

# Jacksonville Transportation Authority

Financial Report  
09.30.2011



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## Independent Auditor's Report

To the Board Members  
Jacksonville Transportation Authority  
Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jacksonville Transportation Authority (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jacksonville Transportation Authority as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 of the financial statements, the Authority adopted the provisions of GASB 54, *Fund Balance Reporting and Government Fund Type Definitions*, in fiscal year 2011.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated March 29, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of this 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. This 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 ("MD&A"), budgetary comparison information for the general fund and schedules of funding progress – other post-employment benefits plan and pension plan, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We 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.

*McGladrey & Pullen, LLP*

Jacksonville, Florida  
March 29, 2012

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

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This discussion and analysis is designed to provide insight into the Jacksonville Transportation Authority's (JTA or the "Authority") annual financial report by discussing significant financial issues and changes in financial position based on currently known facts in order to better explain material changes in the Authority's financial position and performance during the fiscal year ended September 30, 2011 as compared to September 30, 2010.

The information contained herein is designed to assist the reader in assessing the Authority's financial position. We encourage readers to consider the information contained in this discussion in conjunction with all of the other sections of the Authority's financial statements.

#### Financial Highlights

On an entity wide basis, total revenues were up \$7.8 million or 5.0%. Intergovernmental revenues (sales tax dedicated to transportation as well as the local option gas tax) increased by \$5.6 million, reflective of the beginnings of an economic recovery. Revenues from operating and capital grants also increased \$2.2 million year over year.

Consistent with the Agency's focus on cost containment, on an entity wide basis, total expenses were up but limited to a \$6.1 million increase, or 3.7% over the prior year, despite rising fuel costs.

The following financial highlights will serve as background in understanding the more detailed explanations that follow:

- ***Net assets***  
The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2011, the Authority's total net assets were \$289.3 million, a decrease of 1.7%, or \$4.9 million from the prior year. The decrease is a combination of an increase in governmental net assets of \$2.9 million and a decrease in business-type net assets of \$7.8 million. The decrease in business-type net assets was attributable to a \$6.1 million pension asset being booked for the first time in the prior year. Absent that adjustment, the net asset decrease for business-type activities would have been only \$1.7 million or 0.9%. The entity wide year end net asset balance consisted of amounts invested in capital assets of \$172 million and unrestricted net assets of \$117 million.
- ***Grant expenditures***  
The Authority expended \$29.2 million in federal and state assistance, which was down 30.6% from \$42.1 million in 2010. The distribution of the expenditures was \$24.1 million for federal awards, primarily from formula grants, including ARRA (American Recovery and Reinvestment Act) and \$5.2 million for state assistance, primarily from the Block grant. The decrease from the prior year is attributable to a fiscal 2010 award of \$13 million from the state DOT for Hecksher drive. No such award was made in fiscal 2011.
- ***Capital Expenditures and Engineering projects.***  
Total capital assets net of depreciation decreased in 2011, from \$174 million to \$172 million, a decline of 1%. The decrease in capital assets was primarily due to the excess of depreciation over current year capital additions.

In the Governmental funds, \$16.2 million was spent for the planning, development and construction of road and bridge projects. For the prior year, \$56.7 million had been spent, a decrease of \$40.5 million or 71.4%. This is a reflection of the winding down of the Better Jacksonville Plan, enacted in calendar year 2000. In 2011, approximately \$133 million in custodial assets were contributed either to the State of Florida or the City of Jacksonville versus \$169 million total in 2010.

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

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#### Overview of the Financial Statements

This discussion is to introduce the Jacksonville Transportation Authority's basic financial statements. The basic financial statements are comprised of three components: government-wide statements, fund financial statements, and notes to the financial statements.

The government-wide financial statements are the first two statements that focus on the Authority as a whole and provide both long-term and short-term information about the Authority's overall financial condition. These statements provide readers with a broad view of the Authority's finances, similar to a private sector business.

The fund financial statements are the remaining statements. They are similar to traditional governmental financial statements. These statements report on individual parts of the Authority's operations and include more detail than the government-wide statements.

#### Government-wide Financial Statements

The government-wide statements report on the Authority as a whole using accounting rules very similar to those used by private companies. There are two government-wide statements. The first is the statement of net assets, which combines and reports all of the Authority's assets and liabilities. The second is the statement of activities. It combines and reports all of the Authority's revenues and expenses regardless of when cash is paid or received. These two financial statements demonstrate how the Authority's net assets have changed. Net assets are the difference between total assets and total liabilities and are one way of assessing the Authority's current financial condition. Increases or decreases in net assets are good indicators of whether the Authority's financial health is improving or deteriorating over time. Other non-financial factors, such as changes in local economic conditions, regulations, and government legislation, are important in evaluating the Authority's overall financial condition.

The government-wide financial statements are grouped into two categories:

*Governmental activities.* Included here are road construction and general engineering administration.

*Business-type activities.* The Authority's Bus, Automated Skyway Express ("ASE"), and Community Transportation Coordinator ("CTC") operations are classified here. In these activities, the Authority charges customers fees to cover a portion of the cost of providing these goods and services.

#### Fund Financial Statements

The Authority's fund statements report in greater detail than the government-wide statements on the Authority's most significant funds. A fund is a group of related accounts used to exercise control over specific resources set apart for specific activities. The Authority, 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.

The Authority maintains several individual governmental funds. The General Fund and the Special Revenue Fund are presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances. In addition, the Authority maintains several individual proprietary funds. The Bus, ASE, and CTC Funds are presented separately in the proprietary fund balance sheet and in the statement of revenues, expenses, and changes in fund balance.

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

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All of the Authority's funds are classified in one of the following categories.

Governmental funds tell how basic governmental services were paid for in the short-term as well as what remains for near future spending. These funds account for essentially the same services as those reported as governmental activities in the government-wide statements. Because the fund view does not include the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances that explains the differences between the two views.

Proprietary funds report on business type operations such as Bus, Connexion, and Skyway operations, where the fees typically cover a portion of the costs of operations. These statements offer both long and short-term financial information. The Authority's enterprise funds, one type of proprietary fund, are a more detailed reporting of the amounts classified as business-type activities in the government-wide statements.

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

The notes provide additional information and explanation that is necessary for a full understanding of both the government-wide and fund statements.

#### **Government-wide Financial Analysis**

Our analysis of the Authority's financial statements begins below. The Statement of Net Assets and the Statement of Activities, in summary format, follow. These two statements report the net assets, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the Authority's Net Assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, regulation, and new government legislation.

To begin our analysis, a summary of the Authority's balance sheet is presented in Table A-1.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

*Table A-1  
Condensed Statement of Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 327,276,196	\$ 444,092,493	\$ 29,066,347	\$ 31,570,738	\$ 356,342,543	\$ 475,663,231
Capital assets	13,635,321	14,126,590	158,559,110	159,826,055	172,194,431	173,952,645
<b>Total assets</b>	<b>340,911,517</b>	<b>458,219,083</b>	<b>187,625,457</b>	<b>191,396,793</b>	<b>528,536,974</b>	<b>649,615,876</b>
Current liabilities	6,134,550	10,384,896	11,109,964	7,150,764	17,244,514	17,535,660
Long-term liabilities	219,846,175	335,783,431	2,147,081	2,113,532	221,993,256	337,896,963
<b>Total liabilities</b>	<b>225,980,725</b>	<b>346,168,327</b>	<b>13,257,045</b>	<b>9,264,296</b>	<b>239,237,770</b>	<b>355,432,623</b>
Net assets:						
Invested in capital assets	13,635,321	14,126,590	158,559,110	159,826,055	172,194,431	173,952,645
Unrestricted	101,295,471	97,924,166	15,809,302	22,306,442	117,104,773	120,230,608
<b>Total net assets</b>	<b>\$ 114,930,792</b>	<b>\$ 112,050,756</b>	<b>\$ 174,368,412</b>	<b>\$ 182,132,497</b>	<b>\$ 289,299,204</b>	<b>\$ 294,183,253</b>

Statement of Net Assets 2011 vs. 2010

The Authority's governmental activities show a decrease of \$117 million or 26% in total assets from 2010. The primary contributor to the decrease was the \$116 million reduction in the custodial assets line item. Custodial assets represent the sum total of planning, design and construction of assets that are built for others. As mentioned previously, \$133 million in custodial assets were transferred either to the State of Florida or the City of Jacksonville in fiscal 2011 versus \$169 million total in 2010.

Total liabilities for governmental activities decreased as well, by \$120 million or 35%. The decrease is attributable to the aforementioned custodial assets. On the obligation side, this is the line item that contains the estimated liability for construction projects that will be turned over to the state or city upon completion. The Governmental funds' change in net assets was a net increase of \$2.9 million from the prior year.

Total assets for the Authority's business type activities' decreased \$3.8 million or 2% from the prior year. As mentioned earlier, the decrease in business-type assets was attributable to a \$6.1 million pension asset being booked for the first time in the prior year. Absent that adjustment, the decrease in total assets for business-type activities of \$3.8 million would have been an increase of \$2.3 million.

Total liabilities for Business type activities increased from \$9.3 million to \$13.3 million. The increase was centered in the trade accounts payable line item, in the current liabilities section (those items requiring payment within the next twelve months). This increased balance was generated through the normal course of business and is a function of what day of the month the fiscal year ends.

