

Jacksonville Transportation Authority

Financial Report
09.30.2010

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Independent Auditor's Report

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jacksonville Transportation Authority (the "Authority"), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2010, 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. 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, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 of the financial statements, the net assets of the business-type activities and the net assets of proprietary funds as of September 30, 2009 have been restated. The previously-issued auditor's report dated March 23, 2010 is not to be relied upon in regards to the recognition of the net pension asset and related expense. We audited the adjustments necessary to restate the 2009 financial statements as disclosed in Note 13. In our opinion, such adjustments are appropriate and have been properly applied.

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

McGladrey & Pullen, LLP

Melbourne, Florida
March 30, 2011

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, 2010 as compared to September 30, 2009.

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

Cost containment was the major emphasis in fiscal 2010 as revenues dropped off substantially. On an entity wide basis, total revenues were down \$7.9 million or 4.8%. Intergovernmental revenues (sales tax dedicated to transportation as well as the local option gas tax) decreased by \$8.9 million. These two funding sources comprised 51% of Mass Transit operations in fiscal 2010, down from 56% in 2009. Nevertheless, total Agency expenses were down \$8.3 million or 4.9% year over 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 2010, the Authority's total net assets were \$294.2 million, a decrease of 2.2%, or \$6.5 million from the prior year. The decrease is all attributable to the Proprietary funds (Business type activities), where capital assets decreased by \$4.2 million due to depreciation expense in excess of new capital expenditures. In addition, current and other assets (primarily cash and investments) decreased by \$5.1 million, as cash was expended to fund operations. The yearend net asset balance consisted of amounts invested in capital assets of \$179 million and unrestricted net assets of \$120.2 million.
- ***Grant expenditures***
The Authority expended \$ 42.1 million in federal and state assistance, which was up 5.3% from \$40.0 million in 2009. The distribution of the expenditures was \$23.8 million for federal awards, primarily for formula grants, including ARRA (American Recovery and Reinvestment Act) and \$18.3 million for state assistance, primarily for growth management. This is similar to the prior year in which \$23.4 million pertained to federal grants and \$16.6 million was sourced from the state.
- ***Capital Expenditures and Engineering projects.***
Net capital assets decreased in 2010, from \$178.1 million to \$174.0 million, a decline of 2.3%. This decrease centered on the Proprietary funds, where capital additions were lower, and depreciation expense on existing assets was higher, than the prior year.

In the Governmental funds, \$56.7 million was spent for the planning, development and construction of road and bridge projects. For the prior year, \$77.4 million had been spent, a decrease of \$20.7 million or 26.7%. This is a reflection of the economic downturn and the last stage in the life cycle of the Better Jacksonville Plan, enacted in calendar year 2000. In 2010, approximately \$168.6 million in custodial assets were contributed either to the State of Florida or the City of Jacksonville versus \$55 million total in 2009.

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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 444,092,493	\$ 566,098,778	\$ 31,570,738	\$ 36,733,961	\$ 475,663,231	\$ 602,832,739
Capital assets	14,126,590	14,129,935	159,826,055	164,018,864	173,952,645	178,148,799
Total assets	458,219,083	580,228,713	191,396,793	200,752,825	649,615,876	780,981,538
Current liabilities	10,384,896	21,642,782	7,150,764	8,326,800	17,535,660	29,969,582
Long-term liabilities	335,783,431	448,251,526	2,113,532	2,032,364	337,896,963	450,283,890
Total liabilities	346,168,327	469,894,308	9,264,296	10,359,164	355,432,623	480,253,472
Net assets:						
Invested in capital assets	14,126,590	14,129,935	159,826,055	164,018,864	173,952,645	178,148,799
Unrestricted	97,924,166	96,204,470	22,306,442	26,374,797	120,230,608	122,579,267
Total net assets	\$ 112,050,756	\$ 110,334,405	\$ 182,132,497	\$ 190,393,661	\$ 294,183,253	\$ 300,728,066

Statement of Net Assets 2010 vs. 2009

The Authority's governmental activities show a decrease of \$122.0 million or 21.0% in total assets from 2009. The primary contributor to the decrease was the \$111.9 million reduction in the custodial assets line item. Custodial assets represent the sum total of planning, design and construction of assets that are built for others. As mentioned previously, \$168.6 million in custodial assets were transferred either to the State of Florida or the City of Jacksonville in fiscal 2010 versus \$55 million total in 2009.

Total liabilities for governmental activities also decreased, by \$123.7 million or 26.3%. \$112.5 million of that decrease is attributable to the aforementioned custodial assets. On the obligation side, this is the line item that contains the estimated liability for construction projects that will be turned over to the state or city upon completion. The Governmental funds' change in net assets was a net increase of \$1.8 million from the prior year.

Assets for the Authority's business type activities' decreased \$9.4 million or 4.7% from the prior year. This was attributable in part to the fixed asset section, where fewer capital expenditures coupled with an increase in accumulated depreciation caused a \$4.2 million decrease. An additional \$5.1 million decrease in current and other assets occurred as cash and investments were used to fund operations throughout the year.

