CITY OF JACKSONVILLE, FLORIDA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

PREPARED BY THE DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

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City of Jacksonville, Florida

Single Audit Report
For the Fiscal Year Ended September 30, 2012

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McGladrey

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Vision, Inc., Jacksonville Aviation Authority, and JEA, which collectively represents 88% and 88%, respectively, of the assets and revenue of the aggregate discretely presented component units. We also did not audit the Police and Fire Rescue Pension Plan Trust Fund which represents 33% of the assets and 22% of the revenue/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Vision, Inc., Jacksonville Airport Authority, JEA, and the Police and Fire Rescue Pension Plan Trust Fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Downtown Vision, Inc. financial statements were not audited in accordance with *Government Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, our report dated March 29, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance – budget and actual (budgetary basis) – general fund, and the schedules of employer contributions and funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of expenditures of federal awards and expenditures of state financial assistance, which are required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedules of expenditures of federal awards and expenditures of state financial assistance have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

Jacksonville, Florida
March 29, 2013

McGladrey

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, and the Police and Fire Rescue Pension Plan Trust Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report also does not include the results of testing of internal control over financial reporting or compliance and other matters of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2012-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-02 and to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the City in a separate letter.

The City's responses to the finding identified in our audit are included in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, applicable federal and state grantor and pass-through agencies, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Jacksonville, Florida
March 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jacksonville's discussion and analysis is designed to provide an objective and easy to read overview of the City's financial activities, with a focus on significant financial issues, as well as identify material deviations from the financial plan (the approved budget), identify changes in the City's financial position (its ability to address the next and subsequent year challenges), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. The information contained within this MD&A should be considered only a part of the City's Comprehensive Annual Financial Report (CAFR).

Financial Highlights

- The City's General Fund operations had total revenues of $954.6 million, a 3% decrease over fiscal year 2011.
- Property tax revenues experienced a $34.8 million, 7% decrease. The $23.4 million increase in earnings on investments reflects economic improvements in fiscal year 2012. The $11.8 million decrease in intergovernmental revenues is primarily the result of a decrease in BJP debt service transfers from JTA.
- With decreases in economic & physical environment expenditures of $41.5 million, decreases of $15.8 million in transportation and $22 million in public safety, total governmental activity expense decreased a total of $59.6 million or 4%.
- Capital assets were $3.3 billion on September 30, 2012, resulting in a $28 million, 1% increase over last fiscal year.

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

City Highlights

Fiscal year 2012 had a number of positive outcomes. Some of the impact and improvements were as follows;

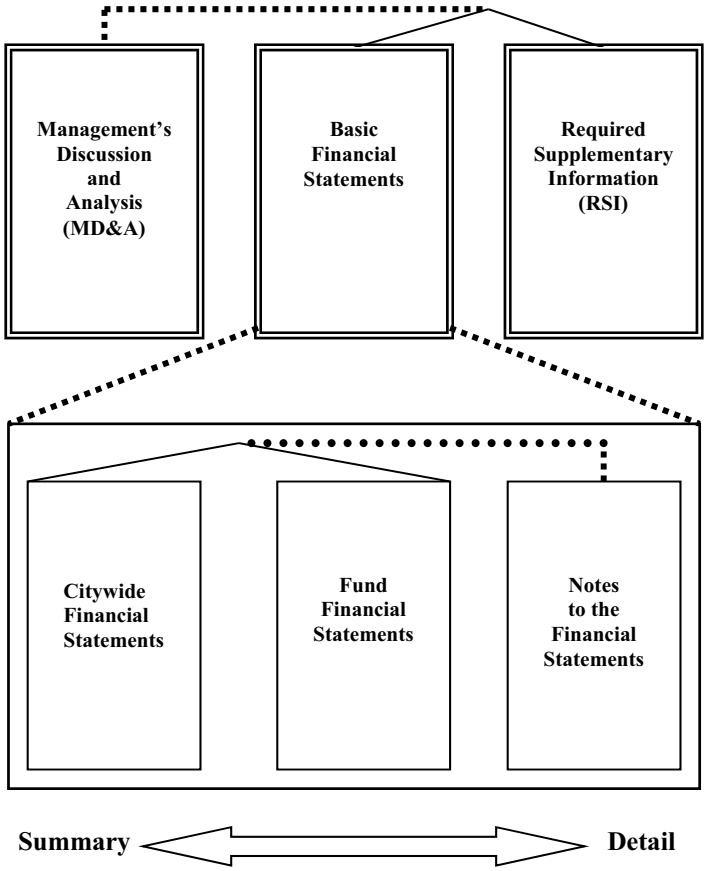
- The size of government was reduced by 200 positions which decreased salary costs by nearly $1million biweekly
- The City streamlined economic development with the creation of the Office of Economic Development and the Downtown Investment Authority allowing developers to invest in Jacksonville with more ease.
- The process of refinancing $1.15 billion in bonds was initiated which significantly lowered the cost of funds for the City.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Jacksonville's basic financial statements. As indicated in the following graphic (Figure A-1), the City's basic financial statements are comprised of three components: 1) citywide basic financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary and statistical information in addition to the basic financial statements themselves.

Figure A-1

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Citywide Basic Financial Statements

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

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

Component Units are other governmental units over which the City can exercise influence and/or may be obligated to provide financial subsidy. The City of Jacksonville's component units are as follows: JEA, Jacksonville Transportation Authority, Jacksonville Aviation Authority, Jacksonville Port Authority, Jacksonville Housing Finance Authority, Downtown Vision, Inc., Police & Fire Pension and Jacksonville Economic Development Commission (JEDC). Separate financial statements are published by JEA, Jacksonville Transportation Authority, Jacksonville Aviation Authority, Jacksonville Port Authority and Downtown Vision, Inc. With the passage of ordinance 2012-212-E, Article 24 of the City Charter, Chapter 92-341, Laws of Florida was repealed, and the Office of Economic Development was created within the Office of the Mayor. JEDC is presented as a discretely presented component unit for 2012 reporting. Effective October 1, 2012 future year related financial information will be reported as part of the primary government. For more information, see footnote 1B. The focus of the statements is on the primary government and the presentation allows the user to address the relationship with the Component Units.

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Enterprise funds are used to report the same functions presented as business-type activities in the citywide basic financial statements. The City uses enterprise funds to report separate information on operations such as the Solid Waste Disposal Fund, the EverBank Field Fund, the Veteran's Memorial Arena Fund, and the Stormwater Services Fund which are major funds. The Baseball Stadium, Performing Arts, Convention Center, Equestrian Center, Motor Vehicle Inspection, Mayport Ferry, and Public Parking are non-major enterprise funds.

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

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

CITYWIDE FINANCIAL ANALYSIS

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

As of September 30, 2012, the City of Jacksonville is able to report positive balances in overall net assets (See Table A-1).

Table A-1
Summary Statement of Net Assets
(In Thousands)
as of September 30, 2012 and September 30, 2011

	Governmental Activities		Business Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Cash and Investments	$ 827,511	$ 926,371	$ 82,627	$ 84,167	910,138	$ 1,010,538
Current and Other Assets	324,839	270,675	60,764	62,328	385,603	333,003
Capital Assets	2,837,487	2,813,775	437,404	433,263	3,274,891	3,247,038
Total assets	3,989,837	4,010,821	580,795	579,758	4,570,632	$ 4,590,579
Current Liabilities	247,879	203,333	17,076	18,707	264,955	222,040
Non-current Liabilities	2,965,285	2,973,274	383,335	395,626	3,348,620	3,368,900
Total liabilities	3,213,164	3,176,607	400,411	414,333	3,613,575	3,590,940
Net assets						
Invested in capital assets, net of related debt	948,789	908,709	128,766	124,213	1,077,555	1,032,922
Restricted for:						
State and Federal Grants	47,565	46,268	-	-	47,565	46,268
Capital Projects	-	-	1,579	2,667	1,579	2,667
Permanent Fund non-expendable	123	123	-	-	123	123
Other participant's equity	2,841	112	-	-	2,841	112
Unrestricted	(222,645)	(120,998)	50,039	38,545	(172,606)	(82,453)
Total net assets	$ 776,673	$ 834,214	$ 180,384	$ 165,425	957,057	$ 999,639

The largest portion of the City's net assets reflects its substantial capital assets, net of related debt. This displays the City's commitment to investing in assets that have useful lives in excess of the life of the debt issues used to finance the assets.

The negative unrestricted net assets in the governmental activities is primarily due to non-asset related debt issued for various capital projects that belong to other entities, but the debt is a liability of the City. Some of the debt was issued under the Better Jacksonville Plan (BJP), which has dedicated revenue sources for payment of the debt. See Note 18 for further discussion.

The City issued non-asset related debt:

- for the Jacksonville Transportation Authority for state highway projects within the City;
- for the Jacksonville Port Authority for their port terminal facilities;
- to finance improvements at Shands-Jacksonville – a large regional hospital serving the City's citizens, including its indigent population;
- to provide economic development incentives to entice developers to invest in the downtown and other targeted areas of the City, while using Tax Increment District funds to provide a dedicated revenue source for payment of the debt;
- for several other projects within the City, such as pollution remediation, etc. (See Note 18 for further discussion.)

On the following page, Table A-2 provides a summary comparison of the City's operations for the 2011 and 2012 fiscal year ends.

