funds	5,737
River City Renaissance Project Fund	3
<b>Total Non-Major Funds</b>	<b>105,001</b>
	<hr/>
<b>TOTAL ENCUMBRANCES</b>	<b>\$206,218</b>

\*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.

**16. SUBSEQUENT EVENTS**

**A. City Debt Issuance**

On December 15, 2009 the City issued bonds totaling \$107,640,000 as Special Revenue Bonds Series C-1 Bonds (\$70,330,000 tax exempt) and Taxable Special Revenue Bonds Series 2009 C-2 (\$37,310,000 Build America Bonds) to finance a portion of the costs of acquisition and construction of certain drainage and Capital Improvement Plan projects and to fund a portion of the City's composite Special Revenue Bond Cash Debt Service Reserve Account.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**16. SUBSEQUENT EVENTS (continued)**

**B. Defined Contribution Pension Plan**

On October 1, 2009 the City introduced a Defined Contribution (DC) Plan alternative to the City's Defined Benefit (DB) Plan for all full time new and existing employees. The DC alternative plan was established within the Jacksonville Retirement System and administered by the same seven-member Board of Trustees. The City Council is responsible for establishing or amending plan provisions.

**C. Pension lawsuit**

In December 2009, a group of plaintiffs filed an action against the City in federal court. The plaintiffs alleged that the City operated its General Employees Pension Plan and its Correctional Officers Pension Plan in such a manner that it violated the American with Disabilities Act and the terms of the pension itself by requiring a different process to be followed for persons with certain medical issues. Subsequently, plaintiffs alleged a class action in an amended complaint, which the City answered and to which affirmative defenses were raised. Initial reviews of the potential class indicate that it may be approximately 1,300. Plaintiffs seek 1) admission into the pension plan and 2) purchase or credit by the City for pension contributions for years in which plaintiffs were excluded, and attorneys fees.

**D. Police and Fire Pension**

The City contribution percentage to the Police and Fire Pension Plan increased by 18.91% for the fiscal year beginning October 1, 2009. The increase in contribution is the result of the most recent actuarial valuation.

**E. JEA**

JEA made additional debt draws and issued bonds to finance capital expenditures and refund existing debt. The draws for capital expenditures, which will be replaced with permanent financing in 2010, total \$14,000,000. The refunding draw totals \$ \$4,285,000. The bonds issued include \$45,955,000 of Electric System Revenue Bonds, Series Three 2009D and \$68,600,000 of Electric System Subordinated Revenue Bonds, 2009 Series F to fund capital expenditures. JEA also issued \$27,675,000 of Subordinated Electronic System Revenue Bonds, 2009 Series G to refund prior issues.



**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**A. JEA/City of Jacksonville**

JEA is a separately-governed authority and is also considered to be a discretely presented component unit of the City of Jacksonville. JEA provides electric, water and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City, including insurance, legal and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows (in thousands):

	<u>Revenues</u>	<u>Expenses</u>
Fiscal year 2009	\$ 35,056	\$ 6,176

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2009 is the first year of an eight year agreement. This calculation is subject to a minimum average increase of \$2,500,000 per year using 2008 as the base year for the combined assessment for the JEA Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

The JEA Electric System is required to contribute annually to the City’s General Fund an amount not to exceed 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA’s service area, and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA’s St. Johns River Power Park System. The contribution for fiscal year 2009 amounted to \$76,094,124. The JEA Water and Sewer System is required to contribute annually to the City’s General Fund an amount not to exceed 2.1 mils per cubic foot of potable water and sewer service provided, excluding reclaimed water service. The contribution for fiscal years 2009 amounted to \$20,593,422.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA may, in its sole discretion, utilize any of its available revenues regardless of source to satisfy its total annual obligation to the City.

In addition to the contributions described above, JEA is also obligated to make semi-annual payments with respect to a portion of the debt service for the City’s Excise Tax Revenue Bonds, Series 1999A and 1995A through Fiscal Year 2009. In fiscal year 2009, JEA made principal and interest payments to the City of \$1,124,000.

**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, 2009, JEA recorded \$30,999,000 and \$6,534,000 in its electric and water and sewer funds, which are included in JEA operating revenues and expenses.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

**A. JEA/City of Jacksonville (continued)**

**Risk Management** - JEA insures its risks related to general liability, automobile liability, and workers' compensation through the City's self insurance program. The City's Director of Administration and Finance manages the self-insurance program, estimates the liabilities through actuarial and other methods, and assesses the user departments and agencies. JEA purchases property insurance separate from the City for its insurable assets. In addition, JEA purchases property, liability and workers' compensation insurance for its St. Johns River Power Park facility, including ownership interest of Florida Power and Light Company, as an additional insured.

**Better Jacksonville Plan** - The City is providing funding for sewer improvements as a part of the Better Jacksonville Plan. The City receives sales tax revenues, a portion of which are used for capital contributions to JEA for sewer improvements. These contributions amounted to \$1,516,000 in fiscal year 2009.

**B. JPA – Prior Period Restatement**

In 2009, JPA adopted Governmental Accounting Standards Board (GASB) No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. As a result, JPA reduced net assets, invested in capital assets by \$777,000 for amounts previously capitalized, and reduced unrestricted net assets by \$1,568,000 for estimated liabilities recognized in accordance with GASB 49.

**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 Assets** – are liquid assets (generated from revenues and not bond proceeds), 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.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**18. NET ASSETS: (continued)**

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 22)	\$ (393,192)
Impact of Better Jacksonville Plan’s (BJP) bond financed capital expenditures incurred by component units and other entities. Includes refinancing of state held debt for associated component unit.	438,690
Economic Incentives to be repaid by TIF revenue and/or Developer	<u>46,931</u>
Governmental - Unrestricted Net Assets (adjusted for dedicated revenue funded portions)	<u><u>\$ 92,429</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.

**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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**19. FUND BALANCE DISCLOSURE: (continued)**

- 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. Budget is then formally presented to City Council the first Council Meeting in July for their review, revisions and final approval by September 30th, at which time it becomes law. All subsequent budget requests made during the year, after Council’s approval, must be presented on a Budget Transfers (BT) and again approval by Council. City Council may also amend the budget outside of the BT process.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned through the following: 1) The Director of Finance is authorized by City Council to assign amounts for a specific purpose. (2) The City Council has authorized the Director of Finance, in coordination with the Council Auditor, to recapture excess fund balance that isn’t restricted or committed and transfer the excess to the General Fund – General Service District. Excess fund balance that is not recaptured is classified as assigned by the Director of Finance to be used for the purpose of the subfund.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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.

The City Council established an emergency reserve policy and fund beginning with the fiscal year 2006 budget. The emergency fund 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 City Council, explaining the emergency, and requires approval by two-thirds vote of all City Council members.

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.

19. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION

	MAJOR FUNDS			
	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS	BETTER JACKSONVILLE PLAN CONSTRUCTION PROJECT
<b>FUND BALANCES:</b>				
<b>Non Spendable:</b>				
Inventories	\$ 6,259	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>Spendable:</b>				
<b>Restricted for:</b>				
Debt Service Reserved by Debt Covenants	-	87,371	15,360	-
Waterway Projects	-	-	-	-
Shipyards Project	-	-	-	-
Park Projects	-	-	-	-
Conservation and Resource Management	-	-	-	-
Transportation Projects	-	-	-	-
Other Grants	-	-	-	-
Human Services	-	-	-	-
Regional Stormwater Facilities	-	-	-	-
Environmental	-	-	-	-
Drainage System Projects	-	-	-	-
Housing and Urban Development	-	-	-	-
Building	-	-	-	-
Public Safety	-	-	-	-
Other Infrastructure and Development	-	-	-	-
Other Facilities Improvement	-	-	-	-
Other	-	-	-	-
<b>Committed to:</b>				
City Council Emergency Use	44,112	-	-	-
Debt Service	-	-	-	-
Drainage Projects	-	-	-	-
Waterway Projects	-	-	-	-
Water-Sewer Combination	-	-	-	-
Park Projects	1,641	-	-	-
Planning Projects	6,763	-	-	-
Physical Environment	-	-	-	-
Conservation and Resource Management	-	-	-	-
Transportation Projects	856	-	-	-
Emergency and Disaster Relief	-	-	-	-
Court Projects	-	-	-	-
Public Safety	8,676	-	-	-
Human Services	-	-	-	-
Industry Development	-	-	-	-
Other Grants	-	-	-	-
Other	798	-	-	-
<b>Assigned to:</b>				
Debt Service	-	-	4,860	-
Transportation Projects	142	-	-	-
Parks Projects	273	-	-	-
Planning Projects	1,124	-	-	-
Public Safety	1,442	-	-	-
Other	133	-	-	-
<b>Unassigned:</b>				
Unassigned	37,962	(261)	-	(31,688)
Total Fund Balances	<u>\$ 110,181</u>	<u>\$ 87,110</u>	<u>\$ 20,220</u>	<u>\$ (31,688)</u>

**NONMAJOR  
SPECIAL REVENUE FUNDS**

<b>CONCURRENCY MANAGEMENT</b>	<b>AIR POLLUTION CONTROL AND MONITORING</b>	<b>TOURISM DEVELOPMENT</b>	<b>CLERK OF THE COURT</b>	<b>TRANSPORTATION FUND</b>	<b>BUDGETED GENERAL GOVERNMENT</b>	<b>PUBLIC SAFETY</b>	<b>EMERGENCY 9-1-1</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	642	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	142	-	-	-
-	-	-	-	-	-	-	-
2,642	-	-	-	-	566	-	-
-	640	-	-	-	20,913	-	-
61,362	-	-	-	38,931	-	-	6,349
-	-	-	200	-	10,248	-	-
-	-	-	-	-	3,164	525	-
-	-	3,319	-	-	-	-	-
-	-	-	-	-	-	-	-
57	-	789	-	-	828	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,315)	-
<u>\$ 64,061</u>	<u>\$ 1,282</u>	<u>\$ 4,108</u>	<u>\$ 200</u>	<u>\$ 39,073</u>	<u>\$ 35,719</u>	<u>\$ (1,790)</u>	<u>\$ 6,349</u>

(continued)

CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2009

19. FUND BALANCE DISCLOSURE (continued)

A. FUND BALANCE CLASSIFICATION (continued)

	<u>TAX INCREMENT DISTRICTS</u>	<u>JACKSONVILLE CHILDREN'S COMMISSION</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>	<u>JOB TRAINING PARTNERSHIP ACT GRANT</u>	<u>MAINTENANCE PARKS AND RECREATION</u>
<b>FUND BALANCES:</b>					
<b>Non Spendable:</b>					
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
<b>Spendable:</b>					
<b>Restricted for:</b>					
Debt Service Reserved by Debt Covenants	-	-	-	-	-
Waterway Projects	-	-	-	-	-
Shipyards Project	-	-	-	-	-
Park Projects	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Other Grants	-	-	-	-	-
Human Services	-	-	-	629	-
Regional Stormwater Facilities	-	-	-	-	-
Environmental	-	-	-	-	-
Drainage System Projects	-	-	-	-	-
Housing and Urban Development	-	-	3,898	-	-
Building	-	-	-	-	-
Public Safety	-	-	-	-	-
Other Infrastructure and Development	-	-	-	-	-
Other Facilities Improvement	-	-	-	-	-
Other	-	-	-	-	-
<b>Committed to:</b>					
City Council Emergency Use	-	-	-	-	-
Debt Service	-	-	-	-	-
Drainage Projects	-	-	-	-	-
Waterway Projects	-	-	-	-	-
Water-Sewer Combination	-	-	-	-	-
Park Projects	-	-	-	-	2,762
Planning Projects	-	-	-	-	-
Physical Environment	-	-	-	-	-
Conservation and Resource Management	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Emergency and Disaster Relief	-	-	-	-	-
Court Projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Human Services	-	4,825	-	-	-
Industry Development	950	-	-	-	-
Other Grants	-	-	-	-	-
Other	-	-	-	-	-
<b>Assigned to:</b>					
Debt Service	-	-	-	-	-
Transportation Projects	-	-	-	-	-
Parks Projects	-	-	-	-	-
Planning Projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Other	3,707	-	-	-	-
<b>Unassigned:</b>					
Unassigned	-	-	-	-	-
Total Fund Balances	<u>\$ 4,657</u>	<u>\$ 4,825</u>	<u>\$ 3,898</u>	<u>\$ 629</u>	<u>\$ 2,762</u>

NONMAJOR  
SPECIAL REVENUE FUNDS

<u>METROPOLITAN PLANNING ORGANIZATION</u>	<u>OTHER FEDERAL, STATE AND LOCAL GRANTS</u>	<u>BETTER JACKSONVILLE PLAN TRUST</u>	<u>HOUSING AND NEIGHBORHOODS</u>	<u>STATE HOUSING INITIATIVE PARTNERSHIP</u>	<u>NON-BUDGETED GENERAL GOVERNMENT</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,599	18,676	-
-	106	-	-	-	-
-	-	-	-	-	-
125	263	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	920
-	-	-	-	-	-
-	-	-	-	-	5,043
-	-	-	-	-	-
-	-	-	-	-	-
-	-	21,167	-	-	-
-	4,583	-	-	-	-
-	-	-	-	-	-
-	355	-	-	-	4,604
-	5,070	-	-	-	-
-	-	-	-	-	-
-	4,462	-	-	-	-
-	-	-	-	-	3,803
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 125</u>	<u>\$ 14,839</u>	<u>\$ 21,167</u>	<u>\$ 28,599</u>	<u>\$ 18,676</u>	<u>\$ 14,370</u>

(continued)



CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2009

19. FUND BALANCE DISCLOSURE (continued)

A. FUND BALANCE CLASSIFICATION (continued)

	NONMAJOR DEBT SERVICE FUNDS		NONMAJOR CAPITAL PROJECTS FUNDS			
	GENERAL BONDED DEBT OBLIGATIONS	OTHER NON-BONDED DEBT OBLIGATIONS	GENERAL PROJECTS	BOND PROJECTS	GRANT PROJECTS	RIVER CITY RENAISSANCE PROJECT
<b>FUND BALANCES:</b>						
<b>Non Spendable:</b>						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-
<b>Spendable:</b>						
<b>Restricted for:</b>						
Debt Service Reserved by Debt Covenants	-	-	-	-	-	-
Waterway Projects	-	-	-	-	1,266	-
Shipyards Project	-	-	-	3,122	-	-
Park Projects	-	-	-	2,823	2,846	142
Conservation and Resource Management	-	-	-	-	-	-
Transportation Projects	-	-	-	9,734	859	3,267
Other Grants	-	-	-	-	616	1,112
Human Services	-	-	-	-	-	-
Regional Stormwater Facilities	-	-	-	9,022	-	-
Environmental	-	-	-	-	-	-
Drainage System Projects	-	-	-	2,213	-	-
Housing and Urban Development	-	-	-	-	-	-
Building	-	-	-	1,832	-	-
Public Safety	-	-	-	-	-	-
Other Infrastructure and Development	-	-	-	1,826	-	-
Other Facilities Improvement	-	-	-	954	-	-
Other	-	-	-	356	50	-
<b>Committed to:</b>						
City Council Emergency Use	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Drainage Projects	-	-	1,779	-	-	-
Waterway Projects	-	-	-	-	1,829	-
Water-Sewer Combination	-	-	9,522	-	-	-
Park Projects	-	-	1,660	-	1,369	-
Planning Projects	-	-	-	-	-	-
Physical Environment	-	-	8,924	-	-	-
Conservation and Resource Management	-	-	-	-	-	-
Transportation Projects	-	-	9,729	-	-	-
Emergency and Disaster Relief	-	-	-	-	-	-
Court Projects	-	-	-	-	-	-
Public Safety	-	-	20	-	-	-
Human Services	-	-	-	-	-	-
Industry Development	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-
Other	-	-	3,645	-	574	-
<b>Assigned to:</b>						
Debt Service	-	197	-	-	-	-
Transportation Projects	-	-	-	-	-	-
Parks Projects	-	-	-	-	-	-
Planning Projects	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Unassigned:</b>						
Unassigned	-	-	-	-	-	-
Total Fund Balances	\$ -	\$ 197	\$ 35,279	\$ 31,882	\$ 9,409	\$ 4,521

<u>NONMAJOR PERMANENT FUND</u>	<u>ALL FUNDS</u>	
	<u>TOTAL</u>	
	<u>2009</u>	<u>2008</u>
\$ -	\$ 6,259	\$ 4,300
123	123	123
-	102,731	75,018
-	1,266	964
-	3,122	-
-	5,811	2,348
-	642	524
-	13,860	12,850
-	1,728	894
-	629	-
-	9,022	9,579
-	-	7,777
-	2,213	4,046
-	51,173	39,278
-	1,832	-
-	106	158
-	1,826	-
-	954	-
-	794	1,897
-	44,112	40,000
-	-	22,039
-	2,841	5,439
-	1,829	1,963
-	9,522	27,235
-	12,475	9,565
-	9,971	25,997
-	8,924	2,148
-	21,553	24,155
-	132,045	112,462
-	10,932	8,392
-	10,448	10,045
-	17,344	12,306
-	9,895	12,414
-	4,269	6,325
-	4,462	5,666
94	10,588	20,292
-	5,057	23,777
-	142	371
-	273	276
-	1,124	874
-	1,442	1,289
-	3,840	240
-	3,698	34,820
<u>\$ 217</u>	<u>\$ 530,877</u>	<u>\$ 567,846</u>

(continued)



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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 (in thousands)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	GENERAL FUND					VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	ENCUMBRANCES	BUDGETARY ACTUAL	
<b>REVENUE:</b>						
Property taxes.....	\$ 454,049	\$ 454,049	\$ 458,539	\$ -	\$ 458,539	\$ 4,490
Utility service taxes.....	123,846	123,846	118,453	-	118,453	(5,393)
Sales and use taxes.....	1,311	1,311	1,101	-	1,101	(210)
Franchise Fees.....	40,714	40,714	38,891	-	38,891	(1,823)
Licenses and permits.....	8,584	8,584	7,883	-	7,883	(701)
Intergovernmental.....	143,485	143,484	122,056	-	122,056	(21,428)
Charges for services.....	73,538	73,617	69,713	-	69,713	(3,904)
Fines and forfeitures.....	4,697	4,697	3,364	-	3,364	(1,333)
JEA contribution.....	96,688	96,962	96,962	-	96,962	-
Interest.....	13,190	13,541	21,918	-	21,918	8,377
Other.....	18,990	19,004	20,267	-	20,267	1,263
<b>Total Revenue.....</b>	<b>979,092</b>	<b>979,809</b>	<b>959,147</b>	<b>-</b>	<b>959,147</b>	<b>(20,662)</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
Central Operations.....	21,607	21,571	19,890	733	20,623	948
City Council.....	9,276	9,271	8,813	139	8,952	319
Clerk of the Courts.....	4,291	4,291	3,795	-	3,795	496
Courts.....	1,560	1,560	1,471	8	1,479	81
Environmental and Compliance.....	18,084	18,983	17,877	232	18,109	874
Finance.....	9,414	9,395	8,495	37	8,532	863
Fire/Rescue.....	157,300	159,102	152,981	2,372	155,353	3,749
General Counsel.....	343	428	425	-	425	3
Health Administrator.....	770	1,328	1,319	-	1,319	9
Housing and Neighborhoods.....	500	500	311	189	500	-
Jacksonville Children's Commission.....	6,531	6,531	4,792	1,640	6,432	99
Jacksonville Human Rights Commission.....	1,244	1,244	1,223	10	1,233	11
Mayor.....	2,356	2,356	2,079	-	2,079	277
Mayor's Boards and Commissions.....	439	464	462	1	463	1
Medical Examiner.....	3,119	3,110	2,927	50	2,977	133
Property Appraiser.....	9,353	9,462	9,079	99	9,178	284
Public Defender.....	914	914	882	-	882	32
Planning and Development.....	9,677	9,537	8,447	700	9,147	390
Pension Funds.....	15	15	-	-	-	15
Public Libraries.....	38,796	38,769	37,131	527	37,658	1,111
Public Works.....	85,739	85,735	81,802	3,590	85,392	343
Recreation and Community Services.....	57,622	54,743	50,600	1,729	52,329	2,414
State Attorney.....	631	534	459	10	469	65
Supervisor of Elections.....	8,261	8,496	7,506	347	7,853	643
Office of the Sheriff.....	342,911	344,582	331,331	4,048	335,379	9,203
Tax Collector.....	17,020	17,453	14,942	186	15,128	2,325
Federal Program Reserve.....	2,058	689	-	-	-	689
Contribution to Shands-Jacksonville.....	23,776	23,776	23,776	-	23,776	-
Cash Carryover Reserves.....	38,602	38,602	-	-	-	38,602
Jacksonville Misc. Citywide Activities.....	28,417	37,603	34,652	58	34,710	2,893
<b>Total Expenditures.....</b>	<b>900,626</b>	<b>911,044</b>	<b>827,467</b>	<b>16,705</b>	<b>844,172</b>	<b>66,872</b>
<b>EXCESS OF REVENUE OVER (UNDER)</b>						
<b>EXPENDITURES.....</b>	<b>78,466</b>	<b>68,765</b>	<b>131,680</b>	<b>(16,705)</b>	<b>114,975</b>	<b>46,210</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Long Term Debt Issued.....	7,245	9,188	5,292	-	5,292	(3,896)
Operating transfers in.....	5,224	6,069	6,113	-	6,113	44
Operating transfers out.....	(142,178)	(135,535)	(131,062)	-	(131,062)	4,473
<b>Total Other Financing Sources (Uses).....</b>	<b>(129,709)</b>	<b>(120,278)</b>	<b>(119,657)</b>	<b>-</b>	<b>(119,657)</b>	<b>621</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	(51,243)	(51,513)	12,023	(16,705)	(4,682)	46,831
<b>FUND BALANCES - BEGINNING.....</b>	<b>98,158</b>	<b>98,158</b>	<b>98,158</b>	<b>-</b>	<b>98,158</b>	<b>-</b>
<b>FUND BALANCES - ENDING.....</b>	<b>46,915</b>	<b>46,645</b>	<b>110,181</b>	<b>(16,705)</b>	<b>93,476</b>	<b>46,831</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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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 2009, 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.** All funds of each governmental fund type with legally adopted annual budgets are included in the Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual.