Total liabilities for Business type activities decreased slightly from \$10.4 million to \$9.3 million, in the current liabilities section (those items requiring payment within the next twelve months). Decreased assets offset by decreased liabilities combined for an overall decrease in net assets of \$8.3 million or 4.4% 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	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenue:						
Charges for services	\$ -	\$ -	\$ 20,341,894	\$ 20,479,149	\$ 20,341,894	\$ 20,479,149
Operating grants and contributions	-	-	10,608,130	11,773,208	10,608,130	11,773,208
Capital grants and contributions	-	-	13,664,236	10,818,486	13,664,236	10,818,486
General revenue:						
Sales taxes	63,573,456	64,020,183	-	-	63,573,456	64,020,183
Intergovernmental	-	-	46,593,712	55,481,431	46,593,712	55,481,431
Investment earnings	111,790	1,381,196	53,130	96,562	164,920	1,477,758
Other general revenues	1,319,960	117,481	-	-	1,319,960	117,481
Gain on sale of assets	-	-	-	-	-	-
Total revenue	65,005,206	65,518,860	91,261,102	98,648,836	156,266,308	164,167,696
Expenses:						
General government	4,234,685	6,299,167	-	-	4,234,685	6,299,167
Highway planning	23,421	42,845	-	-	23,421	42,845
Intergovernmental						
City of Jacksonville	49,163,079	47,323,285	-	-	49,163,079	47,323,285
State of Florida	9,867,670	19,033,373	-	-	9,867,670	19,033,373
Bus	-	-	72,288,109	70,512,254	72,288,109	70,512,254
Automated skyway express	-	-	13,294,989	13,924,200	13,294,989	13,924,200
Community transportation	-	-	13,939,168	14,001,689	13,939,168	14,001,689
Total expenses	63,288,855	72,698,670	99,522,266	98,438,143	162,811,121	171,136,813
Increases in net assets before transfers	1,716,351	(7,179,810)	(8,261,164)	210,693	(6,544,813)	(6,969,117)
Transfers	-	4,868,988	-	(4,868,988)	-	-
Change in net assets	1,716,351	(2,310,822)	(8,261,164)	(4,658,295)	(6,544,813)	(6,969,117)
Net assets, beginning, as restated	110,334,405	112,645,227	190,393,661	195,051,956	300,728,066	307,697,183
Net assets, ending	\$ 112,050,756	\$ 110,334,405	\$ 182,132,497	\$ 190,393,661	\$ 294,183,253	\$ 300,728,066

Statement of Activities 2010 vs. 2009

For the Governmental activities, revenues decreased only \$513.7 thousand or 0.8% from the prior year. The general sales tax revenues (the first half cent sales tax, dedicated to transportation in Duval County) was down \$446.7 thousand year over year. This sales tax figure represents gross proceeds, before any debt service on State of Florida or City of Jacksonville bonds.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Expenditures for Governmental activities in total decreased by \$9.4 million or 12.9%. Lower intergovernmental expense (amounts transferred to the State of Florida for conduit debt in this case) was the reason as this line item decreased by \$9.1 million. Annual debt service amounts can vary greatly, especially in the later years as some of the bonds approach maturity.

Total revenues for Business-type activities declined by \$7.4 million, or 7.5%. Intergovernmental receipts from the combined sales tax (after debt service on State of Florida and City of Jacksonville bonds) and gas tax fell \$8.9 million, reflecting the continuing economic downturn.

Total expenses for Business type activities increased by \$1.1 million year over year. The overwhelming majority (\$931K) of that was attributable to our Community Shuttle program, a new mode of fixed route bus service that involves a smaller vehicle than the traditional 40 foot long bus, but allows for deviations into local neighborhoods. As this service expands in the future, costs should be offset by decreasing the use of larger buses.

Entity-wide, net assets were \$6.6 million, or 2.2%, lower than the prior year.

Financial Analysis of the Authority's Funds

General Fund Budgetary Highlights

2010

Total Intergovernmental Revenues for the General fund were budgeted at \$68.7 million; actual revenues were \$63.6 million. Actual Sales taxes were \$63.6 million versus the budget of \$67.2 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 (\$1.6 million).

General Government Expenditures for the General fund were budgeted at \$1.9 million; the actual amount of expenditures was \$4.1 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 \$68.7 million. The actual amount was \$59.0 million. Fewer dollars were transferred for state debt service as mentioned above.

Jacksonville Transportation Authority

Management's Discussion and Analysis (Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2010, the Authority showed \$173.9 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 13,993,995	\$ 13,993,995	\$ 23,240,178	\$ 23,240,178	\$ 37,234,173	\$ 37,234,173
Land improvements	-	-	6,448,096	7,255,994	6,448,096	7,255,994
Building and improvements	52,342	57,747	70,598,372	72,993,853	70,650,714	73,051,600
Vehicles	39,703	20,556	41,429,983	39,586,281	41,469,686	39,606,837
Furniture and office equipment	40,550	57,637	998,154	979,575	1,038,704	1,037,212
Other equipment	-	-	10,974,839	13,556,981	10,974,839	13,556,981
Construction in progress	-	-	6,136,433	6,406,002	6,136,433	6,406,002
Total	\$ 14,126,590	\$ 14,129,935	\$ 159,826,055	\$ 164,018,864	\$ 173,952,645	\$ 178,148,799

Economic Factors and Next Year's Budgets and Rates

The Authority's Board of Directors approved the Fiscal Year 2011 Budget in May, 2010. The budget was subsequently approved by the City of Jacksonville in October, 2010. 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 continues to face 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 (after debt service) have declined and are not expected to improve in 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 system redesign effort continues. Therefore, the Authority will continue its focus on cost containment in Fiscal Year 2011 and beyond. The Authority is also pursuing any new funding opportunities including public private partnerships, transit oriented development, and others.