Statement of Activities
(In Thousands)
as of September 30, 2012 and September 30, 2011

	Governmental Activities		Business Type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues:						
Program Revenues:						
Fines & charges for services	$ 126,802	$ 129,700	$ 112,851	$ 103,539	$ 239,653	$ 233,239
Operating grants/contributions	82,833	96,142	-	-	82,833	96,142
Capital grants/contributions	41,194	27,565	-	-	41,194	27,565
General revenues:						
Property taxes	463,680	498,507	-	-	463,680	498,507
Utility service taxes	123,132	127,955	-	-	123,132	127,955
Sales and tourist taxes	164,827	161,943	11,692	11,134	176,519	173,077
Intergovernmental	160,793	172,571	-	-	160,793	172,571
Franchise Fees	40,624	43,037	-	-	40,624	43,037
JEA Contribution	104,188	101,688	-	-	104,188	101,688
Earnings on Investments	40,329	18,844	4,025	2,127	44,354	20,971
Miscellaneous	33,249	35,693	11,926	12,533	45,175	48,226
Total Revenues	**1,381,651**	**1,413,645**	**140,494**	**129,333**	**1,522,145**	**1,542,978**
Expenses						
General government	156,064	171,163	-	-	156,064	171,163
Human services	113,260	108,837	-	-	113,260	108,837
Public safety	537,222	559,401	-	-	537,222	559,401
Cultural and recreational	64,883	74,066	-	-	64,883	74,066
Transportation	154,770	170,557	-	-	154,770	170,557
Economic & physical environment	201,634	243,084	-	-	201,634	243,084
Interest on long term debt	128,302	88,404	-	-	128,302	88,404
Parking system	-	-	3,499	3,879	3,499	3,879
Motor vehicle inspections	-	-	477	446	477	446
Solid Waste	-	-	73,111	62,977	73,111	62,977
Stormwater services	-	-	18,912	18,730	18,912	18,730
EverBank Field	-	-	24,134	23,603	24,134	23,603
Veterans Memorial Arena	-	-	14,433	14,747	14,433	14,747
Baseball Stadium	-	-	3,118	3,142	3,118	3,142
Performing Arts Center	-	-	4,363	4,369	4,363	4,369
Convention Center	-	-	3,662	3,764	3,662	3,764
Equestrian Center	-	-	1,686	1,836	1,686	1,836
Total Expenses	**1,356,135**	**1,415,512**	**147,395**	**137,493**	**1,503,530**	**1,553,005**
Increases (decreases) in net assets before transfers and special item	25,516	(1,867)	(6,901)	(8,160)	18,615	(10,027)
Transfers	(21,861)	(23,087)	21,861	23,087	-	-
Special Item - refinancing of state debt	(61,196)	-	-	-	(61,196)	-
Change in net assets	**(57,541)**	**(24,954)**	**14,960**	**14,927**	**(42,581)**	**(10,027)**
Net assets (deficit), beginning of year	834,214	859,168	165,425	150,498	999,639	1,009,666
Net assets (deficit), end of year	**$ 776,673**	**$ 834,214**	**$ 180,385**	**$ 165,425**	**$ 957,058**	**$ 999,639**

Governmental activities:

The City's governmental activities revenues decreased $32 million from 2011 to 2012 (see Table A-2) and consists of:

- Property tax revenues reflected a $34.8 million decrease due to the continuing economic recovery with an additional $1.9 million decrease in sales and utility taxes.
- Intergovernmental revenues decreased $11.8 million primarily due to a reduction in transfers from the Better Jacksonville Plan to JTA.
- Interest revenues increased $21.5 million due to the recovery of unusually low earnings on the investment portfolio in fiscal year 2011.
- Contributions from JEA increased $2.5 million in fiscal year 2012.

Decreases in governmental activities expenses were $59.6 million due to the Administration's efforts to reduce costs city-wide.

- Public Safety expense decreased $22.2 million with decreases in personnel services of $13.9 million and $6.2 million operating expenses in the Sherriff's Office and $3.2 million in operating expenses in Fire Rescue.
- Transportation expenses decreased $15.8 million in fiscal year 2012 due to the completion of multiple road projects in fiscal year 2011.
- General government expenses decreased $15.3 million due to decreased spending on the projects such as the courthouse in fiscal year 2012.
- Economic and Physical Environment expenses decreased by $41.5 million primarily due to the additional depreciation and expense to reduce project assets from Jacksonville Transit Authority (JTA) that occurred in prior fiscal year 2011 and did not reoccur in fiscal year 2012.
- Interest on long term debt increased by $39.9 million due to an increase in interest expense on outstanding debt in fiscal year 2012.

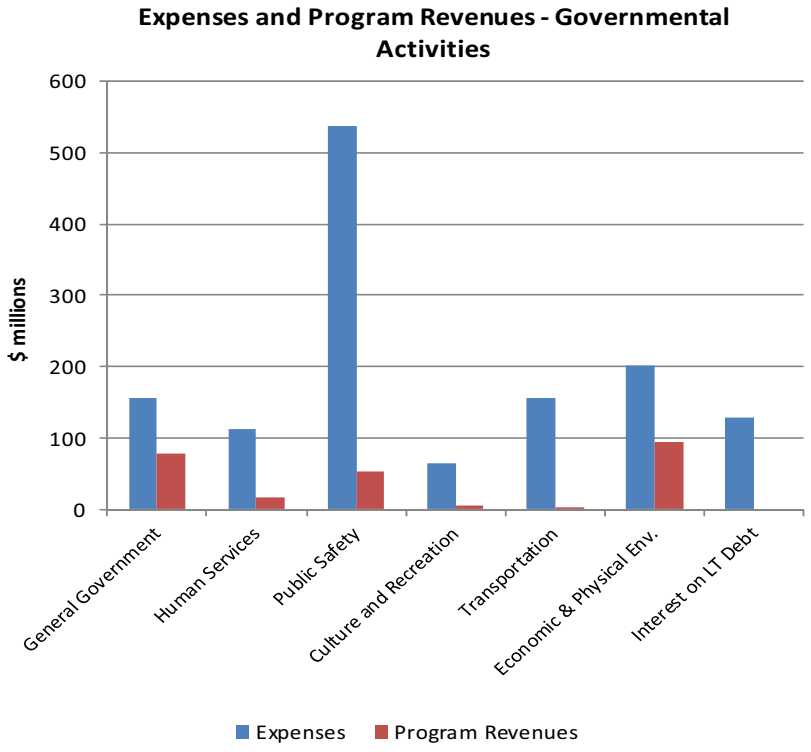
Business Type activities:

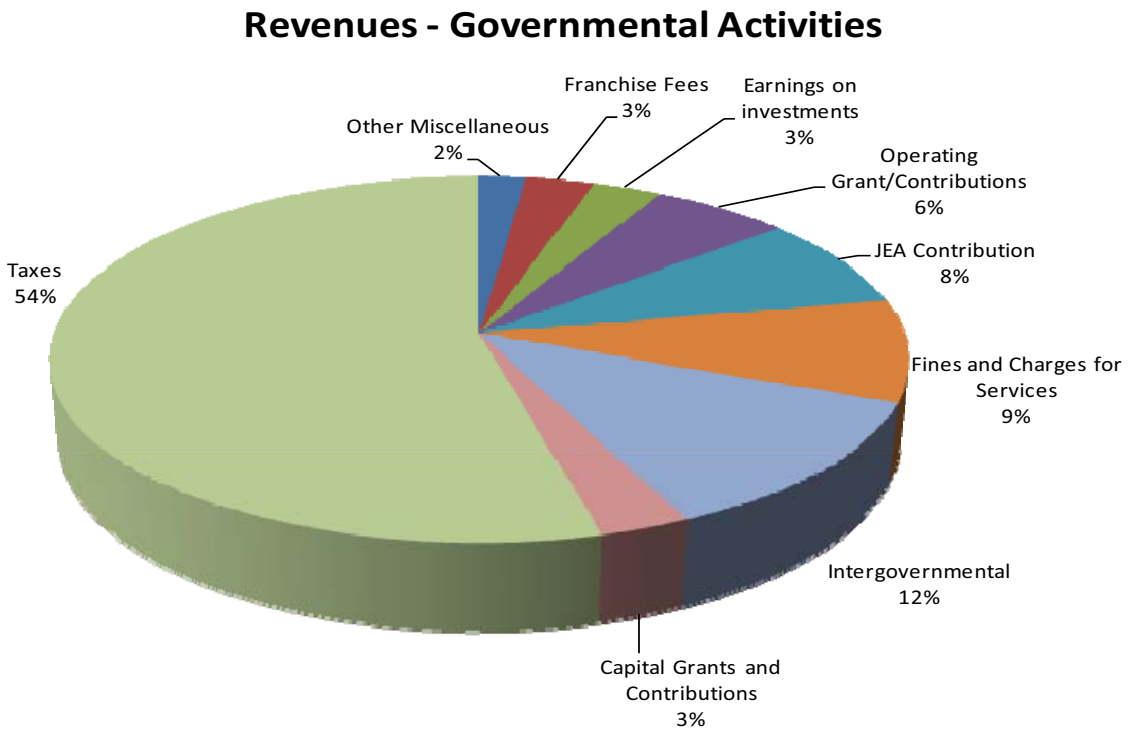
The City's business type revenues increased $11.2 million in fiscal year 2012:

- Increases in fines and charges for services of $9.3 million were due to the increase in Solid Waste user fees in fiscal year 2012.
- Earnings on investment revenues increased $1.9 million due to the recovery of low earnings on investment portfolio in the prior fiscal year.

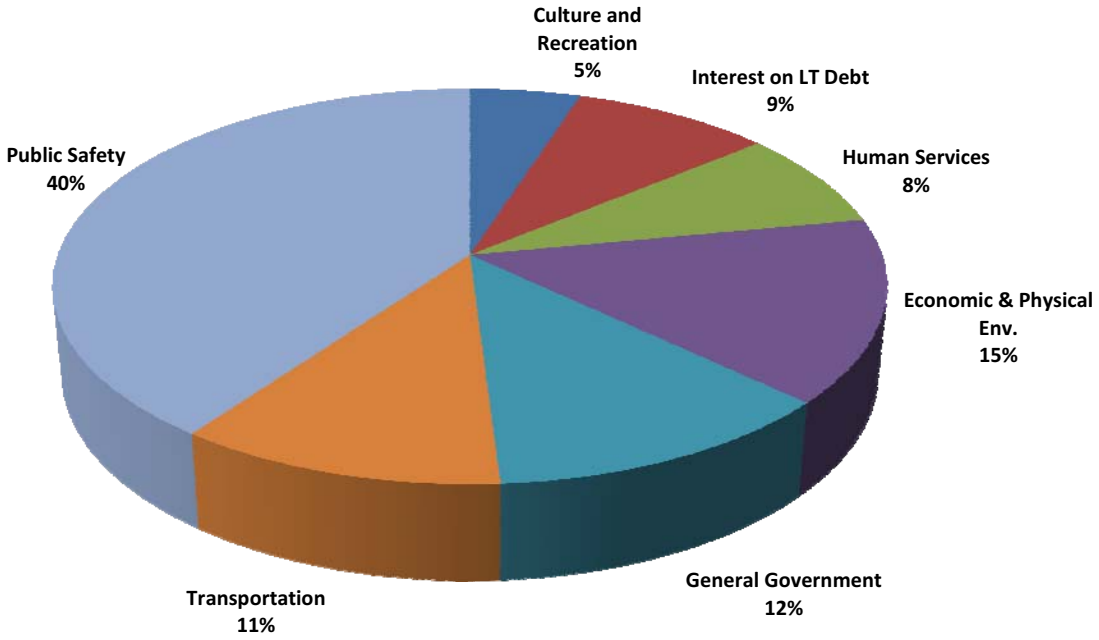
Business type activities expenses increased $9.9 million in fiscal year 2012:

- Solid Waste's expenditures increased $10.1 million due to landfill closure/post-closure liability and contract garbage/recycling expense increases in fiscal year 2012.

