

Jacksonville Transportation Authority

Financial Report
September 30, 2013

Contents

| | |
|---|---------|
| Independent Auditor's Report | 1 – 2 |
| Management's discussion and analysis (unaudited) | 3 – 9 |
| Basic financial statements: | |
| Government-wide financial statements: | |
| Statement of net position | 10 |
| Statement of activities | 11 – 12 |
| Fund financial statements: | |
| Governmental funds: | |
| Balance sheet | 13 |
| Reconciliation of the balance sheet of governmental funds to the statement of net position | 14 |
| Statement of revenue, expenditures and changes in fund balances | 15 |
| Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities | 16 |
| Proprietary funds: | |
| Statement of net position | 17 |
| Statement of revenue, expenses and changes in fund net position | 18 |
| Statement of cash flows | 19 – 20 |
| Fiduciary funds: | |
| Statement of fiduciary net position | 21 |
| Statement of changes in net position | 22 |
| Notes to financial statements | 24 – 47 |
| Required Supplementary Information (Unaudited): | |
| Schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund | 48 |
| Schedule of funding progress – other post-employment benefits plan | 49 |
| Schedule of funding progress – drivers plan | 50 |
| Notes to required supplementary information | 51 |

Compliance Section

| | |
|---|---------|
| Schedule of Expenditures of Federal Awards and State Financial Assistance | 52 – 54 |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance | 55 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 56 – 57 |
| Independent Auditor's Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General | 58 – 59 |
| Schedule of Findings and Questioned Costs | 60 – 62 |
| Summary Schedule of Prior Year's Audit Findings | 63 |
| Management Letter Required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida | 64 – 65 |
| Appendix A – Current Year Recommendations to Improve Financial Management | 66 |
| Appendix B – Prior Year Recommendations to Improve Financial Management | 67 – 68 |



Independent Auditor's Report

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

Report on the Financial Statements

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"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 Authority, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550*, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and State Financial Assistance, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McGladrey LLP

Jacksonville, Florida
March 31, 2014

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

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, 2013 as compared to September 30, 2012.

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 \$10.5 million or 5.9% compared to the prior year. Intergovernmental revenues (sales tax dedicated to transportation as well as the local option gas tax) decreased by \$2.4 million, due to higher debt service payments than the prior year, on existing bonds. An increase in debt service payments causes a decrease in the net sales tax revenue to JTA for transit operations. Entity wide expenses were up \$4.8 million or 2.8% over the prior year, primarily due to the higher debt service payments on existing bonds compared to the prior year.

The transition of the Community Shuttle from a contract service to an in-house function during Fiscal Year 2013 was an important milestone. JTA is now responsible for providing the drivers, staff, and operational logistics for the Community Shuttle. This transition has allowed JTA to improve the level of service provided to current and potential riders.

The change in net position for the Agency, year over year, was a positive \$11.8 million.

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

- ***Net position***

The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2013, the Authority's total net position was \$307.2 million, an increase of 4.0%, or \$11.8 million from the prior year. The increase is primarily due to major purchases of buses with hybrid energy efficiencies. The overall governmental activities' net position increased slightly at \$1.1 million in 2013 compared to 2012, or 1.0%. The entity wide year end net position balance consisted of net investment in capital assets of \$179.8 million and unrestricted net position of \$127.3 million.

- ***Grant expenditures***

The Authority expended \$35.6 million in federal and state assistance, which was up 35.6% from \$26.2 million in 2012. The distribution of expenditures was \$30 million for federal awards, primarily from formula grants, including ARRA (American Recovery and Reinvestment Act) and \$5.6 million for state assistance primarily from Block Grant.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

- *Capital Expenditures and Engineering projects.*

Total capital assets net of depreciation increased in 2013, from \$170.0 million to \$179.8 million, an increase of 5.8%. The increase in capital assets was primarily due to major purchases of buses in Fiscal Year 2013, totaling \$11.9 million.

In the Governmental funds, \$3.3 million was spent for the planning, development and construction of road and bridge projects. For the prior year, \$6.3 million had been spent, a decrease of \$3.0 million or 47.6%. The continuing reduction is due to the winding down of the Better Jacksonville Plan, enacted in calendar year 2000. In 2013, \$62.3 million in custodial assets were contributed to the State of Florida and the City of Jacksonville.

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 position, 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 position has changed. Net position is the difference between total assets and total liabilities and is one way of assessing the Authority's current financial condition. Increases or decreases in net position 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.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

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.

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 Position and the Statement of Activities, in summary format, follow. These two statements report the net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the Authority's Net Position 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)

Condensed Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 107,464,632 | \$ 112,016,619 | \$ 23,574,020 | \$ 22,836,769 | \$ 131,038,652 | \$ 134,853,388 |
| Noncurrent assets | 122,229,834 | 181,490,544 | 9,450,321 | 8,441,020 | 131,680,155 | 189,931,564 |
| Capital assets | 13,586,851 | 13,625,140 | 166,222,072 | 156,369,128 | 179,808,923 | 169,994,268 |
| Total assets | 243,281,317 | 307,132,303 | 199,246,413 | 187,646,917 | 442,527,730 | 494,779,220 |
| Current liabilities | 1,562,397 | 7,272,699 | 7,753,234 | 7,986,669 | 9,315,631 | 15,259,368 |
| Long-term liabilities | 122,773,729 | 182,050,192 | 3,269,880 | 2,122,273 | 126,043,609 | 184,172,465 |
| Total liabilities | 124,336,126 | 189,322,891 | 11,023,114 | 10,108,942 | 135,359,240 | 199,431,833 |
| Net position: | | | | | | |
| Net investment in capital assets | 13,586,851 | 13,625,140 | 166,222,072 | 156,369,128 | 179,808,923 | 169,994,268 |
| Unrestricted | 105,358,340 | 104,184,272 | 22,001,227 | 21,168,847 | 127,359,567 | 125,353,119 |
| Total net position | \$ 118,945,191 | \$ 117,809,412 | \$ 188,223,299 | \$ 177,537,975 | \$ 307,168,490 | \$ 295,347,387 |

Statement of Net Position 2013 vs. 2012

The Authority's governmental activities show a decrease of \$63.9 million or 20.8% in total assets from 2012. The primary contributor to the decrease was a \$59.3 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, \$62.3 million in custodial assets were transferred either to the State of Florida or the City of Jacksonville in fiscal 2013.

Total liabilities for governmental activities decreased as well, by \$65.0 million or 34.3%. 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 activities change in net position was a net increase of \$1.1 million from the prior year.

Total assets for the Authority's business type activities' increased \$11.6 million or 6.2% compared to 2012.

Total liabilities for business type activities increased from \$10.1 million to \$11.0 million. The increase was centered 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.

A condensed summary of the Authority's revenues and expenses follows in Table A-2. While the Statement of Net Position 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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenue: | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ - | \$ - | \$ 24,195,651 | \$ 23,872,442 | \$ 24,195,651 | \$ 23,872,442 |
| Operating grants and contributions | - | - | 10,939,403 | 10,652,593 | 10,939,403 | 10,652,593 |
| Capital grants and contributions | - | - | 22,328,745 | 12,514,178 | 22,328,745 | 12,514,178 |
| General revenue: | | | | | | |
| Sales taxes | 70,819,679 | 66,548,285 | - | - | 70,819,679 | 66,548,285 |
| Intergovernmental | - | - | 60,990,826 | 63,426,785 | 60,990,826 | 63,426,785 |
| Investment earnings | 65,847 | 109,218 | 20,362 | 18,932 | 86,209 | 128,150 |
| Other general revenues | 105,840 | 1,777,296 | - | - | 105,840 | 1,777,296 |
| Total revenue | 70,991,366 | 68,434,799 | 118,474,987 | 110,484,930 | 189,466,353 | 178,919,729 |
| Expenses: | | | | | | |
| General government | 1,746,406 | 1,078,899 | - | - | 1,746,406 | 1,078,899 |
| Highway planning | 41,243 | 15,403 | - | - | 41,243 | 15,403 |
| Intergovernmental | | | | | | |
| City of Jacksonville | 68,067,938 | 56,696,977 | - | - | 68,067,938 | 56,696,977 |
| State of Florida | - | 7,764,900 | - | - | - | 7,764,900 |
| Bus | - | - | 82,392,653 | 81,030,549 | 82,392,653 | 81,030,549 |
| Automated skyway express | - | - | 10,256,390 | 11,323,322 | 10,256,390 | 11,323,322 |
| Community transportation | - | - | 15,140,620 | 14,961,496 | 15,140,620 | 14,961,496 |
| Total expenses | 69,855,587 | 65,556,179 | 107,789,663 | 107,315,367 | 177,645,250 | 172,871,546 |
| Increases in net assets before transfers | 1,135,779 | 2,878,620 | 10,685,324 | 3,169,563 | 11,821,103 | 6,048,183 |
| Transfers | - | - | - | - | - | - |
| Change in net position | 1,135,779 | 2,878,620 | 10,685,324 | 3,169,563 | 11,821,103 | 6,048,183 |
| Net position, beginning | 117,809,412 | 114,930,792 | 177,537,975 | 174,368,412 | 295,347,387 | 289,299,204 |
| Net position, ending | \$ 118,945,191 | \$ 117,809,412 | \$ 188,223,299 | \$ 177,537,975 | \$ 307,168,490 | \$ 295,347,387 |