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, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 28,328,995	\$ 177,036	\$ 28,506,031
Investments	26,631,969	-	26,631,969
Restricted cash and cash equivalents	8,890,449	894,909	9,785,358
Internal balances	(779,763)	779,763	-
Due from other governments	45,615,288	18,671,581	64,286,869
Accounts receivable, net	2,895	914,591	917,486
Inventory	-	3,408,459	3,408,459
Prepays	-	614,866	614,866
Noncurrent assets:			
Restricted cash and cash equivalents	19,753,743	-	19,753,743
Custodial assets – construction projects	315,648,917	-	315,648,917
Net pension asset	-	6,109,533	6,109,533
Capital assets (net of accumulated depreciation):			
Land	13,993,995	23,240,178	37,234,173
Construction in progress	-	6,136,433	6,136,433
Land improvements	-	6,448,096	6,448,096
Buildings and improvements	52,342	70,598,372	70,650,714
Vehicles	39,703	41,429,983	41,469,686
Furniture and office equipment	40,550	998,154	1,038,704
Other equipment	-	10,974,839	10,974,839
Total assets	458,219,083	191,396,793	649,615,876
Liabilities			
Current Liabilities			
Accounts payable	617,511	2,972,035	3,589,546
Accrued expenses	658,549	998,147	1,656,696
Due to other governments	61,845	-	61,845
Claims payable	-	2,176,003	2,176,003
Accrued compensated absences	156,542	109,670	266,212
Liabilities payable with restricted assets	8,890,449	894,909	9,785,358
Noncurrent liabilities:			
Claims payable	-	1,674,852	1,674,852
Accrued compensated absences	380,771	438,680	819,451
Custodial projects – due to other governments	335,402,660	-	335,402,660
Total liabilities	346,168,327	9,264,296	355,432,623
Net Assets			
Invested in capital assets	14,126,590	159,826,055	173,952,645
Unrestricted	97,924,166	22,306,442	120,230,608
Total net assets	\$ 112,050,756	\$ 182,132,497	\$ 294,183,253

See Notes to Financial Statements.

Jacksonville Transportation Activity

Statement of Activities Fiscal Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Transportation Authority:				
Governmental activities:				
General government	\$ 4,234,685	\$ -	\$ -	\$ -
Highway planning and construction	23,421	-	-	-
Intergovernmental:				
City of Jacksonville	49,163,079	-	-	-
State of Florida	9,867,670	-	-	-
Total governmental activities	63,288,855	-	-	-
Business-type activities:				
Bus system	72,288,109	9,435,658	8,491,935	12,230,788
Automated skyway express	13,294,989	345,452	1,400,000	1,131,357
Community transportation coordinator	13,939,168	10,560,784	716,195	302,091
Total business-type activities	99,522,266	20,341,894	10,608,130	13,664,236
Total transportation authority	\$ 162,811,121	\$ 20,341,894	\$ 10,608,130	\$ 13,664,236

General revenues:

Sales taxes

Intergovernmental revenues

Investment earnings

Other

Total general revenues

Change in net assets

Net assets, beginning of year (as restated)

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
\$ (4,234,685)	\$ -	\$ (4,234,685)
(23,421)	-	(23,421)
		-
(49,163,079)	-	(49,163,079)
(9,867,670)	-	(9,867,670)
(63,288,855)	-	(63,288,855)
-	(42,129,728)	(42,129,728)
-	(10,418,180)	(10,418,180)
-	(2,360,098)	(2,360,098)
-	(54,908,006)	(54,908,006)
(63,288,855)	(54,908,006)	(118,196,861)
63,573,456	-	63,573,456
-	46,593,712	46,593,712
111,790	53,130	164,920
1,319,960	-	1,319,960
65,005,206	46,646,842	111,652,048
1,716,351	(8,261,164)	(6,544,813)
110,334,405	190,393,661	300,728,066
\$ 112,050,756	\$ 182,132,497	\$ 294,183,253

Jacksonville Transportation Authority

Governmental Funds

Balance Sheet

September 30, 2010

Assets	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 37,219,444	\$ -	\$ 37,219,444
Investments	26,631,969	-	26,631,969
Due from other funds	23,188,469	-	23,188,469
Due from other governments	16,025,774	29,589,514	45,615,288
Accounts receivable	2,895	-	2,895
Restricted assets:			
Cash and cash equivalents	-	19,753,743	19,753,743
Total assets	\$ 103,068,551	\$ 49,343,257	\$ 152,411,808
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 617,511	\$ -	\$ 617,511
Accrued expenses	461,672	-	461,672
Due to other funds	-	20,637,220	20,637,220
Advance from other funds	3,331,012	-	3,331,012
Deferred revenue	-	14,158,011	14,158,011
Liabilities payable with restricted assets:			
Accounts payable	-	8,890,449	8,890,449
Due to other governments	-	61,845	61,845
Total liabilities	4,410,195	43,747,525	48,157,720
Fund balances:			
Reserved for State and City construction projects	-	5,595,732	5,595,732
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	84,299,728	-	84,299,728
Total fund balances	98,658,356	5,595,732	104,254,088
Total liabilities and fund balances	\$ 103,068,551	\$ 49,343,257	\$ 152,411,808

See Notes to Financial Statements.