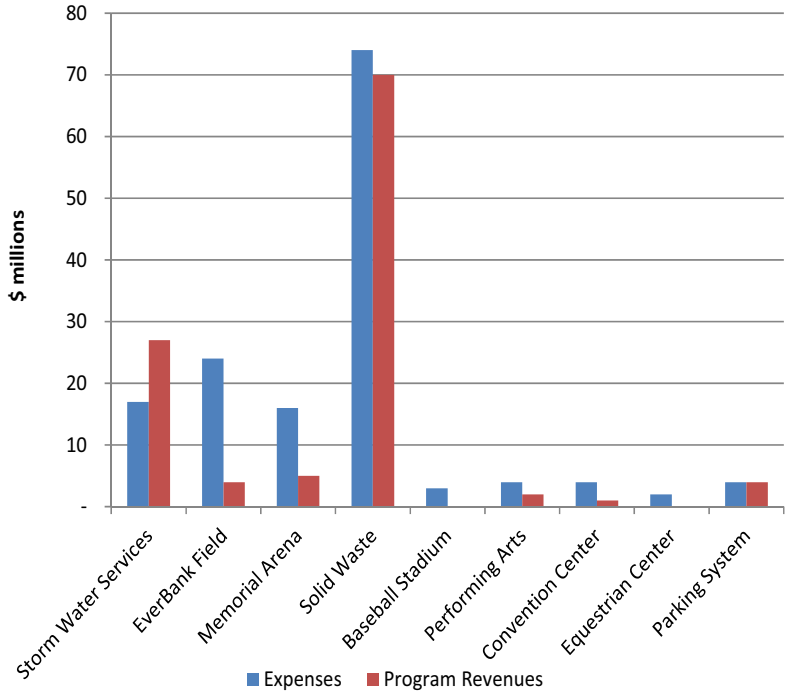

Expenses and Program Revenues - Governmental Activities
$ millions
600
500
400
300
200
100
0
General Government
Human Services
Public Safety
Culture and Recreation
Transportation
Economic & Physical Env.
Interest on LT Debt
Expenses
Program Revenues


Revenues - Governmental Activities
Franchise Fees 3%
Earnings on investments 3%
Other Miscellaneous 2%
Operating Grant/Contributions 6%
JEA Contribution 8%
Taxes 54%
Fines and Charges for Services 9%
Intergovernmental 12%
Capital Grants and Contributions 3%

Expenses - Governmental Activities



Expenses and Program Revenues - Business Type Activities



FINANCIAL ANALYSIS OF THE CITY GOVERNMENT'S FUNDS

As noted earlier, the City of Jacksonville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year 2012. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All non-major funds of each governmental fund type with legally adopted annual budgets are included in the Combining Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual, which can be found in the Combining Individual Fund Statements and Schedules. The General Fund and Major Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual is included as Required Supplementary Information following the Notes to the Financial Statements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $72.1 million. The General Fund's total fund balance was $150.1 million, with $48 million committed by City Council as an emergency reserve. The City's Reserve Policy for the General Fund is covered by Section 106.107 of the City's municipal code. The policy requires that the emergency reserve shall not be used except as initiated by the Mayor through written communication to City Council, explaining the emergency, with subsequent approval by two-thirds votes of all City Council members. The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or disasters, whether man made or caused by nature. Under normal circumstances, the City would first elect to utilize the Operating Reserve before considering use of its Emergency Reserve.

Key factors affecting changes in major funds and fund balance in fiscal year 2012 operations are as follows:

General Fund:

- Property taxes account for approximately 50% of the General Fund revenue and decreased by $32.1 million, 6.7% below the previous fiscal year. Interest revenue increased $9.2 million due to a higher return as opposed to a lower than average 2% in fiscal year 2011. General Fund revenues had an overall decrease of $29.4 million in revenues over prior 2011 fiscal year and an overall decrease in expenditures of $31.3 million.

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

- Under the Interlocal Agreement, the City and JTA agreed to pledge the ½ cent sales tax and Constitutional Gas Tax to the payment of the BJP bonds. Principal payments decreased $9.6 million and payment to escrow agent to refund bonds increased $444.6 million due to the current year issuance of $546.6 million in refunding Better Jacksonville Plan bonds during fiscal year 2012. This high level of refinancing at a lower interest rate and favorable market conditions generating bond premiums reduced the total required debt service on the Better Jacksonville Plan debt service.

Special Bonded Debt – Obligations:

- There was a $5.3 million decrease in debt service payments due to fiscal year 2011 issuance of $222.7 million refunding bonds at lower interest rates and bond premiums received. The Special Bonded Debt-Obligations has separate funding sources from the Special Bonded Debt-Better Jacksonville Plan Obligations discussed above.

General Capital Projects:

- General Capital Project's revenues decreased in fiscal year 2012 $.7 million due to a reduction in contributions from JEA in fiscal year 2012. Interest earnings increased $2.3 million in fiscal year 2012.
- Major projects in fiscal year 2012 resulted in a decrease in capital outlay expense of $44.9 million due to the Courthouse and Road projects completion.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Solid Waste, Stormwater Services, EverBank Field and the Veteran's Memorial Arena are reported as major proprietary funds in fiscal year 2012. The $10.8 million increase in fines and charges for service revenues is representative of increases in Solid Waste fees and the $10.1 million increase in Solid Waste expense is the result of an increase in fiscal year 2012 of the accrual for additional landfill closure/postclosure liability in Solid Waste and an increase in contracted garbage/recycling expense as compared to fiscal year 2011.

General Fund Budgetary Highlights:

- Actual revenues for fiscal year 2012 were $11.7 million below the final budgeted amount, primarily with Utility Service Taxes $9.3 million with a reduction in communications service tax rates and a reduction of $3.6 in Franchise Fee revenues.
- Overall actual expenditures for fiscal year 2012 were $88.2 million under final budget with $46.1, more than half, related to the budgeted but unused emergency reserve. The additional savings were due to salary and benefit costs reductions and departmental and non-departmental operating cost savings due to the Administration's city-wide reorganization and strong efforts toward cost reduction. All departments within the General Fund had actual expenditures under final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Jacksonville's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to $3.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress (see Table A-3). With the primary focus on the completion of the radio system and park projects in fiscal year 2011, the completion of the Courthouse project as well as the continuation of several road and parks projects became the focus in fiscal year 2012. Additional information on the City of Jacksonville's capital assets can be found in the Notes to the Financial Statements, Footnote 6 of this report.

Table A-3
Capital Assets
Net of Accumulated Depreciation
(In Thousands)
as of September 30, 2012 and September 30, 2011

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and easements	$ 309,983	$ 306,555	$ 45,862	$ 45,577	$ 355,845	$ 352,132
Buildings and improvements	1,061,459	809,042	559,399	550,829	1,620,858	1,359,871
Furniture & Equipment	417,029	331,026	6,378	6,312	423,407	337,338
Construction and work in progress	3,217	265,854	2	1,392	3,219	267,246
Infrastructure	2,140,198	2,079,977	32,602	21,158	2,172,800	2,101,135
Other Assets	39,829	33,986	-	1,392	39,829	35,378
Less accumulated depreciation	(1,134,228)	(1,012,665)	(206,839)	(192,005)	(1,341,067)	(1,204,670)
Total	$ 2,837,487	$ 2,813,775	$ 437,404	$ 434,655	$ 3,274,891	$ 3,248,430

Major capital asset project costs in fiscal year 2012 included the following:

	Fiscal Year 2012	Fiscal Year 2011	Change
Courthouse Project	$ 38.9 million	$ 69.8 million	$ (30.9)
Road Projects	13.5 million	38.8 million	(25.3)
Countywide Resurfacing	10.7 million	12.2 million	(1.5)
Citywide Radio System	0.4 million	7.1 million	(6.7)
Miscellaneous Projects	8.3 million	7.3 million	1.0
Park Projects	7.9 million	15.7 million	(7.8)
Drainage Projects	0.3 million	1.6 million	(1.3)
Building Projects	1.8 million	1.0 million	0.8
Easements	0.3 million	1.7 million	(1.4)
Fire Department Projects	1.9 million	2.7 million	(0.8)
Total	$ 84.0 million	$ 157.9 million	$ (73.9)

Debt Administration

Debt Service Funds account for the accumulation of resources for and the payment of, interest and principal on most general governmental obligations. Individual debt service funds are described below.

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

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

The Other Non-Bonded Debt Obligations Fund accounts for the accumulation of resources for and the payment of, principal and interest on other non-bonded debt obligations including the U. S. Government Guaranteed Notes Payable (HUD 108 loans).

At year-end, the City had $2.9 billion in bonds and notes outstanding as shown in Table A-4. Additional information on the City of Jacksonville's long term-debt can be found in Notes to the Financial Statements, Footnote 8 of this report.