Statement of Activities 2013 vs. 2012

For the Governmental activities, revenues increased \$2.6 million or 3.7% 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 \$4.3 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). The balance of the increase was due to additional revenue flowing through the Better Jacksonville Plan due to refinancing a State of Florida bond issue from 1997. This increased the net sales tax revenue to JTA resulting from lower debt service payments on those bonds.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Expenditures for Governmental activities in total increased by \$4.3 million or 6.6% compared to previous year, from \$65.6 million in 2012 to \$69.9 million in 2013. This is primarily due to higher debt service payments on existing bonds than the prior year. Total revenues for Business-type activities increased by \$8.0 million, or 7.2%. This increased revenue is attributable to Federal grants received in 2013 for major purchases of buses with hybrid energy efficiencies, totaling \$11.9 million.

Total expenses for Business type activities remained relatively unchanged from 2012 with only a slight increase of \$0.5 million. This is primarily due to an increase in labor costs associated with the transition of the Community Shuttle from a contract service to an in-house function.

Entity-wide, net position was \$11.8 million higher than the prior year.

Financial Analysis of the Authority's Funds

General Fund Budgetary Highlights

2013

Total Intergovernmental Revenues for the General fund (the sales tax before any debt service payments are made) were budgeted at \$69.2 million; actual revenues were \$70.8 million. This increase reflects higher sales tax receipts attributable to continued economic recovery evidenced by additional consumer and business purchases.

General Government Expenditures for the General fund were budgeted at \$2.0 million; the actual amount of expenditures was \$1.4 million. This was primarily the result of decreased labor costs due to wage recovery associated with capital projects. The Intergovernmental expenditures for the State of Florida and the City of Jacksonville were budgeted at \$67.4 million. The actual amount was \$68.1 million. This was a function of more dollars of sales tax received equating to more dollars of sales tax transferred out 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 2013, the Authority showed \$179.8 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 | |
|-----------------------------------|----------------------------|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 13,512,437 | \$ 13,512,437 | \$ 23,240,178 | \$ 23,240,178 | \$ 36,752,615 | \$ 36,752,615 |
| Land improvements | - | - | 7,021,450 | 4,968,346 | 7,021,450 | 4,968,346 |
| Building and improvements | 37,841 | 42,544 | 64,668,494 | 66,481,356 | 64,706,335 | 66,523,900 |
| Vehicles | 34,522 | 60,909 | 47,131,868 | 40,485,448 | 47,166,390 | 40,546,357 |
| Furniture and office equipment | 2,051 | 9,250 | 1,177,766 | 1,087,208 | 1,179,817 | 1,096,458 |
| Other equipment | - | - | 10,013,751 | 8,944,564 | 10,013,751 | 8,944,564 |
| Construction in progress | - | - | 12,968,565 | 11,162,028 | 12,968,565 | 11,162,028 |
| Total | \$ 13,586,851 | \$ 13,625,140 | \$ 166,222,072 | \$ 156,369,128 | \$ 179,808,923 | \$ 169,994,268 |

Next Year's Budget

The Authority's Board of Directors approved the Fiscal Year 2014 Budget in May 2013. The budget was subsequently approved by the City of Jacksonville in September 2013.

The FY 2014 operating and capital budget is a balanced and fiscally responsible financial and business plan, which ensures that appropriate resources are allocated to the mission critical areas and JTA will operate and serve our customers in the most effective and efficient manner possible.

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 Position
September 30, 2013

| Assets | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 51,882,121 | \$ 5,481,190 | \$ 57,363,311 |
| Investments | 30,215,275 | - | 30,215,275 |
| Internal balances | 5,523,710 | (5,523,710) | - |
| Due from other governments | 19,816,968 | 17,946,934 | 37,763,902 |
| Accounts receivable, net | 26,558 | 1,204,060 | 1,230,618 |
| Inventory | - | 4,053,089 | 4,053,089 |
| Prepays | - | 412,457 | 412,457 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 8,488,600 | - | 8,488,600 |
| Restricted due from other governments | 11,316,536 | - | 11,316,536 |
| Custodial assets – construction projects | 102,424,698 | - | 102,424,698 |
| Net pension asset | - | 9,450,321 | 9,450,321 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 13,512,437 | 23,240,178 | 36,752,615 |
| Construction in progress | - | 12,968,565 | 12,968,565 |
| Land improvements | - | 7,021,450 | 7,021,450 |
| Buildings and improvements | 37,841 | 64,668,494 | 64,706,335 |
| Vehicles | 34,522 | 47,131,868 | 47,166,390 |
| Furniture and office equipment | 2,051 | 1,177,766 | 1,179,817 |
| Other equipment | - | 10,013,751 | 10,013,751 |
| Total assets | 243,281,317 | 199,246,413 | 442,527,730 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 675,688 | 4,412,243 | 5,087,931 |
| Accrued expenses | 178,189 | 1,455,849 | 1,634,038 |
| Due to other governments | 551,978 | - | 551,978 |
| Claims payable | - | 1,749,381 | 1,749,381 |
| Accrued compensated absences | 156,542 | 135,761 | 292,303 |
| Noncurrent liabilities: | | | |
| Claims payable | - | 2,066,898 | 2,066,898 |
| Accrued compensated absences | 193,895 | 543,049 | 736,944 |
| Net pension obligation | - | 659,933 | 659,933 |
| OPEB obligation | 350,000 | - | 350,000 |
| Custodial projects – due to other governments | 122,229,834 | - | 122,229,834 |
| Total liabilities | 124,336,126 | 11,023,114 | 135,359,240 |
| Net Position | | | |
| Net investment in capital assets | 13,586,851 | 166,222,072 | 179,808,923 |
| Unrestricted | 105,358,340 | 22,001,227 | 127,359,567 |
| Total net position | \$ 118,945,191 | \$ 188,223,299 | \$ 307,168,490 |

See Notes to Financial Statements.

Jacksonville Transportation Activity

Statement of Activities
Fiscal Year Ended September 30, 2013

| Functions/Programs | Expenses | Program Revenue | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Transportation Authority: | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,746,406 | \$ - | \$ - | \$ - |
| Highway planning and construction | 41,243 | - | - | - |
| City of Jacksonville | 68,067,938 | - | - | - |
| Total governmental activities | 69,855,587 | - | - | - |
| Business-type activities: | | | | |
| Bus system | 82,392,653 | 13,082,307 | 9,192,161 | 18,863,881 |
| Automated skyway express | 10,256,390 | 195,469 | 999,996 | 2,093,093 |
| Community transportation coordinator | 15,140,620 | 10,917,875 | 747,246 | 1,371,771 |
| Total business-type activities | 107,789,663 | 24,195,651 | 10,939,403 | 22,328,745 |
| Total transportation authority | \$ 177,645,250 | \$ 24,195,651 | \$ 10,939,403 | \$ 22,328,745 |

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

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

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|----------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,746,406) | \$ - | \$ (1,746,406) |
| (41,243) | - | (41,243) |
| (68,067,938) | - | (68,067,938) |
| (69,855,587) | - | (69,855,587) |
| - | (41,254,304) | (41,254,304) |
| - | (6,967,832) | (6,967,832) |
| - | (2,103,728) | (2,103,728) |
| - | (50,325,864) | (50,325,864) |
| (69,855,587) | (50,325,864) | (120,181,451) |
| 70,819,679 | - | 70,819,679 |
| - | 60,990,826 | 60,990,826 |
| 65,847 | 20,362 | 86,209 |
| 105,840 | - | 105,840 |
| 70,991,366 | 61,011,188 | 132,002,554 |
| 1,135,779 | 10,685,324 | 11,821,103 |
| 117,809,412 | 177,537,975 | 295,347,387 |
| \$ 118,945,191 | \$ 188,223,299 | \$ 307,168,490 |