A condensed summary of the Authority's revenues and expenses follows in Table A-2. While the Statement of Net Assets shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

**Table A-2**  
**Condensed Statement of Activities**

	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$ -	\$ -	\$ 21,381,125	\$ 20,341,894	\$ 21,381,125	\$ 20,341,894
Operating grants and contributions	-	-	12,173,710	10,608,130	12,173,710	10,608,130
Capital grants and contributions	-	-	14,459,964	13,664,236	14,459,964	13,664,236
General revenue:						
Sales taxes	64,980,887	63,573,456	-	-	64,980,887	63,573,456
Intergovernmental	-	-	50,753,088	46,593,712	50,753,088	46,593,712
Investment earnings	141,268	111,790	18,446	53,130	159,714	164,920
Other general revenues	142,115	1,319,960	-	-	142,115	1,319,960
<b>Total revenue</b>	<b>65,264,270</b>	<b>65,005,206</b>	<b>98,786,333</b>	<b>91,261,102</b>	<b>164,050,603</b>	<b>156,266,308</b>
Expenses:						
General government	1,176,123	4,234,685	-	-	1,176,123	4,234,685
Highway planning	11,875	23,421	-	-	11,875	23,421
Intergovernmental						
City of Jacksonville	56,280,790	49,163,079	-	-	56,280,790	49,163,079
State of Florida	8,246,458	9,867,670	-	-	8,246,458	9,867,670
Bus	-	-	75,695,387	72,288,109	75,695,387	72,288,109
Automated skyway express	-	-	12,412,888	13,294,989	12,412,888	13,294,989
Community transportation	-	-	15,111,131	13,939,168	15,111,131	13,939,168
<b>Total expenses</b>	<b>65,715,246</b>	<b>63,288,855</b>	<b>103,219,406</b>	<b>99,522,266</b>	<b>168,934,652</b>	<b>162,811,121</b>
<b>Increases in net assets before transfers</b>	<b>(450,976)</b>	<b>1,716,351</b>	<b>(4,433,073)</b>	<b>(8,261,164)</b>	<b>(4,884,049)</b>	<b>(6,544,813)</b>
Transfers	3,331,012	-	(3,331,012)	-	-	-
<b>Change in net assets</b>	<b>2,880,036</b>	<b>1,716,351</b>	<b>(7,764,085)</b>	<b>(8,261,164)</b>	<b>(4,884,049)</b>	<b>(6,544,813)</b>
Net assets, beginning, as restated	112,050,756	110,334,405	182,132,497	190,393,661	294,183,253	300,728,066
Net assets, ending	\$ 114,930,792	\$ 112,050,756	\$ 174,368,412	\$ 182,132,497	\$ 289,299,204	\$ 294,183,253

Statement of Activities 2011 vs. 2010

For the Governmental activities, revenues decreased only \$259 thousand or 0.4% from the prior year. The general sales tax revenues (the first half cent sales tax, dedicated to transportation in Duval County) rebounded from prior year levels to increase \$1.4 million over last year's receipts. (Note: this sales tax figure represents gross proceeds, before any debt service on State of Florida or City of Jacksonville bonds.)

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

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Expenditures for Governmental activities in total increased by \$2.4 million or 3.8%. While administrative expenses declined by \$3.0 million, debt service payment increased by \$5.4 million. Annual debt service amounts can vary greatly, especially in later years as some of the bond issues approach maturity.

Total revenues for Business-type activities increased by \$7.5 million, or 8.5%. The increase was spread among all categories, with intergovernmental revenue (combined sales tax and gas tax) leading the way with a year to year \$4.1 million increase; next was the Operating grants category, up \$1.6 million followed by the Charges for services category (essentially farebox revenues), up \$1.1 million and Capital grants, up \$0.7 million.

Total expenses for Business type activities increased by \$3.7 million year over year. 84% of the increase was spread over three categories: fuel, up \$2.0 million due to price increases; Community Shuttle service (a newer mode of fixed route bus service that involves a smaller vehicle than the traditional 40 foot long bus, but allows for deviations into local neighborhoods), up \$0.8 million and parts expense for our Connexion fleet, up \$0.3 million.

Entity-wide, net assets were \$4.9 million, or 1.7%, lower than the prior year.

### Financial Analysis of the Authority's Funds

#### *General Fund Budgetary Highlights*

##### 2011

Total Intergovernmental Revenues for the General fund were budgeted at \$65.9 million; actual revenues were \$65 million, reflecting slightly positive local and state trends.

General Government Expenditures for the General fund were budgeted at \$1.8 million; the actual amount of expenditures was \$1.1 million. This was primarily the result of decreased salaries, fringes and consulting expenses as the Better Jacksonville Plan was winding down. The Intergovernmental expenditures for the State of Florida and the City of Jacksonville were budgeted at \$58 million. The actual amount was \$56.2 million. This was a function of fewer dollars of sales tax received equating to fewer dollars of sales tax transferred for debt service.

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

#### Capital Asset and Debt Administration

##### Capital Assets

At the end of Fiscal Year 2011, the Authority showed \$172.1 million in both the governmental and business-type activities in a broad range of Land, Buildings, Vehicles, Equipment and Construction in Progress as shown in Table A-3.

*Table A-3  
Capital Assets*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 13,512,437	\$ 13,993,995	\$ 23,240,178	\$ 23,240,178	\$ 36,752,615	\$ 37,234,173
Land improvements	-	-	5,488,560	6,448,096	5,488,560	6,448,096
Building and improvements	47,247	52,342	68,180,069	70,598,372	68,227,316	70,650,714
Vehicles	44,540	39,703	39,287,944	41,429,983	39,332,484	41,469,686
Furniture and office equipment	31,097	40,550	798,536	998,154	829,633	1,038,704
Other equipment	-	-	8,237,162	10,974,839	8,237,162	10,974,839
Construction in progress	-	-	13,326,661	6,136,433	13,326,661	6,136,433
<b>Total</b>	<b>\$ 13,635,321</b>	<b>\$ 14,126,590</b>	<b>\$ 158,559,110</b>	<b>\$ 159,826,055</b>	<b>\$ 172,194,431</b>	<b>\$ 173,952,645</b>

#### Economic Factors and Next Year's Budgets and Rates

The Authority's Board of Directors approved the Fiscal Year 2012 Budget in May, 2011. The budget was subsequently approved by the City of Jacksonville in September, 2011. Management considered many factors when setting the budget. These factors include the expected demand of the Authority's customers and any anticipated economic challenges in the near future.

The sales tax and gas tax flowing through the Interlocal Agreement of the Better Jacksonville Plan (BJP) are primary sources of funding for the Authority. Sales tax is the major source of revenue for the BJP. Sales tax revenues made a modest rebound in fiscal year 2011 and a continuing upward trend is anticipated. Gas tax revenues have proven to be more resilient, but in light of gas tax collections being a derivative of gallons sold, management remains concerned about limited growth potential and even gross revenue losses as driving habits are impacted by gasoline prices.

## Jacksonville Transportation Authority

### Management's Discussion and Analysis (Unaudited)

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Increasing competition for discretionary grant funds continues to escalate as public agencies vie for limited or reduced federal and state grant programs. The Authority is also pursuing any new funding opportunities including public private partnerships, transit oriented development, and others.

Subsequent to year end, in response to continuing economic challenges, the Agency's board approved a general fare increase for the bus system. This is expected to yield between \$2 and \$3 million annually. Additionally, the Authority's remaining state of Florida bonds were re-financed which should result in lower annual debt service payments, bringing further relief to Mass Transit operations.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Finance Department  
Jacksonville Transportation Authority  
100 North Myrtle Avenue  
Jacksonville, FL 32203

Jacksonville Transportation Authority

Statement of Net Assets  
September 30, 2011

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 43,982,275	\$ 5,714,382	\$ 49,696,657
Investments	30,155,413	-	30,155,413
Internal balances	3,667,937	(3,667,937)	-
Due from other governments	30,205,682	14,690,384	44,896,066
Accounts receivable, net	9,167	812,486	821,653
Inventory	-	3,872,010	3,872,010
Prepays	-	513,307	513,307
Noncurrent assets:			
Restricted cash and cash equivalents	19,866,615	-	19,866,615
Custodial assets – construction projects	199,389,107	-	199,389,107
Net pension asset	-	7,131,715	7,131,715
Capital assets (net of accumulated depreciation):			
Land	13,512,437	23,240,178	36,752,615
Construction in progress	-	13,326,661	13,326,661
Land improvements	-	5,488,560	5,488,560
Buildings and improvements	47,247	68,180,069	68,227,316
Vehicles	44,540	39,287,944	39,332,484
Furniture and office equipment	31,097	798,536	829,633
Other equipment	-	8,237,162	8,237,162
<b>Total assets</b>	<b>340,911,517</b>	<b>187,625,457</b>	<b>528,536,974</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	4,892,304	8,051,389	12,943,693
Accrued expenses	488,529	1,098,169	1,586,698
Due to other governments	597,175	-	597,175
Claims payable	-	1,834,580	1,834,580
Accrued compensated absences	156,542	125,826	282,368
Noncurrent liabilities:			
Claims payable	-	1,643,778	1,643,778
Accrued compensated absences	326,453	503,303	829,756
OPEB obligation	264,000	-	264,000
Custodial projects – due to other governments	219,255,722	-	219,255,722
<b>Total liabilities</b>	<b>225,980,725</b>	<b>13,257,045</b>	<b>239,237,770</b>
<b>Net Assets</b>			
Invested in capital assets	13,635,321	158,559,110	172,194,431
Unrestricted	101,295,471	15,809,302	117,104,773
<b>Total net assets</b>	<b>\$ 114,930,792</b>	<b>\$ 174,368,412</b>	<b>\$ 289,299,204</b>

See Notes to Financial Statements.