Table A-4
Bonds and Notes Payable
Outstanding Debt at Year End September 30, 2012
(In Thousands)

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Special Obligation Bonds	$ 828,572	$ 869,266	$ -	$ -	$ 828,572	$ 869,266
Special Obligation-BJP	1,315,267	1,316,408			1,315,267	1,316,408
Revenue Bonds Payable	245,823	249,154	287,423	313,015	533,246	562,169
Notes Payable	30,865	45,900	-	-	30,865	45,900
Notes Payable-BJP	57,447	62,511	-	-	57,447	62,511
Deferred Amounts						
Loss on Adv Ref	(2,028)	(2,707)	13,356	(606)	11,328	(3,313)
Issuance premiums	116,378	79,824	-	-	116,378	79,824
Issuance discounts	(2,695)	(2,850)	-	-	(2,695)	(2,850)
Total	$ 2,589,629	$ 2,617,506	$ 300,779	$ 312,409	$ 2,890,408	$ 2,929,915

The City of Jacksonville's debt decreased a net of $39.5 million as compared to fiscal year 2011.

New indebtedness of the City of Jacksonville consists of:

Closing Date	Par Amount	Source	Primary Use
March 2012	$ 151,660,000	Refunding Revenue Bonds	Transportation RF
March 2012	$ 57,730,333	Refunding Revenue Bonds	JTA Road Projects
March 2012	$ 280,050,000	BJP Sales Tax RFRB	BJP Sales Tax RB
August 2012	$ 114,890,000	BJP Sales Tax RFRB	BJP Sales Tax RB
September 2012	$ 4,040,000	Special Revenue Bonds	Capital Projects
September 2012	$ 6,320,000	Special Revenue Bonds	Special Revenue

The City continued to take advantage of historically low market rates by expanding its bond refunding program. Since July 2011, a total of $1.15 billion in par amount of bonds were refunded for a cumulative economic gain of $133 million. Also, a continued improvement in pledged revenues was realized for all but one bond program, with year over year revenue gains ranging from 1.8% to 2.6%. The refunding savings and improved revenues contributed to an improving debt service coverage and resulted in a ratings upgrade by Standard & Poor's of the Excise Taxes Revenue bonds from "A+" to "AA-". However, despite the improving debt service coverage, Fitch issued a one notch downgrade to the Better Jacksonville Sales Tax bonds from "AA-" to "A+" and the Transportation Revenue bonds from "AA" to "AA-". Moody's issued a two notch downgrade to the Transportation Revenue bonds from "AA2" to "A1". The City's overall credit rating was reaffirmed at a strong "AA+" due to an improving financial position and increasing reserves.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

Other Economic Factors:

- The unemployment rate for the City of Jacksonville is 8.2%, a 1.8% improvement over 2011. This compares to the state's average unemployment rate (8.7%) and the national average unemployment rate (7.8%).
- Jacksonville has the largest Empowerment Zone in the nation;
- Jacksonville has a major port, home to the National Football League's (NFL) Jacksonville Jaguars, is the insurance and financial center of Florida, and is the site of key U.S. Navy bases.

Budget Highlights for fiscal 2012-2013:

- The City's general fund revenues are projected to decline $9.9 million when compared to fiscal year 2012. Ad valorem tax revenue, the City's largest single source of revenue, is down $22.8 million reflecting lower housing values. The decrease is offset by higher State Shared revenues and departmental revenues which are up $4.1 million year over year.
- The budget was balanced without an increase to the millage rate which is maintained at 10.0353, which is below the rolled-back rate of 10.9947 mills. A rolled-back rate is defined as the millage rate that would generate the same amount of property tax revenue from one year to the next from properties that were on the tax roll in the previous year. This means that while, on the whole, property values declined the impact to individual property owners varied. The change in the assessed value of the property determined whether there was an increase or a decrease, as well as the size of the increase or decrease.
- A net total of $52.0 million in expenses were cut from the general fund tentative budget submitted May 1, 2012. This includes the absorption of an incremental increase in the Police and Fire Pension Fund costs of approximately $29.0 million above what was originally budgeted. The savings reflect reductions in salary and benefit costs from 548 eliminated positions and departmental and non-departmental operating cost savings from a variety of sources. Also included in these savings are debt service reductions in excess of $5.4 million. In total, all but seven departments/offices out of 25 within the City's general fund experienced a reduction in their total budget from fiscal year 2012 to fiscal year 2013. Those that did increase were due to costs beyond their immediate control such as utilities and pension.
- The elimination of 548 classified positions for fiscal year 2013 included 234 Public Safety positions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, Accounting Division, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202, or call (904) 630-1250.

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CITYWIDE FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS -
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	PRIMARY GOVERNMENT				
			TOTALS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2012	2011	COMPONENT UNITS
ASSETS:					
Cash and investments	$ 693,949	$ 65,800	$ 759,749	$ 851,698	$ 1,747,010
Cash in escrow and with fiscal agents	133,562	16,827	150,389	158,840	60
Securities lending	71,242	-	71,242	32,324	-
Receivables, net	75,122	49,960	125,082	122,895	343,834
Internal balances	887	(887)	-	-	-
Due from independent agencies and other governments	124,457	454	124,911	112,448	45,972
Inventories	7,121	12	7,133	7,272	163,616
Prepaid expenses and other assets	6,623	175	6,798	7,470	250,673
Deferred outflows	19,577	-	19,577	18,617	202,014
Deferred charge - landfill related costs	-	10,896	10,896	14,000	-
Unamortized debt issuance costs	19,810	154	19,964	17,977	-
CAPITAL ASSETS:					
Land, easements, art in public places and work in progress	313,200	45,864	359,064	619,378	777,903
Other capital assets, net of depreciation	2,524,287	391,540	2,915,827	2,627,660	7,106,212
TOTAL ASSETS	3,989,837	580,795	4,570,632	4,590,579	10,637,294
LIABILITIES:					
Accounts payable and accrued liabilities	60,107	10,063	70,170	70,003	205,237
Contracts payable	4,843	50	4,893	6,632	-
Due to component units	2,520	-	2,520	778	-
Due to independent agencies and other governments	13,567	-	13,567	14,005	9,089
Deposits	4,904	1,779	6,683	6,133	59,569
Accrued interest payable	63,927	5,148	69,075	60,099	96,780
Unearned revenue	26,528	36	26,564	29,267	61,226
Securities lending	71,260	-	71,260	33,988	-
Other current liabilities	223	-	223	1,135	90,590
NONCURRENT LIABILITIES:					
Fair market value of debt management instruments	19,577	-	19,577	18,617	202,014
Due within one year	137,765	13,557	151,322	163,082	280,442
Due in more than one year	2,807,943	369,778	3,177,721	3,187,201	6,549,560
TOTAL LIABILITIES	3,213,164	400,411	3,613,575	3,590,940	7,554,507
NET ASSETS:					
Invested in capital assets, net of related debt	948,789	128,766	1,077,555	1,032,922	1,677,229
Restricted for:					
Debt service	-	-	-	-	408,513
State and federal grants	47,565	-	47,565	46,268	-
Capital projects	-	1,579	1,579	2,667	144,608
Other participant's equity	2,841	-	2,841	112	-
Permanent fund, non-expendable	123	-	123	123	-
Other purposes		-	-	-	12,929
Unrestricted (deficit)	(222,645)	50,039	(172,606)	(82,453)	839,508
TOTAL NET ASSETS	$ 776,673	$ 180,384	$ 957,057	$ 999,639	$ 3,082,787

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF ACTIVITIES -
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

		PROGRAM REVENUES			PRIMARY GOVERNMENT				
		FINES AND CHARGES FOR	OPERATING GRANTS AND	CAPITAL GRANTS AND		BUSINESS-	TOTALS		
FUNCTIONS/PROGRAMS	EXPENSES	SERVICES	CONTRIBUTIONS	CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TYPE ACTIVITIES	2012	2011	COMPONENT UNITS
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	$ 156,064	$ 71,500	$ 3,514	$ 2,665	$ (78,385)		$ (78,385)	$ (93,246)	
Human services	113,260	1,756	14,186	96	(97,222)		(97,222)	(90,276)	
Public safety	537,222	38,121	15,937	39	(483,125)		(483,125)	(491,333)	
Culture and recreation	64,883	3,829	1,139	480	(59,435)		(59,435)	(67,422)	
Transportation	154,770	114	307	2,168	(152,181)		(152,181)	(120,345)	
Economic environment	76,227	-	40,213	424	(35,590)		(35,590)	(102,142)	
Physical environment	125,407	11,482	7,537	35,322	(71,066)		(71,066)	(108,937)	
Interest on long term debt	128,302	-	-	-	(128,302)		(128,302)	(88,404)	
Total governmental activities	1,356,135	126,802	82,833	41,194	(1,105,306)		(1,105,306)	(1,162,105)	
Business-type activities:									
Parking system	3,499	3,525	-	-	-	26	26	(605)	
Motor vehicle inspections	477	446	-	-	-	(31)	(31)	(3)	
Solid Waste	73,111	69,748	-	-	-	(3,363)	(3,363)	3,633	
Storm Water Services	18,913	26,519	-	-	-	7,606	7,606	2,059	
Mayport Ferry	-	-	-	-	-	-	-	-	
EverBank Field	24,134	4,054	-	-	-	(20,080)	(20,080)	(20,224)	
Veterans Memorial Arena	14,433	4,641	-	-	-	(9,792)	(9,792)	(9,459)	
Baseball Stadium	3,118	372	-	-	-	(2,746)	(2,746)	(2,704)	
Performing Arts	4,363	2,301	-	-	-	(2,062)	(2,062)	(2,282)	
Convention Center	3,662	1,024	-	-	-	(2,638)	(2,638)	(2,797)	
Equestrian Center	1,686	221	-	-	-	(1,465)	(1,465)	(1,572)	
Total business-type activities	147,396	112,851	-	-	-	(34,545)	(34,545)	(33,954)	
Total primary government	$ 1,503,531	$ 239,653	$ 82,833	$ 41,194	(1,105,306)	(34,545)	(1,139,851)	(1,196,059)	
COMPONENT UNITS:									
Governmental activities	$ 74,392	$ 787	$ 6,862	$ -					$ (66,743)
Business-type activities	2,036,671	2,055,239	16,608	54,591					89,767
Total component units	$ 2,111,063	$ 2,056,026	$ 23,470	$ 54,591					$ 23,024
General revenues:									
Property taxes					463,680	-	463,680	498,507	-
Utility service taxes					123,132	-	123,132	127,955	-
Sales and tourist taxes					164,827	11,692	176,519	173,077	66,548
Intergovernmental - unrestricted					160,793	-	160,793	172,571	63,427
JEA Contribution					104,188	-	104,188	101,688	-
Unrestricted earnings on investments					40,329	4,025	44,354	20,971	18,646
Franchise Fees					40,624	-	40,624	43,037	-
Miscellaneous					33,249	11,926	45,175	48,226	28,647
Transfers					(21,861)	21,861	-	-	-
Special Item - refinancing of state debt					(61,196)	-	(61,196)	-	-
Total general revenues and transfers					1,047,765	49,504	1,097,269	1,186,032	177,268
Change in net assets					(57,541)	14,959	(42,582)	(10,027)	200,292
Net assets, beginning of year					834,214	165,425	999,639	1,009,666	2,882,495
Net assets, end of year					$ 776,673	$ 180,384	$ 957,057	$ 999,639	$ 3,082,787

See accompanying notes.