Jacksonville Transportation Authority

Governmental Funds

Balance Sheet

September 30, 2013

| Assets | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|-----------------------|----------------------------|--------------------------------|
| Cash and cash equivalents | \$ 51,882,121 | \$ - | \$ 51,882,121 |
| Investments | 30,215,275 | - | 30,215,275 |
| Due from other funds | 7,188,633 | - | 7,188,633 |
| Due from other governments | 17,498,559 | 2,318,409 | 19,816,968 |
| Accounts receivable | 26,558 | - | 26,558 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 8,488,600 | 8,488,600 |
| Due from other governments | - | 11,316,536 | 11,316,536 |
| Total assets | \$ 106,811,146 | \$ 22,123,545 | \$ 128,934,691 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 570,703 | \$ 104,985 | \$ 675,688 |
| Accrued expenses | 178,189 | - | 178,189 |
| Due to other funds | 35,903 | 1,629,020 | 1,664,923 |
| Due to other governments | - | 551,978 | 551,978 |
| Deferred Revenue | - | 13,583,377 | 13,583,377 |
| Total liabilities | 784,795 | 15,869,360 | 16,654,155 |
| Fund balances: | | | |
| Spendable: | | | |
| Restricted | - | 6,254,185 | 6,254,185 |
| Assigned | 84,100,000 | - | 84,100,000 |
| Unassigned | 21,926,351 | - | 21,926,351 |
| Total fund balances | 106,026,351 | 6,254,185 | 112,280,536 |
| Total liabilities and fund balance | \$ 106,811,146 | \$ 22,123,545 | \$ 128,934,691 |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
September 30, 2013

| | |
|---|-----------------------|
| Fund balances – total governmental funds | \$ 112,280,536 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 13,586,851 |
| Custodial assets held on behalf of other governments are reported as expenditures in the funds and noncurrent assets in the government-wide. | 102,424,698 |
| 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. | (350,000) |
| Unavailable revenues are financial resources not available for use in current operations and therefore, are not reported in the funds. | 13,583,377 |
| 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. | (122,229,834) |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (350,437) |
| Net position of governmental activities | <u>\$ 118,945,191</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, 2013

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|-----------------------|----------------------------|--------------------------------|
| Revenue: | | | |
| Intergovernmental: | | | |
| Sales taxes | \$ 70,803,588 | \$ - | \$ 70,803,588 |
| Federal and state grants | - | 2,372,493 | 2,372,493 |
| City of Jacksonville | - | 2,159,461 | 2,159,461 |
| Investment earnings | 49,509 | 16,338 | 65,847 |
| Miscellaneous | 105,843 | - | 105,843 |
| Total revenue | 70,958,940 | 4,548,292 | 75,507,232 |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,348,427 | - | 1,348,427 |
| Highway planning | 41,243 | - | 41,243 |
| Transportation and infrastructure projects | - | 3,343,093 | 3,343,093 |
| Intergovernmental, on-behalf payments: | | | |
| City of Jacksonville | 68,067,938 | - | 68,067,938 |
| Total expenditures | 69,457,608 | 3,343,093 | 72,800,701 |
| Net change in fund balances | 1,501,332 | 1,205,199 | 2,706,531 |
| Fund balances, beginning of year | 104,525,019 | 5,048,986 | 109,574,005 |
| Fund balances, end of year | \$ 106,026,351 | \$ 6,254,185 | \$ 112,280,536 |

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, 2013

| | |
|---|---------------------|
| Net change in fund balances, total governmental funds | \$ 2,706,531 |
| 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. | |
| Current year depreciation expense | (21,417) |
| Loss on disposal of capital assets | (16,872) |
| 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 position and are not recorded in the fund financial statements. | (44,000) |
| 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. | 3,343,093 |
| 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. | (3,048,453) |
| 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. | |
| Compensated absences. | (315,690) |
| Revenue earned but not available for use in current operations are not reported as revenue recognized and are deferred in the fund financial statements | (1,467,413) |
| Change in net position of governmental activities | \$ 1,135,779 |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Net Position
September 30, 2013

| | Bus | ASE | CTC | Totals |
|---|-----------------------|----------------------|--------------------|-----------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,895,237 | \$ 355,086 | \$ 230,867 | \$ 5,481,190 |
| Accounts receivable, net | 786,756 | 28,023 | 389,281 | 1,204,060 |
| Due from other funds | 3,257,518 | 2,786,286 | 24,945 | 6,068,749 |
| Due from other governments | 15,708,582 | 1,480,772 | 757,580 | 17,946,934 |
| Inventories | 2,421,346 | 1,353,655 | 278,088 | 4,053,089 |
| Prepaid expenses | 314,439 | 82,079 | 15,939 | 412,457 |
| Total current assets | 27,383,878 | 6,085,901 | 1,696,700 | 35,166,479 |
| Noncurrent assets: | | | | |
| Net pension asset | 9,450,321 | - | - | 9,450,321 |
| Capital assets, net of accumulated depreciation | 84,676,110 | 78,755,162 | 2,790,800 | 166,222,072 |
| Total noncurrent assets | 94,126,431 | 78,755,162 | 2,790,800 | 175,672,393 |
| Total assets | 121,510,309 | 84,841,063 | 4,487,500 | 210,838,872 |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 3,280,243 | 395,165 | 736,835 | 4,412,243 |
| Accrued expenses | 1,400,114 | 7,234 | 48,501 | 1,455,849 |
| Due to other funds | 6,602,960 | 1,519,879 | 3,469,620 | 11,592,459 |
| Claims payable | 1,713,960 | 15,959 | 19,462 | 1,749,381 |
| Accrued compensated absences | 107,441 | 16,608 | 11,712 | 135,761 |
| Total current liabilities | 13,104,718 | 1,954,845 | 4,286,130 | 19,345,693 |
| Noncurrent Liabilities: | | | | |
| Net Pension Obligation | 659,933 | - | - | 659,933 |
| Claims payable | 1,748,110 | 143,629 | 175,159 | 2,066,898 |
| Accrued compensated absences | 429,765 | 66,434 | 46,850 | 543,049 |
| Total noncurrent liabilities | 2,837,808 | 210,063 | 222,009 | 3,269,880 |
| Total liabilities | 15,942,526 | 2,164,908 | 4,508,139 | 22,615,573 |
| Net position: | | | | |
| Net investment in capital assets | 84,676,110 | 78,755,162 | 2,790,800 | 166,222,072 |
| Unrestricted (deficit) | 20,891,673 | 3,920,993 | (2,811,439) | 22,001,227 |
| Total net position (deficit) | \$ 105,567,783 | \$ 82,676,155 | \$ (20,639) | \$ 188,223,299 |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Revenue, Expenses and Changes in Fund Net Position
Fiscal Year Ended September 30, 2013

| | Bus | ASE | CTC | Totals |
|---|---------------------|---------------------|--------------------|---------------------|
| Operating revenues: | | | | |
| Passenger | \$ 11,944,695 | \$ - | \$ 785,786 | \$ 12,730,481 |
| Agency | - | - | 10,132,089 | 10,132,089 |
| Charter | 170,639 | - | - | 170,639 |
| Auxiliary transportation | 570,847 | - | - | 570,847 |
| Non-transportation | 396,126 | 195,469 | - | 591,595 |
| Total operating revenue | 13,082,307 | 195,469 | 10,917,875 | 24,195,651 |
| Operating expenses: | | | | |
| Labor | 27,132,860 | 1,886,012 | 2,571,030 | 31,589,902 |
| Fringe benefits | 14,028,401 | 955,804 | 1,038,153 | 16,022,358 |
| Materials and supplies | 11,385,000 | 1,183,015 | 2,735,593 | 15,303,608 |
| Services | 16,625,409 | 854,943 | 7,606,017 | 25,086,369 |
| Casualty and insurance | 1,579,937 | 443,588 | 68,569 | 2,092,094 |
| Taxes and licenses | 117,534 | - | - | 117,534 |
| Other | 1,742,825 | 1,131,704 | 441,904 | 3,316,433 |
| Depreciation expense | 9,780,687 | 3,801,324 | 679,354 | 14,261,365 |
| Total operating expenses | 82,392,653 | 10,256,390 | 15,140,620 | 107,789,663 |
| Operating loss | (69,310,346) | (10,060,921) | (4,222,745) | (83,594,012) |
| Nonoperating revenues | | | | |
| Public funding: | | | | |
| United States government | 5,110,794 | 999,996 | 747,246 | 6,858,036 |
| State of Florida | 4,081,367 | - | - | 4,081,367 |
| City of Jacksonville | 59,800,721 | - | 1,190,105 | 60,990,826 |
| Investment earnings | 17,475 | 928 | 1,959 | 20,362 |
| Total nonoperating revenues | 69,010,357 | 1,000,924 | 1,939,310 | 71,950,591 |
| Income (loss) before capital contributions and transfers | (299,989) | (9,059,997) | (2,283,435) | (11,643,421) |
| Capital contributions | 18,863,881 | 2,093,093 | 1,371,771 | 22,328,745 |
| Transfers in | - | 4,565,398 | 1,604,076 | 6,169,474 |
| Transfers out | (6,169,474) | - | - | (6,169,474) |
| Change in net assets | 12,394,418 | (2,401,506) | 692,412 | 10,685,324 |
| Net position (deficit), beginning of year | 93,173,365 | 85,077,661 | (713,051) | 177,537,975 |
| Net position (deficit), end of year | \$ 105,567,783 | \$ 82,676,155 | \$ (20,639) | \$ 188,223,299 |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows
Fiscal Year Ended September 30, 2013