**C.** 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, 2009. 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 budgeted annually 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, and Non-Budgeted General Government.

**D.** Level of Budgetary Control - Expenditures may not exceed appropriations and are

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**1. BUDGETARY DATA** (continued)

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 has 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, has 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.

**E.** 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 2009 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

**F.** 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.

**G.** 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.

**H.** 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.

**I.** The Clerk of Court special revenue budget is not approved by the City. It is submitted and approved by the state.

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**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
SEPTEMBER 30, 2009**

(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>Combined Plans</b>					
2001	\$ 12,235	\$ 125	\$ 12,110	\$ 12,235	100%
2002	12,724	-	12,724	12,724	100%
2003	19,003	8	18,995	19,003	100%
2004	25,775	23,773	2,002	25,775	100%
<b>General Employees Pension Plan</b>					
2005	\$ 27,724	\$ 14,607	\$ 13,117	\$ 27,724	100%
2006	28,670	7,934	20,736	28,670	100%
2007	29,297	29,581	-	29,581	101%
2008	29,371	29,488	-	29,488	100%
2009	29,491	29,530	-	29,530	100%
<b>Corrections Officers Plan</b>					
2005	\$ 3,233	\$ 1,787	\$ 1,446	\$ 3,233	100%
2006	1,917	1,917	-	1,917	100%
2007	1,830	2,482	-	2,482	136%
2008	4,329	4,350	-	4,350	100%
2009	5,268	5,101	146	5,247	100%

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 2009, additional interest credits attributable to the timing of contribution payments resulted in a net pension credit (negative NPO) of \$10 thousand for the plan as a whole represented by a net pension credit (negative NPO) of \$156 thousand for General Employees offset by a net pension debit (positive NPO) of \$146 thousand for Corrections.

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



**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE AND FIRE RETIREMENT SYSTEM  
SEPTEMBER 30, 2009**

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(in thousands)

<b>Plan Year Ending September 30</b>	<b>Annual Required Contributions</b>	<b>City Cash Contributions</b>	<b>Allocated from Contribution Reserves</b>	<b>Court Fines and Premium-Tax Refunds</b>	<b>Total Employer Contributions</b>	<b>Total Member Contributions</b>	<b>Percentage Contributed</b>
2004	39,295	22,098	769	7,654	30,521	8,774	100%
2005	50,727	25,851	8,753	6,541	41,145	9,582	100%
2006	53,263	34,712	2,106	6,800	43,618	9,646	100%
2007	55,927	42,866	(4,358)	7,062	45,570	10,357	100%
2008	65,389	47,145	443	7,150	54,738	10,651	100%
2009	67,993	49,246	329	7,211	56,785	11,207	100%

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

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

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

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
SEPTEMBER 30, 2009**

(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>Combined Plans</b>						
9/30/2001	\$ 1,459,649	\$ 1,511,829	\$ 52,180	96.55%	\$ 234,684	22.2%
9/30/2002	1,425,708	1,528,742	103,034	93.26%	243,446	42.3%
9/30/2003	1,426,783	1,611,958	185,175	88.51%	237,373	78.0%
9/30/2004	1,496,315	1,810,451	314,136	82.65%	236,540	132.8%
<b>General Employees Pension Plan</b>						
9/30/2005	\$ 1,509,710	\$ 1,734,997	\$ 225,287	87.02%	\$ 226,819	99.3%
9/30/2006	1,593,296	1,812,972	219,676	87.88%	237,108	92.6%
9/30/2007	1,712,461	1,904,929	192,468	89.90%	248,887	77.3%
9/30/2008	1,673,435	2,004,279	330,844	83.49%	262,345	126.1%
9/30/2009	1,591,345	2,065,464	474,119	77.05%	276,257	171.6%
<b>Corrections Officers Plan</b>						
9/30/2005	\$ 60,106	\$ 75,151	\$ 15,044	79.98%	\$ 26,256	57.3%
9/30/2006	68,791	104,126	35,335	66.07%	27,702	127.6%
9/30/2007	78,458	116,945	38,487	67.09%	27,083	142.1%
9/30/2008	83,056	137,830	54,774	60.26%	26,334	208.0%
9/30/2009	86,358	181,031	94,673	47.70%	27,661	342.3%

(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, 2009**

(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>
09/30/04	727,955	1,222,355	494,400	59.55%	118,510	417.18%
09/30/05	765,180	1,314,424	549,244	58.21%	130,392	421.23%
09/30/06	827,338	1,376,659	549,321	60.10%	134,694	407.83%
09/30/07	930,454	1,464,508	534,054	63.53%	143,006	373.45%
09/30/08	894,903	1,692,975	798,071	52.86%	148,277	538.23%
09/30/09	855,997	(2) 1,753,946	897,949	48.80%	155,558	577.24%

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

(2) This account was redefined by the Restated Agreement effective April 1, 2000.  
As of September 30, 2009, the value of the City Budget Stabilization Account was \$0 and the Enhanced Benefit Account was \$13,048,401. 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, 2009**

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(in thousands)

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
9/30/2007	\$175,117	\$0	\$175,117	0.00%	\$370,069 (3)	47.32%
9/30/2009	\$136,879	\$0	\$136,879	0.00%	\$386,761	35.39%

(1) Valuation information was available for the FY2007 and FY2009 study only.

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

(3) FY2008 Annual Covered Payroll

(4) The decrease in Actuarial Accrued Liability (AAL) from fiscal year 2007 to 2009 was due to the following:

(a) A 4.5% discount rate was used in fiscal year 2009 as compared to a 4.0% discount rate in fiscal year 2007.

(b) Used marginally lower participation assumptions based on actual data provided by the City.