Jacksonville Transportation Authority

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
September 30, 2010

Fund balances – total governmental funds	\$ 104,254,088
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.	14,126,590
Custodial assets held on behalf of other governments are not financial resources and therefore, are not reported in the funds.	315,648,917
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	(196,877)
Deferred revenues are financial resources not available for use in current operations and therefore, are not reported in the funds.	14,158,011
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	(335,402,660)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(537,313)
Net assets of governmental activities	<u><u>\$ 112,050,756</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, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenue:			
Intergovernmental:			
Sales taxes	\$ 63,573,456	\$ -	\$ 63,573,456
Federal and state grants	-	16,756,803	16,756,803
City of Jacksonville		44,671,627	44,671,627
Investment earnings	111,790	17,614	129,404
Miscellaneous	1,310,395	58,196	1,368,591
Total revenue	64,995,641	61,504,240	126,499,881
Expenditures:			
Current:			
General government	4,063,643	-	4,063,643
Highway planning	14,032	8,799	22,831
Transportation and infrastructure projects	-	56,699,954	56,699,954
Intergovernmental, on-behalf payments:			
City of Jacksonville	49,163,079	-	49,163,079
State of Florida	9,867,670	-	9,867,670
Capital outlay	24,884	-	24,884
Total expenditures	63,133,308	56,708,753	119,842,061
Excess of revenue over expenditures	1,862,333	4,795,487	6,657,820
Other financing sources (uses):			
Transfers in	766	-	766
Transfers out	-	(766)	(766)
Total other financing sources (uses)	766	(766)	-
Net change in fund balances	1,863,099	4,794,721	6,657,820
Fund balances, beginning of year	96,795,257	801,011	97,596,268
Fund balances, end of year	\$ 98,658,356	\$ 5,595,732	\$ 104,254,088

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, 2010

Net change in fund balances, total governmental funds	\$ 6,657,820
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.	(3,345)
Unfunded other post employment benefits ("OPEB") are recorded as an increase in expenses and an increase in the net OPEB liability on the statement of net assets and are not recorded in the fund financial statements.	(71,000)
Revenue earned but not available for use in current operations are not reported as revenue recognized and are deferred in the fund financial statements.	(5,467,452)
Costs associated with transportation and infrastructure projects constructed pursuant to agreements with the State of Florida and the City of Jacksonville are held as custodial assets until such time as the projects are completed, accepted and turned over to the State or City.	56,699,954
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.	(56,027,223)
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).	(72,403)
Change in net assets of governmental activities	<u><u>\$ 1,716,351</u></u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Net Assets
September 30, 2010

	Bus	ASE	CTC	Totals
Assets:				
Current assets:				
Cash and cash equivalents	\$ -	\$ 177,036	\$ -	\$ 177,036
Restricted cash and cash equivalents	656,257	48,387	190,265	894,909
Accounts receivable, net	647,385	70,715	196,491	914,591
Due from other funds	168,877	1,676,266	-	1,845,143
Due from other governments	15,968,557	1,706,705	996,319	18,671,581
Inventories	1,989,461	1,209,369	209,629	3,408,459
Prepaid expenses	429,768	158,444	26,654	614,866
Total current assets	19,860,305	5,046,922	1,619,358	26,526,585
Noncurrent assets:				
Advance to other funds	3,331,012	-	-	3,331,012
Net pension asset	6,109,533	-	-	6,109,533
Capital assets, net of accumulated depreciation	67,225,332	90,599,697	2,001,026	159,826,055
Total noncurrent assets	76,665,877	90,599,697	2,001,026	169,266,600
Total assets	96,526,182	95,646,619	3,620,384	195,793,185
Liabilities:				
Current Liabilities:				
Accounts payable	2,178,548	188,898	604,589	2,972,035
Accrued expenses	912,551	32,952	52,644	998,147
Due to other funds	1,150,948	-	3,245,444	4,396,392
Claims payable	2,176,003	-	-	2,176,003
Accrued compensated absences	84,550	13,730	11,390	109,670
Liabilities payable from restricted assets – accounts payable	656,257	48,387	190,265	894,909
Total current liabilities	7,158,857	283,967	4,104,332	11,547,156
Noncurrent Liabilities:				
Claims payable	1,292,110	193,742	189,000	1,674,852
Accrued compensated absences	338,199	54,921	45,560	438,680
Total noncurrent liabilities	1,630,309	248,663	234,560	2,113,532
Total liabilities	8,789,166	532,630	4,338,892	13,660,688
Net assets:				
Invested in capital assets	67,225,332	90,599,697	2,001,026	159,826,055
Unrestricted (deficit)	20,511,684	4,514,292	(2,719,534)	22,306,442
Total net assets (deficit)	\$ 87,737,016	\$ 95,113,989	\$ (718,508)	\$ 182,132,497

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Revenue, Expenses and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2010

