

McGladrey & Pullen

Certified Public Accountants

Jacksonville Transportation Authority

Financial Report
September 30, 2009

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Certified Public Accountants

Independent Auditor's Report

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jacksonville Transportation Authority (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Jacksonville Transportation Authority as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis ("MD&A"), budgetary comparison information for the general fund and schedule of funding progress – other post-employment benefits plan, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

McGladrey & Pullen, LLP

Melbourne, Florida
March 23, 2010

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. An overarching goal is to focus on significant financial issues and explain material changes in the Authority's financial position and performance during the fiscal year ended September 30, 2009 as compared to September 30, 2008.

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

In light of the economic downturn which caused declining revenues from the first half cent sales tax (dedicated to transportation in Duval County), the Authority focused on cost containment. Bus route restructuring was a major part of reducing operational costs. Despite trimming 800,000 total vehicle miles from the system in fiscal 2009, passenger trips remained steady at 10.3 million. JTA managed to decrease total expenses for Business type activities (Bus, Automated Guideway and Demand responsive modes) by \$9.8 million, a 9.1% reduction from the prior year.

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

- ***Net assets***

The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2009, the Authority's total net assets were \$295.3 million, a decrease of 2.1%, or \$6.5 million from the prior year. The decrease is attributable primarily to the Proprietary funds, where fixed assets, net of accumulated depreciation, decreased by \$5.7 million due to depreciation expense in excess of new capital expenditures coupled with a \$1 million increase in current and noncurrent liabilities. Net assets consisted of amounts invested in capital assets of \$178.1 million and unrestricted net assets of \$117.1 million.

- ***Grant expenditures***

The Authority expended \$40.0 million in federal and state assistance, which was up 30.3% from \$30.7 million in 2008. The primary areas of increase were Highway planning and construction in the federal grants category, up \$4 million; and TRIP (Transportation Regional Incentive Program) funds in the state grants category, up \$4.2 million.

- ***Capital Expenditures and Engineering projects.***

Net capital assets decreased in 2009, from \$184.0 million to \$178.1 million, a decline of 3.2%. This decrease centered on the Proprietary funds, where capital additions were lower, and depreciation expense on existing assets was higher than in the prior year.

In the Governmental funds, \$77.4 million was spent for the planning, development and construction of road and bridge projects. For the prior year, \$103.7 million had been spent, a decrease of \$26.3 million or 25.4%. This is a reflection of the aforementioned economic downturn and the corresponding reduction in sales tax revenues, which fund the Better Jacksonville Plan projects. In 2009, approximately \$55 million in custodial assets were transferred to the State of Florida versus \$63 million in 2008.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The Authority's fund statements report in greater detail than the government-wide statements on the Authority's most significant funds. A fund is a group of related accounts used to exercise control over specific resources set apart for specific activities. The Authority, like other state and local governments, uses funds to ensure and demonstrate compliance with financial requirements imposed by law, bond covenants, and local administrative and legislative actions.

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

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

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

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

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

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

*Table A-1
Condensed Statement of Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 566,098,778	\$ 540,308,092	\$ 31,295,887	\$ 28,801,108	\$ 597,394,665	\$ 569,109,200
Capital assets	14,129,935	14,182,497	164,018,864	169,775,377	178,148,799	183,957,874
Total assets	580,228,713	554,490,589	195,314,751	198,576,485	775,543,464	753,067,074
Current liabilities	21,642,782	17,838,490	8,326,800	7,764,383	29,969,582	25,602,874
Long-term liabilities	448,251,526	424,006,872	2,032,364	1,706,704	450,283,890	425,713,575
Total liabilities	469,894,308	441,845,362	10,359,164	9,471,087	480,253,472	451,316,449
Net assets:						
Invested in capital assets	14,129,935	14,182,497	164,018,864	169,775,377	178,148,799	183,957,874
Unrestricted	96,204,470	98,462,730	20,936,723	19,330,021	117,141,193	117,792,751
Total net assets	\$ 110,334,405	\$ 112,645,227	\$ 184,955,587	\$ 189,105,398	\$ 295,289,992	\$ 301,750,625

Statement of Net Assets 2009 vs. 2008

The Authority's governmental activities show an increase of \$25.7 million or 4.6% in total assets from 2008. Primary contributors to the increase were amounts Due from Other Governments (representing amounts due to JTA from the City of Jacksonville for BJP project expenditures) and Custodial assets. These two line items amounted to a \$59 million increase from the prior year balances. When combined with \$32.1 million in decreases in cash and equivalents, the result is the net increase previously mentioned.

Total liabilities for governmental activities also increased, by \$28.1 million or 6.4%. \$24 million of that increase was for custodial assets. This is the line item that contains the estimated liability for construction projects that will be turned over to the state upon completion. The Governmental funds' change in net assets was a net decrease of \$2.3 million from the prior year.

Assets for the Authority's business type activities' decreased \$3.3 million or 1.7% from the prior year. This was wholly attributable to the fixed asset section, where fewer capital expenditures coupled with an increase in accumulated depreciation caused the decrease. Total liabilities were up \$0.9 million or 9.4% compared to 2008. The increase was primarily in the current liabilities (those items requiring payment within the next twelve months), where amounts payable with restricted assets increased \$0.7 million. Decreased assets along with increased liabilities combined for an overall decrease in net assets of \$4.2 million or 2.2% from the prior year.

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

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

*Table A-2
Condensed Statement of Activities*

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue:						
Charges for services	\$ -	\$ -	\$ 20,479,149	\$ 17,544,253	\$ 20,479,149	\$ 17,544,253
Operating grants and contributions	-	-	11,773,208	12,098,390	11,773,208	12,098,390
Capital grants and contributions	-	-	10,818,486	12,956,976	10,818,486	12,956,976
General revenue:						
Sales taxes	64,020,183	72,122,323	-	-	64,020,183	72,122,323
Intergovernmental	-	1,637,926	55,481,431	54,650,113	55,481,431	56,288,039
Investment earnings	1,381,196	2,420,295	96,562	489,077	1,477,758	2,909,372
Other general revenues	117,481	160,963	-	-	117,481	160,963
Gain on sale of assets	-	819,360	-	-	-	819,360
Total revenue	65,518,860	77,160,867	98,648,836	97,738,809	164,167,696	174,899,676
Expenses:						
General government	6,299,167	897,533	-	-	6,299,167	897,533
Highway planning	42,845	127,080	-	-	42,845	127,080
Intergovernmental						
City of Jacksonville	47,323,285	55,373,797	-	-	47,323,285	55,373,797
State of Florida	19,033,373	16,363,208	-	-	19,033,373	16,363,208
Bus	-	-	70,003,770	79,610,584	70,003,770	79,610,584
Automated skyway express	-	-	13,924,200	14,264,603	13,924,200	14,264,603
Community transportation	-	-	14,001,689	13,859,149	14,001,689	13,859,149
Total expenses	72,698,670	72,761,618	97,929,659	107,734,336	170,628,329	180,495,954
Increases in net assets before transfers	(7,179,810)	4,399,249	719,177	(9,995,527)	(6,460,633)	(5,596,278)
Transfers	4,868,988	(11,100,000)	(4,868,988)	11,100,000	-	-
Change in net assets	(2,310,822)	(6,700,751)	(4,149,811)	1,104,473	(6,460,633)	(5,596,278)
Net assets, beginning	112,645,227	119,345,978	189,105,398	188,000,925	301,750,625	307,346,903
Net assets, ending	\$ 110,334,405	\$ 112,645,227	\$ 184,955,587	\$ 189,105,398	\$ 295,289,992	\$ 301,750,625

Statement of Activities 2009 vs. 2008

For the Governmental activities, revenues decreased \$11.6 million or 15.1% from the prior year. The primary driver of this was the decline in the sales tax revenues as the general economic downturn continued. Declining interest rates on lower invested balances also contributed to the overall decrease.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Expenditures for Governmental activities were almost flat year over year (\$63,000 reduction or 0.09%). Components of expense changed significantly, though. Sales tax receipts had fallen off as mentioned previously and this caused lower intergovernmental expenses, since there were fewer funds available. This resulted in lower amounts transferred to the State of Florida for conduit debt and also to the City of Jacksonville for the Better Jacksonville Plan. The lowered intergovernmental expenses were offset dollar for dollar by higher general government expenses due to a change in the basis data for the allocation of JTA corporate expenses.