| | Bus | ASE | CTC | Totals |
|---|---------------------|--------------------|--------------------|---------------------|
| Cash Flows From Operating Activities | | | | |
| Receipts from customers | \$ 12,731,733 | \$ 215,205 | \$ 10,746,474 | \$ 23,693,412 |
| Payments to suppliers | (33,052,399) | (4,279,078) | (10,662,473) | (47,993,950) |
| Payments to employees | (41,590,408) | (2,878,469) | (3,599,816) | (48,068,693) |
| Net cash used in operating activities | (61,911,074) | (6,942,342) | (3,515,815) | (72,369,231) |
| Cash Flows From Noncapital Financing Activities | | | | |
| Operating grants received | 66,622,828 | - | 1,405,433 | 68,028,261 |
| Receipts (payments) of interfund balances | (344,131) | 1,140,754 | 671,481 | 1,468,104 |
| Transfers from other funds | - | 4,565,398 | 1,604,076 | 6,169,474 |
| Transfers (to) other funds | (6,169,474) | - | - | (6,169,474) |
| Net cash provided by noncapital financing activities | 60,109,223 | 5,706,152 | 3,680,990 | 69,496,365 |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Capital contributions | 18,533,353 | 2,658,407 | 1,371,771 | 22,563,531 |
| Acquisition and construction of capital assets | (18,847,881) | (1,410,424) | (1,455,691) | (21,713,996) |
| Net cash provided (used) by capital and related financing activities | (314,528) | 1,247,983 | (83,920) | 849,535 |
| Cash Flows From Investing Activities | | | | |
| Interest on investments | 17,475 | 928 | 1,959 | 20,362 |
| Net cash provided by investing activities | 17,475 | 928 | 1,959 | 20,362 |
| Net change in cash and cash equivalents | (2,098,904) | 12,721 | 83,214 | (2,002,969) |
| Cash and cash equivalents, beginning of year | 6,994,141 | 342,365 | 147,653 | 7,484,159 |
| Cash and cash equivalents, end of year | \$ 4,895,237 | \$ 355,086 | \$ 230,867 | \$ 5,481,190 |

(Continued)

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows (Continued)
Fiscal Year Ended September 30, 2013

| | Bus | ASE | CTC | Totals |
|--|------------------------|-----------------------|-----------------------|------------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | | | |
| Operating loss | \$ (69,310,346) | \$ (10,060,921) | \$ (4,222,745) | \$ (83,594,012) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | |
| Depreciation | 9,780,687 | 3,801,324 | 679,354 | 14,261,365 |
| Loss on disposal of capital assets | 2,853 | 99 | - | 2,952 |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | (350,574) | 19,736 | (171,401) | (502,239) |
| Inventory | 104,983 | (162,176) | (5,882) | (63,075) |
| Prepaid expenses | (56,591) | 62,682 | 18,075 | 24,166 |
| Net pension asset | (1,009,301) | - | - | (1,009,301) |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | (1,707,826) | (533,078) | 177,417 | (2,063,487) |
| Accrued expenses | 202,858 | (32,911) | (12,017) | 157,930 |
| Accrued compensated absences | 98,619 | (3,742) | 21,384 | 116,261 |
| Net pension obligation | 278,677 | - | - | 278,677 |
| Claims payable | 54,887 | (33,355) | - | 21,532 |
| Net cash used in operating activities | \$ (61,911,074) | \$ (6,942,342) | \$ (3,515,815) | \$ (72,369,231) |
| Noncash Capital and Financing Activities: | | | | |
| Accounts Payable for Capital Acquisitions | \$ 2,113,093 | \$ 395,165 | \$ 18,014 | \$ 2,526,272 |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Fiduciary Net Position

Pension Trust Fund

September 30, 2013

| Assets | JTM Salaried Employees |
|------------------------------------|---------------------------|
| Cash and cash equivalents | \$ 92,893 |
| Investments: | |
| Mutual Funds | 67,337 |
| Government securities | 199,552 |
| Other debt securities | 88,759 |
| Equity securities | 612,355 |
| Total assets | <u>1,060,896</u> |
| Liabilities | <u>-</u> |
| Net position: | |
| Held in trust for pension benefits | <u>\$ 1,060,896</u> |

See Notes to Financial Statements.

Jacksonville Transportation Authority

Fiduciary Funds
 Statement of Changes in Net Position
 Fiscal Year Ended September 30, 2013

| | JTM Salaried Employees |
|--|----------------------------|
| <hr/> | |
| Additions: | |
| Employer contribution | \$ 109,294 |
| Total contributions | <u>109,294</u> |
| Investment income | 35,671 |
| Net appreciation in fair value of investments | 124,976 |
| Net investment income | <u>160,647</u> |
| Total | <u>269,941</u> |
| Deductions: | |
| Benefit payments | 749,318 |
| Administrative expenses | 4,605 |
| Total | <u>753,923</u> |
| Net change in plan net assets | <u>(483,982)</u> |
| Net position held in trust for pension benefits, beginning of year | 1,544,878 |
| Net position held in trust for pension benefits, end of year | <u><u>\$ 1,060,896</u></u> |

See Notes to Financial Statements.



JACKSONVILLE TRANSPORTATION AUTHORITY
Regional Transportation Solutions

THIS PAGE INTENTIONALLY LEFT BLANK

Jacksonville Transportation Authority

Notes to Financial Statements

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 Authority 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 (the "City") 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 other Authority revenues or assets pledged for such bonds except the sales tax. 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.

The Authority is fiscally dependent on the City under Section 14 of the City Charter through approval of its budget and there is a financial benefit/burden relationship between the two entities. As the Authority receives economic resources almost entirely for the direct benefit of the constituents of the City, the Authority is deemed to be a component unit of the City under Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*. 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, services are exclusively provided to JTA, and management of the Authority has operational responsibility for the component unit. The transactions of JTM are blended with the primary government (the Authority) and are included in the expenses of the Authority's enterprise funds.

Jacksonville Transportation Authority

Notes to Financial Statements

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 position reports all assets and liabilities of the Authority, including both long-term assets and long-term debt and other obligations. Net position, the difference between assets and liabilities, are subdivided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. Net position is 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 \$8,738,259 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

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 enable 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. During fiscal 2012 the Authority temporarily suspended the passenger fares to study the effect on ridership and the cost to operate the system. This suspension was in effect for all of fiscal 2013. Presently the Authority has not made a determination as to whether the user fees will be reinstated or if the suspension will become permanent. Because a determination has not yet been made, the Authority will continue to present the ASE fund a propriety fund in 2013.

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.

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.

Jacksonville Transportation Authority

Notes to Financial Statements

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. Since 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 expenses not meeting this definition are reported as nonoperating 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. Taxes, intergovernmental revenues, 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 taxes, 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 other post-employment benefits ("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

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 \$316,767 for the Bus fund at September 30, 2013.

Inventory and prepaid items: Inventory consists of materials and supplies and is reported 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, certain amounts due from the City of Jacksonville, 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 position 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 position, 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, 2013, there were no infrastructure assets.

Jacksonville Transportation Authority

Notes to Financial Statements

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 position and fund equity: In the government-wide financial statements and in the proprietary fund statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position – This category represents the net position of the Authority, which is 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 Position – This category represents the net position of the Authority, which is not restricted for any project or other purpose.

The Authority follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Board of Directors through issuance of a resolution. Committed amounts cannot be used for any other purpose unless the Authority removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Board of Directors or (b) the Chief Executive Authority.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. Unassigned fund balance also includes any deficit fund balance of other governmental funds.