## Jacksonville Transportation Activity

### Statement of Activities Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Transportation Authority:</b>				
Governmental activities:				
General government	\$ 1,176,123	\$ -	\$ -	\$ -
Highway planning and construction	11,875	-	-	-
Intergovernmental:				
City of Jacksonville	56,280,790	-	-	-
State of Florida	8,246,458	-	-	-
<b>Total governmental activities</b>	<b>65,715,246</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business-type activities:				
Bus system	75,695,387	10,192,089	10,415,870	12,658,111
Automated skyway express	12,412,888	288,969	1,000,000	901,997
Community transportation coordinator	15,111,131	10,900,067	757,840	899,856
<b>Total business-type activities</b>	<b>103,219,406</b>	<b>21,381,125</b>	<b>12,173,710</b>	<b>14,459,964</b>
<b>Total transportation authority</b>	<b>\$ 168,934,652</b>	<b>\$ 21,381,125</b>	<b>\$ 12,173,710</b>	<b>\$ 14,459,964</b>

General revenues:  
    Sales taxes  
    Intergovernmental revenues  
    Investment earnings  
    Other  
Transfers  
        **Total general revenues**

Change in net assets  
Net assets, beginning of year  
Net assets, end of year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,176,123)	\$ -	\$ (1,176,123)
(11,875)	-	(11,875)
		-
(56,280,790)	-	(56,280,790)
(8,246,458)	-	(8,246,458)
(65,715,246)	-	(65,715,246)
-	(42,429,317)	(42,429,317)
-	(10,221,922)	(10,221,922)
-	(2,553,368)	(2,553,368)
-	(55,204,607)	(55,204,607)
(65,715,246)	(55,204,607)	(120,919,853)
64,980,887	-	64,980,887
-	50,753,088	50,753,088
141,268	18,446	159,714
142,115	-	142,115
3,331,012	(3,331,012)	-
68,595,282	47,440,522	116,035,804
2,880,036	(7,764,085)	(4,884,049)
112,050,756	182,132,497	294,183,253
\$ 114,930,792	\$ 174,368,412	\$ 289,299,204

Jacksonville Transportation Authority

Governmental Funds

Balance Sheet

September 30, 2011

Assets	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 36,222,650	\$ 7,759,625	\$ 43,982,275
Investments	30,155,413	-	30,155,413
Due from other funds	20,746,337	54,536	20,800,873
Due from other governments	15,846,721	14,358,961	30,205,682
Accounts receivable	9,167	-	9,167
Restricted assets:			
Cash and cash equivalents	-	19,866,615	19,866,615
<b>Total assets</b>	<b>\$ 102,980,288</b>	<b>\$ 42,039,737</b>	<b>\$ 145,020,025</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 394,757	4,497,547	\$ 4,892,304
Accrued expenses	488,529	-	488,529
Due to other funds	54,536	17,078,400	17,132,936
Due to other governments	-	597,175	597,175
Deferred revenue	-	13,567,289	13,567,289
<b>Total liabilities</b>	<b>937,822</b>	<b>35,740,411</b>	<b>36,678,233</b>
Fund balances:			
Spendable:			
Restricted	-	6,299,326	6,299,326
Assigned	84,100,000	-	84,100,000
Unassigned	17,942,466	-	17,942,466
<b>Total fund balances</b>	<b>102,042,466</b>	<b>6,299,326</b>	<b>108,341,792</b>
<b>Total liabilities and fund balances</b>	<b>\$ 102,980,288</b>	<b>\$ 42,039,737</b>	<b>\$ 145,020,025</b>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
September 30, 2011

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Fund balances – total governmental funds	\$ 108,341,792
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.	13,635,321
Custodial assets held on behalf of other governments are not financial resources and therefore, are not reported in the funds.	199,389,107
Net liabilities for other post-employment benefits resulting from underfunding are not due and payable in the current period and, therefore, are not reported in the funds	(264,000)
Deferred revenues are financial resources not available for use in current operations and therefore, are not reported in the funds.	13,567,289
Long-term obligations related to custodial construction projects are not due and payable in the current period and, therefore, are not reported in the funds	(219,255,722)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(482,995)
<b>Net assets of governmental activities</b>	<u><u>\$ 114,930,792</u></u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Governmental Funds  
 Statement of Revenue, Expenditures and Changes in Fund Balances  
 Fiscal Year Ended September 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenue:			
Intergovernmental:			
Sales taxes	\$ 64,980,887	\$ -	\$ 64,980,887
Federal and state grants	-	31,819	31,819
City of Jacksonville		16,552,028	16,552,028
Investment earnings	141,268	21,163	162,431
Miscellaneous	142,115	311,986	454,101
<b>Total revenue</b>	<b>65,264,270</b>	<b>16,916,996</b>	<b>82,181,266</b>
Expenditures:			
Current:			
General government	1,127,634	-	1,127,634
Highway planning	11,385	-	11,385
Transportation and infrastructure projects	-	16,213,402	16,213,402
Intergovernmental, on-behalf payments:			
City of Jacksonville	56,280,790	-	56,280,790
State of Florida	7,764,900	-	7,764,900
Capital outlay	26,463	-	26,463
<b>Total expenditures</b>	<b>65,211,172</b>	<b>16,213,402</b>	<b>81,424,574</b>
<b>Excess of revenue over expenditures</b>	<b>53,098</b>	<b>703,594</b>	<b>756,692</b>
Other financing sources (uses):			
Transfers in	3,331,012	-	3,331,012
<b>Total other financing sources (uses)</b>	<b>3,331,012</b>	<b>-</b>	<b>3,331,012</b>
<b>Net change in fund balances</b>	<b>3,384,110</b>	<b>703,594</b>	<b>4,087,704</b>
Fund balances, beginning of year	98,658,356	5,595,732	104,254,088
Fund balances, end of year	<b>\$ 102,042,466</b>	<b>\$ 6,299,326</b>	<b>\$ 108,341,792</b>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Reconciliation of the Statement of Revenue,  
Expenditures and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Fiscal Year Ended September 30, 2011

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Net change in fund balances, total governmental funds	\$ 4,087,704
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay 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.	
Acquisition of capital assets	26,463
Current year depreciation expense	(36,174)
Contribution of property to the State of Florida	(481,558)
Unfunded other post employment benefits ("OPEB") are recorded as an increase in expenses and an increase in the net OPEB liability on the statement of net assets and are not recorded in the fund financial statements.	(67,123)
Revenue earned but not available for use in current operations are not reported as revenue recognized and are deferred in the fund financial statements.	(590,722)
Costs associated with transportation and infrastructure projects constructed pursuant to agreements with the State of Florida and the City of Jacksonville are held as custodial assets until such time as the projects are completed, accepted and turned over to the State or City.	16,213,402
Revenue recognized in the current year to fund custodial projects being constructed pursuant to agreements with the State of Florida and the City of Jacksonville are reported as custodial projects due to other governments until such time as a project is completed, accepted and turned over to the State or the City.	(16,326,274)
Some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These include decreases in the liability for compensated absences.	54,318
Change in net assets of governmental activities	<u>\$ 2,880,036</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds  
Statement of Net Assets  
September 30, 2011

	Bus	ASE	CTC	Totals
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 4,966,717	\$ 208,091	\$ 539,574	\$ 5,714,382
Accounts receivable, net	590,539	14,054	207,893	812,486
Due from other funds	2,886,991	3,431,788	-	6,318,779
Due from other governments	14,449,011	171,210	70,163	14,690,384
Inventories	2,327,150	1,289,560	255,300	3,872,010
Prepaid expenses	316,452	160,617	36,238	513,307
<b>Total current assets</b>	<b>25,536,860</b>	<b>5,275,320</b>	<b>1,109,168</b>	<b>31,921,348</b>
Noncurrent assets:				
Net pension asset	7,131,715	-	-	7,131,715
Capital assets, net of accumulated depreciation	72,161,898	84,521,352	1,875,860	158,559,110
<b>Total noncurrent assets</b>	<b>79,293,613</b>	<b>84,521,352</b>	<b>1,875,860</b>	<b>165,690,825</b>
<b>Total assets</b>	<b>104,830,473</b>	<b>89,796,672</b>	<b>2,985,028</b>	<b>197,612,173</b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	7,442,577	244,328	364,484	8,051,389
Accrued expenses	1,007,482	39,190	51,497	1,098,169
Due to other funds	6,545,650	307,053	3,134,013	9,986,716
Claims payable	1,795,506	19,299	19,775	1,834,580
Accrued compensated absences	94,778	14,987	16,061	125,826
<b>Total current liabilities</b>	<b>16,885,993</b>	<b>624,857</b>	<b>3,585,830</b>	<b>21,096,680</b>
Noncurrent Liabilities:				
Claims payable	1,292,110	173,693	177,975	1,643,778
Accrued compensated absences	379,112	59,949	64,242	503,303
<b>Total noncurrent liabilities</b>	<b>1,671,222</b>	<b>233,642</b>	<b>242,217</b>	<b>2,147,081</b>
<b>Total liabilities</b>	<b>18,557,215</b>	<b>858,499</b>	<b>3,828,047</b>	<b>23,243,761</b>
<b>Net assets:</b>				
Invested in capital assets	72,161,898	84,521,352	1,875,860	158,559,110
Unrestricted (deficit)	14,111,360	4,416,821	(2,718,879)	15,809,302
<b>Total net assets (deficit)</b>	<b>\$ 86,273,258</b>	<b>\$ 88,938,173</b>	<b>\$ (843,019)</b>	<b>\$ 174,368,412</b>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Revenue, Expenses and Changes in Fund Net Assets  
Fiscal Year Ended September 30, 2011