Total revenues for Business-type activities were up by \$0.9 million or 0.9% over the prior year. Operating and capital grants decreased \$2.5 million for the year while charges for services (fares and agency revenues) increased by \$3.0 million. Intergovernmental receipts from the Better Jacksonville Plan increased \$0.8 million, but investment earnings were down by \$0.4 million, reflecting lower interest rates.

Total expenses for Business-type activities decreased by \$9.8 million, or 9.1%. Bus operations led the way with a \$9.6 million reduction in overall expenses. Skyway mode contributed an additional \$0.3 million to the decrease while Connexion (demand responsive mode) was over the prior year by \$0.1 million. All three modes engaged in aggressive cost containment throughout the year and as mentioned earlier, Bus route restructuring was a major part of that effort. 800,000 total vehicle miles were cut from the system in fiscal 2009 yet annual passenger trips remained unchanged at 10.3 million.

Entity-wide, net assets were \$5.5 million, or 1.8%, lower than the prior year.

Financial Analysis of the Authority's Funds

General Fund Budgetary Highlights

2009

Total Intergovernmental Revenues for the General fund were budgeted at \$76.5 million; actual revenues were \$65.5 million. Actual Sales taxes were \$64.0 million versus the budget of \$73.6 million reflecting statewide and nationwide trends for the economy. Adding to the sales tax shortfall was a shortage in City of Jacksonville revenues that are directly tied to sales tax receipts (\$1.5 million).

General Government Expenditures for the General fund were budgeted at \$2.7 million; the actual amount of expenditures was \$6.0 million, caused by a change in the basis data of JTA's allocation of corporate expenses. The Intergovernmental expenditures for the State of Florida and the City of Jacksonville were budgeted at \$73.6 million. The actual amount was \$66.3 million. This is a direct result of the aforementioned sales tax shortfall, since fewer dollars received resulted in fewer dollars transferred for state debt service and the Better Jacksonville Plan.

Revenue in the form of transfers from other funds (in this case, Bus Operations) was \$4.9 million. This was a partial payback of the previous year's \$11.1 million transfer from the General fund to Bus operations.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2009, the Authority showed \$178.1 million in both the governmental and business-type activities in a broad range of Land, Buildings, Vehicles, Equipment, and Construction in Progress as shown in Table A-3.

Table A-3
Capital Assets

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 13,993,995	\$ 13,993,995	\$ 23,240,178	\$ 23,240,178	\$ 37,234,173	\$ 37,234,173
Land improvements	-	-	7,255,994	6,367,338	7,255,994	6,367,338
Building and improvements	57,747	65,075	72,993,853	76,320,390	73,051,600	76,385,465
Vehicles	20,556	25,000	39,586,281	39,163,208	39,606,837	39,188,208
Furniture and office equipment	57,637	98,427	979,575	1,076,933	1,037,212	1,175,360
Other equipment	-	-	13,556,981	19,227,669	13,556,981	19,227,669
Construction in progress	-	-	6,406,002	4,379,661	6,406,002	4,379,661
Total	\$ 14,129,935	\$ 14,182,497	\$ 164,018,864	\$ 169,775,377	\$ 178,148,799	\$ 183,957,874

Economic Factors and Next Year's Budgets and Rates

The Authority's Board of Directors approved the Fiscal Year 2010 Budget in June, 2009. The budget was subsequently approved by the City of Jacksonville in October, 2009. Management considered many factors when setting the budget. These factors include the expected demand of the Authority's customers, any anticipated population growth of the county and the economy of the region as a whole. The Authority will face several economic challenges in the near future.

The sales tax and gas tax flowing through the Interlocal Agreement of the Better Jacksonville Plan (BJP) are primary sources of funding for the Authority. Sales tax is the major source of revenue for the BJP. Sales tax revenues have declined and are expected to continue to decrease for the immediate future. Gas tax revenues have proven to be more resilient, but their volatility and dependability are areas of concern.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Increasing competition for discretionary grant funds continues to escalate as public agencies vie for limited or reduced federal and state grant programs.

Transit ridership is expected to remain strong as the route redesign effort continues. Therefore, the Authority will continue its focus on cost containment in Fiscal Year 2010 and beyond. The Authority is also pursuing new technology and innovations to make transportation in the entire Northeast Florida region more efficient and more effective yet still affordable.

Requests for Information

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

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

Jacksonville Transportation Authority

Statement of Net Assets
September 30, 2009

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 26,126,066	\$ 15,750,175	\$ 41,876,241
Investments	26,580,990	-	26,580,990
Restricted cash and cash equivalents	19,498,534	1,731,604	21,230,138
Internal balances	(6,462,980)	6,462,980	-
Due from other governments	52,354,992	3,218,724	55,573,716
Accounts receivable, net	2,601	705,171	707,772
Inventory	-	3,082,214	3,082,214
Prepays	-	345,019	345,019
Noncurrent assets:			
Restricted cash and cash equivalents	20,481,891	-	20,481,891
Custodial assets – construction projects	427,516,684	-	427,516,684
Capital assets (net of accumulated depreciation):			
Land	13,993,995	23,240,178	37,234,173
Construction in progress	-	6,406,001	6,406,001
Land improvements	-	7,255,993	7,255,993
Buildings and improvements	57,747	72,993,851	73,051,598
Vehicles	20,556	39,586,281	39,606,837
Furniture and office equipment	57,637	979,571	1,037,208
Other equipment	-	13,556,989	13,556,989
Total assets	580,228,713	195,314,751	775,543,464
Liabilities			
Current Liabilities			
Accounts payable	419,960	3,372,514	3,792,474
Accrued expenses	719,832	1,224,067	1,943,899
Due to other governments	847,914	-	847,914
Claims payable	-	1,854,102	1,854,102
Accrued compensated absences	156,542	144,513	301,055
Liabilities payable with restricted assets	19,498,534	1,731,604	21,230,138
Noncurrent liabilities:			
Claims payable	-	972,602	972,602
Accrued compensated absences	308,368	1,059,762	1,368,130
Custodial projects – due to other governments	447,943,158	-	447,943,158
Total liabilities	469,894,308	10,359,164	480,253,472
Net Assets			
Invested in capital assets	14,129,935	164,018,864	178,148,799
Unrestricted	96,204,470	20,936,723	117,141,193
Total net assets	\$ 110,334,405	\$ 184,955,587	\$ 295,289,992

See Notes to Financial Statements.