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FUND FINANCIAL STATEMENTS

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MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND

The **General Fund** is the principal fund of the City and is used to account for all activities not included in other funds. The General Fund accounts for the normal recurring activities of the City (i.e, police, fire, public works, courts, general government, etc.). These activities are funded principally by property taxes, intergovernmental revenues, and licenses and fees.

DEBT SERVICE FUNDS

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

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

CAPITAL PROJECTS FUNDS

The General Projects Fund receives monies appropriated from the General Fund and other sources including proceeds from non-bonded debt for general capital improvements.

CITY OF JACKSONVILLE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT-BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT-OBLIGATIONS
ASSETS:			
Equity in cash and investments	$ 97,128	$ 104,663	$ 19,970
Cash in escrow and with fiscal agents	230	48,216	66,795
Securities lending collateral	71,242	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest	20,624	-	-
Mortgages	30	-	-
Other	14,316	-	-
Due from other funds	5,468	-	-
Due from independent agencies and other governments	59,183	-	-
Inventories	5,115	-	-
Prepaid items	9	-	-
TOTAL ASSETS	273,345	152,879	86,765
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	$ 29,996	$ 38	$ -
Contracts payable	15	-	-
Due to other funds	8	-	-
Due to component units	33	-	-
Due to independent agencies and other governments	-	-	-
Due to individuals	-	-	-
Bonds payable	-	26,682	45,601
Interest payable	-	26,927	22,502
Deposits	2,243	-	-
Unearned revenue	19,669	-	-
Securities lending obligations	71,260	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	123,224	53,647	68,103
FUND BALANCES:			
Non Spendable:			
Non Spendable	5,115	-	-
Spendable:			
Restricted	-	102,804	16,472
Committed	69,965	-	-
Assigned	2,903	-	2,190
Unassigned	72,138	(3,572)	-
TOTAL FUND BALANCES	150,121	99,232	18,662
TOTAL LIABILITIES AND FUND BALANCES	$ 273,345	$ 152,879	$ 86,765

See accompanying notes.

GENERAL PROJECTS	NON MAJOR GOVERNMENTAL FUNDS	TOTALS 2012	TOTALS 2011
$ 87,239	$ 223,790	$ 532,790	$ 633,223
248	2,938	118,427	125,178
-	-	71,242	32,324
-	1,679	22,303	18,773
-	4,736	4,766	5,137
256	78	14,650	14,644
-	-	5,468	6,931
-	62,716	121,899	110,826
-	-	5,115	5,149
-	729	738	1,476
$ 87,743	296,666	897,398	953,661
$ 5,763	$ 12,481	$ 48,278	$ 65,173
671	4,157	4,843	6,625
-	4,573	4,581	4,490
-	2,487	2,520	778
-	-	-	438
-	223	223	209
-	-	72,283	81,997
-	-	49,429	47,843
-	2,661	4,904	3,829
256	4,035	23,960	26,968
-	-	71,260	33,988
6,326	-	6,326	7,083
13,016	30,617	288,607	279,421
-	224	5,339	5,273
20,873	101,032	241,181	296,901
53,854	164,429	288,248	306,427
-	463	5,556	4,041
-	(99)	68,467	61,598
74,727	266,049	608,791	674,240
$ 87,743	$ 296,666	$ 897,398	$ 953,661

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City of Jacksonville, Florida
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2012
(in thousands)

Total fund balances- governmental funds		$ 608,791
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,837,487
Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable	(2,477,974)	
Unamortized bond discounts	2,695	
Unamortized bond premium	(116,378)	
Unamortized loss on advance refunding of debt	2,028	
Total bonds and notes payable		(2,589,629)
* Certain assets and liabilities reported in governmental activities are not financial resources and therefore are not reported in the funds:		
Notes and Bonds payable accrual at the fund level	72,283	
Compensated absences	(59,640)	
Net increase in payables for debt accrual	(9,176)	
Unamortized bond issuance costs	19,810	
Estimated liability for self insured losses-current	(23,627)	
Estimated liability for self insured losses-long-term	(73,525)	
Other post employment benefits (OPEB) liability	(32,935)	
Accrued liability for pollution remediation	(166,352)	
Amounts due to independent agencies or other governments	(13,567)	
Total		(286,729)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The Capital Assets and Long term liabilities are consolidated with the governmental funds on an entity-wide basis. This figure represents the net of Current Assets and Current Liabilities of the Internal Service Funds.		206,753
Net assets of governmental activities		$ 776,673

* Exception - The City deposits amounts in debt service funds to pay unmatured payables early in the following year.

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT-BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT-OBLIGATIONS
REVENUES:			
Property taxes	$ 450,571	$ -	$ -
Utility service taxes	123,132	-	-
Sales and tourist taxes	997	-	-
Licenses and permits	47,989	-	-
Intergovernmental	125,711	23,407	-
Charges for services	71,505	-	-
Fines and forfeitures	2,459	-	-
JEA contribution	104,188	-	-
Interest	12,412	5,449	2,259
Other	15,638	-	-
Total Revenues	954,602	28,856	2,259
EXPENDITURES:			
Current:			
General government	135,051	-	-
Human services	72,528	-	-
Public safety	496,974	-	-
Culture and recreation	46,827	-	-
Transportation	38,822	-	-
Economic environment	12,379	-	-
Physical environment	12,131	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	26,682	48,441
Interest and fiscal charges	9,368	53,520	40,636
Other	-	6,920	585
Total Expenditures	824,080	87,122	89,662
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	130,522	(58,266)	(87,403)
OTHER FINANCING SOURCES (USES):			
Long term debt issued	2,349	-	-
Refunding bond issued	-	489,055	2,850
Premium on special obligation bonds payable	-	46,925	-
Payment to escrow agent - refunded bonds	-	(529,833)	-
Transfers in	11,104	52,612	85,673
Transfers out	(122,775)	-	-
Total Other Financing Sources (Uses)	(109,322)	58,759	88,523
NET CHANGES IN FUND BALANCES	21,200	493	1,120
FUND BALANCE, BEGINNING OF YEAR	128,921	98,739	17,542
FUND BALANCES, END OF YEAR	$ 150,121	$ 99,232	$ 18,662

See accompanying notes.

GENERAL PROJECT	NON MAJOR GOVERNMENTAL FUNDS	TOTALS 2012	TOTALS 2011
$ -	$ 13,109	$ 463,680	$ 498,507
-	-	123,132	127,955
-	163,830	164,827	161,943
-	365	48,354	50,852
1,400	98,659	249,177	272,446
57	43,083	114,645	117,749
-	1,968	4,427	4,136
-	-	104,188	101,688
4,882	9,696	34,698	14,927
1,301	13,489	30,428	31,432
7,640	344,199	1,337,556	1,381,635
-	28,166	163,217	163,975
-	38,251	110,779	107,895
-	30,073	527,047	553,409
-	6,936	53,763	63,151
-	101,600	140,422	148,793
-	55,293	67,672	117,876
-	8,799	20,930	28,157
71,382	50,159	121,541	196,145
-	1,025	76,148	82,942
-	361	103,885	99,583
-	-	7,505	4,710
71,382	320,663	1,392,909	1,566,636
(63,742)	23,536	(55,353)	(185,001)
-	-	2,349	210,758
-	-	491,905	79,220
-	-	46,925	18,481
-	-	(529,833)	(85,238)
7,581	48,085	205,055	174,192
(1,510)	(102,212)	(226,497)	(195,689)
6,071	(54,127)	(10,096)	201,724
(57,671)	(30,591)	(65,449)	16,723
132,398	296,640	674,240	657,517
$ 74,727	$ 266,049	$ 608,791	$ 674,240

City of Jacksonville, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended September 30, 2012
(in thousands)

Net change in fund balances- total governmental funds:			$	(65,449)
Amounts reported for governmental activities in the statement of activities are different because:				
Certain assets and liabilities reported in governmental activities are not current financial resources or do not require the use of current financial resources.				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, certain capital assets are contributed to the City upon completion, requiring recognition of income not reported in the funds.				
Capital assets acquired by use of financial resources		116,494		
Capital assets contributed by developers and JTA		35,643		
Capital assets transferred from proprietary funds		367		
Current year depreciation		(118,049)		
Loss on disposition of assets		(791)		
				33,664
Governmental funds report certain bond transactions as resources or uses. However, in the statement of activities these transactions are reported over the life of the debt as expenses.				
Bond Issuance Costs	3,318			
Amortization of issuance costs	(1,292)			
Amortization of bond discounts	(155)			
Amortization of bond premium	8,389			
Additional bond premium with new debt issue	(46,925)			
Amortization - loss on refunding	(679)			
		(37,344)		
Repayment of bond principal is an expenditure in governmental funds, but the repayment results in a reduction of long-term liabilities in the statement of net assets. Issuing debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.				
Long-term debt issued	(491,905)			
Principal repayment	530,115			
		38,210		
Some revenues and expenses reported in the statement of activities did not require the use of or provide current financial resources and therefore are not reported in governmental funds:				
Decrease in compensated absences payable		2,708		
Decrease of payable to other governments		926		
Increase in other post employment benefits		(5,471)		
Increase of accrual for pollution remediation		(9,124)		
Net effect for reversal of prior year debt accrual		(16,673)		
Increase in payable for capital appreciation bonds		(9,176)		
Decrease in miscellaneous payable		1,100		
Principal reduction of internal Banking fund debt		13,226		
				(21,618)
Internal service funds are used to charge the cost of certain activities to individual funds. The net revenue (expense) and transfers are reported with governmental activities.				
Operating loss		(11,804)		
Interest revenue		5,631		
Other non-operating revenue		2,454		
Transfers out, net		(419)		
				(4,138)
Change in Net Assets - Governmental Activities			$	(57,541)

See accompanying notes.