	Bus	ASE	CTC	Totals
<b>Operating revenues:</b>				
Passenger	\$ 9,322,933	\$ 187,302	\$ 565,505	\$ 10,075,740
Agency	-	-	10,334,562	10,334,562
Charter	158,866	-	-	158,866
Auxiliary transportation	319,077	-	-	319,077
Non-transportation	391,213	101,667	-	492,880
<b>Total operating revenue</b>	<b>10,192,089</b>	<b>288,969</b>	<b>10,900,067</b>	<b>21,381,125</b>
<b>Operating expenses:</b>				
Labor	24,224,061	1,866,466	2,351,184	28,441,711
Fringe benefits	12,395,014	950,385	949,978	14,295,377
Materials and supplies	10,985,927	1,029,501	2,691,355	14,706,783
Services	16,408,691	622,715	7,712,420	24,743,826
Casualty and insurance	475,440	464,469	16,613	956,522
Taxes and licenses	116,148	-	50	116,198
Other	3,339,906	852,184	403,893	4,595,983
Depreciation expense	7,750,200	6,627,168	985,638	15,363,006
<b>Total operating expenses</b>	<b>75,695,387</b>	<b>12,412,888</b>	<b>15,111,131</b>	<b>103,219,406</b>
<b>Operating loss</b>	<b>(65,503,298)</b>	<b>(12,123,919)</b>	<b>(4,211,064)</b>	<b>(81,838,281)</b>
<b>Nonoperating revenues</b>				
<b>Public funding:</b>				
United States government	6,445,332	1,000,000	757,840	8,203,172
State of Florida	3,970,538	-	-	3,970,538
City of Jacksonville	49,634,481	-	1,118,607	50,753,088
Investment earnings	14,656	1,009	2,781	18,446
<b>Total nonoperating revenues</b>	<b>60,065,007</b>	<b>1,001,009</b>	<b>1,879,228</b>	<b>62,945,244</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(5,438,291)</b>	<b>(11,122,910)</b>	<b>(2,331,836)</b>	<b>(18,893,037)</b>
Capital contributions	12,658,111	901,997	899,856	14,459,964
Transfers in	-	4,045,097	1,307,469	5,352,566
Transfers out	(8,683,578)	-	-	(8,683,578)
<b>Change in net assets</b>	<b>(1,463,758)</b>	<b>(6,175,816)</b>	<b>(124,511)</b>	<b>(7,764,085)</b>
Net assets, beginning of year	87,737,016	95,113,989	(718,508)	182,132,497
Net assets, end of year	\$ 86,273,258	\$ 88,938,173	\$ (843,019)	\$ 174,368,412

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds

Statement of Cash Flows

Fiscal Year Ended September 30, 2011

	Bus	ASE	CTC	Totals
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 10,248,935	\$ 345,630	\$ 10,888,665	\$ 21,483,230
Payments to suppliers	(30,960,141)	(3,054,399)	(11,104,806)	(45,119,346)
Payments to employees	(37,495,185)	(2,804,328)	(3,278,956)	(43,578,469)
<b>Net cash used in operating activities</b>	<b>(58,206,391)</b>	<b>(5,513,097)</b>	<b>(3,495,097)</b>	<b>(67,214,585)</b>
<b>Cash Flows From Noncapital Financing Activities</b>				
Operating grants received	60,369,695	1,000,000	2,576,245	63,945,940
Receipts (payments) of interfund balances	2,676,588	(1,448,469)	(111,431)	1,116,688
Receipts (payments) of interfund advances	3,331,012	-	-	3,331,012
Transfers from other funds	-	4,045,097	1,307,469	5,352,566
Transfers (to) other funds	(8,683,578)	-	-	(8,683,578)
<b>Net cash provided by noncapital financing activities</b>	<b>57,693,717</b>	<b>3,596,628</b>	<b>3,772,283</b>	<b>65,062,628</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital contributions	13,858,313	2,437,492	1,126,214	17,422,019
Acquisition and construction of capital assets	(9,049,835)	(539,364)	(1,056,872)	(10,646,071)
<b>Net cash provided by capital and related financing activities</b>	<b>4,808,478</b>	<b>1,898,128</b>	<b>69,342</b>	<b>6,775,948</b>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	14,656	1,009	2,781	18,446
<b>Net cash provided by investing activities</b>	<b>14,656</b>	<b>1,009</b>	<b>2,781</b>	<b>18,446</b>
<b>Net change in cash and cash equivalents</b>	<b>4,310,460</b>	<b>(17,332)</b>	<b>349,309</b>	<b>4,642,437</b>
Cash and cash equivalents, beginning of year	656,257	225,423	190,265	1,071,945
Cash and cash equivalents, end of year	\$ 4,966,717	\$ 208,091	\$ 539,574	\$ 5,714,382

(Continued)

Jacksonville Transportation Authority

Proprietary Funds  
Statement of Cash Flows (Continued)  
Fiscal Year Ended September 30, 2011

	Bus	ASE	CTC	Totals
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (65,503,298)	\$ (12,123,919)	\$ (4,211,064)	\$ (81,838,281)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>				
Depreciation	7,750,200	6,627,168	985,638	15,363,006
Loss on disposal of capital assets	45,619	5,704	6,135	57,458
<b>(Increase) decrease in assets:</b>				
Accounts receivable	56,846	56,661	(11,402)	102,105
Inventory	(337,689)	(80,191)	(45,671)	(463,551)
Prepaid expenses	113,322	(2,173)	(9,584)	101,565
Net pension asset	(1,022,182)	-	-	(1,022,182)
<b>Increase (decrease) in liabilities:</b>				
Accounts payable	925,216	(8,120)	(240,105)	676,991
Accrued expenses	94,931	6,238	(1,147)	100,022
Accrued compensated absences	51,141	6,285	23,353	80,779
Claims payable	(380,497)	(750)	8,750	(372,497)
<b>Net cash used in operating activities</b>	<b>\$ (58,206,391)</b>	<b>\$ (5,513,097)</b>	<b>\$ (3,495,097)</b>	<b>\$ (67,214,585)</b>
<b>Noncash Capital and Financing Activities:</b>				
Accounts Payable for Capital Acquisitions	\$ 4,338,807	\$ 63,550	\$ -	\$ 4,402,357

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Fiduciary Net Assets  
Pension Trust Fund  
September 30, 2011

Assets	JTM Salaried Employees
Cash and cash equivalents	\$ 389,430
Investments:	
Mutual Funds	75,366
Government securities	330,421
Equity securities	912,575
<b>Total assets</b>	<u>1,707,792</u>
<b>Liabilities</b>	<u>-</u>
<b>Net assets:</b>	
Held in trust for pension benefits	<u>\$ 1,707,792</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Fiduciary Funds  
 Statement of Changes in Net Assets  
 Fiscal Year Ended September 30, 2011

	JTM Salaried Employees
<hr/>	
Additions:	
Employer contribution	\$ 137,194
<b>Total contributions</b>	<u>137,194</u>
Investment income	33,851
Net appreciation in fair value of investments	96,976
<b>Net investment gain</b>	<u>130,827</u>
<b>Total</b>	<u>268,021</u>
Deductions:	
Benefit payments	10,742
Administrative expenses	4,303
<b>Total</b>	<u>15,045</u>
<b>Net increase in plan net assets</b>	<u>252,976</u>
Net assets held in trust for pension benefits, beginning of year	1,454,816
Net assets held in trust for pension benefits, end of year	<u>\$ 1,707,792</u>

See Notes to Financial Statements.



JACKSONVILLE TRANSPORTATION AUTHORITY  
*Regional Transportation Solutions*

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## Jacksonville Transportation Authority

### Notes to Financial Statements

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#### Note 1. Reporting Entity

Established by the Florida Legislature in 1955, the Jacksonville Transportation Authority (the "Authority") is a public body and corporate agency of the State of Florida under Chapter 349, as amended, Florida Statutes. The Authority is empowered to acquire, construct, operate and lease a mass transit system; it may plan, coordinate and recommend methods and facilities for the parking of vehicles and the movement of pedestrians and vehicular traffic; and it may issue evidences of indebtedness and secure payment thereof by pledge of its revenues.

It is also empowered to construct, improve, operate and lease the Jacksonville Expressway System and improvements thereto, to fix and collect rates, rentals and other charges for the services and facilities of such system; and to secure bonds by a pledge of such revenues and all or part of Duval County gasoline tax and sales tax funds pursuant to a Lease-Purchase Agreement between the Authority and the State of Florida Department of Transportation ("FDOT"). The FDOT maintains responsibility for the operation of the Expressway System with the exception of certain contract maintenance functions.

In fiscal year 2000, the Authority entered into an Interlocal Agreement ("ILA") with the City of Jacksonville for the purpose of constructing the roadway and infrastructure projects of the Better Jacksonville Plan (the "Plan"), as defined in the ILA. Pursuant to this agreement, the Authority pledged its Sales Tax and the City pledged its Constitutional Gas Tax to the payment of bonds issued by the City to implement the Program (the "Bonds"). The Bonds are an obligation of the City and there is no guarantee by the Authority or any Authority revenues or assets pledged for such bonds. The ILA commenced on October 1, 2000 and continues in effect until all of the Bonds have been duly paid in full or defeased in accordance with their terms. The terms of the ILA also require that the City make available its Local Option Gas Tax to the Authority for the Authority's operation of its mass transit division. Any excess funds calculated pursuant to the terms of the ILA (as amended) will be allocated entirely to the Authority. The Authority may use these funds for any lawful purpose.

As the Authority receives economic resources almost entirely for the direct benefit of the constituents of the City of Jacksonville, Florida (the "City"), the Authority is deemed to be a component unit of the City under Governmental Standards Board Statement No. 14, *The Financial Reporting Entity*. The Authority's governing body has seven members. Three members are appointed by the Governor and confirmed by the Senate; three members are appointed by the City's Mayor and confirmed by the City Council; and the seventh member is the District Two Secretary of the Florida Department of Transportation.