Jacksonville Transportation Activity

Statement of Activities Fiscal Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Transportation Authority:				
Governmental activities:				
General government	\$ 6,299,167	\$ -	\$ -	\$ -
Highway planning and construction	42,845	-	-	-
Intergovernmental:				
City of Jacksonville	47,323,285	-	-	-
State of Florida	19,033,373	-	-	-
Total governmental activities	72,698,670	-	-	-
Business-type activities:				
Bus system	70,003,770	9,837,889	8,773,208	8,017,805
Automated skyway express	13,924,200	431,327	2,000,000	1,819,871
Community transportation coordinator	14,001,689	10,209,933	1,000,000	980,810
Total business-type activities	97,929,659	20,479,149	11,773,208	10,818,486
Total transportation authority	\$ 170,628,329	\$ 20,479,149	\$ 11,773,208	\$ 10,818,486

General revenues and transfers:

Sales taxes

Intergovernmental revenues

Investment earnings

Other general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,299,167)	\$ -	\$ (6,299,167)
(42,845)	-	(42,845)
		-
(47,323,285)	-	(47,323,285)
(19,033,373)	-	(19,033,373)
<u>(72,698,670)</u>	<u>-</u>	<u>(72,698,670)</u>
-	(43,374,868)	(43,374,868)
-	(9,673,002)	(9,673,002)
-	(1,810,946)	(1,810,946)
<u>-</u>	<u>(54,858,816)</u>	<u>(54,858,816)</u>
<u>(72,698,670)</u>	<u>(54,858,816)</u>	<u>(127,557,486)</u>
64,020,183	-	64,020,183
-	55,481,431	55,481,431
1,381,196	96,562	1,477,758
117,481	-	117,481
4,868,988	(4,868,988)	-
<u>70,387,848</u>	<u>50,709,005</u>	<u>121,096,853</u>
(2,310,822)	(4,149,811)	(6,460,633)
112,645,227	189,105,398	301,750,625
<u>\$ 110,334,405</u>	<u>\$ 184,955,587</u>	<u>\$ 295,289,992</u>

Jacksonville Transportation Authority

Governmental Funds
Balance Sheet
September 30, 2009

Assets	General Fund	Capital Projects Fund	Total Governmental Funds
Cash and cash equivalents	\$ 45,624,600	\$ -	\$ 45,624,600
Investments	26,580,990	-	26,580,990
Due from other funds	13,403,536	-	13,403,536
Due from other governments	15,545,426	36,809,566	52,354,992
Accounts receivable	2,601	-	2,601
Restricted assets:			
Cash and cash equivalents	-	20,481,891	20,481,891
Total assets	\$ 101,157,153	\$ 57,291,457	\$ 158,448,610
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 419,960	\$ -	\$ 419,960
Accrued expenses	593,955	-	593,955
Due to other funds	-	16,518,535	16,518,535
Advance from other funds	3,347,981	-	3,347,981
Deferred revenue	-	19,625,463	19,625,463
Liabilities payable with restricted assets:			
Accounts payable	-	19,498,534	19,498,534
Due to other governments	-	847,914	847,914
Total liabilities	4,361,896	56,490,446	60,852,342
Fund balances:			
Reserved for State and City construction projects	-	801,011	801,011
Unreserved:			
Designated for operating reserves	7,158,628	-	7,158,628
Designated for capital replacement	7,000,000	-	7,000,000
Designated for self-insurance	200,000	-	200,000
Undesignated, reported in:			
General fund	82,436,629	-	82,436,629
Total fund balances	96,795,257	801,011	97,596,268
Total liabilities and fund balances	\$ 101,157,153	\$ 57,291,457	\$ 158,448,610

See Notes to Financial Statements.

Jacksonville Transportation Authority

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
September 30, 2009

Fund balances – total governmental funds	\$ 97,596,268
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	14,129,935
Custodial assets held on behalf of other governments are not financial resources and therefore, are not reported in the funds.	427,516,684
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	(125,877)
Deferred revenues are financial resources not available for use in current operations and therefore, are not reported in the funds.	19,625,463
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	(447,943,158)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(464,910)
Net assets of governmental activities	<u><u>\$ 110,334,405</u></u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Governmental Funds
 Statement of Revenue, Expenditures and Changes in Fund Balances
 Fiscal Year Ended September 30, 2009

	General Fund	Capital Projects Funds	Total Governmental Funds
Revenue:			
Intergovernmental:			
Sales taxes	\$ 64,020,183	\$ -	\$ 64,020,183
Federal and state grants	-	16,979,382	16,979,382
City of Jacksonville	-	41,496,695	41,496,695
Investment earnings	1,381,196	269,583	1,650,779
Miscellaneous	118,246	657,185	775,431
Total revenue	65,519,625	59,402,845	124,922,470
Expenditures:			
Current:			
General government	6,040,921	-	6,040,921
Highway planning	41,087	-	41,087
Transportation and infrastructure projects	-	77,453,170	77,453,170
Intergovernmental, on-behalf payments:			
City of Jacksonville	47,323,285	-	47,323,285
State of Florida	19,033,373	-	19,033,373
Capital outlay	-	-	-
Total expenditures	72,438,666	77,453,170	149,891,836
Excess (deficiency) of revenue over (under) expenditures	(6,919,041)	(18,050,325)	(24,969,366)
Other financing sources (uses):			
Proceeds from sale of assets	100	-	100
Transfers in	4,868,988	765	4,869,753
Transfers out	(765)	-	(765)
Total other financing sources (uses)	4,868,323	765	4,869,088
Net change in fund balances	(2,050,718)	(18,049,560)	(20,100,278)
Fund balances, beginning of year	98,845,975	18,850,571	117,696,546
Fund balances, end of year	\$ 96,795,257	\$ 801,011	\$ 97,596,268

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, 2009

Net change in fund balances, total governmental funds	\$ (20,100,278)
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. This is the amount by which depreciation exceeded capital outlays in the current period.	(49,987)
Unfunded other post employment benefits (OPEB) are recorded as an increase in expenses and an increase in the net pension liability on the statement of net assets and are not recorded in the fund financial statements	(51,000)
The net effect of disposals of capital assets is to decrease net assets for the difference between the proceeds from sale of assets (\$100) and the loss on sale of assets (\$2,475)	(2,575)
Revenue earned but not available for use in current operations are reported as revenue recognized and are deferred in the fund financial statements	19,625,463
Costs associated with transportation and infrastructure projects constructed pursuant to agreements with the State of Florida and the City of Jacksonville are held in an capitalized capacity until such time as the projects are completed, accepted and turned over to the State or City.	77,453,170
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	(79,029,073)
Some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These include increases in the liability for compensated absences (\$156,542)	(156,542)
Change in net assets of governmental activities	<u>\$ (2,310,822)</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Net Assets
September 30, 2009

	Bus	ASE	CTC	Totals
Assets:				
Current assets:				
Cash and cash equivalents	\$ 11,005,843	\$ 4,629,892	\$ 114,440	\$ 15,750,175
Restricted cash and cash equivalents	959,404	674,608	97,592	1,731,604
Accounts receivable, net	494,519	21,827	188,825	705,171
Due from other funds	6,435,492	-	-	6,435,492
Due from other governments	2,251,291	817,040	150,393	3,218,724
Inventories	1,813,575	1,083,701	184,938	3,082,214
Prepaid expenses	181,089	135,931	27,999	345,019
Total current assets	23,141,213	7,362,999	764,187	31,268,399
Noncurrent assets:				
Advance to other funds	3,347,981	-	-	3,347,981
Capital assets, net of accumulated depreciation	62,533,027	98,254,598	3,231,239	164,018,864
Total noncurrent assets	65,881,008	98,254,598	3,231,239	167,366,845
Total assets	89,022,221	105,617,597	3,995,426	198,635,244
Liabilities:				
Current Liabilities:				
Accounts payable	1,235,590	1,284,142	852,782	3,372,514
Accrued expenses	1,147,228	40,424	36,415	1,224,067
Due to other funds	-	1,081,493	2,239,000	3,320,493
Claims payable	1,854,102	-	-	1,854,102
Accrued compensated absences	125,357	9,460	9,697	144,513
Liabilities payable from restricted assets – accounts payable	959,404	674,608	97,592	1,731,604
Total current liabilities	5,321,681	3,090,127	3,235,486	11,647,293
Noncurrent Liabilities:				
Claims payable	592,110	206,492	174,000	972,602
Accrued compensated absences	919,282	69,370	71,109	1,059,762
Total noncurrent liabilities	1,511,392	275,862	245,109	2,032,364
Total liabilities	6,833,073	3,365,989	3,480,595	13,679,657
Net assets:				
Invested in capital assets	62,533,027	98,254,598	3,231,239	164,018,864
Unrestricted (deficit)	19,656,121	3,997,010	(2,716,408)	20,936,723
Total net assets	\$ 82,189,148	\$ 102,251,608	\$ 514,831	\$ 184,955,587