MAJOR ENTERPRISE FUNDS:

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges; or where the City has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Individual major enterprise funds are described below.

The Solid Waste Disposal Fund accounts for collection, recycling and disposal of commercial and residential garbage services throughout the city, including the operation of three municipally owned landfill sites, two of which are closed.

The EverBank Field Fund accounts for events held at the stadium including National Football League and college football games, concerts and other activities.

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

The Storm Water Services Fund accounts for the storm water utility financed by service charges, to be used to pay the expenses of constructing and maintaining the storm water management system.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	ENTERPRISE FUNDS							
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM-WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS 2012	TOTALS 2011	INTERNAL SERVICE FUNDS
ASSETS:								
Equity in cash and investments	$ 17,179	$ 1,403	$ 2,912	$ 19,368	$ 5,204	$ 46,066	$ 44,674	$ 161,159
Cash with fiscal agents	4,805	7,993	3,122	-	907	16,827	20,770	15,135
Receivables (net, where applicable, of allowances for uncollectibles):								
Accounts	30,527	165	242	18,480	544	49,958	50,196	193
Loans	-	-	-	-	-	-	-	30,124
Other	-	-	-	-	-	-	-	1,355
Due from other funds	-	-	579	-	8	587	350	-
Due from independent agencies and other governments	92	167	-	195	-	454	188	2,558
Interest and dividend receivables	2	-	-	-	-	2	2	-
Inventories	-	-	-	-	12	12	14	2,006
Prepaid expenses and other assets	-	15	143	-	17	175	176	5,885
Total Current Assets	52,605	9,743	6,998	38,043	6,692	114,081	116,370	218,415
NONCURRENT ASSETS:								
Advances to other funds	-	-	-	-	-	-	-	6,326
Sinking fund cash and investments	19,734	-	-	-	-	19,734	18,723	-
Loans receivable	-	-	-	-	-	-	-	228,993
Other receivables	-	-	-	-	-	-	-	12,944
CAPITAL ASSETS:								
Land, easements and work in progress	12,041	23,339	1,602	823	8,059	45,864	46,969	20,658
Other capital assets, net of depreciation	15,679	162,212	103,834	29,451	80,364	391,540	386,294	46,727
Deferred charge - Landfill related costs	10,896	-	-	-	-	10,896	14,000	-
Other deferred charges	154	-	-	-	-	154	193	-
Total Noncurrent Assets	58,504	185,551	105,436	30,274	88,423	468,188	466,179	315,648
TOTAL ASSETS	111,109	195,294	112,434	68,317	95,115	582,269	582,549	534,063

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	ENTERPRISE FUNDS							
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM-WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS 2012	TOTALS 2011	INTERNAL SERVICE FUNDS
LIABILITIES:								
Accounts payable and accrued liabilities	$ 4,352	$ 1,158	$ 468	$ 1,964	$ 2,121	$ 10,063	$ 9,266	$ 11,829
Contracts payable	1	-	-	49	-	50	7	-
Due to other funds	-	25	1	-	1,448	1,474	2,791	-
Deposits	235	97	705	1	741	1,779	2,302	-
Accrued interest payable	505	3,468	873	-	302	5,148	7,073	5,322
Estimated liability for self-insured losses, current portion	-	-	-	-	-	-	-	23,627
Current portion of bonds payable	4,300	4,525	2,249	-	599	11,673	13,704	12,273
Unearned revenue	-	-	36	-	-	36	59	2,568
Accrued compensated absences, current portion	179	-	-	172	57	408	429	749
Current portion of notes payable	-	-	-	-	-	-	-	4,655
Current portion of loans payable	-	-	-	1,476	-	1,476	221	9,436
Total Current Liabilities	9,572	9,273	4,332	3,662	5,268	32,107	35,852	70,459
NONCURRENT LIABILITIES:								
Estimated liability for self-insured losses	-	-	-	-	-	-	-	73,525
Liability for landfill closure and postclosure care	61,050	-	-	-	-	61,050	61,663	-
Accrued compensated absences	418	-	-	401	133	952	999	1,748
Notes payable	-	-	-	-	-	-	-	23,335
Loans payable	-	-	-	17,433	-	17,433	18,909	23,297
Bonds payable	19,191	135,985	103,212	-	30,718	289,106	298,705	256,436
Other liabilities	454	-	-	589	194	1,237	996	1,665
Total Noncurrent Liabilities	81,113	135,985	103,212	18,423	31,045	369,778	381,272	380,006
TOTAL LIABILITIES	90,685	145,258	107,544	22,085	36,313	401,885	417,124	450,465
NET ASSETS:								
Invested in capital assets, net of related debt	15,279	45,041	(25)	11,365	57,106	128,766	124,213	34,652
Restricted for:								
Capital	-	-	-	-	1,579	1,579	2,667	-
Restricted - other participant's equity	-	-	-	-	-	-	-	2,841
Unrestricted (deficit)	5,145	4,995	4,915	34,867	117	50,039	38,545	46,105
TOTAL NET ASSETS	$ 20,424	$ 50,036	$ 4,890	$ 46,232	$ 58,802	$ 180,384	$ 165,425	$ 83,598

See accompanying notes.

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CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	ENTERPRISE FUNDS							
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM-WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS 2012	TOTALS 2011	INTERNAL SERVICE FUNDS
OPERATING REVENUE:								
Sales and tourist taxes	$ -	$ 7,022	$ -	$ -	$ 4,670	$ 11,692	$ 11,134	$ -
Charges for services	69,748	4,054	4,641	26,519	7,889	112,851	103,539	219,533
Charges for services for independent authorities	-	-	-	-	-	-	-	12,458
Other	6	5,581	2,600	-	2,243	10,430	11,248	1,014
Total Operating Revenue	69,754	16,657	7,241	26,519	14,802	134,973	125,921	233,005
OPERATING EXPENSES:								
Personal services	5,742	1,760	1,445	9,018	4,450	22,415	22,872	25,994
Supplies and materials	54	60	41	175	99	429	686	28,497
Central services	3,156	224	107	2,149	967	6,603	7,750	6,148
Interdepartmental charges	230	836	380	42	1,095	2,583	2,793	-
Other services and charges	60,692	8,770	5,438	4,880	5,593	85,373	74,962	42,420
Depreciation and amortization	2,227	5,549	2,458	1,753	3,133	15,120	13,857	15,861
Court reporter services	-	-	-	-	-	-	-	59
Claims and losses	-	-	-	-	-	-	-	17,205
Insurance premiums and participant dividends	-	-	-	-	-	-	-	108,625
Total Operating Expenses	72,101	17,199	9,869	18,017	15,337	132,523	122,920	244,809
OPERATING (LOSS) INCOME	(2,347)	(542)	(2,628)	8,502	(535)	2,450	3,001	(11,804)
NON-OPERATING REVENUE (EXPENSES):								
Interest revenue	2,431	258	28	1,138	170	4,025	2,127	5,631
Interest expense	(1,010)	(6,935)	(4,564)	(896)	(1,468)	(14,873)	(14,573)	-
Other	967	4,527	1,530	195	(5,723)	1,496	1,285	2,454
Total Non-Operating Revenue (Expenses)	2,388	(2,150)	(3,006)	437	(7,021)	(9,352)	(11,161)	8,085
INCOME (LOSS) BEFORE TRANSFERS	41	(2,692)	(5,634)	8,939	(7,556)	(6,902)	(8,160)	(3,719)
TRANSFERS:								
Transfers in	549	6,487	9,126	1,483	5,886	23,531	24,804	1,544
Transfers out	(125)	(411)	(945)	-	(189)	(1,670)	(1,717)	(1,963)
Net Transfers	424	6,076	8,181	1,483	5,697	21,861	23,087	(419)
CHANGES IN NET ASSETS	465	3,384	2,547	10,422	(1,859)	14,959	14,927	(4,138)
NET ASSETS, BEGINNING OF YEAR	19,959	46,652	2,343	35,810	60,661	165,425	150,498	87,736
NET ASSETS, END OF YEAR	$ 20,424	$ 50,036	$ 4,890	$ 46,232	$ 58,802	$ 180,384	$ 165,425	$ 83,598

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	ENTERPRISE FUNDS		
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$ 68,215	$ 16,825	$ 7,312
Payments to suppliers	(56,929)	(10,164)	(6,309)
Payments to employees	(5,683)	(1,760)	(1,445)
Internal activity- receipts from other funds	76	-	-
Internal activity-payments to other funds	(4,219)	(219)	(96)
Other cash receipts	1,156	71	-
Other operating cash payments	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,616	4,753	(538)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	549	6,487	9,126
Transfers to other funds	(125)	(411)	(945)
Advances from other funds	-	-	(229)
Advances to ther funds	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	424	6,076	7,952
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,497)	(19)	-
Cash with fiscal agent	(138)	(102)	2,250
Proceeds from capital debt	-	-	1,543
Proceeds from sale of capital assets	-	-	-
Transfers from other funds	-	-	-
Payments for bond administration fee	-	(3)	-
Interest paid on debt	(1,092)	(7,033)	(5,914)
Principal paid on debt	(4,080)	(4,325)	(3,149)
Proceeds from loans payable	-	-	-
Payments on loans payable	-	-	-
Payments on notes payable	-	-	-
Proceeds on bonds payable	-	-	-
Payments on bonds payable	-	-	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,807)	(11,482)	(5,270)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	1,348	258	28
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,348	258	28
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(2,419)	(395)	2,172
Equity in cash and investments at October 1, 2011	19,598	1,798	740
Equity in cash and investments at September 30, 2012	$ 17,179	$ 1,403	$ 2,912