(c) The other key assumption that changed was the treatment of retirees who are not eligible for Medicare.

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

## **Single Audit**

## Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Federal Awards Program and State Financial Assistance Project and on Internal Control Over Compliance

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

### **Compliance**

We have audited the compliance of the City of Jacksonville, Florida (the City) with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009. 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009.

### **Internal control over compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

*Schedules of Expenditures of Federal Awards and State Financial Assistance*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2009, and have issued our report thereon dated March 24, 2010. Our audit was performed 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 state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.

*Ernst & Young LLP*

June 23, 2010, except for the schedules of expenditures of federal awards and state financial assistance, as to which the date is March 24, 2010.

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

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	S1104	\$ 142,441	\$ -
Child and Adult Care Food Program	10.558	S1104	893,605	
Child and Adult Care Food Program	10.558	A1109	342,630	
PASSED THROUGH STATE DEPARTMENT OF ELDER AFFAIRS:				
Nutrition Services Incentive Program	10.570	UO08CJ	96,055	-
Nutrition Services Incentive Program	10.570	A009CJ	98,959	-
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,573,690	\$ -
<u>DEPARTMENT OF COMMERCE</u>				
PASSED THROUGH STATE DEPARTMENT COMMUNITY AFFAIRS:				
Public Safety Interoperable Communications	11.555	09DS31042601302	\$ 22,015	\$ -
TOTAL DEPARTMENT OF COMMERCE			\$ 22,015	\$ -
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
Community Development Block Grant Grants/Entitlement (Yr. . 31-32)	14.218	B0607MC120010	\$ 6,814,892	\$ 1,862,409
Community Development Block Grant-Neighborhood Stablization	14.218	BO8UN12007	1,230,807	664,016
Emergency Shelter Grants Program	14.231	SO9UN12006	295,281	-
Housing Opportunities for Persons with Aids	14.241	FL29H09F001	1,939,480	-
Home Investment Partnership Program (FY06-09)	14.239	M0608MC120209	4,217,426	-
Opportunities for Youth-Youth build Program	14.243	Y05IMFL0017	268,570	-
Fair Housing Assistance Program-State & Local	14.401	FF204K004024	153,771	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 14,920,227	\$ 2,526,425



**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF INTERIOR</u>				
DIRECT PROGRAMS:				
Save America's Treasures-Norman Studios	15.929	1203ML1365	\$ 34,272	\$ -
PASSED THROUGH FLORIDA FISH & WILDLIFE CONSERVATION				
Sportfishing and Boating Safety Act	15.622	8259	48,288	-
Sportfishing and Boating Safety Act	15.622	8275	340,410	-
TOTAL DEPARTMENT OF INTERIOR			\$ 422,970	\$ -
<u>DEPARTMENT OF JUSTICE</u>				
DIRECT PROGRAMS:				
Supervised Visitation, Safe Havens for Children	16.527	2006CWAX0030	\$ 122,347	\$ -
Edward Byrne Memorial State & Local Law	16.580	2007DDBX0666	317,077	-
Grants to Encourage Arrest Policies & Enforcement	16.580	2008WEAX0031	3,756	-
State Criminal Alien Assistance Program	16.606	2008APBX0416	24,661	-
Edward J. Byrne Memorial Justice Assistance- Juvenile Justice Implementation Strategies	16.738	2007DJBX0248	51,284	-
Edward J. Byrne Memorial Justice Assistance- Juvenile Justice Implementation Strategies	16.738	2007DJBX0538	26,872	-
Edward J. Byrne Memorial Justice Assistance- Trans Housing for Certified Juvenile	16.738	2007DJBX0248	7,769	7,769
Edward J. Byrne Memorial Justice Assistance- Trans Housing for Certified Juvenile	16.738	2008DJBX0538	27,742	27,742
Edward J. Byrne Memorial Justice Assistance-School	16.738	2007DJBX0248	2,026	2,026
Edward J. Byrne Memorial Justice Assistance-School	16.738	2007DJBX0538	37,707	37,707
Edward J. Byrne Memorial Justice Assistance- Intimate Violence	16.738	2007DJBX0248	42,369	-
Edward J. Byrne Memorial Justice Assistance-Re-Entry	16.738	2007DJBX0248	967	-
Edward J. Byrne Memorial Justice Assistance-Re-Entry	16.738	2007DJBX0538	70,145	-
Public Safety Partnership & Community Policing Grants	16.710	2006CKWX0283	78,070	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	V09243	134,074	-
PASSED THROUGH STATE FLORIDA, DEPARTMENT OF LAW ENFORCEMENT:				
Community Prosecution & Project Safe Neighborhood	16.609	2008PMGVDUVA1R8001	49,885	-
Edward Byrne Memorial Formula Grant Program-Beaches	16.738	2008JAGCDUVA2Q9192	554	-
Edward Byrne Memorial Formula Grant Program-Beaches	16.738	2009JAGCDUVA2T7022	45,923	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006DJB-0778	6,447	-
P. Coverdell Forensic Science Improvement Grants	16.742	**	1,568	-
TOTAL DEPARTMENT OF JUSTICE			\$ 1,051,243	\$ 75,244
<u>DEPARTMENT OF LABOR</u>				
DIRECT PROGRAMS:				
Youthbuild	17.274	YB190910960A12	\$ 70,605	\$ -
Homeless Veterans Reintegration Project	17.805	HV164400760512	231,758	-
TOTAL DEPARTMENT OF LABOR			\$ 302,363	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
Highway Planning & Construction-St. John River Ferry	20.205	ANJ86	\$ 170,639	\$ -
Highway Planning & Construction-St. John River Ferry III	20.205	AO984	35,625	-
Highway Planning & Construction-Timucuan	20.205	AJ130	100,369	-
Highway Planning & Construction-Confederate Park	20.205	AL834	270,347	-
Highway Planning & Construction-Myrtle St.	20.205	AN682	50,583	-
Highway Planning & Construction-Collins Road	20.205	ANM18	2,440,660	-
Highway Planning & Construction-Water Taxi	20.205	A0542	102,638	-
Highway Planning & Construction-Edward Waters College	20.205	AO065	7,008	-
Highway Planning & Construction-Baymeadows	20.205	AOE25	303,365	-
Highway Planning & Construction-Kings Road/Hopkins Ck Bridge	20.205	41524715801	100,000	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Highway Planning & Construction-Springfield Rd	20.205	AO706	1,058,000	-
Highway Planning & Construction-Fort George	20.205	AOU30	140,117	-
Highway Planning & Construction-Cecil Field	20.205	ANI93	572,201	-
Highway Planning & Construction-Cecil Field South	20.205	AO066	451,051	-
State and Community Highway Safety	20.600	APA36	22,780	-
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	**	60,000	-
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 5,885,383	\$ -
<u>EQUAL EMPLOYMENT</u>				
<u>OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	**	\$ 96,950	\$ -
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			\$ 96,950	\$ -
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Grants to States-VASE	45.310	**	\$ 59,352	\$ -
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			\$ 59,352	\$ -
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	A00402508	\$ 424,263	\$ -
Surveys, Studies, Investigation, Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034	A004250940	34,778	-
Brownfield Cleanup Revol. Loan Grant	66.811	BF96426905	65,561	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			\$ 524,602	\$ -