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Revenue, Expenses and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2009

	Bus	ASE	CTC	Totals
Operating revenues:				
Passenger	\$ 8,268,616	\$ 307,487	\$ 518,304	\$ 9,094,407
Agency	-	-	9,675,363	9,675,363
Charter	174,886	-	-	174,886
Auxiliary transportation	246,531	-	-	246,531
Non-transportation	1,147,856	123,840	16,266	1,287,962
Total operating revenue	9,837,889	431,327	10,209,933	20,479,149
Operating expenses:				
Labor	22,533,242	2,033,758	2,024,179	26,591,179
Fringe benefits	13,249,035	1,039,840	828,852	15,117,727
Materials and supplies	9,182,770	1,101,384	1,766,071	12,050,225
Services	15,607,228	680,175	7,501,341	23,788,744
Casualty and insurance	802,754	492,721	45,140	1,340,615
Taxes and licenses	118,919	-	720	119,639
Other	1,140,002	656,382	285,295	2,081,679
Depreciation expense	7,369,820	7,919,940	1,550,091	16,839,851
Total operating expenses	70,003,770	13,924,200	14,001,689	97,929,659
Operating loss	(60,165,881)	(13,492,873)	(3,791,756)	(77,450,510)
Nonoperating revenues				
Public funding:				
United States government	4,716,735	2,000,000	1,000,000	7,716,735
State of Florida	4,014,925	-	-	4,014,925
City of Jacksonville	54,446,469	-	1,034,962	55,481,431
Other subsidies	41,548	-	-	41,548
Investment earnings	24,354	68,754	3,454	96,562
Total nonoperating revenues	63,244,031	2,068,754	2,038,416	67,351,201
Income (loss) before capital contributions and transfers	3,078,150	(11,424,119)	(1,753,340)	(10,099,309)
Capital contributions	8,017,805	1,819,871	980,810	10,818,486
Transfers in	100,080	3,713,482	-	3,813,562
Transfers out	(8,582,470)	-	(100,080)	(8,682,550)
Change in net assets	2,613,565	(5,890,766)	(872,610)	(4,149,811)
Net assets, beginning of year	79,575,583	108,142,374	1,387,441	189,105,398
Net assets, end of year	\$ 82,189,148	\$ 102,251,608	\$ 514,831	\$ 184,955,587

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows
Fiscal Year Ended September 30, 2009

	Bus	ASE	CTC	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 9,641,896	\$ 437,033	\$ 10,229,501	\$ 20,308,430
Payments to suppliers	(25,937,956)	(1,608,638)	(10,054,196)	(37,600,790)
Payments to employees	(36,125,817)	(3,079,358)	(2,839,501)	(42,044,676)
Net cash used in operating activities	(52,421,877)	(4,250,963)	(2,664,196)	(59,337,036)
Cash Flows From Noncapital Financing Activities				
Operating grants received	62,556,747	1,512,070	1,942,340	66,011,157
Interfund loans	(7,077,902)	(469,480)	2,349,049	(5,198,333)
Receipts (payments) of interfund advances	9,907,066	-	(5,038,080)	4,868,986
Transfers from other funds	100,080	3,713,482	-	3,813,562
Transfers (to) other funds	(8,582,470)	-	(100,080)	(8,682,550)
Net cash provided by (used in) noncapital financing activities	56,903,521	4,756,072	(846,771)	60,812,822
Cash Flows From Capital and Related Financing Activities				
Capital contributions	8,017,805	1,819,871	980,810	10,818,486
Acquisition and construction of capital assets	(7,944,913)	(2,186,185)	(970,668)	(11,101,766)
Net cash provided by (used in) capital and related financing activities	72,892	(366,314)	10,142	(283,280)
Cash Flows From Investing Activities				
Interest on investments	24,354	68,754	3,454	96,562
Net cash provided by investing activities	24,354	68,754	3,454	96,562
Net change in cash and cash equivalents	4,578,890	207,549	(3,497,371)	1,289,068
Cash and cash equivalents, beginning of year	7,386,357	5,096,951	3,709,403	16,192,711
Cash and cash equivalents, end of year	\$ 11,965,247	\$ 5,304,500	\$ 212,032	\$ 17,481,779

(Continued)

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows (Continued)
Fiscal Year Ended September 30, 2009

	Bus	ASE	CTC	Totals
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (60,165,881)	\$ (13,492,873)	\$ (3,791,756)	\$ (77,450,510)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	7,369,820	7,919,940	1,550,091	16,839,851
Loss on disposal of assets	17,936	89	403	18,428
(Increase) decrease in assets:				
Accounts receivable	(195,993)	5,706	19,568	(170,719)
Inventory	298,151	(211,382)	35,378	122,147
Prepaid expenses	359,657	46,676	9,357	415,690
Increase (decrease) in liabilities:				
Accounts payable	(16,129)	1,487,434	(515,767)	955,538
Accrued expenses	(688,660)	(27,601)	(10,405)	(726,666)
Accrued compensated absences	345,120	21,841	23,935	390,896
Claims payable	254,102	(793)	15,000	268,309
Net cash used in operating activities	\$ (52,421,877)	\$ (4,250,963)	\$ (2,664,196)	\$ (59,337,036)
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 11,005,843	\$ 4,629,892	\$ 114,440	\$ 15,750,175
Restricted assets – cash and cash equivalents	959,404	674,608	97,592	1,731,604
Cash and cash equivalents at end of year	<u>\$ 11,965,247</u>	<u>\$ 5,304,500</u>	<u>\$ 212,032</u>	<u>\$ 17,481,779</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Fiduciary Net Assets
Pension Trust Fund
September 30, 2009

Assets	JTM Salaried Employees
Cash and cash equivalents	\$ 403,852
Investments:	
Government securities	377,114
Equity securities	425,615
Total assets	<u>1,206,581</u>
Liabilities	<u>-</u>
Net assets:	
Held in trust for pension benefits	<u>\$ 1,206,581</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Fiduciary Funds
Statement of Changes in Net Assets
Fiscal Year Ended September 30, 2009

	JTM Salaried Employees
<hr/>	
Additions:	
Employer contribution	\$ 145,846
Total contributions	<u>145,846</u>
Investment income	41,466
Net depreciation in fair value of investments	(295,037)
Net investment loss	<u>(253,571)</u>
Total	<u>(107,725)</u>
Deductions:	
Administrative expenses	4,380
Total	<u>4,380</u>
Net decrease in plan net assets	<u>(112,105)</u>
Net assets held in trust for pension benefits, beginning of year	1,318,686
Net assets held in trust for pension benefits, end of year	<u>\$ 1,206,581</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 1. Reporting Entity

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

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

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

As the Authority receives economic resources almost entirely for the direct benefit of the constituents of the City of Jacksonville, Florida (the "City"), the Authority is deemed to be a component unit of the City under Governmental Standards Board Statement No. 14, *The Financial Reporting Entity*.

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 and members of JTM's board of directors are appointed by the Authority. The transactions of JTM are blended with the primary government (the Authority) and are included in the expenses of the Authority's enterprise funds.

Notes to Financial Statements

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 activities of the Authority. Both the government-wide and fund level statements classify primary activities of the Authority as either governmental activities, which are primarily supported by taxes and intergovernmental revenues, or business-type activities, which are partially supported by user fees and charges.