The Authority's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

At September 30, 2012, the CTC Fund reported an unrestricted fund deficit of \$20,639 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 the provisions for uninsured losses and pension costs, 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, 2013, the Authority's demand deposits with banks were \$66,602,195 (including \$92,893 for the pension trust fund) and its reported balances were \$65,944,804 (including \$92,893 for the pension trust fund).

Jacksonville Transportation Authority

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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.

As of September 30, 2013, the Authority had the following investments:

| <u>Investment Type</u> | <u>Government- Wide</u> | <u>Pension Trust Fund</u> |
|------------------------------|-----------------------------|-------------------------------|
| Money Market Mutual Fund | \$ 18,072,808 | \$ - |
| Federal Agency Bonds / Notes | 10,644,582 | - |
| Corporate Bonds | - | 88,759 |
| Bond Mutual Fund | - | 67,337 |
| U.S. Treasury Bills / Notes | 1,497,885 | 199,552 |
| Equity securities | - | 612,355 |
| Total investments | <u>\$ 30,215,275</u> | <u>\$ 968,003</u> |

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, 2013, 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 | \$ 18,072,808 | \$ - | \$ - | \$ - | \$ 18,072,808 |
| Federal Agency Bonds / Notes | 5,090,337 | 5,554,245 | - | - | 10,644,582 |
| U.S. Treasury Bills / Notes | 25,328 | 1,606,408 | 36,600 | 29,101 | 1,697,437 |
| Corporate Bonds | - | 21,596 | 45,331 | 21,832 | 88,759 |
| Bond Mutual Funds | - | - | - | 67,337 | 67,337 |
| | <u>\$ 23,188,473</u> | <u>\$ 7,182,249</u> | <u>\$ 81,931</u> | <u>\$ 118,270</u> | <u>\$ 30,570,923</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 |
|------------------------------|--------|---------|----------------------|
| | S&P | Moody's | |
| Money Market Mutual Fund | -- | AAA | \$ 18,072,808 |
| Federal Agency Bonds / Notes | -- | AAA | 10,644,582 |
| Corporate Bonds | -- | AAA - A | 88,759 |
| Bond Mutual Fund | BBB | -- | 67,337 |
| U.S. Treasury Bills / Notes | -- | TSY | 1,697,437 |
| | | | <u>\$ 30,570,923</u> |

Jacksonville Transportation Authority

Notes to Financial Statements

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, 2013, 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. Investment securities that represent more than 5% of the Authority's investments are listed below:

| Issuer | Reported Amount | % of Portfolio |
|----------------------------------|----------------------|-------------------|
| U.S. Treasury Bills / Notes | 1,697,437 | 13.75% |
| Federal Home Loan Mortgage Corp | 4,089,247 | 33.13% |
| Federal National Mortgage Assoc. | 4,016,005 | 32.54% |
| Federal Home Loan Banks | 2,539,330 | 20.57% |
| | <u>\$ 12,342,019</u> | 100.00% |

Jacksonville Transportation Authority

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 13,512,437 | \$ - | \$ - | \$ 13,512,437 |
| Total capital assets, not being depreciated | 13,512,437 | - | - | 13,512,437 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 24,120 | - | - | 24,120 |
| Buildings and improvements | 373,748 | - | - | 373,748 |
| Vehicles | 201,709 | - | 9,673 | 192,036 |
| Furniture and office equipment | 598,249 | - | 17,633 | 580,616 |
| Total capital assets, being depreciated | 1,197,826 | - | 27,306 | 1,170,520 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 24,120 | - | - | 24,120 |
| Buildings and improvements | 331,204 | 4,703 | - | 335,907 |
| Vehicles | 140,800 | 16,714 | - | 157,514 |
| Furniture and office equipment | 588,999 | - | 10,434 | 578,565 |
| Total accumulated depreciation | 1,085,123 | 21,417 | 10,434 | 1,096,106 |
| Total capital assets, being depreciated, net | 112,703 | (21,417) | 16,872 | 74,414 |
| Governmental activities capital assets, net | \$ 13,625,140 | \$ (21,417) | \$ 16,872 | \$ 13,586,851 |

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

| | |
|--------------------------|------------------|
| Governmental activities: | |
| General government | <u>\$ 21,417</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, 2013:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 23,240,178 | \$ - | \$ - | \$ 23,240,178 |
| Construction in progress | 11,162,028 | 9,652,868 | 7,846,331 | 12,968,565 |
| Total capital assets, not being depreciated | 34,402,206 | 9,652,868 | 7,846,331 | 36,208,743 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 17,021,751 | 3,747,143 | 15,413 | 20,753,481 |
| Buildings and improvements | 130,156,087 | 1,175,707 | 24,642 | 131,307,152 |
| Vehicles | 92,441,389 | 13,155,601 | 3,691,381 | 101,905,609 |
| Furniture and office equipment | 3,614,278 | 480,424 | 166,278 | 3,928,424 |
| Other equipment | 80,857,484 | 3,874,856 | 1,131,300 | 83,601,040 |
| Total capital assets, being depreciated | 324,090,989 | 22,433,731 | 5,029,014 | 341,495,706 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 12,053,405 | 1,694,036 | 15,410 | 13,732,031 |
| Buildings and improvements | 63,674,731 | 2,988,568 | 24,641 | 66,638,658 |
| Vehicles | 51,955,941 | 6,509,183 | 3,691,383 | 54,773,741 |
| Furniture and office equipment | 2,527,070 | 264,503 | 40,915 | 2,750,658 |
| Other equipment | 71,912,920 | 2,805,075 | 1,130,706 | 73,587,289 |
| Total accumulated depreciation | 202,124,067 | 14,261,365 | 4,903,055 | 211,482,377 |
| Total capital assets, being depreciated, net | 121,966,922 | 8,172,366 | 125,959 | 130,013,329 |
| Business-type activities capital assets, net | \$ 156,369,128 | \$ 17,825,234 | \$ 7,972,290 | \$ 166,222,072 |

Depreciation expense for the year ended September 30, 2013 amounted to:

| | |
|-----------------------------------|----------------------|
| Bus Services | \$ 9,780,687 |
| Automated Skyway Express | 3,801,324 |
| Transportation Disadvantaged | 679,354 |
| Total depreciation expense | \$ 14,261,365 |

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, 2013:

| | Beginning Balance | Current Year Project Costs/ Increases | Completed Projects/ Decreases | Ending Balance |
|--|-----------------------|---------------------------------------|-------------------------------|-----------------------|
| Restricted cash and cash equivalents | \$ 20,099,776 | \$ 3,048,453 | \$ 14,659,629 | \$ 8,488,600 |
| Restricted due from other governments | - | 11,316,536 | - | 11,316,536 |
| Custodial assets – construction projects | 161,390,768 | 3,343,093 | 62,309,163 | 102,424,698 |
| | <u>\$ 181,490,544</u> | <u>\$ 17,708,082</u> | <u>\$ 76,968,792</u> | <u>\$ 122,229,834</u> |

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, 2013 follows:

| | Beginning Balance | Current Year Funding | Completed Projects | Ending Balance |
|---|-------------------|----------------------|--------------------|----------------|
| Custodial projects – due to other governments | \$ 181,490,544 | \$ 3,048,453 | \$ 62,309,163 | \$ 122,229,834 |

Note 6. Interfund Balances and Transfers

During the normal course of operations, numerous transactions occur between funds. The following is a schedule of interfund balances at September 30, 2013:

| | Due To | | | | Total |
|-----------------------|---------------------|---------------------|---------------------|------------------|----------------------|
| | General Fund | Bus Fund | ASE Fund | CTC Fund | |
| Due From | | | | | |
| General Fund | \$ - | \$ 25,787 | \$ 3,428 | \$ 6,688 | \$ 35,903 |
| Special Revenue Fund | 1,629,020 | - | - | - | 1,629,020 |
| Enterprise Fund – Bus | 3,801,845 | - | 2,782,858 | 18,257 | 6,602,960 |
| Enterprise Fund – ASE | 961,611 | 558,268 | - | - | 1,519,879 |
| Enterprise Fund – CTC | 796,157 | 2,673,463 | - | - | 3,469,620 |
| | <u>\$ 7,188,633</u> | <u>\$ 3,257,518</u> | <u>\$ 2,786,286</u> | <u>\$ 24,945</u> | <u>\$ 13,257,382</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 | | |
|-----------------------|--------------|--------------|--------------|
| | ASE Fund | CTC Fund | Total |
| Transfer From | | | |
| Enterprise Fund – Bus | \$ 4,565,398 | \$ 1,604,076 | \$ 6,169,474 |

The interfund transfers were made from the Bus fund to support the operating activities of the ASE and CTC funds.