	Bus	ASE	CTC	Totals
Operating revenues:				
Passenger	\$ 8,558,875	\$ 225,644	\$ 541,777	\$ 9,326,296
Agency	-	-	10,019,007	10,019,007
Charter	199,715	-	-	199,715
Auxiliary transportation	255,614	-	-	255,614
Non-transportation	421,454	119,808	-	541,262
Total operating revenue	9,435,658	345,452	10,560,784	20,341,894
Operating expenses:				
Labor	22,510,759	1,716,631	1,846,404	26,073,794
Fringe benefits	12,505,159	907,519	769,120	14,181,798
Materials and supplies	9,503,089	926,579	1,962,995	12,392,663
Services	15,659,967	672,334	7,522,508	23,854,809
Casualty and insurance	1,899,756	452,468	43,407	2,395,631
Taxes and licenses	116,645	-	-	116,645
Other	2,628,156	738,400	266,513	3,633,069
Depreciation expense	7,464,578	7,881,058	1,528,221	16,873,857
Total operating expenses	72,288,109	13,294,989	13,939,168	99,522,266
Operating loss	(62,852,451)	(12,949,537)	(3,378,384)	(79,180,372)
Nonoperating revenues				
Public funding:				
United States government	4,219,881	1,400,000	716,195	6,336,076
State of Florida	4,221,765	-	-	4,221,765
City of Jacksonville	45,490,955	-	1,102,757	46,593,712
Other subsidies	50,289	-	-	50,289
Investment earnings	45,112	5,342	2,676	53,130
Total nonoperating revenues	54,028,002	1,405,342	1,821,628	57,254,972
Income (loss) before capital contributions and transfers	(8,824,449)	(11,544,195)	(1,556,756)	(21,925,400)
Capital contributions	12,230,788	1,131,357	302,091	13,664,236
Transfers in	100,080	3,275,219	121,406	3,496,705
Transfers out	(3,396,625)	-	(100,080)	(3,496,705)
Change in net assets	109,794	(7,137,619)	(1,233,339)	(8,261,164)
Net assets, beginning of year (as restated)	87,627,222	102,251,608	514,831	190,393,661
Net assets, end of year	\$ 87,737,016	\$ 95,113,989	\$ (718,508)	\$ 182,132,497

See Notes to Financial Statements.

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows
Fiscal Year Ended September 30, 2010

	Bus	ASE	CTC	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 9,282,792	\$ 296,564	\$ 10,553,118	\$ 20,132,474
Payments to suppliers	(28,570,466)	(4,672,177)	(9,959,289)	(43,201,932)
Payments to employees	(36,543,944)	(2,641,801)	(2,623,151)	(41,808,896)
Net cash used in operating activities	(55,831,618)	(7,017,414)	(2,029,322)	(64,878,354)
Cash Flows From Noncapital Financing Activities				
Operating grants received	40,265,624	510,335	973,026	41,748,985
Receipts (payments) of interfund balances	7,417,568	(2,757,757)	1,006,444	5,666,255
Receipts (payments) of interfund advances	16,969	-	-	16,969
Transfers from other funds	100,080	3,275,219	121,406	3,496,705
Transfers (to) other funds	(3,396,625)	-	(100,080)	(3,496,705)
Net cash provided by noncapital financing activities	44,403,616	1,027,797	2,000,796	47,432,209
Cash Flows From Capital and Related Financing Activities				
Capital contributions	12,230,788	1,131,357	302,091	13,664,236
Acquisition and construction of capital assets	(12,156,888)	(226,159)	(298,008)	(12,681,055)
Net cash provided by capital and related financing activities	73,900	905,198	4,083	983,181
Cash Flows From Investing Activities				
Interest on investments	45,112	5,342	2,676	53,130
Net cash provided by investing activities	45,112	5,342	2,676	53,130
Net change in cash and cash equivalents	(11,308,990)	(5,079,077)	(21,767)	(16,409,834)
Cash and cash equivalents, beginning of year	11,965,247	5,304,500	212,032	17,481,779
Cash and cash equivalents, end of year	\$ 656,257	\$ 225,423	\$ 190,265	\$ 1,071,945

(Continued)

Jacksonville Transportation Authority

Proprietary Funds
Statement of Cash Flows (Continued)
Fiscal Year Ended September 30, 2010

	Bus	ASE	CTC	Totals
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (62,852,451)	\$ (12,949,537)	\$ (3,378,384)	\$ (79,180,372)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	7,464,578	7,881,058	1,528,221	16,873,857
(Increase) decrease in assets:				
Accounts receivable	(152,866)	(48,888)	(7,666)	(209,420)
Inventory	(175,886)	(125,668)	(24,691)	(326,245)
Prepaid expenses	(248,679)	(22,513)	1,345	(269,847)
Net pension asset	(671,459)	-	-	(671,459)
Increase (decrease) in liabilities:				
Accounts payable	639,811	(1,721,465)	(155,520)	(1,237,174)
Accrued expenses	(234,677)	(7,472)	16,229	(225,920)
Accrued compensated absences	(621,890)	(10,179)	(23,856)	(655,925)
Claims payable	1,021,901	(12,750)	15,000	1,024,151
Net cash used in operating activities	\$ (55,831,618)	\$ (7,017,414)	\$ (2,029,322)	\$ (64,878,354)
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ -	\$ 177,036	\$ -	\$ 177,036
Restricted assets – cash and cash equivalents	656,257	48,387	190,265	894,909
Cash and cash equivalents at end of year	\$ 656,257	\$ 225,423	\$ 190,265	\$ 1,071,945

See Notes to Financial Statements.

Jacksonville Transportation Authority

Statement of Fiduciary Net Assets
Pension Trust Fund
September 30, 2010

Assets	JTM Salaried Employees
Cash and cash equivalents	\$ 289,830
Investments:	
Government securities	399,555
Equity securities	720,469
Contributions receivable	44,962
Total assets	<u>1,454,816</u>
Liabilities	<u>-</u>
Net assets:	
Held in trust for pension benefits	<u>\$ 1,454,816</u>

See Notes to Financial Statements.

Jacksonville Transportation Authority

Fiduciary Funds
Statement of Changes in Net Assets
Fiscal Year Ended September 30, 2010

	JTM Salaried Employees
<hr/>	
Additions:	
Employer contribution	\$ 69,250
Total contributions	<u>69,250</u>
Investment income	32,899
Net appreciation in fair value of investments	151,076
Net investment gain	<u>183,975</u>
Total	<u>253,225</u>
Deductions:	
Benefit payments	917
Administrative expenses	4,073
Total	<u>4,990</u>
Net increase in plan net assets	<u>248,235</u>
Net assets held in trust for pension benefits, beginning of year	1,206,581
Net assets held in trust for pension benefits, end of year	<u>\$ 1,454,816</u>

See Notes to Financial Statements.