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

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>				
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Center	84.287	**	\$ 58,710	
Twenty-First Century Community Learning Center	84.287	**	512,065	-
Twenty-First Century Community Learning Center	84.287	**	234,311	-
TOTAL DEPARTMENT OF EDUCATION			\$ 805,086	\$ -
<u>ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Help America Vote Act Requirements Payments	90.401	**	\$ 32,637	\$ -
Help America Vote Act Requirements Payments	90.401	95165001808	34,164	-
TOTAL ELECTION ASSISTANCE COMMISSION			\$ 66,802	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
SAMHS Projects of Regional & Nat. Sig.	93.243	1H79TI01994201	\$ 307,075	\$ -
HIV Emergency Relief Project Grants	93.914	H3MHA08464A0	394,999	394,999
HIV Emergency Relief Project Grants	93.914	H3MHA08464A0	38,884	38,884
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,014,456	2,014,456
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,077,971	2,077,971
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement- Service of Process	93.563	CS616	44,062	-
Child Support Enforcement	93.563	CD316	804,542	
Child Support Enforcement- Writ of Attachments	93.563	CS616	46,985	-
Child Support Enforcement- Demo Initiative	93.563	**	294,488	-
PASSED THROUGH FLORIDA DEPARTMENT OF STATE				
Grants to State	93.617	**	40,647	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
PASSED THROUGH STATE OF FLORIDA , DEPARTMENT OF CHILDREN & FAMILIES:				
Refugee & Entrant Assistance-State Adm. Prog	93.566	**	13,878	-
Refugee & Entrant Assistance-State Adm. Prog	93.566	**	227,650	-
Temporary Assistance for Needy Families-Ounce State Matching Dollars	93.558	HF080902 HF080902	217,737 538,369	-
Temporary Assistance for Needy Families-Ounce State Matching Dollars	93.558	HF091002 HF09102	73,648 182,519	-
PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION:				
Child Care and Development Block Grant	93.575	ELC	2,440	-
Child Care and Development Block Grant	93.575	ELC	12,001	-
Child Care and Development Block Grant <b>ARRA Pass Thru Funds</b>	ARRA-93.575	ELC	22,704,921 63,191	-
Child Care and Development Block Grant <b>ARRA Pass Thru Funds</b>	ARRA-93.575	ELC	4,459,455 163,919	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Social Program for the Aging-Title III, Part B	93.044	A008CJ	408,253	-
Social Program for the Aging-Title III, Part B	93.044	A008CJ	934,366	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 36,066,456	\$ 4,526,310
 <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	08SRSFL004	\$ 23,919	\$ -
Retired & Senior Volunteer Program	94.002	07SRSFL005	60,173	-
Foster Grandparent Program	94.011	06SFSL003	387	-
Foster Grandparent Program	94.011	08SF089430	329,888	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	I009CT	18,823	-
Senior Companion Program	94.016	I010CJ	5,075	-
Senior Companion Program	94.016	I008CJ	496	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			\$ 438,761	\$ -
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Cooperating Technical Partners	97.045	EMA2006CA5645	\$ 22,898	\$ -
Port Security Grant Program	97.056	2007GBT70139	335,035	-
Port Security Grant Program	97.056	2007GBT70141	661,450	-
Port Security Grant Program	97.056	2006GBT60081	209,573	-
Homeland Security Biowatch Program	97.091	**	61,248	-
Homeland Security Biowatch Program	97.091	2006ST0900001403	167,196	-
PASSED THROUGH DEPARTMENT OF COMMUNITY AFFAIRS:				
Flood Mitigation Assistance (FMA)	97.029	07FM71042602192	41,908	-
Flood Mitigation Assistance (FMA)	97.029	07FM2304260235	2,063	-
Fema-Disaster Relief (Hurricane Fay)	97.036	313500000	4,893,525	-
Public Assistance Grant-H1N1 Swine Flu	97.036	70070201453	2,536	-
Hazard Mitigation Grant	97.039	07HM7AT042602079	4,510	-
Emergency Management Performance Grants	97.042	09BG03042601150	98,726	-
Emergency Management Performance Grants	97.042	09BG20042601088	50,110	-
Emergency Management Performance Grants	97.042	08BG24042601	68,692	-
Homeland Security Program Grant-Mitigation	97.110	09SR47042602282	632,004	-
Homeland Security Program Grant-Mitigation	97.110	09SR47042602425	72,657	-
Homeland Security Program Grant	97.067	08DS60042301207	134,880	-
Homeland Security Program Grant	97.067	09DS5104260109	47,829	-
Homeland Security Grant Program-Response	97.067	08CI64042602073	7,817	-
Homeland Security Grant Program-Response	97.067	09CC49042602293	5,000	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Homeland Security Grant Program-CERT	97.067	09C149042602314	12,734	-
Homeland Security Grant Program-Urban	97.067	07DS5S042601366	2,275,096	-
Homeland Security Grant Program-Urban	97.067	08DS62042601271	3,293,765	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	09DS48042601383	607,803	-
Homeland Security Grant Program-Metro Medical Response	97.067	08DS65042602346	101,004	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT				
Homeland Security Grant Program-SWAT	97.067	2009SHSPDUVA1V3009	28,574	
Homeland Security Grant Program-SHSP Issue 26	97.073	2008SHSPDUVA3S4040	70,091	-
Homeland Security Grant Program-SHSP Issue 20	97.073	2008SHSPDUVA2S4039	105,227	-
Homeland Security Grant Program-SHSP Issue 8	97.073	2008SHSPDUVA1S4038	51,342	-
Homeland Security Grant Program-LETPP	97.073	2008LETPDUVA1S3012	20,000	-
Buffer Zone Protection Plan	97.078	08BZPPDUVA1S5005	179,034	-
PASSED THROUGH FLORIDA DEPARTMENT OF FINANCIAL SERVICES				
Homeland Security Grant Program-Sustainment	97.067	08DS60130016373	19,880	-
Homeland Security Grant Program-Sustainment	97.067	FM241	71,367	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ 14,355,573	\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 76,591,472	\$ 7,127,979