Note 7. Noncurrent Liabilities

Accrued compensated absences at September 30, 2013 consisted of the following:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|--------------|--------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 410,190 | \$ 86,119 | \$ 145,872 | \$ 350,437 | \$ 156,542 |
| Business-type activities: | | | | | |
| Compensated absences | \$ 562,549 | \$ 1,712,682 | \$ 1,596,421 | \$ 678,810 | \$ 135,761 |

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 2013, individual claims in excess of \$200,000 and \$300,000 per occurrence were subject to the Florida Sovereign Immunity Law.

Jacksonville Transportation Authority

Notes to Financial Statements

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 |
|------------------------------------|----------------------|---|----------------|-------------------|
| 2012 | \$ 3,478,358 | \$ 1,642,468 | \$ 1,326,079 | \$ 3,794,747 |
| 2013 | \$ 3,794,747 | \$ 1,328,000 | \$ 1,306,468 | \$ 3,816,279 |

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 \$1,800,000 million at September 30, 2013.

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 Authority 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 Authority, 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, Single Audit Act Amendments of 1996, 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, 2013, the Authority employed a total of 776 employees. 48% or 373 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 373 employees, expires October 25, 2014.

Additionally, 145 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 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, 2013 Employer Contribution Rate | July 1, 2012 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. | 6.95% | 5.18% |
| 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. | 18.31% | 6.30% |
| 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. | 12.84% | 5.44% |

All of the above employer contribution rates include 1.2% for a post-retirement health insurance subsidy. The Regular and Senior Management rates also include .03% for an administrative and 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, 2013, 2012 and 2011 were \$965,414, \$506,687 and \$549,481, respectively, which were equal to the required contributions for each year.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

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.

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, 2013 Employer Contribution Rate | January 1, 2012 Employer Contribution Rate |
|---------------------|--|-------------------------------------|---|---|
| Regular | \$48 per month multiplied by the number of years of creditable service | After 5 years of creditable service | \$3.95 per hour | \$3.60 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, 2013, 2012 and 2011 were \$1,030,699, \$1,000,141 and \$950,185, 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.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

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.

As of January 1, 2012, employee membership data related to these plans was as follows:

| | Salaried Employees | Drivers Plan |
|--|-----------------------|--------------|
| Active employees: | | |
| Nonvested | 2 | 55 |
| Partially vested | 6 | - |
| Fully vested | 9 | 267 |
| Retirees and beneficiaries currently receiving benefits | - | 159 |
| Terminated plan members entitled to but not yet receiving benefits | 10 | 142 |
| 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 | \$3.95 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, 2013 | January 1, 2012 |
| 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 | 4% 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 | \$ 372,658 |
| Interest on Net Pension Obligation | 15,253 |
| Annual pension cost | <u>387,911</u> |
| Contributions made | <u>(109,294)</u> |
| Change in net pension obligation | 278,617 |
| Net pension obligation, beginning of year | 381,316 |
| Net pension obligation, end of year | <u><u>\$ 659,933</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 |
|--------------------|-------------------------------------|-------------------------------|------------------------|
| 9/30/13 | \$ 372,658 | 29% | \$ 659,933 |
| 9/30/12 | 473,095 | 31% | 381,316 |
| 9/30/11 | 185,560 | 74% | 48,366 |

Funding progress as of September 30, 2013 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 |
|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|-----------------|--------------------------------|
| 01/01/2012 | \$1,399,154 | \$2,660,932 | \$1,261,778 | 52.6% | \$1,099,777 | 114.7% |

Contributions for the year ending September 30, 2013, totaling \$109,294 were made. 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 asset:

| | |
|--|------------------------------|
| Annual required contribution | \$ 381,510 |
| Interest on net pension asset | (675,282) |
| Adjustment to annual required contribution | 1,257,961 |
| Annual pension cost | <u>964,189</u> |
| Contributions made | (1,973,490) |
| Change in net pension asset | <u>(1,009,301)</u> |
| Net pension asset, beginning of year | (8,441,020) |
| Net pension asset, end of year | <u><u>\$ (9,450,321)</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 | Actuarially Determined Contribution | Percentage of APC Contributed | Net Pension (Asset) Obligation |
|----------------|-------------------------------------|-------------------------------|--------------------------------|
| Ending 9/30/13 | \$ 964,189 | 205% | \$ (9,450,321) |
| 9/30/12 | 643,082 | 304% | (8,441,020) |
| 9/30/11 | 1,005,193 | 202% | (7,131,715) |

Funding progress as of September 30, 2013 is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|----------------------------------|--------------|-----------------|--------------------------------|
| 01/01/2012 | \$ 26,418,252 | \$ 25,370,204 | \$ (1,048,048) | 104.1% | N/A* | N/A* |

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

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, 2013, totaling \$1,973,490 were made in accordance with the terms of the labor agreement between the Amalgamated Transit Union and the Authority and are not based on covered payroll (*). 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. This results in an implicit subsidy to retirees.

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

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, 2013, employee membership data related to the Plan was as follows:

| | |
|--|-------------------|
| Current retirees: | |
| Under age 65 | 2 |
| Over age 65 | 2 |
| Total current retirees | <u>4</u> |
| Active employees: | |
| Active employees fully eligible for benefits | 12 |
| Active employees not yet fully eligible for benefits | 147 |
| Total active employees | <u>159</u> |
| Total number of participants | <u><u>163</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, 2013. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability ("UAAL") of \$447,000 and an Annual Required Contribution ("ARC") of \$68,000.

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, 2011 |
| Actuarial cost method | Projected unit credit |
| Amortization method for UAAL | Level dollar payment, closed |
| Amortization period | 26 years |
| Actuarial assumptions: | |
| Assumed rate of return on investments | 4.0% per annum |
| Payroll increase | 3.0% per annum |
| Healthcare cost trend rate(s): | 7.0% for 2013/14 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 | \$ 68,000 |
| Interest on net OPEB obligation | 12,000 |
| Adjustment to annual required contribution | (14,000) |
| Annual OPEB cost | <u>66,000</u> |
| Contributions made | <u>(22,000)</u> |
| Change in net OPEB obligation (asset) | 44,000 |
| Net OPEB obligation (asset), beginning of year | 306,000 |
| Net OPEB obligation (asset), end of year | <u><u>\$ 350,000</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 last three fiscal years were as follows:

| Fiscal Year Ended | Actual Contributed | Annual OPEB Cost | % Contributed | Net OPEB Obligation |
|--------------------|--------------------|------------------|---------------|---------------------|
| September 30, 2013 | \$ 22,000 | \$ 66,000 | 33.3% | \$ 350,000 |
| September 30, 2012 | 22,000 | 64,000 | 34.4% | 306,000 |
| September 30, 2011 | 32,000 | 99,000 | 32.3% | 264,000 |

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Funded Status: The following is the funded status of the plan as of September 30, 2013:

| 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, 2012 | \$ - | \$ 447,000 | \$ 447,000 | 0.0% | \$ 1,403,775 | 31.8% |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Note 12. Fund Balance

A schedule of Authority fund balances is provided below:

| | General Fund | Special Revenue Fund |
|---|-----------------------|----------------------------|
| <u>Spendable:</u> | | |
| Restricted for State and City Construction Projects | \$ - | \$ 6,254,185 |
| <u>Assigned to:</u> | | |
| 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 | 21,926,351 | - |
| | <u>\$ 106,026,351</u> | <u>\$ 6,254,185</u> |

Note 13. Expenditures in Excess of Appropriations

The general fund reported an excess of expenditures over budgeted appropriations in the amount of \$48,985. This was compensated for by sales tax revenues which were received in amounts that exceeded budgeted projections.

Jacksonville Transportation Authority

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances – Budget and Actual – General Fund
 Fiscal Year Ended September 30, 2013

| | Original Budget | Final Budget | Actual Amounts | Variance With Final Budget Positive (Negative) |
|------------------------------------|-----------------------|-----------------------|-----------------------|--|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Sales taxes | \$ 69,240,898 | \$ 69,240,898 | \$ 70,803,588 | \$ 1,562,690 |
| Investment income | 67,725 | 67,725 | 49,509 | (18,216) |
| Other | 100,000 | 100,000 | 105,843 | 5,843 |
| Total revenues | 69,408,623 | 69,408,623 | 70,958,940 | 1,550,317 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,007,903 | 2,007,903 | 1,348,427 | 659,476 |
| Highway planning | - | - | 41,243 | (41,243) |
| Intergovernmental: | | | | |
| City of Jacksonville | 67,400,720 | 67,400,720 | 68,067,938 | (667,218) |
| Total expenditures | 69,408,623 | 69,408,623 | 69,457,608 | (48,985) |
| Net change in fund balances | - | - | 1,501,332 | 1,501,332 |
| Fund balances, beginning of year | 104,525,019 | 104,525,019 | 104,525,019 | - |
| Fund balances, end of year | \$ 104,525,019 | \$ 104,525,019 | \$ 106,026,351 | \$ 1,501,332 |

See Notes to Required Supplementary Information.