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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies

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

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

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

The fund level statements report on governmental, proprietary and fiduciary activities, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund level financial statements. Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the government-wide statements' governmental column (as discussed under Basis of Accounting in this summary of significant accounting policies), a reconciliation is presented on the page following each fund level statement which briefly explains the adjustments necessary to convert the fund level statements into the government-wide governmental column presentations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this is the Bus Fund's 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.

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

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

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

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

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

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

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

Jacksonville Transportation Authority

Notes to Financial Statements

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 \$269,277 for the Bus fund at September 30, 2010.

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

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

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

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

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

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

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

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

Notes to Financial Statements

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

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, 2010, the CTC Fund reported an unrestricted fund deficit of \$718,508 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, 2010 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, 2010, the Authority's demand deposits with banks were \$47,543,635 and its reported balances were \$46,178,735.

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, 2010, 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	\$ 11,866,398	\$ -	\$ -	\$ -	\$ 11,866,398
Money Market Mututal Fund	19,039,154	-	-	-	19,039,154
Federal Agency Bonds/Notes	7,592,815	-	-	-	7,592,815
	<u>\$ 38,498,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,498,367</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	\$ 11,866,398
Money Market Mutual Fund	AAA	19,039,154
Federal Agency Bonds/Notes	A-1+	7,592,815
		<u>\$ 38,498,367</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, 2010, 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
Federal Home Loan Mortgage Corp	\$ 2,023,120	5.26%
Federal Home Loan Banks	2,014,380	5.23%
Federal Farm Credit Banks	3,555,315	9.23%
	<u>\$ 7,592,815</u>	

Jacksonville Transportation Authority

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2010 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	130,174	24,884	-	155,058
Furniture and office equipment	590,471	-	-	590,471
Total capital assets, being depreciated	1,118,513	24,884	-	1,143,397
Less accumulated depreciation for:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	316,001	5,405	-	321,406
Vehicles	109,618	5,737	-	115,355
Furniture and office equipment	532,834	17,087	-	549,921
Total accumulated depreciation	982,573	28,229	-	1,010,802
Total capital assets, being depreciated, net	135,940	(3,345)	-	132,595
Governmental activities capital assets, net	\$ 14,129,935	\$ (3,345)	\$ -	\$ 14,126,590

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

Governmental activities:	
General government	\$ 28,132
Highway planning and construction	97
	<u>\$ 28,229</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, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 23,240,178	\$ -	\$ -	\$ 23,240,178
Construction in progress	6,406,002	6,379,603	6,649,172	6,136,433
Total capital assets, not being depreciated	29,646,180	6,379,603	6,649,172	29,376,611
Capital assets, being depreciated:				
Land improvements	16,572,879	524,585	-	17,097,464
Buildings and improvements	127,704,429	708,879	-	128,413,308
Vehicles	88,801,635	7,780,473	4,944,497	91,637,611
Furniture and office equipment	3,195,972	277,602	-	3,473,574
Other equipment	72,253,411	3,659,078	-	75,912,489
Total capital assets, being depreciated	308,528,326	12,950,617	4,944,497	316,534,446
Less accumulated depreciation for:				
Land improvements	9,316,885	1,332,483	-	10,649,368
Buildings and improvements	54,710,576	3,104,360	-	57,814,936
Vehicles	49,215,354	5,936,771	4,944,497	50,207,628
Furniture and office equipment	2,216,397	259,023	-	2,475,420
Other equipment	58,696,430	6,241,220	-	64,937,650
Total accumulated depreciation	174,155,642	16,873,857	4,944,497	186,085,002
Total capital assets, being depreciated, net	134,372,684	(3,923,240)	-	130,449,444
Business-type activities capital assets, net	\$ 164,018,864	\$ 2,456,363	\$ 6,649,172	\$ 159,826,055

Depreciation expense for the year ended September 30, 2010 amounted to:

Bus Services	\$ 7,464,578
Automated Skyway Express	7,881,058
Transportation Disadvantaged	1,528,221
Total depreciation expense	\$ 16,873,857

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, 2010:

	Beginning Balance	Current Year Project Costs	Completed Projects	Ending Balance
Custodial assets – construction projects	\$ 427,516,684	\$ 56,699,954	\$ 168,567,721	\$ 315,648,917

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, 2010 follows:

	Beginning Balance	Current Year Funding	Completed Projects	Ending Balance
Custodial projects – due to other governments	\$ 447,943,158	\$ 56,027,223	\$ 168,567,721	\$ 335,402,660

At September 30, 2010, the Authority had a custodial cash balance of \$19,753,743 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, 2010:

	Due To					Total
	General Fund	Special Revenue Fund	Bus Fund	ASE Fund	CTC Fund	
Due From						
General Fund	\$ -	\$ -	\$ 3,331,012	\$ -	\$ -	\$ 3,331,012
Special Revenue Fund	20,637,220	-	-	-	-	20,637,220
Enterprise Fund – Bus	1,150,948	-	-	2,773,304	-	3,924,252
Enterprise Fund – ASE	1,097,038	-	-	-	-	1,097,038
Enterprise Fund – CTC	303,263	-	2,942,181	-	-	3,245,444
	\$ 23,188,469	\$ -	\$ 6,273,193	\$ 2,773,304	\$ -	\$ 32,234,966