ENTERPRISE FUNDS				
STORM-WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS 2012	TOTALS 2011	INTERNAL SERVICE FUNDS
$ 27,409	$ 12,715	$ 132,476	$ 107,377	$ 232,078
(5,285)	(7,127)	(85,814)	(79,307)	(162,032)
(8,876)	(4,407)	(22,171)	(23,086)	(26,460)
-	-	76	68	-
(1,689)	(859)	(7,082)	(10,336)	(4,179)
-	2,230	3,457	11,385	513
-	-	-	-	(12,764)
11,559	2,552	20,942	6,101	27,156
1,483	5,886	23,531	24,434	1,544
-	(189)	(1,670)	(1,717)	(1,963)
-	(1,346)	(1,575)	1,017	758
-	-	-	(2,413)	-
1,483	4,351	20,286	21,321	339
(11,653)	(4,776)	(17,945)	(12,968)	(12,497)
-	594	2,604	27	(2,243)
-	410	1,953	16,880	-
-	-	-	-	7,351
-	-	-	370	-
-	(1)	(4)	(6)	-
(896)	(1,777)	(16,712)	(15,874)	-
(220)	(845)	(12,619)	(13,128)	-
-	-	-	-	3,142
-	-	-	-	(5,339)
-	-	-	-	(14,010)
-	-	-	-	1,982
-	-	-	-	(5,431)
(12,769)	(6,395)	(42,723)	(24,699)	(27,045)
1,138	115	2,887	1,379	5,631
1,138	115	2,887	1,379	5,631
1,411	623	1,392	4,103	6,081
17,957	4,581	44,674	40,571	155,078
$ 19,368	$ 5,204	$ 46,066	$ 44,674	$ 161,159

(continued)

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands; continued)

	ENTERPRISE FUNDS		
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	($ 2,347)	($ 542)	($ 2,628)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,227	5,549	2,458
Miscellaneous nonoperating income	1,150	71	-
(Increase) decrease in assets:			
Receivables and other current assets, net	(1,456)	173	951
Due from independent agencies and other governments	(71)	-	-
Inventories	-	-	-
Other receivables	-	-	-
Loan receivables	-	-	-
Prepaid expenses and other assets	-	1	-
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	3,688	(469)	(441)
Contracts payable	-	-	-
Due to other funds	-	-	-
Deposits	22	(30)	(856)
Accrued interest payable	-	-	-
Unearned revenue	-	-	(22)
Other liabilites	76	-	-
Interest payable	-	-	-
Liability for landfill closure and postclosure care	(613)	-	-
Liability for self-insured losses	-	-	-
Accrued compensated absences	(60)	-	-
TOTAL ADJUSTMENTS	4,963	5,295	2,090
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 2,616	$ 4,753	($ 538)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Change in the fair value of investments	$ -	$ -	$ -
Capital assets transferred between proprietary funds	-	4,304	1,530
Capital assets transferred from governmental activities to proprietary funds	-	157	-
Disposal of capital assets	-	-	-
Accured interest	(505)	(3,468)	(873)

ENTERPRISE FUNDS				
STORM-WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS 2012	TOTALS 2011	INTERNAL SERVICE FUNDS
$ 8,502	($ 535)	$ 2,450	$ 3,001	($ 11,804)
1,753	3,133	15,120	13,857	15,861
-	72	1,293	5,290	-
892	(323)	237	6,663	6
-	-	(71)	3	(1,124)
-	2	2	(6)	103
-	-	-	-	517
-	-	-	-	14,125
-	-	1	23	1,275
		-		
293	(174)	2,897	(1,836)	(269)
-	-	-	-	-
-	-	-	-	-
-	341	(523)	439	(2)
-	-	-	-	-
-	-	(22)	(16,395)	328
132	30	238	(216)	234
-	-	-	-	-
-	-	(613)	(4,729)	-
-	-	-	-	8,605
(13)	6	(67)	7	(699)
3,057	3,087	18,492	3,100	38,960
$ 11,559	$ 2,552	$ 20,942	$ 6,101	$ 27,156
$ -	$ -	$ -	$ -	$ 2,847
-	(5,834)	-	-	-
		-		-
-	38	195	194	-
-	(1)	(1)	(776)	-
-	(302)	(5,148)	(7,072)	-

See accompanying notes.

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FIDUCIARY FUND LEVEL STATEMENTS

PENSION TRUST FUNDS are funds administered by independent boards for which the City performs a fiduciary role under a defined benefit, defined contribution and disability programs. The participant's retirement annuity is based on a statutory formula using such factors as age, average salary, length of service and others.

PRIVATE PURPOSE TRUST FUND is used to report all trust arrangements, other than those properly reported in pension trust funds, under which principal and income benefit individuals. The City reports its James Brady Disabled Scholarship, Michael Jackson Music Scholarship, J.B. Smith Memorial Scholarship, and Lex Hester Memorial Scholarship funds as private purpose trusts.

AGENCY FUNDS are funds which hold monies in an agency capacity for various government units, individuals or funds.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUND		AGENCY FUNDS	
	2012	2011	2012	2011	2012	2011
ASSETS						
CURRENT ASSETS:						
Equity in cash and investments	$ 32,836	$ 34,966	$ 248	$ 243	$ 55,224	$ 43,024
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends	5,128	5,295	-	-	-	-
Accounts	230	386	-	-	2,561	2,539
Other	2,627	732	-	-	-	-
Due from independent agencies and other governments	2,914	1,400	-	-	-	-
Prepaid assets	63	-	-	-	-	-
Investments, at fair value:						
U.S. Government obligations	150,605	191,921	-	-	-	-
Federal agencies	92,292	56,619	-	-	-	-
Municipal bonds	631	589	-	-	-	-
Domestic corporate bonds	237,078	256,341	-	-	-	-
Short-term investments	57,195	26,888	-	-	-	-
Domestic stocks	1,112,434	1,041,376	-	-	-	-
International stocks	586,973	456,115	-	-	-	-
Real estate	220,661	278,054	-	-	-	-
Other fixed income	267,162	62,641	-	-	-	-
Alternative investments	39,657	41,259	-	-	-	-
Equity in pooled investments	2,785	1,075	-	-	-	-
Total investments	2,767,473	2,412,878	-	-	-	-
Total Current Assets	2,811,271	2,455,657	248	243	57,785	45,563
CAPITAL ASSETS						
Other capital assets, net of depreciation	54	34	-	-	-	-
Total Capital Assets, Net	54	34	-	-	-	-
Securities lending collateral	96,041	128,284	-	-	-	-
TOTAL ASSETS	2,907,366	2,583,975	248	243	57,785	45,563
LIABILITIES						
CURRENT LIABILITIES:						
Obligations under securities lending agreement	96,046	129,556	-	-	-	-
Accounts payable and accrued liabilities	6,243	1,443	-	3	5,019	4,805
Due to independent agencies and other governments	-	-	-	-	15,540	15,436
Due to individuals	-	-	-	-	6,028	5,851
Current portion accrued compensated absences	-	-	-	-	-	-
Deposits held in escrow	-	-	-	-	30,814	18,518
Miscellaneous liabilities	-	-	-	-	384	953
Total Current Liabilities	102,289	130,999	-	3	57,785	45,563
NONCURRENT LIABILITIES:						
Other post employment benefits	16	9	-	-	-	-
Accrued compensated absences	227	95	-	-	-	-
Terminal leave - group care	229	233	-	-	-	-
Due to participants	239,860	218,036	-	-	-	-
Total Noncurrent Liabilities	240,332	218,373	-	-	-	-
TOTAL LIABILITIES	342,621	349,372	-	3	$ 57,785	$ 45,563
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	$ 2,564,745	$ 2,234,603	$ 248	$ 240		

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST	
	2012	2011	2012	2011
ADDITIONS				
Contributions:				
Employer	$ 133,133	$ 128,772	$ -	$ -
Plan members	39,915	41,949	-	-
Total contributions	173,048	170,721	-	-
Other additions:				
State insurance contributions	9,276	8,955	-	-
Court fines & penalties	1,242	1,173	-	-
Miscellaneous	60	101	-	-
Transfers in	532	172	-	-
Total other additions	11,110	10,401	-	-
Investment income:				
Net (depreciation) appreciation in fair value of investments	364,432	(35,503)	-	-
Interest	28,924	31,714	8	4
Dividends	70,906	24,321	-	-
Rebate of commissions	108	153	-	-
Rental income	1,502	1,937	-	-
Other miscellaneous	-	-	-	-
Total investment income	465,872	22,622	8	4
Less investment expense	(13,640)	(12,301)	-	-
Less rental expense	(196)	(228)	-	-
Net investment income	452,036	10,093	8	4
From Securities Lending Activities:				
Securities lending	1,760	414	-	-
Securities lending expenses				
Interest expense (returned to borrower)	-	7	-	-
Agent fees	(123)	(94)	-	-
Total securities lending activities	1,637	327	-	-
TOTAL ADDITIONS, NET	637,831	191,542	8	4
DEDUCTIONS				
Benefit payments	235,557	219,695	-	-
DROP benefits	47,742	43,919	-	-
Refund of contributions	20,746	20,270	-	-
Transfers out	532	167	-	-
Administrative expenses	3,112	3,900	-	-
Operating expenses	-	-	-	11
TOTAL DEDUCTIONS	307,689	287,951	-	11
CHANGE IN NET ASSETS	330,142	(96,409)	8	(7)
NET ASSETS, BEGINNING OF YEAR	2,234,603	2,331,012	240	247
NET ASSETS, END OF YEAR	$ 2,564,745	$ 2,234,603	$ 248	$ 240

See accompanying notes.

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COMPONENT UNITS

Component Units are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's governing body with certain exceptions, and either (a) the ability to impose will by the primary government; or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the primary government. The City's major component units follow:

MAJOR COMPONENT UNITS:

The JEA manages and operates an electric utility system and a water and sewer utility system in the Consolidated City of Jacksonville/Duval County area.