As required by generally accepted accounting principles, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Authority's operation and so data from these units are combined with data of the primary government.

**Blended Component Unit:** Jacksonville Transit Management, Inc. ("JTM") is a for profit, corporate entity responsible for the management of payroll and related benefits for drivers, mechanics and certain other employees who support the enterprise activities of the Authority. The Authority owns all of the stock of JTM, members of JTM's board of directors are appointed by the Authority and services are exclusively provided to JTA. The transactions of JTM are blended with the primary government (the Authority) and are included in the expenses of the Authority's enterprise funds.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies**

The basic financial statements include both government-wide and fund level statements. The government-wide statements report on all of the non-fiduciary activities of the Authority. Both the government-wide and fund level statements classify primary activities of the Authority as either governmental activities, which are primarily supported by taxes and intergovernmental revenues, or business-type activities, which are partially supported by user fees and charges.

The government-wide statement of net assets reports all assets and liabilities of the Authority, including both long-term assets and long-term debt and other obligations. Net asset, the difference between assets and liabilities, are subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

The statement of activities reports the degree to which direct expenses of Authority functions are offset by program revenues. Program revenues consist of charges for services, operating grants and contributions and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular 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, unrestricted intergovernmental revenue and investment earnings.

The fund level statements report on governmental, proprietary and fiduciary activities, even though the latter are excluded from the government-wide financial statements. 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 government-wide 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 government-wide governmental column presentations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this is the Bus Fund's payments to the Community Transportation Coordinator ("CTC") Fund in the amount of \$9,107,743 for services provided to the transportation disadvantaged. Elimination of these charges would distort the direct costs and program revenues reported for these funds.

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

## Jacksonville Transportation Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

##### Fund Structure

The Authority's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions or limitations. Each individual fund is a self-balancing set of accounts recording assets, liabilities, revenues and expenditures/expenses and fund equity. For financial statement presentation, funds with similar characteristics are grouped into generic classifications as required by accounting principles generally accepted in the United States of America. 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 governmental agencies. The following are major governmental funds used by the Authority:

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

Special Revenue Fund – The Special Revenue Fund receives money from other governmental agencies, primarily the State of Florida (the "State") and the City of Jacksonville (the "City"), to fund major capital improvement projects for those respective governments. Upon completion, ownership of the assets constructed (the accumulated costs of such assets) is transferred to the State or City.

**Proprietary Funds.** These funds are used to account for the financing of services to the public on a continuing basis with costs recovered partially through user charges. Major proprietary funds include:

Bus – Bus Fund is used to account for the operation of the Authority's bus services. Operating revenue is provided through passenger fares.

ASE – Automated Skyway Express Fund is used to account for the Authority's local train service. Operating revenue is provided through passenger fares.

CTC – Community Transportation Coordinator Fund is used to account for paratransit service for disabled and transportation for disadvantaged riders. Operating revenue is provided through governmental grants and other sources.

As provided by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to adopt any Financial Accounting Standards Board statements issued after November 30, 1989 unless so directed by the GASB.

Proprietary funds distinguish operating revenue and expenses from nonoperating 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.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

The principal operating revenues for the Authority's enterprise funds are charges to customers for sales and services. Because the rate structure of these funds is not sufficient to generate revenues to fully fund operating expenses or to fund acquisition, replacement and future expansion of property and equipment, the Authority is compelled to seek contributions-in-aid from local, state and federal sources, which are reported as nonoperating revenues. 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 nonoperating revenues and expenses.

The following is a summary of the significant accounting policies applicable to the Authority:

Basis of accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. 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. Generally, the Authority considers a 90 day availability period for revenue recognition.

Major revenues that are determined to be susceptible to accrual include intergovernmental revenue when eligibility requirements are met, charges for services and investment income.

Expenditures of governmental funds are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Expenditures related to pensions and OPEB are recognized when the Authority has made a decision to fund those obligations with current available resources.

Cash and cash equivalents: For purposes of the statement of cash flows, cash and cash equivalents includes bank demand accounts, money market funds and investments with an original maturity of three months or less when purchased.

Investments: Investments with a maturity date greater than one year from the purchase date are reported at fair value as determined by quoted market prices, and investments with a maturity date less than one year from the purchase date are reported at amortized cost, which approximates fair value. Investments held by the Florida Treasury Investment Pool are recorded at amortized cost.

## Jacksonville Transportation Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable: Customer accounts receivable consist of amounts owed from private individuals, organizations or agencies of the government for services. The allowance method is used to account for bad debt expense. All accounts receivable balances are shown net of the allowance for uncollectibles. The allowance is based on management's estimates using historical experience. The allowance for doubtful accounts amounted to \$284,980 for the Bus fund at September 30, 2011.

Inventory and prepaid items: Inventory consists of materials and supplies and is carried using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and proprietary fund financial statements.

Custodial assets / custodial liabilities: Custodial assets consist of cash and cash equivalents and costs of infrastructure assets currently under construction for the benefit of the State of Florida and the City of Jacksonville. After completion, the City or State, as appropriate, is responsible for maintaining the assets. Therefore, the Authority transfers such assets upon completion of the related construction project.

These assets are reported as custodial assets on the government-wide statement of net assets because title of such assets does not transfer until such time as the project is completed and accepted by the State or the City, as appropriate.

As these assets are being held in an agency-like capacity by the Authority, the revenues associated with the funding of these projects are reported as amounts due to other governments (liabilities) on the government-wide statement of net assets, reflecting the Authority's obligation to the State or City.

Capital assets: Capital assets are valued at historical cost and are defined as assets with an initial individual cost of more than \$3,000 and an estimated useful life exceeding one year.

The cost of improvements and replacements, which extend the useful lives of assets, are capitalized. Repairs and maintenance costs, which do not improve or extend the useful life of the respective assets, are charged to expense. Depreciation commences when the assets are placed in service. Property and equipment is depreciated by the straight-line method over the estimated useful lives of the assets as follows:

	Years
Land improvements	15
Buildings and improvements	15 – 40
Vehicles	5 – 25
Furniture and office equipment	3 – 10
Other equipment	3 – 10

As of September 30, 2010, there were no infrastructure assets.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

Compensated absences: Employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements as accrued liabilities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The value of accumulated benefits earned by employees, that may be used in subsequent years or paid upon termination or retirement, is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Unearned / deferred revenues: Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the government-wide and fund financial statements. In addition, amounts related to governmental fund receivables that are measurable, but not available, are recorded as deferred revenue in the governmental fund financial statements.

Claims liability: Provision for injury and damage losses are charged to operations based on the estimated ultimate cost of settling incurred claims and incurred but not reported claims using past experience adjusted for current trends.

Restricted assets: Certain assets of the Authority's governmental and proprietary funds are classified as restricted assets on the financial statements because their use is limited to the construction of capital assets or custodial assets through loan covenants, grants and other legal restrictions.

Net assets and fund equity: In the government-wide financial statements and in the proprietary fund statements, net assets are classified in the following categories:

*Invested in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that is attributable to the acquisition, construction or improvement of these assets, if any, reduce this category.

*Restricted Net Assets* – This category represents the net assets of the Authority, which are restricted by creditors, grantors, or laws and regulations or legally enforceable enabling legislation which a party external to the Authority (such as citizens, public interest groups, or the judiciary) can compel the Authority to honor.

*Unrestricted Net Assets* – This category represents the net assets of the Authority, which are not restricted for any project or other purpose.

In fiscal year 2011, the Authority implemented Governmental Accounting Standards Board Statement 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity as 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 13.

Notes to Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

At September 30, 2011, the CTC Fund reported an unrestricted fund deficit of \$843,019 attributable to the increasing costs of providing these specialized transportation services. The Authority will continue to monitor the operations of the CTC Fund and pursue additional funding options to support these services.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as provision for uninsured losses, 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 amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Note 3. Deposits and Investments**

*Cash and Cash Equivalents*

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy to address custodial credit risk requires the Authority to maintain all deposits in qualified public depositories as defined in Chapter 280.02, Florida Statutes. Deposits whose value exceeds the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes, Chapter 280, Florida Security for Public Deposits Act* (the "Act"). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration, securities which have a market value equal to 50% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. At September 30, 2011, the Authority's demand deposits with banks were \$71,501,240 and its reported balances were \$69,538,612.

*Investments*

The Authority's Board approved its written investment policy on June 28, 2007. The policy complies with Florida Statute 218. The investment policy authorizes the following investments: Money market mutual funds, Florida Local Government Surplus Funds Trust Funds, United States Government Securities, Federal Instrumentalities United States Government Agencies, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper of a high rating A-1 P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's corporation (S & P) or Moody's, fixed income mutual funds, and intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperative Act. The policy also provides limits on individual issuers and rating requirement standards. Outside portfolio managers must review the portfolios they manage to ensure compliance with the Authority's diversification guidelines on an ongoing basis.