Jacksonville Transportation Authority

Other Post-Employment Benefits Plan (Unaudited)

Schedule of Funding Progress

September 30, 2013

| 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 |
|--------------------------------|---------------------------------|---|------------------------|-----------------|--------------------|---|
| 10/01/12 | \$ - | \$ 447,000 | \$ 447,000 | 0.0% | \$ 1,403,725 | 31.8% |
| 10/01/11 | - | 407,000 | 407,000 | 0.0% | 1,004,313 | 40.5% |
| 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)

Schedules of Funding Progress

September 30, 2013

| 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) |
| 01/01/2012 | \$ 26,418,252 | \$ 25,370,204 | \$ (1,048,048) | 104.13% | N/A | N/A |
| 01/01/2011 | 25,866,485 | 23,405,567 | (2,460,918) | 110.51% | N/A | N/A |
| 01/01/2010 | 22,297,741 | 22,489,393 | 191,652 | 99.15% | 14,579,457 | 1.31% |
| 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 |

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

| 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) |
|--------------------------|-------------------------------|--|---|--------------------|---------------------|--|
| 01/01/2012 | \$ 1,399,154 | \$ 2,660,932 | \$ 1,261,778 | 52.58% | \$ 1,099,777 | 114.73% |
| 01/01/2011 | 1,707,792 | 2,123,564 | 415,772 | 80.42% | 1,101,632 | 37.74% |
| 01/01/2010 | 1,707,792 | 2,123,564 | 415,772 | 80.42% | 1,101,632 | 37.74% |
| 01/01/2009 | 1,454,816 | 1,052,952 | (401,864) | 138.17% | 1,066,592 | -37.68% |

Information prior to 1/1/2009 is not available for the Salaried Plan.

Jacksonville Transportation Authority

Notes to Required Supplementary Information Year Ended September 30, 2013

Note 1. Budget and Budgetary Accounting

The Authority prepares an annual budget for its General fund. The Custodial Project special revenue fund adopts project-length budgets. 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 for proprietary funds.

Jacksonville Transportation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2013

| Federal/State Agency, Pass-Through Entity, Federal Program or Cluster Title/State Project | CFDA/CSFA Number | Contract/Grant Number | Federal Expenditures | Paid to Subrecipients |
|--|---------------------|--------------------------|-------------------------|--------------------------|
| United States of Department of Transportation: | | | | |
| Direct Programs: | | | | |
| Federal Transit Cluster: | | | | |
| Federal Transit Capital Investment Grants – | | | | |
| New Starts Grants | 20.500 | FL-03-0338 | \$ 304,651 | \$ - |
| | 20.500 | FL-03-0339 | 24,651 | - |
| Total New Starts Grants | | | 329,302 | - |
| Capital Improvement Grants: | | | | |
| | 20.500 | FL-04-0066-00 | 97,848 | - |
| | 20.500 | FL-04-0111-02 | 20,685 | - |
| | 20.500 | FL-04-0128-00 | 194,053 | - |
| | 20.500 | FL-04-0155-00 | 185 | - |
| Total Capital Improvement Grants | | | 312,771 | - |
| Modernization Grants: | | | | |
| | 20.500 | FL-05-0092 | 4,590 | - |
| | 20.500 | FL-05-0098 | 173,258 | - |
| | 20.500 | FL-05-0102 | 191,061 | - |
| | 20.500 | FL-05-0106-02 | 233,456 | - |
| Total Modernization Grants | | | 602,365 | - |
| Federal Transit Formula Grants: | | | | |
| | 20.507 | FL-90-X531-01 | 936,071 | - |
| | 20.507 | FL-90-X561-00 | 303,338 | - |
| | 20.507 | FL-90-X600-01 | 475,370 | - |
| | 20.507 | FL-90-X643-01 | 679,946 | - |
| | 20.507 | FL-90-X683-01 | 923,566 | - |
| | 20.507 | FL-90-X711-00 | 124,724 | - |
| | 20.507 | FL-90-X742-00 | 1,560,219 | - |
| | 20.507 | FL90-X774-00 | 4,180,824 | - |
| | 20.507 | FL-90-X802-00 | 5,373,644 | - |
| | 20.507 | FL-95-X034-01 | 1,973,643 | - |
| Total Federal Transit Formula Grants | | | 16,531,345 | - |
| *ARRA* Federal Transit Formula Grant | 20.507 | FL-96-X012-01 | 4,805,605 | - |
| Total Federal Transit Cluster | | | 22,581,388 | - |
| Public Transportation Research – ITS Deployment Grant | 20.514 | FL-26-0025 | 5,257 | - |
| Job Access Reverse Commute Grants: | | | | |
| | 20.516 | FL-37-X038-00 | 34,054 | - |
| | 20.516 | FL-37-X051-01 | 300,725 | 260,270 |
| | 20.516 | FL-37-X068-00 | 108,043 | 108,043 |
| Total Job Access Reverse Commute Grants | | | 442,822 | 368,313 |
| Clean Fuels Grants: | 20.519 | FL-58-0001 | 3,728,721 | - |
| New Freedom Grants: | | | | |
| | 20.521 | FL-57-X013-00 | 52,125 | - |
| | 20.521 | FL-57-X022-01 | 122,057 | 46,343 |
| Total New Freedom Grants | | | 174,182 | 46,343 |
| Bus and Bus Facilities Grant | 20.525 | FL-34-0001-00 | 48,868 | - |
| Total Direct Programs | | | 26,981,238 | 414,656 |

(Continued)

Jacksonville Transportation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
 Year Ended September 30, 2013

| Federal/State Agency, Pass-Through Entity, Federal Program or Cluster Title/State Project | CFDA/CSFA Number | Contract/Grant Number | Federal Expenditures | Paid to Subrecipients |
|--|---------------------|--------------------------|-------------------------|--------------------------|
| Passthrough: | | | | |
| State of Florida Department of Transportation: | | | | |
| Highway Planning and Construction Grants: | | | | |
| | 20.205 | AOZ96 | \$ 209,104 | \$ - |
| | 20.205 | AQB26 | 27,069 | - |
| | 20.205 | APO41 | 21,087 | - |
| | 20.205 | AOF46 | 344,391 | - |
| | 20.205 | AOP95 | 52,976 | - |
| | 20.205 | APP18 | 542,119 | - |
| | 20.205 | APP42 | (2,009) | - |
| Total Highway Planning and Construction Grants | | | 1,194,737 | - |
| Formula Grants for Other Than Urbanized Areas | | | | |
| | 20.509 | AP940 | 37,800 | - |
| | 20.509 | AP940 | 6,786 | - |
| | 20.509 | AQU00 | 11,300 | - |
| Total Formula Grants for Other Than Urbanized Areas | | | 55,886 | - |
| Total State of Florida Department of Transportation | | | 1,250,623 | - |
| North Florida Transportation Planning Organization: | | | | |
| Federal Transit Metropolitan Planning Grant | | | | |
| | 20.505 | AQ413 | 15,842 | - |
| | 20.505 | AQF86 | 49,995 | - |
| | 20.505 | AQT28 | 50,906 | - |
| Total Federal Transit Metropolitan Planning Grants | | | 116,743 | - |
| Total Indirect Programs | | | 1,367,366 | - |
| Total United States Department of Transportation | | | 28,348,604 | 414,656 |
| United States Department of Homeland Security: | | | | |
| Direct Programs: | | | | |
| Federal Emergency Management Agency | | | | |
| Transit Security Grant Program | | | | |
| | 97.075 | 2009-RA-T9-0078 | 779,681 | - |
| | 97.075 | 2010-RA-TO-0043 | 422,609 | - |
| Total Direct Programs | | | 1,202,290 | - |
| Passthrough: | | | | |
| Florida Department of Economic Opportunity: | | | | |
| Rail and Transit Security Grant Program | | | | |
| | 97.075 | 11-DS-48-12-00-20-344 | 178,275 | - |
| Total United States Department of Homeland Security | | | 1,380,565 | - |
| United States Department of Energy: | | | | |
| Passthrough: | | | | |
| City of Jacksonville: | | | | |
| "ARRA" - Energy Efficiency and Conservation Block Grant | | | | |
| | 81.128 | DE-EE0000777 | 253,524 | - |
| Total Expenditures of Federal Awards | | | \$ 29,982,693 | \$ 414,656 |