\*\* not available

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

**CITY OF JACKSONVILLE, FLORIDA**  
**SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>EXECUTIVE OFFICE OF THE GOVERNOR:</u>				
DIRECT PROGRAMS:				
Enterprise Florida, Inc.-Mayport Rd	31.003	DIG-06-07	\$ 255,000	\$ -
Brownfield Redevelopment Bonus Refunds	31.011	99-112	3,797	-
Military Base Protection	31.044	DIG 07-02	70,000	-
Military Base Protection	31.044	DRG 08-02	92,000	-
Military Base Protection	31.044	DRG-09-01	41,667	-
TOTAL EXECUTIVE OFFICE OF THE GOVERNOR			\$ 462,464	\$ -
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION:</u>				
DIRECT PROGRAMS:				
Beach Erosion Control Program	37.003	00DUI	\$ 5,601	\$ -
FL Development Asst. Program	37.017	9122	2,914	-
FL Development Asst. Program	37.017	9123	106,421	-
Petroleum Contamination Site Cleanup (Task 7)	37.024	GC-625	(12,719)	-
Petroleum Contamination Site Cleanup (Task 8)	37.024	GC-625	835,183	-
Petroleum Contamination Site Cleanup (Task 9)	37.024	**	277,777	-
Statewide Surface Water Restoration & Wastewater	37.039	SP592	856,875	-
Statewide Surface Water Restoration & Wastewater-Cedar	37.039	SO271	2,986	-
Statewide Surface Water Restoration & Wastewater-SJWA	37.039	24903	3,633,373	3,633,373
Ambient Air Monitoring Agreement	37.042	S0336	9,624	-
Ambient Air Monitoring Agreement	37.042	S0336	103,351	-
Delegated Title V Air Pollution Control	37.043	SO289	396,492	-
Delegated Title V Air Pollution Control	37.043	**	147,356	-
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION:			\$ 6,365,234	\$ 3,633,373



**CITY OF JACKSONVILLE, FLORIDA**  
**SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES:</u>				
DIRECT PROGRAMS:				
Mosquito control	42.017	13071	\$ 4,333	\$ -
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			\$ 4,333	\$ -
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE:</u>				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	**	\$ 11,031	
State Aid to Libraries	45.030	**	597	-
State Aid to Libraries	45.030	E3910	526,009	-
State Aid to Libraries	45.030	E3544/07-ST-25	175,965	-
State Aid to Libraries	45.030	E3544/06-ST-25	30,402	-
FCO Grants & Aids-Emergency Repairs For Historic Preservation Projects-Norman Studios	45.040	ER002	1,560	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE:			\$ 745,564	\$ -
<u>DEPARTMENT OF COMMUNITY AFFAIRS:</u>				
DIRECT PROGRAMS:				
Florida Forever Act-Yellow Creek	52.002	04CT8K02F2J1086	\$ 199,834	\$ -
Florida Forever Act-Sal Taylor Creek	52.002	04CT9Q03F3A1048	4,414	-
Emergency Management Projects	52.023	09CP04042601000	21,619	-
TOTAL DEPARTMENT OF COMMUNITY AFFAIRS			\$ 225,867	\$ -

**CITY OF JACKSONVILLE, FLORIDA**  
**SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	52.901	HFC01	\$ 617,682	\$ -
State Housing Initiatives Partnerships	52.901	HFC01	833,598	-
State Housing Initiatives Partnerships	52.901	HFC01	(11,783)	-
State Housing Initiatives Partnerships	52.901	HFC01	4,876,282	-
TOTAL FLORIDA HOUSING FINANCE CORPORATION			\$ 6,315,779	\$ -
<u>DEPARTMENT OF TRANSPORTATION:</u>				
DIRECT PROGRAMS:				
Florida Highway Beautification Council Grants-KABA	55.003	DTN1288027	\$ 13,691	\$ -
County Incentive Grant Program	55.008	21208325401	1,381,837	-
County Incentive Grant Program-Main St.	55.008	AM957	1,436,032	-
State Infrastructure Bank - JTB Ramps	55.020	AOI87	2,790,274	-
State Infrastructure Bank - Intercoastal Bridge	55.020	ANQ90	10,058,100	-
DOT State Road 101 (Mayport Road-NAS)	55.023	AO130	317,123	-
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 15,997,057	\$ -
<u>DEPARTMENT OF CHILDREN AND FAMILIES:</u>				
DIRECT PROGRAMS:				
Public Safety, Mental Health & Substance Abuse	60.115	MOU#LHZ21	\$ 91,200	\$ -
TOTAL DEPARTMENT OF CHILDREN AND FAMILIES			\$ 91,200	\$ -
<u>DEPARTMENT OF HEALTH:</u>				
DIRECT PROGRAMS:				
County Grant Awards	64.005	C8016	\$ 336,966	\$ -
TOTAL DEPARTMENT OF HEALTH			\$ 336,966	\$ -

**CITY OF JACKSONVILLE, FLORIDA**  
**SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF ELDER AFFAIRS:</u>				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families	65.006	R009CJ	\$ 75,137	\$ -
Respite for Elders Living in Everyday Families	65.006	R007CJ	17,590	-
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			\$ 92,727	\$ -
<u>DEPARTMENT OF MANAGEMENT SERVICES:</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System	72.001	**	\$ 134,211	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			\$ 134,211	\$ -
<u>DEPARTMENT OF REVENUE:</u>				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchi	73.016	**	\$ 1,833,337	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			\$ 1,833,337	\$ -

**CITY OF JACKSONVILLE, FLORIDA**  
**SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR YEAR ENDED SEPTEMBER 30, 2009**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>FLORIDA FISH &amp; WILDLIFE CONSERVATION COMMISSION:</u>				
DIRECT PROJECTS:				
Florida Boating Improvement Program-Derelict	77.006	7078	\$ 82,693	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			\$ 82,693	\$ -
DIRECT PROJECTS:				
Community Parntership Grant-Title V	80.004	Q3004	\$ 3,000	\$ -
Community Parntership Grant-Title V	80.004	Q3004	3,000	-
TOTAL DEPARTMENT OF JUVENILE JUSTICE SERVICE			\$ 6,000	\$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 32,693,432	\$ 3,633,373

\*\* not available

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

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

## City of Jacksonville

### Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended September 30, 2009

#### **1. General**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance (the Schedules) presents all activity of all federal and state awards programs of the City of Jacksonville, Florida (the City) for the year ended September 30, 2009. The City's structure is described in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal or state agencies as well as awards passed through other governmental agencies are included on the Schedules.

#### **2. Presentation and Basis of Accounting**

The accompanying Schedules are presented using the modified accrual basis of accounting for expenditures recorded in governmental funds and the accrual basis for expenditures recorded in proprietary funds. Under the modified accrual basis, revenue is recognized if it is both measurable and available for use during the fiscal year and expenditures are recognized in the period liabilities are incurred, if measurable. The grants reflect transactions for the fiscal year irrespective of the year of grant award and, accordingly, the Schedules do not include a full year's financial activity for grants awarded or terminated on dates not coinciding with the City's fiscal year.

#### **3. Program Clusters**

Office of Management and Budget (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, similar programs deemed to be a cluster of programs are disclosed accordingly.