Investments are recorded at fair value (quoted market price or the best available estimate thereof), with the exception of the investments held by the Florida Treasury Investment Pool. The investments held by the Florida Treasury Investment Pool are recorded at amortized cost, which is consistent with the treatment of "2a-7 like" pool securities.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

**Interest rate risk.** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. As of September 30, 2011, the Authority had the following debt-type investments and maturities:

Investment Type	Remaining Maturity (in Years)				Fair Value
	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years	
Money Market Mutual Fund	\$ 1,751,493	\$ -	\$ -	\$ -	\$ 1,751,493
Federal Agency Bonds / Notes	4,275,160	8,806,800	-	-	13,081,960
U.S. Treasury Bills / Notes	3,255,743	9,067,609	-	-	12,323,352
Commercial Paper	2,998,608	-	-	-	2,998,608
	<u>\$ 12,281,004</u>	<u>\$ 17,874,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,155,413</u>

**Credit risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, the Authority's policy is to strictly limit its investments in permitted investment vehicles authorized by the policy, which are generally recognized as elements of a conservative investment portfolio that carries minimal credit risk exposure. U.S. Government securities are backed by the full faith and credit of the U.S. Government, therefore a credit rating is not assigned. The Authority's investments are rated as follows:

Investment Type	Rating	Fair Value
Money Market Mutual Fund	AAA	\$ 1,751,493
Federal Agency Bonds / Notes	AA+	13,081,960
Commercial Paper	A1 - A1+	2,998,608
U.S. Treasury Bills / Notes	TSY	12,323,352
		<u>\$ 30,155,413</u>

## Jacksonville Transportation Authority

### Notes to Financial Statements

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#### Note 3. Deposits and Investments (Continued)

**Custodial credit risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires securities be held by a third party custodian and be properly designated as an asset of the Authority and held in the Authority's name. As of September 30, 2011, the Authority's investments were held with a third-party custodian as required by the Authority's investment policy.

**Concentration of credit risk.** The investment policy authorizes the following maximum permissible concentrations based on book values: United States Government Agencies (50%), interest bearing time deposits or savings accounts (30%), repurchase agreements (20%), commercial paper (25%) of a high rating A-1 P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's corporation (S & P) or Moody's, fixed income mutual funds (75%), and intergovernmental investment pools (25%) that are authorized pursuant to the Florida Interlocal Cooperative Act. The policy further allows that 100% of the portfolio can be comprised of any of the following instruments: money markets mutual funds, Florida Local Government Surplus Funds Trust Funds, United States Government Securities and Federal Instrumentalities. Debt securities that represent more than 5% of the Authority's investments are listed below:

Issuer	Reported Amount	% of Portfolio
Commercial Paper	\$ 2,998,608	9.94%
U.S. Treasury Bills / Notes	12,323,352	40.87%
Federal Home Loan Mortgage Corp	2,763,310	9.16%
Federal National Mortgage Assoc.	3,013,710	9.99%
Federal Home Loan Banks	4,781,640	15.86%
Federal Farm Credit Banks	2,523,300	8.37%
	<u>\$ 28,403,920</u>	

Jacksonville Transportation Authority

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,993,995	\$ -	\$ 481,558	\$ 13,512,437
<b>Total capital assets, not being depreciated</b>	<b>13,993,995</b>	<b>-</b>	<b>481,558</b>	<b>13,512,437</b>
Capital assets, being depreciated:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	373,748	-	-	373,748
Vehicles	155,058	18,685	-	173,743
Furniture and office equipment	590,471	7,778	-	598,249
<b>Total capital assets, being depreciated</b>	<b>1,143,397</b>	<b>26,463</b>	<b>-</b>	<b>1,169,860</b>
Less accumulated depreciation for:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	321,406	5,095	-	326,501
Vehicles	115,355	13,848	-	129,203
Furniture and office equipment	549,921	17,231	-	567,152
<b>Total accumulated depreciation</b>	<b>1,010,802</b>	<b>36,174</b>	<b>-</b>	<b>1,046,976</b>
<b>Total capital assets, being depreciated, net</b>	<b>132,595</b>	<b>(9,711)</b>	<b>-</b>	<b>122,884</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 14,126,590</b>	<b>\$ (9,711)</b>	<b>\$ 481,558</b>	<b>\$ 13,635,321</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 35,812
Highway planning and construction	362
	<u>\$ 36,174</u>

Jacksonville Transportation Authority

Notes to Financial Statements

Note 4. Capital Assets (Continued)

The following is a schedule of changes in capital assets of the enterprise funds for the year ended September 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 23,240,178	\$ -	\$ -	\$ 23,240,178
Construction in progress	6,136,433	11,908,239	4,718,011	13,326,661
<b>Total capital assets, not being depreciated</b>	<b>29,376,611</b>	<b>11,908,239</b>	<b>4,718,011</b>	<b>36,566,839</b>
Capital assets, being depreciated:				
Land improvements	17,097,464	336,562	1,133,963	16,300,063
Buildings and improvements	128,413,308	616,765	112,666	128,917,407
Vehicles	91,637,611	3,897,581	5,253,482	90,281,710
Furniture and office equipment	3,473,574	39,063	155,719	3,356,918
Other equipment	75,912,489	2,073,314	1,136,253	76,849,550
<b>Total capital assets, being depreciated</b>	<b>316,534,446</b>	<b>6,963,285</b>	<b>7,792,083</b>	<b>315,705,648</b>
Less accumulated depreciation for:				
Land improvements	10,649,368	1,296,098	1,133,963	10,811,503
Buildings and improvements	57,814,936	3,033,575	111,173	60,737,338
Vehicles	50,207,628	5,988,225	5,202,087	50,993,766
Furniture and office equipment	2,475,420	236,892	153,930	2,558,382
Other equipment	64,937,650	4,808,216	1,133,478	68,612,388
<b>Total accumulated depreciation</b>	<b>186,085,002</b>	<b>15,363,006</b>	<b>7,734,631</b>	<b>193,713,377</b>
<b>Total capital assets, being depreciated, net</b>	<b>130,449,444</b>	<b>(8,399,721)</b>	<b>57,452</b>	<b>121,992,271</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 159,826,055</b>	<b>\$ 3,508,518</b>	<b>\$ 4,775,463</b>	<b>\$ 158,559,110</b>

Depreciation expense for the year ended September 30, 2011 amounted to:

Bus Services	\$ 7,750,200
Automated Skyway Express	6,627,168
Transportation Disadvantaged	985,638
<b>Total depreciation expense</b>	<b>\$ 15,363,006</b>

Jacksonville Transportation Authority

Notes to Financial Statements

**Note 5. Custodial Projects**

The following is a schedule of changes in custodial construction projects until completion, acceptance and transfer of title for the year ended September 30, 2011:

	Beginning Balance	Current Year Project Costs	Completed Projects	Ending Balance
Custodial assets – construction projects	\$ 315,648,917	\$ 16,213,402	\$ 132,473,212	\$ 199,389,107

A schedule of the obligation to other governments associated with the funding of these projects until completion, acceptance and transfer of title for the year ended September 30, 2011 follows:

	Beginning Balance	Current Year Funding	Completed Projects	Ending Balance
Custodial projects – due to other governments	\$ 335,402,660	\$ 16,326,274	\$ 132,473,212	\$ 219,255,722

**Note 6. Interfund Balances and Transfers**

During the normal course of operations, numerous transactions occur between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to or due from other funds.

The following is a schedule of interfund balances at September 30, 2011:

	Due To				Total
	General Fund	Special Revenue Fund	Bus Fund	ASE Fund	
<b>Due From</b>					
General Fund	\$ -	\$ 54,536	\$ -	\$ -	\$ 54,536
Special Revenue Fund	17,078,400	-	-	-	17,078,400
Enterprise Fund – Bus	3,113,862	-	-	3,431,788	6,545,650
Enterprise Fund – ASE	307,053	-	-	-	307,053
Enterprise Fund – CTC	247,022	-	2,886,991	-	3,134,013
	<u>\$ 20,746,337</u>	<u>\$ 54,536</u>	<u>\$ 2,886,991</u>	<u>\$ 3,431,788</u>	<u>\$ 27,119,652</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenses occur, transactions are recorded in the accounting system, and payments between funds are made. These balances also include the amount of working capital loans made that are expected to be collected in the subsequent year.

Jacksonville Transportation Authority

Notes to Financial Statements

**Note 6. Interfund Balances and Transfers (Continued)**

Transfers of net resources from a fund receiving revenue to a fund in which the resources are to be expended are recorded as operating transfers.

	Transfer To			
	General Fund	ASE Fund	CTC Fund	Total
<b>Transfer From</b>				
Enterprise Fund – Bus	3,331,012	4,045,097	1,307,469	8,683,578
	<u>\$ 3,331,012</u>	<u>\$ 4,045,097</u>	<u>\$ 1,307,469</u>	<u>\$ 8,683,578</u>

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

**Note 7. Noncurrent Liabilities**

Accrued compensated absences at September 30, 2011 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	<u>\$ 537,313</u>	<u>\$ 29,998</u>	<u>\$ 84,316</u>	<u>\$ 482,995</u>	<u>\$ 156,542</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$ 545,577</u>	<u>\$ 1,981,719</u>	<u>\$ 1,898,167</u>	<u>\$ 629,129</u>	<u>\$ 125,826</u>

**Note 8. Risk Management**

The Authority is exposed to various risks of loss related to injury and damage claims arising from operations. The Authority is self-insured for general liability and automobile liability and purchases excess commercial insurance beyond the self-insured retention. The Authority purchases commercial insurance for group health insurance, workers compensation, and destruction of property.

Claim liabilities include an amount for known claims and claims that have been incurred but not reported (“IBNRs”) for which a loss is probable. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability is reported in the Enterprise Funds. During fiscal year 2011, individual claims in excess of \$100,000 and \$200,000 per occurrence were subject to the Florida Sovereign Immunity Law. Subsequent to year end, these amounts were increased to \$200,000 and \$300,000 per occurrence.

Jacksonville Transportation Authority

Notes to Financial Statements

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**Note 8. Risk Management (Continued)**

Changes in the estimated liability for the self-insurance program consisted of the following:

Fiscal Year Ended September 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Paid	Ending Balance
2010	\$ 2,826,704	\$ 1,715,000	\$ (690,849)	\$ 3,850,855
2011	\$ 3,850,855	\$ 341,250	\$ (713,747)	\$ 3,478,358

**Note 9. Commitments and Contingencies**

Construction commitments: The Authority as a whole had construction and construction-related commitments related to the Custodial Assets discussed at Note 5 amounting to approximately \$12.5 million at September 30, 2011.