Jacksonville Transportation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
 Year Ended September 30, 2013

| Federal/State Agency, Pass-Through Entity, Federal Program or Cluster Title/State Project | CFDA/CSFA Number | Contract/Grant Number | State Expenditures | Paid to Subrecipients |
|---|---------------------|--------------------------|-----------------------|--------------------------|
| State of Florida Department of Transportation: | | | | |
| Mass Transit Projects: | | | | |
| Commission for the Transportation Disadvantaged (CTD) | | | | |
| Trip and Equipment Grant Program | 55.001 | AQB94 | \$ 905,868 | \$ - |
| | 55.001 | AR164 | 351,887 | - |
| Total Commission for the Transportation Disadvantaged (CTD) Trip and Equipment Grant Program | | | 1,257,755 | - |
| Commuter Assistance Program: | 55.007 | AQH43 | 23,541 | - |
| Public Transit Block Grant Program: | 55.010 | AQS51 | 3,886,818 | - |
| Public Transit Service Development Program: | 55.012 | APU25 | 20,750 | - |
| | 55.012 | APW56 | 22,340 | - |
| | 55.012 | AQ865 | 26,274 | - |
| | 55.012 | AQ810 | 195,583 | - |
| | 55.012 | AQJ48 | 1,623 | - |
| | 55.012 | AQL00 | 81,274 | - |
| Total Public Transit Service Development Program | | | 347,844 | - |
| Transportation Corridor Program: | | | 72,480 | - |
| Transportation Planning Consultants Program: | 55.030 | AQN82 | 26,883 | - |
| | 55.030 | AQN83 | 13,814 | - |
| Total Transportation Planning Consultants Program | | | 40,697 | - |
| Total Expenditures of State Financial Assistance | | | \$ 5,629,135 | \$ - |

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Jacksonville Transportation Authority

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "schedule") includes the federal and state grant activity of the Jacksonville Transportation Authority (the "Authority"). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the basic financial statements. Because the schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position or cash flows of the Authority.

Note 2. Summary of Significant Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting for the proprietary funds and on the modified accrual basis of accounting for the governmental funds, which are described in Note 2 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.



**Independent Auditor's Report
on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding IC 2013-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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

McGladrey LLP

Jacksonville, Florida
March 31, 2014



**Independent Auditor's Report on Compliance For
Each Major Federal Program and State Project;
Report on Internal Control Over Compliance
Required by OMB Circular A-133 and Chapter 10.550,
Rules of the Auditor General**

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Jacksonville Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs and state projects for the year ended September 30, 2013. The Authority's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Jacksonville, Florida
March 31, 2014

Jacksonville Transportation Authority

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

I - Summary of Independent Auditor's Results

Financial Statements

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

Federal Awards

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

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

| | | | |
|--|------------|------------------|--|
| | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | _____ Yes | _____ X _____ No | |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 20.205 | Highway Planning and Construction Grants |
| 20.500/20.507 | Federal Transit Cluster |
| 20.519 | Clean Fuel Grants |
| 97.075 | Rail Transit Security Grant Program |

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

\$ 899,481

| | | | |
|--|-----------|------------------|--|
| Auditee qualified as low-risk auditee? | _____ Yes | _____ X _____ No | |
|--|-----------|------------------|--|

State Financial Assistance

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

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

| | | | |
|--|------------|------------------|--|
| | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General? | _____ Yes | _____ X _____ No | |

Identification of major projects:

| <u>CSFA Number(s)</u> | <u>Name of State Program or Project</u> |
|-----------------------|---|
| 55.010 | Public Transit Block Grant Program |

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

\$ 300,000

Jacksonville Transportation Authority

Schedule of Findings and Questioned Costs (Continued) For the Year Ended September 30, 2013

Section II – Financial Statement Findings

A. Internal Control Over Financial Reporting

IC 2013-01 Review of Adjusting Journal Entries

Criteria: Special revenue funds are used to account for activities funded through specific revenue sources. Contributing general revenues to a special revenue fund should be a decision made through the budgeting process.

Condition: During our audit testing, we observed a journal entry transferring approximately \$1.5 million from the general fund to the special revenue fund. This transfer was made through an adjusting journal entry posted after the fiscal year end. This transfer had not been budgeted.

Context: The effect of this journal entry was limited to governmental activities of the Authority. The amount of the transfer was significant to both the general fund and the special revenue fund.

Cause: The Authority does have procedures which require that an individual, other than the individual who originally drafted the journal entry, to review and post the journal entry to the general ledger. However it is not clear that some of the individuals reviewing the journal entries have a sufficient understanding of the transactions and their effect on the financial statements.

Effect: Without a formal review of journal entries, particularly those pertaining to transfers between funds, by an individual who has a sufficient understanding of the transaction and the effect on the Authority's financial statements, financial resources of the Authority could be transferred to special projects without being approved through the budgeting process. Additionally, because of the nature of interfund transfers, it could also be possible for financial resources which are legally or contractually restricted to be transferred to a fund where they would appear to be unrestricted and subsequently improperly expended.

Recommendation: We recommend that the Authority develop formal procedures requiring adjusting journal entries to be adequately supported and for there to be evidence of a review. This review should be conducted by an individual with sufficient understanding of the transaction and its effect on the Authority's financial statements.

Response / Planned Corrective Action: Management has developed formal procedures to ensure that adjusting journal entries are adequately supported and that there is evidence of a review. This review will be conducted by an individual with sufficient understanding of the transaction and its effect on the Authority's financial statements. In the meantime, management believes that the controls will be significantly strengthened in this area with the new ERP system which is expected to be implemented in May 2014.

B. Compliance and Other Matters

None reported.

Jacksonville Transportation Authority

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2013

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

A. Internal Control Over Compliance

None reported

B. Compliance

None Reported

Jacksonville Transportation Authority

Summary Schedule of Prior Year's Audit Findings
For the Year Ended September 30, 2013

No prior year audit findings.



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

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have audited the 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") as of and for the year ended September 30, 2013, and have issued our report thereon dated March 31, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and *Chapter 10.550*, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements performed in accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project; and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and *Schedule of Findings and Questioned Costs*. Disclosures in those reports and schedule which are dated March 31, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

1. Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in the preceding annual financial audit report has been addressed in Appendix B to this report.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires a statement as to whether or not the Authority complied with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 in the notes to the financial statements.
6. Section 10.554(1)(i)6.a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Section 10.554(1)(i)6.b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
8. Pursuant to Sections 10.554(1)(i)6.c and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We noted no deteriorating financial condition pursuant to Rule 10.556(7) as of September 30, 2013.

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

McGladrey LLP

Jacksonville, Florida
March 31, 2014

Jacksonville Transportation Authority

Appendix A – Current Year Management Recommendations
For the Year Ended September 30, 2013

| No. | Current Year's Observations |
|-----|-----------------------------|
|-----|-----------------------------|

None noted

Jacksonville Transportation Authority

Appendix B – Status of Prior Year Management Recommendations
For the Year Ended September 30, 2013

| No. | Prior Year's Observations | Observation is Still Relevant | Observation Addressed or No Longer Relevant |
|------------|--------------------------------------|-------------------------------------|--|
| ML 2010-01 | Capital Asset Inventory | X | |
| ML 2012-01 | Bank Reconciliations | | X |
| ML 2012-02 | Matching CFDA Nos. 20.500 and 20.507 | | X |

Jacksonville Transportation Authority

Appendix B – Status of Prior Year Management Recommendations (Continued) For the Year Ended September 30, 2013

Criteria: In accordance with Florida Department of Financial Services Rule 69I-73.006, an inventory of all capital assets is required to be performed on an annual basis to verify the existence of all capital assets.

Prior Year Condition: During our audit, we noted that a physical inventory of all capital assets was being completed on a biannual basis, which is in accordance with FTA regulations. We noted, further, disposals of capital assets that were not timely recorded in the asset records of the Authority.

Cause: An annual physical inventory of capital assets is not being performed.

Effect: Increased risk of misstatement of capital asset balances.

Prior Year Recommendation: We recommend that the Authority perform an annual physical inventory of all capital assets to support the existence of the assets in order to prevent the misstatement of capital asset balances and to prevent the misappropriation of assets. This can be performed either through a year-end physical count or via cycle counts performed throughout the year.

Current Year Status and View of Responsible Officials and Planned Corrective Action: Management plans to conduct a capital asset inventory in FY14. JTA performs and conducts inventories in accordance with the requirements of the FTA.