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

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

The fund level statements report on governmental and proprietary fund activities. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund level financial statements. Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the 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 payment to the Community Transportation Coordinator ("CTC ") Fund 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 ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions or limitations. Each individual fund is a self-balancing set of accounts recording assets, liabilities, revenues and expenditures/expenses and fund equity. For financial statement presentation, funds with similar characteristics are grouped into generic classifications as required by accounting principles generally accepted in the United States of America. A brief description of these classifications follows:

Governmental Funds. These funds report transactions related to resources received and used for those services traditionally provided by governmental agencies. The following are major governmental funds used by the Authority:

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

Capital Projects Fund – The Capital Projects 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 report transactions related to activities similar to those found in the private sector. Major proprietary funds include:

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

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The principal operating revenues for the Authority's enterprise funds are charges to customers for sales and services. Because the rate structure of these funds is not sufficient to generate revenues to fully fund operating expenses or to fund acquisition, replacement and future expansion of property and equipment, the Authority is compelled to seek contributions-in-aid from local, state and federal sources, which are reported as nonoperating revenues. Operating expenses include direct expenses of providing the goods or services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Basis of accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

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

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, the Authority considers a 90 day availability period for revenue recognition.

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

Expenditures of governmental funds are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

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.

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 \$10,342 for the CTC fund at September 30, 2009.

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

Custodial assets / custodial liabilities: Custodial assets consist of cash and cash equivalents and costs of infrastructure assets currently under construction for the benefit of the State of Florida and the City of Jacksonville. After completion, the City or State, as appropriate, is responsible for maintaining the assets as a result of the discharge of the 1963, 1977 and 1985 trust indenture and related lease-purchase agreements or other agreements between the Authority and FDOT or the City. Therefore, the Authority transfers such assets upon completion of the related construction project.

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

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

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

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

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

As of September 20, 2009, there were no infrastructure assets.

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. 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. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

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

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

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

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

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

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved, undesignated fund balance indicates funds that are available for current expenditures. Deficit fund balances, if any, would require future funding. The following is a description of designations used by the Authority:

Reserved for State and City construction projects – These are amounts that reserved for use in custodial construction projects by agreements with the State and the City.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Designated for Operating Reserves – These are amounts that the Board has earmarked for reserves for future unanticipated, unfunded expenditures.

Designated for Capital Replacement – These are amounts to be appropriated for renovations of existing administrative facilities.

Designated for Self-Insurance – These are amounts set aside to provide for any potential liability related to the self-insurance program for general liability and automobile insurance. This amount represents the maximum amount of an individual claim allowed under the Florida Sovereign Immunity Law.

At September 30, 2009, the CTC Fund reported an unrestricted fund deficit of \$2,716,408 attributable to the increasing costs of providing these specialized transportation services. The Authority will continue to monitor the operations of the CTC Fund and pursue additional funding options to support these services.

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

Note 3. Deposits and Investments

Cash and Cash Equivalents

Cash equivalents at September 30, 2009 included amounts invested by the State of Florida Treasury Division in the Florida Treasury Investment Pool for which the Authority has shares of the pool based on its investment level as compared to other pool participants. These investments were initially established by the State of Florida Treasury Division to hold the 1990, 1992 and 1997 State bond fund proceeds. The Authority may not change the investment vehicles of these proceeds. The Authority may only withdraw funds as needed for construction projects.

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, 2009, the Authority's demand deposits with banks were \$72,651,979 and its reported balances were \$71,901,442.

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.

Interest rate risk. Interest rate risk is the risk that changes in market interest rates will adversely affect their 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, 2009, 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	
Florida Treasury					
Investment Pool	\$ 11,686,828	\$ -	\$ -	\$ -	\$ 11,686,828
Money Market Mutual Fund	9,009,672	-	-	-	9,009,672
U.S. Government Securities	3,075,990	-	-	-	3,075,990
Asset-backed Securities	6,649,641	7,845,688	-	-	14,495,329
	<u>\$ 30,422,131</u>	<u>\$ 7,845,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,267,819</u>

Jacksonville Transportation Authority

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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. The table does not include U.S. Government securities as these securities are backed by the full faith and credit of the U.S. Government. The Authority's investments are rated as follows:

Investment Type	Rating	Fair Value
Florida Treasury Investment Pool	Unrated	\$ 11,686,828
Money Market Mutual Fund	AAA	9,009,672
Asset-backed Securities	A-1+	14,495,329
		<u>\$ 35,191,829</u>

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, 2008, the Authority's investments were held with a third-party custodian as required by the Authority's investment policy.

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

Issuer	Reported Amount	% of Portfolio
U.S. Treasury Notes	\$ 3,075,990	8.04%
Federal Home Loan Mortgage Corp	3,601,949	9.41%
Federal National Mortgage Assoc.	3,588,227	9.38%
Federal Home Loan Banks	3,624,667	9.47%
Federal Farm Credit Banks	3,680,486	9.62%
	<u>\$ 17,571,319</u>	

Jacksonville Transportation Authority

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,993,995	\$ -	\$ -	\$ 13,993,995
Total capital assets, not being depreciated	13,993,995	-	-	13,993,995
Capital assets, being depreciated:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	373,748	-	-	373,748
Vehicles	132,749	-	2,575	130,174
Furniture and office equipment	590,471	-	-	590,471
Total capital assets, being depreciated	1,121,088	-	2,575	1,118,513
Less accumulated depreciation for:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	308,673	7,328	-	316,001
Vehicles	107,749	1,869	-	109,618
Furniture and office equipment	492,044	40,790	-	532,834
Total accumulated depreciation	932,586	49,987	-	982,573
Total capital assets, being depreciated, net	188,502	(49,987)	2,575	135,940
Governmental activities capital assets, net	\$ 14,182,497	\$ (49,987)	\$ 2,575	\$ 14,129,935

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

Governmental activities:	
General government	\$ 49,649
Highway planning and construction	338
	<u>\$ 49,987</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, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 23,240,178	\$ -	\$ -	\$ 23,240,178
Construction in progress	4,379,661	6,400,328	4,373,987	6,406,002
Total capital assets, not being depreciated	27,619,839	6,400,328	4,373,987	29,646,180
Capital assets, being depreciated:				
Land improvements	14,600,983	1,987,270	15,374	16,572,879
Buildings and improvements	127,624,282	92,740	12,593	127,704,429
Vehicles	86,594,040	6,403,044	4,195,449	88,801,635
Furniture and office equipment	3,118,293	181,164	103,485	3,195,972
Other equipment	72,667,001	411,207	824,797	72,253,411
Total capital assets, being depreciated	304,604,599	9,075,425	5,151,698	308,528,326
Less accumulated depreciation for:				
Land improvements	8,233,645	1,098,614	15,374	9,316,885
Buildings and improvements	51,303,892	3,419,277	12,593	54,710,576
Vehicles	47,430,832	5,976,934	4,192,412	49,215,354
Furniture and office equipment	2,041,360	272,127	97,090	2,216,397
Other equipment	53,439,332	6,072,899	815,801	58,696,430
Total accumulated depreciation	162,449,061	16,839,851	5,133,270	174,155,642
Total capital assets, being depreciated, net	142,155,538	(7,764,427)	18,428	134,372,684
Business-type activities capital assets, net	\$ 169,775,377	\$ (1,364,099)	\$ 4,392,415	\$ 164,018,864

Depreciation expense for the year ended September 30, 2009 amounted to:

Bus Services	\$ 7,369,820
Automated Skyway Express	7,919,940
Transportation Disadvantaged	1,550,091
Total depreciation expense	\$ 16,839,851

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, 2009:

	Beginning Balance	Current Year Project Costs	Completed Projects	Ending Balance
Custodial assets – construction projects	\$ 404,868,813	\$ 77,453,170	\$ 54,805,299	\$ 427,516,684

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, 2009 follows:

	Beginning Balance	Current Year Funding	Completed Projects	Ending Balance
Custodial projects – due to other governments	\$ 423,719,384	\$ 79,029,073	\$ 54,805,299	\$ 447,943,158

At September 30, 2009, the Authority had a custodial cash balance of \$20,481,891 related to these projects.