Better Jacksonville Plan: As of October 1, 2000, the Authority and the City of Jacksonville entered into an Interlocal Agreement ("ILA") for the purpose of constructing roadway projects as defined in the Better Jacksonville Plan. As of the effective date of the ILA, the Authority pledged its Duval County sales tax revenues to pay the debt service on transportation revenue bonds issued by the City of Jacksonville to fund such roadway projects under the Better Jacksonville Plan. All such bonds are revenue obligations, secured solely by the Transportation Discretionary Sales Surtax and Constitutional Gas Taxes collected in Duval County, and there is no guarantee by the Authority or any other Authority revenues or assets pledged for such bonds.

Grant funding: Federal and State grant awards are audited in accordance with the requirements of OMB Circular A-133 and the Single Audit Act of 1984, and the Florida Single Audit Act. These grant awards are subject to audit by the respective grantor agencies. It is management's opinion that no material liabilities will result from any such grantor audits.

Union contracts: At September 30, 2011, the Authority employed a total of 699 employees. 67% or 470 of the Authority's employees are covered under union contracts. The Amalgamated Transit Local Union No. 1197 covers bus operators. Its three-year contract, representing 332 employees, expires October 25, 2014.

Additionally, 138 mechanics and utility employees operate under a contract with the International Association of Machinists and Aerospace Workers Local Union No. 759. This three-year contract, which expired on November 2, 2008, has been renewed until November 6, 2011. Its new three year contract is effective November 7, 2011 through November 6, 2014.

Jacksonville Transportation Authority

Notes to Financial Statements

**Note 10. Employee Benefits**

Pension Plan of the Primary Government. The administrative employees of the Authority participate in the Florida Retirement System (the "FRS") defined benefit pension plan, a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the Authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Benefits are determined by category and length of service as follows:

Membership Category	Benefit	Vesting	July 1, 2011 Employer Contribution Rate	July 1, 2010 Employer Contribution Rate
Regular	1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of services at any age.	Choice: Pension – after 6 years of creditable service, or Investment – after 1 year of creditable service.	4.91%	10.77%
Senior Management	2.0% times years of service times average compensation (5 highest years) if age 62 or 30 years of services at any age.	Choice: Pension – after 6 years of creditable service, or Investment – after 1 year of creditable service.	6.27%	14.57%
Deferred Retirement Option Program ("DROP")	Accumulated FRS benefits earn 6.50% effective annual interest compounded monthly for a period up to 60 months after becoming vested, having reached normal retirement date, and remaining employed.	Subject to normal system vesting provision for membership category.	4.42%	12.25%

All of the above employer contribution rates include 1.11% for a post-retirement health insurance subsidy. The Regular and Senior Management rates also include .05% for an administrative fee and .08% for an educational fee.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Employee contribution rates are 3% for regular employees and senior management. There is no employee contribution for employees enrolled in DROP.

The payments made to the FRS in the year ended September 30, 2011, 2010 and 2009 were \$549,481, \$1,038,685 and \$1,025,324, respectively, which were equal to the required contributions for each year.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Jacksonville Transportation Authority

Notes to Financial Statements

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**Note 10. Employee Benefits (Continued)**

Pension Plans of Jax Transit Management Corp. ("JTM"). JTM (a component unit) maintains two single-employer defined benefit pension plans, which cover general (salaried) employees and bus operators for the Authority's enterprise activities. Contributions are also made to a multi-employer defined benefit pension plan for the JTM employees (mechanics) represented by the International Association of Machinists union.

***International Association of Machinists ("IAM") Pension Plan***

Mechanics and other technicians whose job classification is within the bargaining unit represented by the International Association of Machinists ("IAM") union participate in the IAM defined benefit pension plan, a cost-sharing multiple-employer retirement plan administered by the union to provide retirement and survivor benefits to participating employees. The plan documents for the IAM National Pension Fund establish the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Benefits are determined by category and length of service as follows

Membership Category	Retirement Benefit	Vesting	January 1, 2011	January 1, 2010
			Employer Contribution Rate	Employer Contribution Rate
Regular	\$41 per month multiplied by the number of years of creditable service	After 5 years of creditable service	\$3.45 per hour	\$3.45 per hour

Participating employer contributions are based upon the collective bargaining agreement in effect, that expressed as an hourly rate, are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

The payments made to the IAM plan in the year ended September 30, 2011, 2010 and 2009 were \$950,185, \$953,658 and \$1,006,026, respectively, which were equal to the required contributions for each year.

***Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.***

**Plan Descriptions** – The Authority contributes to the Jax Transit Management Corp. ("JTM") Retirement Plan for Salaried Employees, a single-employer defined benefit plan which covers all salaried employees on JTM's payroll whose job classifications are not represented by unions. The Salaried Employees plan was established by JTM on January 1, 1963. A committee comprised of three JTM employees administers the Salaried Employees Plan.

The Authority also contributes to the Amalgamated Jax Transit Management, Corp. Pension-Disability Plan ("Drivers"), a single-employer defined benefit plan which covers all full and part-time bus operators on JTM's payroll whose job classification is within the bargaining unit represented by the Amalgamated Transit Union Local 1197. The Drivers Plan was established on May 1, 1964 by JTM. The plan is administered by a six-member Board of Control. The Authority has no fiduciary responsibility for the plan assets of the Drivers plan, thus the net assets of this plan are not reported as a pension trust fund.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

As of January 1, 2011, employee membership data related to these plans was as follows:

	Salaried Employees	Drivers Plan
Active employees:		
Nonvested	1	83
Partially vested	5	-
Fully vested	10	261
Retirees and beneficiaries currently receiving benefits	-	149
Terminated plan members entitled to but not yet receiving benefits	11	130
Total	27	623

The following is a summary of funding policies, contribution methods and benefit provisions:

	Salaried Employees	Drivers Plan
Determination of contribution requirements	Actuarially determined	Contracted pursuant to union negotiations
Employer	Paid quarterly	\$2.66 per hour
Funding of administrative costs	Paid by JTM	Paid by plan assets
Period required to vest	6 years	5 years
Postretirement benefit increases	Not applicable	Not applicable
Eligibility for distribution	Normal retirement date = Age 65 and 5 years participation; Early retirement date = Age 55 and 5 years of participation	Latter of attainment of age 65 and 5 years of participation or attainment of age 62 and 20 plan years of service or any age with 30 plan years of service
Benefit provisions	1.5% average monthly compensation multiplied by total years of service (up to 60 years)	\$48 per month multiplied by years of service limited to 30 years

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

Funding policies – The following table provides information concerning funding policies:

	Salaried Employees	Drivers Plan
Valuation date	January 1, 2010	January 1, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization period	10 years	10 years
Actuarial asset valuation method	Market value	Market value
Actuarial assumptions:		
Assumed rate of return on investments	6% per annum	8% per annum
Projected salary increases	Assumed 4% per year	None
Postretirement benefit increases (maximum)	None	None
Inflation	None	None

**Salaried Plan** – The Salaried Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll contribution rates are determined using the modified unit credit method. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation described above. Unfunded actuarial accrued liability is amortized over 7 years.

**Annual Pension Cost and Net Pension Liability:** The following table shows the components of the Authority's annual pension cost, amount actually contributed and changes in the net pension obligation for the year. The following table shows the components of the Authority's annual pension cost for the year, the amount contributed to the plan, and changes in the Authority's net pension obligation:

Annual required contribution	\$ 185,560
Annual pension cost	<u>185,560</u>
Contributions made	<u>(137,194)</u>
Change in net pension obligation (asset)	48,366
Net pension obligation (asset), beginning of year	-
Net pension obligation (asset), end of year	<u><u>\$ 48,366</u></u>

Annual pension cost and contribution information for the last three fiscal years follows:

Fiscal Year Ending	Actuarially Determined Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$ 185,560	74%	48,366
9/30/10	\$ 139,263	102%	(10,754)
9/30/09	\$ 133,659	109%	(22,941)

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

Funding progress as of September 30, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/10	\$ 1,707,792	\$ 2,123,564	\$ 415,772	80.4%	\$ 1,101,632	37.7%

Contributions for the year ending September 30, 2011, totaling \$137,194, were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 2010. Annual reporting for the Salaried Plan is presented only in the Authority's financial report.

**Drivers Plan** – The Drivers Plan's funding policy provides for periodic employer contributions at contractually negotiated rates that, expressed as an hourly rate, are sufficient to accumulate sufficient assets to pay benefits when due. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation described above. Unfunded actuarial accrued liability is amortized over 10 years.

**Annual Pension Cost and Net Pension Liability:** The following table shows the components of the Authority's annual pension cost, amount actually contributed and changes in the net pension obligation for the year. The following table shows the components of the Authority's annual pension cost for the year, the amount contributed to the plan, and changes in the Authority's net pension obligation:

Annual required contribution	\$ 583,455
Interest on net pension obligation	(488,763)
Adjustment to annual required contribution	910,501
Annual pension cost	<u>1,005,193</u>
Contributions made	<u>(2,027,375)</u>
Change in net pension obligation (asset)	(1,022,182)
Net pension obligation (asset), beginning of year	(6,109,533)
Net pension obligation (asset), end of year	<u><u>\$ (7,131,715)</u></u>

Jacksonville Transportation Authority

Notes to Financial Statements

**Note 10. Employee Benefits (Continued)**

Annual pension cost and contribution information for the last three fiscal years follows:

Fiscal Year Ending	Actuarially Determined Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$ 1,005,193	202%	(7,131,715)
9/30/10	\$ 1,455,922	146%	(6,109,533)
9/30/09	\$ 2,664,339	81%	(5,438,074)

Funding progress as of September 30, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/2010	\$ 22,297,741	\$ 22,489,393	\$ 191,652	99.1%	\$ 14,579,457	1.3%

The schedule of funding progress presenting multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is presented as required supplementary information following the notes to the financial statements.