#### **4. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant and grant matching expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

City of Jacksonville

Notes to Schedules of Expenditures of Federal Awards and  
State Financial Assistance (continued)

Year Ended September 30, 2009

**5. HUD Section 108 Loan Guarantee Program**

As of September 30, 2009, the City had U.S. Government Guaranteed Notes outstanding in the amount of \$5,790,000 as follows:

Prior Year Loans Previously Recognized as Federal Expenditures

U.S. Government Guaranteed Note Payable, Series 1995, payable in semi-annual installments to 2014, with interest ranging from 4.57% to 5.19%.....	\$2,245,000
U.S. Government Guaranteed Note Payable, Series 1996, payable in semi-annual installments to 2012, with interest ranging from 6.78% to 6.88%.....	240,000
U.S. Government Guaranteed Note Payable, Series 1996B, payable in semi-annual installments to 2015, with interest ranging from 6.78% to 7.03%.....	1,635,000
U.S. Government Guaranteed Note Payable, Series 1997, payable in semi-annual installments to 2016, with interest ranging from 6.78% to 7.08%.....	755,000
U.S. Government Guaranteed Note Payable, Series 1997, payable in semi-annual installments to 2010, with interest of 6.78% .....	95,000
U.S. Government Guaranteed Note Payable, Series 1997, payable in semi-annual installments to 2016, with interest ranging from 6.78% to 7.08%.....	495,000
U.S. Government Guaranteed Note Payable, Series 1997, payable in semi-annual installments to 2015, with interest ranging from 6.78% to 7.03%.....	325,000

These notes are guaranteed under Section 108 of Title I 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 the Single Audit Act and OMB Circular A-133.

**City of Jacksonville, Florida  
 Schedule of Findings and Questioned Costs  
 For the year ended September 30, 2009**

**Part I—Summary of auditor’s results**

**Financial statements section**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>no</b>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>none reported</b>
Noncompliance material to financial statements noted?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>no</b>

**Federal awards section**

Internal control over major programs:

Material weakness(es) identified?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>no</b>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>none reported</b>

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>no</b>
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Identification of major programs/state projects:

**CFDA/CSFA numbers**

**Name of federal program or cluster and major state project**

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**Federal Programs:**

14.218	Community Development Block Grant
93.575-ARRA	Child Care and Development Block Grant
93.914	HIV Emergency Relief Project Grants
97.067	Homeland Security Program

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**State Projects::**

37.024	Petroleum Contamination Site Cleanup
52.901	State Housing Initiatives Partnerships
55.202	State Infrastructure Bank
73.016	Facilities for New Professional Sports, retained Professional Sports, or Retained Spring Training Franchise

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

Federal:	\$2,297,744
State:	\$ 980,803

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Auditee qualified as low-risk auditee?                      X   **Yes**                           **no**

**Part II—Financial statement findings section**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

No matters were reported.

**Part III—Federal award findings and PFC program findings and questioned costs section**

No matters were reported.

**Part IV—State financial assistance findings and questioned costs section**

No matters were reported.

**City of Jacksonville**  
**Summary Schedule of Prior Audit Findings**  
**For the year ended September 30, 2009**

<b>Prior Finding No.</b>	<b>Program</b>	<b>Description</b>	<b>Status</b>
08-01	All	Amounts on the Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) were misstated due to control deficiencies and apparent miscommunication between grant managers responsible for administering grant funds and activities and the accounting department responsible for financial reporting on the Schedule. We noted miscommunications and lack of adequate response to issues identified in Federal and State Programs, which led to many of the 2008 findings and questioned costs, and adjustments to the Schedule. Errors identified have been adjusted.	Resolved.  The Accounting Division monitored grant expenditures throughout FY2009 and the current FY. We utilized positive confirmations for FY2009 year end with departmental grant managers/accountants to confirm the expenditures recorded in the City's schedule of expenditures were accurate.
08-02	CFDA No. 93.914 HIV Emergency Relief Project Grants	The City enters into annual contracts with subrecipients to provide the types of services deemed necessary by the Planning Council. Contract provisions require that the City reimburse for actual allowable expenditures, which fall within the scope of the approved budget, are accurately invoiced and documented. During the 2008 audit, it was noted that monthly subrecipient invoices were being paid at 1/12th of the agreed upon budget instead of at actual reimbursable costs.	Resolved.  The Accounting Division worked with departmental grant managers/accountants throughout FY2009 to verify that all payments for invoices were based on actual cost of services that were incurred.
08-03	CFDA No. 93.914 HIV Emergency Relief Project Grants	The City enters into annual contracts with subrecipients to provide the types of services deemed necessary for performance of the grant services. According to the terms of the subrecipient contract with the City, a subrecipient who receives funding from the City in excess of \$500,000 is required to provide the City with audited financial statements conducted in accordance with <i>Governmental Auditing Standards</i> and the provisions of a single audit in accordance	Resolved.  The subrecipient provided the financial audit that was missing, in compliance with OMB Circular A-133. The Accounting Division has worked with the City's central Grants Management Office and Departments to ensure that all subrecipients are aware of the provision and that we are compliant.

**City of Jacksonville**  
**Summary Schedule of Prior Audit Findings**  
**For the year ended September 30, 2009**

<b>Prior Finding No.</b>	<b>Program</b>	<b>Description</b>	<b>Status</b>
		with the Office of Management and Budget's Circular A-133.	The Grants Management Office has mandated that all subaward agreements contain information regarding the reporting requirements in accordance with OMB Circular A-133.
08-04	CSFA No. 55.020 State Infrastructure Bank	The City reimburses the Jacksonville Transportation Authority (JTA), a component unit of the City, for costs incurred for projects allowed per the State Infrastructure Bank (SIB) loan agreement between the City and the Florida Department of Transportation (the Loan Agreement). The City requests draws from the SIB once reimbursable costs have been incurred by JTA, and upon receipt, the City remits to JTA. The SIB requires that funds are requested as needed and should be used within a short time frame (45 days). In 2008, the City requested a draw on its loan of \$10,151,524 to reimburse costs that JTA had not yet incurred and did not incur within 45 days, and were therefore outside the period of availability. In addition, JTA requested the reimbursement from the City, but provided insufficient supporting documentation.	Resolved.  The City reimburses the JTA for expenditures on a monthly basis throughout the year. Independently, the City reimburses itself via draws from the SIB pursuant to the provisions of our Loan Agreement. The City reviews supporting documentation provided by JTA for expenditures incurred.
08-05	CSFA No. 37.024 Petroleum Contamination Site Cleanup (Task 7)	This project allows for indirect costs to be reimbursed by the State of Florida. During 2008 it was noted that the City applied a budgeted indirect cost rate of 5% to budgeted costs. Upon inquiry, management agreed that the use of budgeted costs is the wrong base for applying the indirect cost rate; however, they also applied an incorrect indirect cost rate. Management has calculated an indirect cost rate of 16.66%. We requested, but	Resolved.  The City contacted the grantor to obtain the correct indirect cost rate and base which was 5% of actual salary expenses incurred instead of 16.66% of budgeted salary. The grantor has been reimbursed \$13,062

**City of Jacksonville**  
**Summary Schedule of Prior Audit Findings**  
**For the year ended September 30, 2009**

<b>Prior Finding No.</b>	<b>Program</b>	<b>Description</b>	<b>Status</b>
		were not provided with, supporting documentation for an indirect cost rate that has been approved by the grantor. By applying an incorrect indirect cost rate on an inappropriate base amount, management has either understated or overstated the indirect costs expended under this grant.	for 2008 due to overcharge and has allowed the City to carryover those amounts to 2009.
07-01	CSFA No. 55.020 State Infrastructure Bank	The City should have adequate controls in place to determine that the expenditures paid by JTA with SIB proceeds are for allowable costs.	Resolved.  An appropriate cost review process was implemented during FY2009.