Note 6. Interfund Balances

During the normal course of operations, numerous transactions occur between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to or due from other funds. This activity consists primarily of short-term operating advances and reimbursements and capital construction advances.

The following is a schedule of interfund balances at September 30, 2009:

	Due To					Total
	General Fund	Capital Projects Fund	Bus Fund	ASE Fund	CTC Fund	
Due From						
General Fund	\$ -	\$ 15,878,414	\$ 3,497,250	\$ -	\$ -	\$ 19,375,664
Capital Projects Fund	16,519,301	-	-	-	-	16,519,301
Enterprise Fund – Bus	-	-	-	-	-	-
Enterprise Fund – ASE	-	-	1,081,493	-	-	1,081,493
Enterprise Fund – CTC	382,251	-	1,856,749	-	-	2,239,000
	\$ 16,901,552	\$ 15,878,414	\$ 6,435,492	\$ -	\$ -	\$ 39,215,458

Monies advanced to the General Fund of \$3,347,981 from the Bus Fund are for operating and capital purposes. These long-term advances have no stated repayment period, are noninterest bearing and are expected to be repaid through future earnings, grants and other funding sources of the funds.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 6. Interfund Balances (continued)

During the year ended September 30, 2009, the General Fund was reimbursed for expenditures paid on behalf of other funds in the amount of \$9,044,812. This amount is reflected as a reduction of general government expenditures in the fund financial statements and in the statement of activities.

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.

The Bus Fund transferred \$3,713,482 to the ASE in 2009 to fund an operating deficit and to remit funding for ADA expenses and transferred \$4,868,988 to the General Fund to fund operating deficits. The General Fund transferred \$765 to the Capital Projects Fund to cover non-reimbursable expenditures and the CTC Fund transferred \$100,080 to the Bus Fund to remit Transportation Disadvantaged Ride program receipts.

Note 7. Noncurrent Liabilities

Accrued compensated absences at September 30, 2009 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 308,368	\$ 190,293	\$ 33,751	\$ 464,910	\$ 156,542
Business-type activities:					
Compensated absences	\$ 813,379	\$ 1,733,275	\$ 1,342,379	\$ 1,204,275	\$ 144,513

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. Individual claims in excess of \$100,000 and \$200,000 per occurrence would be subject to the Florida Sovereign Immunity Law. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

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
2008	\$ 2,718,000	\$ 683,500	\$ (843,105)	\$ 2,558,395
2009	\$ 2,558,395	\$ 665,000	\$ (396,691)	\$ 2,826,704

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 4 amounting to approximately \$57,924,000 at September 30, 2009.

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

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

Union contracts: At September 30, 2009, the Authority employed a total of 710 employees. 67%, or 476 of the Authority's employees are covered under union contracts. The Amalgamated Transit Local Union No. 1197 covers bus operators. Its three-year contract expires on February 28, 2010 and represented 236 employees at year end.

Additionally, 121 mechanics operate under a contract with the International Association of Machinists and Aerospace Workers Local Union No. 759. This three-year contract, which expired on November 2, 2008, has been renewed until November 6, 2011.

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, 2009 Employer Contribution Rate	July 1, 2008 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.	9.85%	9.85%
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.	13.12%	13.12%
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.	10.91%	10.91%

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

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

The payments made to the FRS in the year ended September 30, 2009, 2008 and 2007 were \$1,025,324, \$1,001,338 and \$857,595, respectively, which were equal to the required contributions for each year.

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

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

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

International Association of Machinists ("IAM") Pension Plan

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

Benefits are determined by category and length of service as follows

Membership Category	Benefit	Vesting	January 1, 2009 Employer Contribution Rate	January 1, 2008 Employer Contribution Rate
Regular	\$41 multiplied by the number of years of creditable service	After 5 years of creditable service	\$3.45 per hour	\$3.45 per hour

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

The payments made to the IAM plan in the year ended September 30, 2009, 2008 and 2007 were \$1,006,026, \$1,038,682 and \$1,046,953, respectively, which were equal to the required contributions for each year.

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.

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

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

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

As of January 1, 2008, employee membership data related to these plans was as follows:

	Salaried Employees	Drivers Plan
Active employees:		
Nonvested	1	100
Partially vested	4	-
Fully vested	12	252
Retirees and beneficiaries currently receiving benefits	-	144
Terminated plan members entitled to but not yet receiving benefits	9	114
Total	26	610

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	1.5% average monthly compensation multiplied by total years of service	\$2.66 per hour
Funding of administrative costs	Paid by JTM	Paid by plan assets
Period required to vest	6 years	5 years
Postretirement benefit increases	Not applicable	Not applicable
Eligibility for distribution	Normal retirement date = Age 65 and 5 years participation; Early retirement date = Age 55 and 5 years of participation	Latter of attainment of age 65 and 5 years of participation or attainment of age 62 and 20 plan years of service or any age with 30 plan years of service

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

	Salaried Employees	Drivers Plan
Valuation date	December 31, 2008	December 31, 2008
Actuarial cost method	Modified unit credit method	Projected unit credit method
Amortization period	15 years	30 years
Actuarial asset valuation method	Market value	2 year smoothed market
Actuarial assumptions:		
Assumed rate of return on investments	5.93% - 6.41% per annum	8% per annum
Projected salary increases	Assumed 5% per year	None
Postretirement benefit increases (maximum)	None	None
Inflation	None	None

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

Actuarially Determined Contribution Requirements and Contributions Made

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 entry age actuarial cost 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 15 years. Funding progress as of September 30, 2009 is as follows:

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
12/31/08	\$ 1,206,581	\$ 1,262,056	\$ 55,475	95.6%	\$ 1,063,341	5.2%

Contributions for the year ending September 30, 2009, totaling \$145,846, were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 2008. 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 30 years. Funding progress as of September 30, 2009, is as follows:

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
12/31/08	\$ 18,396,908	\$ 23,102,000	\$ 4,705,092	79.6%	\$ 16,193,425	29.1%

Contributions for the year ending September 30, 2009, totaling \$2,132,106, were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 2008. The Drivers Plan issues a separate, stand-alone audit report which can be obtained from the Authority’s Human Resources department.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits

Pursuant to Section 112.081, Florida Statutes, The Jacksonville Transportation 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. JTA does not provide retirees with any subsidy for this benefit.

Based on GASB approval of Statements No. 43 and 45, which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits ("OPEB"), the Authority had an actuary calculate future funding requirements during fiscal year 2009. The Authority has elected to implement the provisions of GASB Statement No. 45 prospectively.

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. Coverage ceases when the retiree reaches age 65.

The Board is authorized to establish and amend 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 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, 2009, employee membership data related to the Plan was as follows:

Current retirees:

Under age 65	2
Over age 65	2
Total current retirees	4

Active employees:

Active employees fully eligible for benefits	11
Active employees not yet fully eligible for benefits	153
Total active employees	164
Total number of participants	168

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

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 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.

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, 2009. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) and an Annual Required Contribution (ARC) of \$85,000.