Monies advanced to the General Fund of \$3,331,012 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. The remaining outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenses occur, transactions are recorded in the accounting system, and payments between funds are made. These balances also include the amount of working capital loans made that are expected to be collected in the subsequent year.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 6. Interfund Balances (Continued)

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

The Bus Fund transferred \$3,275,219 to the ASE in 2010 to fund an operating deficit and to remit funding for ADA expenses and transferred \$121,406 to the CTC Fund to fund operating deficits. The General Fund transferred \$766 to the Special Revenue 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, 2010 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 464,910	\$ 93,768	\$ 21,365	\$ 537,313	\$ 156,542
Business-type activities:					
Compensated absences	\$ 1,204,275	\$ 1,954,964	\$ 2,613,662	\$ 545,577	\$ 112,023

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
2009	\$ 2,558,395	\$ 665,000	\$ (396,691)	\$ 2,826,704
2010	\$ 2,826,704	\$ 1,715,000	\$ (690,849)	\$ 3,850,855

Note 9. Commitments and Contingencies

Construction commitments: The Authority as a whole had construction and construction-related commitments related to the Custodial Assets discussed at Note 5 amounting to approximately \$30 million at September 30, 2010.

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, 2010, the Authority employed a total of 686 employees. 67% or 460 of the Authority's employees are covered under union contracts. The Amalgamated Transit Local Union No. 1197 covers bus operators. Its three-year contract, representing 229 employees, expired on February 28, 2010 and is currently being renegotiated.

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, 2010 Employer Contribution Rate	July 1, 2009 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.	10.77%	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.	14.57%	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.	12.25%	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, 2010, 2009 and 2008 were \$1,038,685, \$1,025,324 and \$1,001,338, 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	Retirement Benefit	Vesting	January 1, 2010 Employer Contribution Rate	January 1, 2009 Employer Contribution Rate
Regular	\$41 per month multiplied by the number of years of creditable service	After 5 years of creditable service	\$3.45 per hour	\$3.45 per hour

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

The payments made to the IAM plan in the year ended September 30, 2010, 2009 and 2008 were \$953,658, \$1,006,026 and \$1,038,682, 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, 2010, employee membership data related to these plans was as follows:

	Salaried Employees	Drivers Plan
Active employees:		
Nonvested	-	72
Partially vested	-	-
Fully vested	16	276
Retirees and beneficiaries currently receiving benefits	-	146
Terminated plan members entitled to but not yet receiving benefits	10	119
Total	26	613

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

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

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

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

	Salaried Employees	Drivers Plan
Valuation date	December 31, 2009	December 31, 2009
Actuarial cost method	Modified unit credit method	Entry age normal
Amortization period	7 years	10 years
Actuarial asset valuation method	Market value	2 year smoothed market
Actuarial assumptions:		
Assumed rate of return on investments	6.36% per annum	8% per annum
Projected salary increases	Assumed 5% per year	None
Postretirement benefit increases (maximum)	None	None
Inflation	None	None

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

Fiscal Year Ending	Actuarially Determined Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$ 139,263	102%	(10,754)
9/30/09	\$ 133,659	109%	(22,941)
9/30/08	\$ 135,313	108%	(33,474)

Funding progress as of September 30, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/09	\$ 1,454,816	\$ 1,052,952	\$ (401,864)	138.2%	\$ 1,066,592	-37.7%

Contributions for the year ending September 30, 2010, totaling \$149,980, were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 2009. Annual reporting for the Salaried Plan is presented only in the Authority's financial report.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 10. Employee Benefits (Continued)

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

Fiscal Year Ending	Actuarially Determined Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$ 1,455,922	146%	(6,109,533)
9/30/09	\$ 2,664,339	81%	(5,438,074)
9/30/08	\$ 117,070	1762%	(5,946,558)

Funding progress as of September 30, 2010, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/09	\$ 17,899,023	\$ 21,449,220	\$ 3,550,197	83.4%	\$ 13,007,963	27.3%

Contributions for the year ending September 30, 2010, totaling \$2,127,381, were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at December 31, 2009. The Drivers Plan issues a separate, stand-alone audit report which can be obtained from the Authority’s Human Resources department.

Note 11. Other Post-Employment Benefits

Pursuant to Section 112.081, Florida Statutes, The 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.

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

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

The 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, 2010, 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

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.

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

Annual Required Contribution ("ARC"): In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of September 30, 2010. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability ("UAAL") and an Annual Required Contribution ("ARC") of \$91,000.

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

Annual OPEB Cost and Net OPEB Liability: The following table shows the components of the Authority's annual OPEB cost, amount actually contributed and changes in net OPEB obligation for the year. The Authority's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2010 and preceding were as follows:

Fiscal Year Ended	Actual Contributed	Annual OPEB Cost	% Contributed	Net OPEB Obligation
September 30, 2009	\$ 22,000	\$ 85,000	25.9%	\$ 125,877
September 30, 2010	33,000	92,000	35.9%	196,877
Annual required contribution				\$ 91,000
Interest on net OPEB obligation				6,000
Adjustment to annual required contribution				(5,000)
Annual OPEB cost				<u>92,000</u>
Contributions made				(33,000)
Other actuarial adjustments				12,000
Change in net OPEB obligation (asset)				<u>71,000</u>
Net OPEB obligation (asset), beginning of year				125,877
Net OPEB obligation (asset), end of year				<u><u>\$ 196,877</u></u>

Jacksonville Transportation Authority

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (Continued)

The actuarial valuation for the Plan was done as of September 30, 2009. Pursuant to GASB Statement 45, valuations will be performed bi-annually.