Contributions for the year ending September 30, 2011, totaling \$2,027,375 were made in accordance with the terms of the labor agreement between the Amalgamated Transit Union and the Authority. The Drivers Plan issues a separate, stand-alone audit report which can be obtained from the Authority's Human Resources department.

**Note 11. Other Post-Employment Benefits**

Pursuant to Section 112.081, Florida Statutes, the Authority is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The Authority does not provide retirees with any subsidy for this benefit.

Plan description: The Authority's OPEB Plan (the "Plan") is a single employer defined benefit healthcare (medical and dental) plan which offers health insurance for retired employees. The published insurance rates are based primarily on the healthcare usage of active employees. Retirees pay 100 percent of the published rates. Since retirees use healthcare at a rate much higher than active employees, using these blended rates creates a hidden subsidy for the retiree group. Employees who terminate their employment prior to retirement eligibility are not eligible to participate in the plan. Dependents, including surviving spouses, are permitted access to the plan.

## Jacksonville Transportation Authority

### Notes to Financial Statements

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#### Note 11. Other Post-Employment Benefits (Continued)

The Plan does not issue a separate financial statement or required supplementary information.

Benefits for employees of JTM subject to union negotiations do not currently include any health benefits after retirement and are not considered by this Plan.

As of September 30, 2011, employee membership data related to the Plan was as follows:

Current retirees:

Under age 65	-
Over age 65	2
<b>Total current retirees</b>	<u>2</u>

Active employees:

Active employees fully eligible for benefits	12
Active employees not yet fully eligible for benefits	147
<b>Total active employees</b>	<u>159</u>
<b>Total number of participants</b>	<u><u>161</u></u>

Actuarial assumptions, methods and valuation: 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. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status could result in actual costs being greater or less than estimated.

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

Funding policy: The Board is authorized to establish benefit levels, subject to the minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The Board establishes the contribution requirements of plan members and the Authority. These contributions are neither mandated nor guaranteed. The retiree pays the full cost of the premium each month for themselves, spouses and other dependents who are also eligible for coverage. The Authority does not subsidize any member premiums. Benefits are funded on a pay-as-you-go basis.

Jacksonville Transportation Authority

Notes to Financial Statements

**Note 11. Other Post-Employment Benefits (Continued)**

Annual Required Contribution ("ARC"): In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of September 30, 2011. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability ("UAAL") and an Annual Required Contribution ("ARC") of \$99,000.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liability amounts over a period not to exceed 30 years.

The following table provides information concerning funding policies:

Valuation date	October 1, 2010
Actuarial cost method	Projected unit credit
Amortization method for UAAL	Level dollar payment, closed
Amortization period	30 years
Actuarial assumptions:	
Assumed rate of return on investments	4.0% per annum
Payroll increase	3.0% per annum
Healthcare cost trend rate(s):	7.5% for 2011/12 graded to 5.4% by 2050

Annual OPEB Cost and Net OPEB Liability: The following table shows the components of the Authority's annual OPEB cost, amount actually contributed and changes in net OPEB obligation for the year. The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 99,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	(7,877)
Annual OPEB cost	<u>99,123</u>
Contributions made	<u>(32,000)</u>
Change in net OPEB obligation (asset)	67,123
Net OPEB obligation (asset), beginning of year	<u>196,877</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 264,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2011 and one year preceding were as follows:

Fiscal Year Ended	Actual Contributed	Annual OPEB Cost	% Contributed	Net OPEB Obligation
September 30, 2011	32,000	99,000	32.3%	264,000
September 30, 2010	33,000	92,000	35.9%	196,877

Jacksonville Transportation Authority

Notes to Financial Statements

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**Note 11. Other Post-Employment Benefits (Continued)**

Funded Status: The following is the funded status of the plan as of September 30, 2011:

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2010	\$ -	\$ 666,000	\$ 666,000	0.0%	\$ 1,009,137	66.0%

**Note 12. Conduit Debt Obligations**

The Authority has outstanding conduit debt obligations issued on behalf of the State of Florida, secured by pledge of the Transportation Discretionary Sales Surtax and Constitutional Gas Taxes collected in Duval County, in addition to a back-up pledge of the full faith and credit of the State of Florida. The aggregate outstanding amount of such bonds (principal only) Bonds were \$84,110,000 as of September 30, 2011. Such State of Florida bonds are senior in priority to the Better Jacksonville Plan bonds described in Note 9.

**Note 13. Fund Balance**

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

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

Spendable Fund Balance includes:

*Restricted* – fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – 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.

*Assigned* – 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 for a specific purpose by the Executive Director or Chief Financial Officer as authorized by the Board.

Jacksonville Transportation Authority

Notes to Financial Statements

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**Note 13. Fund Balance (Continued)**

*Unassigned* - 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 Authority 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 Authority would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority does not have a formal minimum fund balance policy. However, the Authority addresses various targeted reserve positions and reports the results annually to the Board.

A schedule of Authority fund balances is provided below.

	General Fund	Special Revenue Fund
<b>Spendable:</b>		
Restricted for State and City Construction Projects	\$ -	\$ 6,299,326
<b>Assigned to:</b>		
Transit operations	30,000,000	-
Operating reserves	3,000,000	-
Legal costs	9,050,000	-
Right of way acquisition	6,000,000	-
Construction projects	20,000,000	-
Authority initiatives	16,050,000	-
Unassigned	17,942,466	-
	<b>\$ 102,042,466</b>	<b>\$ 6,299,326</b>

Jacksonville Transportation Authority

Schedule of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – General Fund  
Fiscal Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues</b>				
Intergovernmental:				
Sales taxes	\$ 65,900,805	\$ 65,900,805	\$ 64,980,887	\$ (919,918)
Investment income	1,300,000	1,300,000	141,268	(1,158,732)
Other	500,000	500,000	142,115	(357,885)
<b>Total revenues</b>	<b>67,700,805</b>	<b>67,700,805</b>	<b>65,264,270</b>	<b>(2,436,535)</b>
<b>Expenditures</b>				
Current:				
General government	1,758,000	1,758,000	1,127,634	630,366
Highway planning	-	-	11,385	(11,385)
Capital outlay	42,000	42,000	26,463	15,537
Intergovernmental:				
City of Jacksonville	57,900,805	57,900,805	56,280,790	1,620,015
State of Florida debt service	8,000,000	8,000,000	7,764,900	235,100
<b>Total expenditures</b>	<b>67,700,805</b>	<b>67,700,805</b>	<b>65,211,172</b>	<b>2,489,633</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>				
	-	-	53,098	53,098
<b>Other financing sources (uses):</b>				
Transfers in			3,331,012	3,331,012
<b>Total other financing sources (uses)</b>	-	-	3,331,012	3,331,012
<b>Net change in fund balances</b>	-	-	3,384,110	3,384,110
Fund balances, beginning of year (restated)	98,658,356	98,658,356	98,658,356	-
Fund balances, end of year	<b>\$ 98,658,356</b>	<b>\$ 98,658,356</b>	<b>\$ 102,042,466</b>	<b>\$ 3,384,110</b>

See Notes to Required Supplementary Information.

Jacksonville Transportation Authority

Other Post-Employment Benefits Plan (Unaudited)  
 Schedule of Funding Progress  
 September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/10	\$ -	\$ 666,000	\$ 666,000	0.0%	\$ 1,009,137	66.0%
10/01/09	\$ -	\$ 607,000	\$ 607,000	0.0%	\$ 858,146	70.7%
10/01/08	\$ -	\$ 541,000	\$ 541,000	0.0%	\$ 1,025,324	52.8%
10/01/07	\$ -	\$ 731,842	\$ 731,842	0.0%	\$ 1,001,346	73.1%

Jacksonville Transportation Authority

Required Supplementary Information (unaudited)  
 Schedule of Funding Progress – Drivers Plan  
 September 30, 2011

Drivers Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c) *	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2010	\$ 22,297,741	\$ 22,489,393	\$ 191,652	99.15%	\$ 14,579,457	N/A
01/01/2009	17,899,023	21,449,220	3,550,197	83.45%	13,007,963	27.29%
01/01/2008	21,784,322	20,459,875	(1,324,447)	106.47%	16,193,425	-8.18%
01/01/2007	19,299,833	15,353,336	(3,946,497)	125.70%	N/A	N/A
01/01/2006	17,713,972	14,753,182	(2,960,790)	120.07%	N/A	N/A
01/01/2005	15,445,336	14,628,214	(817,122)	105.59%	N/A	N/A

\* As contribution formula is not pay related, earnings information has not always been collected

Notes to Required Supplementary Information  
Year Ended September 30, 2011

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**Note 1. Budget and Budgetary Accounting**

The Authority prepares annual budgets for each of its governmental funds except the Custodial Project special revenue fund, which adopts project-length budgets, and the pension trust fund, which is effectively controlled through governing agreements. The Authority is authorized to transfer appropriated funds, from one of the purposes for which funds are appropriated, to another, if, in the discretion of the Authority, such transfer is necessary to carry out all of the purposes for which funds are appropriated, subject to applicable law. Thus, the legal level of budgetary control is at the fund level. All budgets are adopted in accordance with accounting principles generally accepted in the United States. Encumbrances outstanding at year-end for unfilled obligations are canceled and re-appropriated in the succeeding year's budget. Such amounts, if material, are disclosed in the notes to financial statements under "Commitments and Contingencies." In addition, the Authority is not legally required to establish a budget of proprietary funds.