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	September 30, 2009
Actuarial cost method	Projected unit credit
Amortization method for unfunded actuarial accrued liabilities	Level dollar payment, closed
Amortization period	30 years
Actuarial assumptions:	
Assumed rate of return on investments	4.0% per annum
Payroll increase	3.0% per annum
Healthcare cost trend (rate(s)):	8% for 2008/09 graded to 5.4% by 2039

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

The following is the schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Actual Contributed	Annual OPEB Cost	% Contributed	Net OPEB Obligation
September 30, 2008	\$ 74,877	\$ -	\$ 74,877	0%	\$ 74,877
September 30, 2009	85,000	22,000	85,000	25.9%	125,877

Annual OPEB Cost and Net OPEB Asset: The Authority's annual other post-employment benefit ("OPEB") cost for the fiscal year was \$85,000, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ended September 30, 2009 were as follows:

Annual required contribution	\$ 85,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	<u>85,000</u>
Contributions made	(22,000)
Other actuarial adjustments	(12,000)
Change in net OPEB obligation (asset)	<u>51,000</u>
Net OPEB obligation (asset), beginning of year	74,877
Net OPEB obligation (asset), end of year	<u><u>\$ 125,877</u></u>

The actuarial valuation for the Plan was done as of September 30, 2009. Thereafter, valuations will be done bi-annually.

Funded Status: The following is funded status information as of September 30, 2009, the most recent actuarial valuation date:

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)
September 30, 2009	\$ -	\$ 541,000	\$ 541,000	0.0%	\$ 1,025,324	52.8%

Jacksonville Transportation Authority

Notes to Financial Statements

Note 12. Conduit Debt Obligations

The Authority has outstanding conduit debt obligations issued on behalf of the State of Florida, secured by pledge of the Transportation Discretionary Sales Surtax and Constitutional Gas Taxes collected in Duval County, in addition to a back-up pledge of the full faith and credit of the State of Florida. The aggregate outstanding amount of such bonds (principal only) Bonds were \$101,810,000 and \$115,490,000 as of September 30, 2009 and 2008, respectively. Such State of Florida bonds are senior in priority to the Better Jacksonville Plan bonds described in Note 9.

Note 13. Pronouncements Issued But Not Yet Adopted

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued June 2007. This Statement establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The provisions of this Statement will be effective for the Authority beginning with its year ending September 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, was issued in June 2008. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The provisions of this Statement will be effective for the Authority beginning with its year ending September 30, 2010.

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in March 2009. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this Statement will be effective for the Authority beginning with its year ending September 30, 2011.

The Authority's management has not yet determined the effect these statements will have on the Authority's financial statements.

Jacksonville Transportation Authority

Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
Fiscal Year Ended September 30, 2009

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Intergovernmental:				
Sales taxes	\$ 73,557,174	\$ 73,557,174	\$ 64,020,183	\$ (9,536,991)
Federal and state grants	-	-	-	-
City of Jacksonville	1,477,455	1,477,455	-	(1,477,455)
Investment income	1,311,139	1,311,139	1,381,196	70,057
Other	-	110,323	118,246	7,923
Total revenues	76,345,768	76,456,091	65,519,625	(10,936,466)
Expenditures				
Current:				
General government	2,762,594	2,726,594	6,040,921	(3,314,327)
Highway planning	-	-	41,087	(41,087)
Capital outlay	-	-	-	-
Intergovernmental:				
City of Jacksonville	54,039,774	54,039,774	47,323,285	6,716,489
State of Florida debt service	19,517,400	19,517,400	19,033,373	484,027
Total expenditures	76,319,768	76,283,768	72,438,666	3,845,102
Excess (deficiency) of revenues over (under) expenditures	26,000	26,000	(6,919,041)	7,091,364
Other financing sources (uses):				
Proceeds from sale of assets	-	-	100	100
Transfers to/from other funds	-	-	4,868,223	4,868,223
Total other financing sources (uses)	-	-	4,868,323	4,868,323
Net change in fund balances	26,000	26,000	(2,050,718)	(2,223,041)
Fund balances, beginning of year	104,689,914	104,689,914	104,689,914	-
Fund balances, end of year	\$ 104,715,914	\$ 104,715,914	\$ 102,639,196	\$ (2,223,041)

See Notes to Required Supplementary Information.

Jacksonville Transportation Authority

Other Post-Employment Benefits Plan (Unaudited)
 Schedule of Funding Progress
 September 30, 2009

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
10/01/07	\$ -	\$ 731,842	\$ 731,842	0.0%	\$ 1,001,346	73.1%
09/30/09	\$ -	\$ 541,000	\$ 541,000	0.0%	\$ 1,025,324	52.8%

Notes to Required Supplementary Information
Year Ended September 30, 2009

Note 1. Budget and Budgetary Accounting

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

Jacksonville Transportation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2009

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 –				
Capital Improvement Grants:				
	20.500	FL-03-0266	\$ 42,336	\$ -
	20.500	FL-04-0024	27,764	-
	20.500	FL-04-0056	3,509,588	-
Modernization Grants:				
	20.500	FL-05-0092	175,762	-
	20.500	FL-05-0098	5,499	-
Total Capital Investment Grants			3,760,949	-
Federal Transit Formula Grants:				
	20.507	FL-90-X449-01	24,123	-
	20.507	FL-90-X468	59,342	-
	20.507	FL-90-X499	146,679	-
	20.507	FL-90-X531-01	395,333	-
	20.507	FL-90-X561	729,218	-
	20.507	FL-90-X600	1,104,461	-
	20.507	FL-90-X643	2,984,146	-
	20.507	FL-90-X683	6,853,967	-
	20.507	FL-95-X022	3,000	-
Total Federal Transit Formula Grants			12,300,269	-
ARRA Federal Transit Formula Grant	20.507	FL-96-X012	24,990	-
Total Federal Transit Cluster			16,086,208	-
Public Transportation Research – ITS Deployment Grant	20.514	FL26-0012	137,256	-
Job Access Reverse Commute Grants:				
	20.516	FL-37-X014	14,637	-
	20.516	FL-37-X018	15,790	-
	20.516	FL-37-X021	64,196	-
	20.516	FL-37-X031-01	507,143	361,263
Total Job Access Reverse Commute Grants			601,766	361,263
New Freedom Grants	20.521	FL-57-X008	216,599	199,349
Total Direct Programs			17,041,829	560,612
Indirect Programs:				
State of Florida Department of Transportation:				
Highway Planning and Construction Grants:				
	20.205	S112 333R	2,970,000	-
	20.205	S125 365R	190,000	-
	20.205	SFTL 288R	719,921	-
	20.205	SFT2 283R	1,479,318	-
	20.205	SFT1 262R	78,964	-
	20.205	SFTL 249R	90,925	-
	20.205	SFTL 227R	53,109	-
	20.205	SFTL 222R	48,947	-
	20.205	SFTL 181R	131,498	-
Total Highway Planning and Construction Grants			5,762,682	-

(Continued)

Jacksonville Transportation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2009