Funded Status: The following is the funded status of the plan as of September 30, 2010:

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, 2010	\$ -	\$ 607,000	\$ 607,000	0.0%	\$ 858,146	70.7%

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 \$87,440,000 as of September 30, 2010. Such State of Florida bonds are senior in priority to the Better Jacksonville Plan bonds described in Note 9.

Note 13. Restatement – Prior Period Adjustment

Unrestricted net assets in the Bus fund (business-type activities) as of September 30, 2009 have been restated to reflect a correction in the method of applying an accounting principle as it pertained to the determination of the actuarial accrued liability, annual pension cost and annual required contributions for two of the Authority's defined benefit pension plans. The impact of this correction is an increase in net pension assets and unrestricted net assets of \$5,438,074 at September 30, 2009.

The effects of this restatement on net assets in the financial statements are as follows:

	Enterprise Funds			Business-Type Activity
	Bus	ASE	CTC	Total
As of September 30, 2009:				
Balance as previously reported	\$ 82,189,148	\$ 102,251,608	\$ 514,831	\$ 184,955,587
Restatement:				
Recognition of net pension asset	5,438,074	-	-	5,438,074
Net assets, as restated	\$ 87,627,222	\$ 102,251,608	\$ 514,831	\$ 190,393,661

Jacksonville Transportation Authority

Notes to Financial Statements

Note 13. Restatement – Prior Period Adjustment (Continued)

The effect of this restatement on the changes in financial position for the fiscal year ended September 30, 2009 is as follows:

	Enterprise Fund			Business-Type
	Bus	ASE	CTC	Activities Total
As of September 30, 2009:				
Change in net assets, as previously reported	\$ 2,613,565	\$ (5,890,766)	\$ (872,610)	\$ (4,149,811)
Adjustment:				
Change in net pension asset	(508,484)	-	-	(508,484)
Changes in net assets, as restated	\$ 2,105,081	\$ (5,890,766)	\$ (872,610)	\$ (4,658,295)

Note 14. Pronouncements Issued But Not Yet Adopted

The Governmental Accounting Standards Board ("GASB") has issued the following pronouncement that has an effective date that may impact future financial statements.

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 this statement will have on the Authority's financial statements.

Jacksonville Transportation Authority

Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
Fiscal Year Ended September 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Intergovernmental:				
Sales taxes	\$ 67,209,536	\$ 67,209,536	\$ 63,573,456	\$ (3,636,080)
Federal and state grants	-	-	-	-
City of Jacksonville	1,551,328	1,551,328	-	(1,551,328)
Investment income	1,784,440	1,881,262	111,790	(1,769,472)
Other	-	-	1,310,395	1,310,395
Total revenues	70,545,304	70,642,126	64,995,641	(5,646,485)
Expenditures				
Current:				
General government	1,759,012	1,855,834	4,063,643	(2,207,809)
Highway planning	22,000	22,000	14,032	7,968
Capital outlay	3,428	3,428	24,884	(21,456)
Intergovernmental:				
City of Jacksonville	49,237,464	49,237,464	49,163,079	74,385
State of Florida debt service	19,523,400	19,523,400	9,867,670	9,655,730
Total expenditures	70,545,304	70,642,126	63,133,308	7,508,818
Excess (deficiency) of revenues over (under) expenditures	-	-	1,862,333	(1,862,333)
Other financing sources (uses):				
Proceeds from sale of assets	-	-	-	-
Transfers to/from other funds	-	-	766	766
Total other financing sources (uses)	-	-	766	766
Net change in fund balances	-	-	1,863,099	1,863,099
Fund balances, beginning of year	96,795,257	96,795,257	96,795,257	-
Fund balances, end of year	\$ 96,795,257	\$ 96,795,257	\$ 98,658,356	\$ 1,863,099

See Notes to Required Supplementary Information.

Jacksonville Transportation Authority

Other Post-Employment Benefits Plan (Unaudited)

Schedule of Funding Progress

September 30, 2010

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
09/30/10	\$ -	\$ 607,000	\$ 607,000	0.0%	\$ 858,146	70.7%
09/30/09	\$ -	\$ 541,000	\$ 541,000	0.0%	\$ 1,025,324	52.8%
10/01/07	\$ -	\$ 731,842	\$ 731,842	0.0%	\$ 1,001,346	73.1%

Jacksonville Transportation Authority

Required Supplementary Information (unaudited)
 Schedule of Funding Progress – Drivers Plan
 September 30, 2010

Drivers Plan							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c) *	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)	
01/01/2009	\$ 17,899,023	\$ 21,449,220	\$ 3,550,197	83.45%	\$ 13,007,963	27.29%	
01/01/2008	21,784,322	20,459,875	(1,324,447)	106.47%	16,193,425	-8.18%	
01/01/2007	19,299,833	15,353,336	(3,946,497)	125.70%	N/A	N/A	
01/01/2006	17,713,972	14,753,182	(2,960,790)	120.07%	N/A	N/A	
01/01/2005	15,445,336	14,628,214	(817,122)	105.59%	N/A	N/A	
01/01/2004	13,248,443	13,796,533	548,090	96.03%	N/A	N/A	

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

Notes to Required Supplementary Information
Year Ended September 30, 2010

Note 1. Budget and Budgetary Accounting

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