Federal/State Agency, Pass-Through Entity, Federal Program or Cluster Title/State Project	CFDA/CSFA Number	Contract/Grant Number	Federal Expenditures	Paid to Subrecipients
Formula Grants for Other Than Urbanized Areas	20.509	FL18X025	\$ 56,773	\$ -
	20.509	FL18X027	52,361	-
Total Formula Grants for Other Than Urbanized Areas			109,134	-
Total State of Florida Department of Transportation			5,871,816	-
First Coast Metropolitan Planning Organization:				
Federal Transit Metropolitan Planning Grant	20.505	FL-80-0002	35,067	-
Total Indirect Programs			5,906,883	-
Total United States Department of Transportation			22,948,712	560,612
Department of Homeland Security:				
Indirect Programs:				
Florida Department of Community Affairs:				
Rail and Transit Security Grant Program	97.075	08DS-4X-13-00-20-419	6,136	-
Rail and Transit Security Grant Program	97.075	09DS-43-04-26-20-324	491,954	-
Total Department of Homeland Security			498,090	-
Total Expenditures of Federal Awards			\$ 23,446,802	\$ 560,612
State of Florida Department of Transportation:				
Mass Transit Projects:				
Commission for the Transportation Disadvantaged (CTD)				
Trip and Equipment Grant Program	55.001	AP631	\$ 840,172	\$ -
	55.001	APK42	263,736	-
Total Commission for the Transportation Disadvantaged (CTD) Trip and Equipment Grant Program			1,103,908	-
Public Transit Block Grant Program:	55.010	APE12	3,749,917	-
Commuter Assistance Program:	55.007	AOQ47	4,250	-
	55.007	APC11	11,188	-
Total Commuter Assistance Program			15,438	-
Public Transit Service Development Program:	55.012	AOW12	84,483	-
	55.012	AOW95	49,454	-
	55.012	AP424	75,000	-
	55.012	APD20	3,653	-
	55.012	APD21	76,507	-
Total Public Transit Service Development Program			289,097	-
Transportation Alternative Study	--	AF844	16,631	-
Total Mass Transit Projects			5,174,991	-
State of Florida Department of Transportation:				
Growth Management/SIS Appropriation Program - Hecksher	55.023	AP438	4,546,292	-
Transportation Regional Incentive Program - Hecksher Drive	55.026	AP438	6,651,855	-
			11,198,147	-
State of Florida Office of Tourism, Trade and Economic Development:				
Wonderwood Road/Mayport Road Intersection P,D & E Study	31.003	DIG-06-07	228,389	-
Total Expenditures of State Financial Assistance			\$ 16,601,527	\$ -

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, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Jacksonville Transportation Authority and is presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.500, *Rules of the Auditor General*.

Note 2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the federal programs with CFDA numbers 20.500 and 20.507 were deemed to be a cluster of programs and were tested accordingly.

McGladrey & Pullen

Certified Public Accountants

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 the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jacksonville Transportation Authority (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements and issued our report thereon dated March 23, 2010. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated June 25, 2010.

This report is intended solely for the information and use of the governing body of the Jacksonville Transportation Authority, management, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Melbourne, Florida
March 23, 2010

McGladrey & Pullen

Certified Public Accountants

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

The Members of the Governing Body of
Jacksonville Transportation Authority
Jacksonville, Florida

Compliance

We have audited the compliance of the Jacksonville Transportation Authority (the "Authority"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. The Authority's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 Nonprofit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

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

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the governing body of the Jacksonville Transportation Authority, management, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Melbourne, Florida
June 25, 2010

Jacksonville Transportation Authority

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

I - Summary of Independent Auditor's Results

Financial Statements

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

Federal Awards

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

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

Unqualified

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:

CFDA Number(s)
20.500/20.507
20.205

Name of Federal Program or Cluster
Federal Transit Cluster
Highway Planning and Construction Grants

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

\$ 703,404

Auditee qualified as low-risk auditee?

_____ X _____ Yes _____ No

State Financial Assistance

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:

Unqualified

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

_____ Yes _____ X _____ No

Identification of major programs:

CFDA Number(s)
55.001
55.010
55.023

Name of State Program or Project
CTD Trip and Equipment Grant Program
Public Transit Block Grant Program
Growth Management/SIS Appropriation Program

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

\$ 498,046

Jacksonville Transportation Authority

Schedule of Findings and Questioned Costs (Continued)

Section II – Financial Statement Findings

A. Internal Control Over Financial Reporting

None reported.

B. Compliance and Other Matters

None reported.

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

A. Compliance

None reported.

B. Internal Control Over Compliance

None reported.

Jacksonville Transportation Authority

Summary Schedule of Prior Year's Findings

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
IC 2008-01	Internal Control Over Financial Reporting		X
IC 2008-02	Segregation of Duties		X



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McGladrey & Pullen

Certified Public Accountants

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 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, 2009, and have issued our report thereon dated March 23, 2010.

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*. We have issued our Independent Auditor's Report on Compliance and 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 dated March 23, 2010, and Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control Over Compliance and Schedule of Findings and Questioned Costs dated June 25, 2010. Disclosures in those reports and schedule, which are dated May 26, 2009, 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 and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

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 significant findings and recommendations made in the preceding annual financial audit report are noted in the attached schedule under the heading Status of Prior Year's Management Recommendations.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of 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, relating to local government investment policies.
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, accounting procedures and internal controls. Recommendations to improve the Authority's financial management, accounting procedures and internal controls are reported below in Appendix A to this report.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have occurred or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. 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, based on professional judgment, the reporting of the following matters that are inconsequential to the determination of the financial statement amounts, considering both quantitative and qualitative factors:
 - a. Violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and;
 - b. Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures ; (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor.
6. Section 10.554(1)(i)6, 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.
7. Section 10.554(1)(i)7a, 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.
8. Section 10.554(1)(i)7b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2009, 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, 2009. As of the date of this letter, the annual financial report for the Authority has not yet been filed.
9. Pursuant to Sections 10.554(1)(i)7c and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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, 2009.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate this letter is intended solely for the information and use of the Board Members, management, federal and state awarding agencies and pass-through entities and the State of Florida Office of the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Melbourne, Florida
June 25, 2010

Jacksonville Transportation Authority

Appendix A – Current Year Management Recommendations
Year Ended September 30, 2009

No.	Current Year's Observations
ML 2009-01	Capitalization of Costs
ML 2009-02	JTM Pension Plans

Appendix A – Current Year Management Recommendations
Year Ended September 30, 2009

ML 2009-01 – Capitalization of Costs

Criteria: Establishing and maintaining an appropriate system of capital asset management is a basic concept of internal control that provides the Authority with substantive documentation that records of capital assets are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and other regulatory authorities.

Condition: The Authority does not currently have a written policy in place that requires the evaluation of repair costs over a certain cost threshold for the potential impact of those costs on the remaining useful life of the capital asset associated with the repair.

Effect: Evaluation of capitalization versus expensing consideration is not consistently applied, which could potentially result in the current year expenditure of capital costs.

Recommendation: We recommend the Authority establish a threshold for repair costs for which consideration of the potential impact on the remaining useful life of the asset be performed and documented prior to processing for payment (posting to the general ledger).

Management's Response to ML-2009-01 Capitalization of Costs

The Authority will establish a specific dollar threshold that will flag repair costs for further consideration. This additional level of review will document if the proposed repair cost will extend the estimated useful life of the asset. Regardless of the answer, the documentation will then be a permanent part of the invoice package.

ML 2009-02 – JTM Pension Plans

Criteria: Accounting principles generally accepted in the United States of America require valuations of pension plans of governmental entities be performed pursuant to criteria established in GASB Statements No. 25 and 27.

Condition: We noted that pension plans sponsored by JTM, a blended component unit of the Authority, are not being performed pursuant to GASB requirements.

Effect: An estimated liability has been presented based on actuarial data currently being obtained for the plans. The estimated liability could potentially be misstated.

Recommendation: The Authority should adopt a policy whereby actuarial calculations are performed pursuant to the applicable GASB requirements for both plans in order to determine the appropriate amounts to record and disclose in the annual financial statements.

Management's Response to ML-2009-02 JTM Pension Plans

Management agrees and will obtain actuarial calculations for the JTM pension plans in GASB (Governmental Accounting Standards Board) format instead of FASB (Financial Accounting Standards Board) format. In the past, the Human Resources function has assumed this responsibility. Going forward, Accounting will assume responsibility to ensure annual valuations are conducted per GASB guidelines.

Jacksonville Transportation Authority

Appendix B – Status of Prior Year’s Management Recommendations
Year Ended September 30, 2009

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 2008-01	Record Retention		X
ML 2008-02	Coordination of Efforts		X
ML 2008-03	Inventory Reserves		X
ML 2008-04	Finance Department Staffing		X