The Jacksonville Transportation Authority is responsible for construction, improvement, and maintenance of the Jacksonville Expressway System and operation of the City's mass transit systems, including bus and automated skyway express throughout Duval County.

The Jacksonville Aviation Authority manages and operates the City's aviation/airport facilities.

The Jacksonville Port Authority manages and operates the City's marine port facilities.

COMPONENT UNITS THAT DO NOT ISSUE A SEPARATE REPORT:

The Jacksonville Housing Finance Authority provides money for loans and technical assistance for construction and rehabilitation of housing to alleviate a shortage of housing and capital for investment in housing in Jacksonville.

The Jacksonville Economic Development Commission provides a focal point for economic development in Jacksonville that results in a centralization of economic development programs.

NON-MAJOR COMPONENT UNITS:

The Downtown Vision, Inc. provides community enhancements, such as security, hospitality and clean teams, within the downtown area.

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS -
COMPONENT UNITS (in thousands)
SEPTEMBER 30, 2012

	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE AVIATION AUTHORITY
ASSETS			
Cash and cash equivalents	$ 713,334	$ 73,658	$ 33,346
Cash in escrow with fiscal agent	-	-	-
Investments	747,423	30,206	56,503
Due from other governmental agencies	-	45,908	-
Accounts and interest receivable	251,232	755	4,572
Mortgages receivable	-	-	-
Other receivables	-	-	6,976
Inventories	156,941	3,990	1,123
Deferred outflows	194,658	-	4,210
Other assets	75,831	8,878	1,750
Custodial Assets - Construction projects	-	161,391	-
Capital assets:			
Land and construction in progress	381,627	47,914	88,379
Buildings and improvements	-	147,576	753,397
Vehicles	-	92,643	-
Equipment	-	85,069	47,740
Utility plant in service	10,176,929	-	-
Other capital assets	-	-	2,069
Less: accumulated depreciation	(3,993,190)	(203,209)	(353,976)
Total capital assets, net of depreciation	6,565,366	169,993	537,609
Total assets	8,704,785	494,779	646,089
LIABILITIES			
Accounts payable and accrued expenses	181,454	6,906	10,817
Deposits	56,350	-	-
Unearned revenue	-	5,028	-
Due to other governmental agencies	-	552	-
Interest payable	93,116	-	3,664
Other current liabilities	90,000	-	-
Long-term liabilities:			
Due within one year:			
Estimated liability for injury and damage claims	-	2,504	-
Bonds, notes payable, capital leases and contracts	251,803	-	13,182
Compensated absences	-	269	-
Due in more than one year:			
Estimated liability for injury and damage claims	-	1,291	-
Bonds, capital leases and commercial paper	5,696,144	-	170,927
Fair market value of debt management instruments	194,658	-	4,210
Compensated absences	-	704	-
Custodial projects - due to other governments	-	181,491	-
OPEB liability	-	306	1,697
Other noncurrent liabilities	149,949	381	-
Total liabilities	6,713,474	199,432	204,497
NET ASSETS			
Invested in capital assets, net of related debt	890,648	169,994	355,251
Restricted for:			
Capital projects	139,009	-	5,599
Debt service	367,198	-	23,112
Other purposes	-	-	10,382
Unrestricted	594,456	125,353	47,248
Total Net Assets	$ 1,991,311	$ 295,347	$ 441,592

See accompanying notes.

JACKSONVILLE PORT AUTHORITY	JACKSONVILLE HOUSING FINANCE AUTHORITY	JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	DOWNTOWN VISION INC.,	TOTAL
$ 57,186	$ 7,633	$ 26,848	$ 765	$ 912,770
-	40	20	-	60
-	-	-	108	834,240
-	-	64	-	45,972
5,273	-	2,697	522	265,051
-	12,974	-	-	12,974
8,834	-	49,999	-	65,809
1,562	-	-	-	163,616
3,146	-	-	-	202,014
2,707	110	-	6	89,282
-	-	-	-	161,391
259,983	-	-	-	777,903
528,662	-	-	77	1,429,712
-	-	-	-	92,643
112,731	-	-	118	245,658
-	-	-	-	10,176,929
-	-	-	-	2,069
(290,253)	-	-	(171)	(4,840,799)
611,123	-	-	24	7,884,115
689,831	$ 20,757	$ 79,628	$ 1,425	10,637,294
5,719	48	274	19	205,237
2,802	19	398	-	59,569
6,212	-	49,986	-	61,226
8,537	-	-	-	9,089
-	-	-	-	96,780
590	-	-	-	90,590
-	-	-	-	2,504
12,599	-	-	-	277,584
-	5	80	-	354
-	-	-	-	1,291
195,315	-	-	-	6,062,386
3,146	-	-	-	202,014
-	11	187	-	902
-	-	-	-	181,491
-	7	79	-	2,089
151,071	-	-	-	301,401
385,991	90	51,004	19	7,554,507
261,312	-	-	24	1,677,229
			-	
-	-	-	-	144,608
18,203	-	-	-	408,513
2,547	-	-	-	12,929
21,778	20,667	28,624	1,382	839,508
$ 303,840	$ 20,667	$ 28,624	$ 1,406	$ 3,082,787

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS (in thousands)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

		PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	
FUNCTIONS/PROGRAMS	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE HOUSING FINANCE AUTHORITY
Governmental activities:						
Jacksonville Transportation Authority	$ 65,556	$ -	$ -		$ (65,556)	$ -
Jacksonville Housing Finance Authority	190	-	-	-	-	(190)
Jacksonville Economic Development Commission	7,369	67	6,449	-	-	-
Downtown Vision	1,277	720	413	-	-	-
Total governmental activities	74,392	787	6,862	-	(65,556)	(190)
Business-type activities:						
JEA	1,779,321	1,908,382		18,774	-	-
Jacksonville Transportation Authority	107,315	23,872	10,653	12,514	-	-
Jacksonville Aviation Authority	79,667	71,160	243	8,347	-	-
Jacksonville Port Authority	70,368	51,825	5,712	14,956	-	-
Total business-type activities	2,036,671	2,055,239	16,608	54,591	-	-
Total component units	$ 2,111,063	$ 2,056,026	$ 23,470	$ 54,591	(65,556)	(190)
	Sales and tourist taxes				66,548	-
	Intergovernmental - unrestricted				-	-
	Unrestricted earnings on investments				109	333
	Miscellaneous				1,777	156
	Total general revenues and distributions				68,434	489
	Change in net assets				2,878	299
	Net assets, beginning of year				114,931	20,368
	Net assets, end of year				$ 117,809	$ 20,667

See accompanying notes.

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES				TOTAL
JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION	DOWNTOWN VISION	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE AVIATION AUTHORITY	JACKSONVILLE PORT AUTHORITY	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
$ -	$ -	$ -	$ -	$ -	$ -	$ (65,556)
-	-	-	-	-	-	(190)
(853)	-	-	-	-	-	(853)
-	(144)	-	-	-	-	(144)
					-	
(853)	(144)				-	(66,743)
					-	
					-	
-	-	147,835	-	-	-	147,835
-	-	-	(60,276)	-	-	(60,276)
-	-	-	-	83	-	83
-	-	-	-	-	2,125	2,125
-	-	147,835	(60,276)	83	2,125	89,767
(853)	(144)	147,835	(60,276)	83	2,125)	23,024
-	-	-	-	-	-	66,548
-	-	-	63,427	-		63,427
1,782	3	15,132	19	1,036	232	18,646
5,153	25	19,785	-	1,180	571	28,647
6,935	28	34,917	63,446	2,216	803	177,268
6,082	(116)	182,752	3,170	2,299	2,928	200,292
22,542	1,522	1,808,559	174,368	439,293	300,912	2,882,495
$ 28,624	$ 1,406	$ 1,991,311	$ 177,538	$ 441,592	$ 303,840	$ 3,082,787

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Jacksonville, Florida (the City) conform to accounting principles generally accepted in the United States (GAAP) as applicable to governments. The following is a summary of the more significant policies. Notes 1C. through 19 are note disclosures of the primary government with significant disclosures for major component units incorporated within. Additional significant component unit disclosures are presented in Note 17.

A. Basis of Presentation:

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

B. Financial Reporting Entity:

The City is a consolidated city/county political entity created by Chapter 67-1320 of the Laws of Florida. When consolidation occurred on October 1, 1968, all existing municipalities, authorities and public agencies within Duval County, except for the Duval County School Board, were merged into a single new corporate and political entity also known as the City of Jacksonville. At the same time, however, the cities of Jacksonville Beach, Atlantic Beach, Neptune Beach and the Town of Baldwin elected to retain local autonomy for certain municipal purposes and were reconstituted as separate and distinct urban service districts. The consolidated city government, which is comprised of an elected City Council (19 members) and mayor, provides, under the administration of the appointed Chief Administrative Officer, services to approximately 869,729 residents living in an 840.1 square mile area.

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

This report includes all funds, departments, agencies, boards and commissions, and other organizational units that are administered by the mayor and/or controlled by or dependent upon the City Council as set forth in the City Charter. The City, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. In GASB codification section 2100 Defining the Financial Reporting Entity, the GASB has set forth criteria to be considered in determining financial accountability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

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

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

The Jacksonville Public Library Board has been classified as a dependent special district by the State of Florida Department of Community Affairs. Per GASB codification section 2100, the Library Board is not considered a component unit as it is not a legally separate organization. Therefore, its activity is included as part of the primary government.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Major Component Units

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

The **Jacksonville Port Authority** (JPA) was created by chapter 2001-319 of the Laws of Florida to operate, manage, and control the publicly owned seaport and ancillary facilities located within Duval County and outside such boundary lines. The governing body of the JPA consists of seven members, four of whom are appointed by the mayor and confirmed by the City Council, and three of whom are appointed by the Governor. The City can impose its will on the JPA through modification and approval of its budgets, which ensures strong accountability to the local constituent citizenry. The JPA engages only in business-type activities and issues separate financial statements. Requests for information may be addressed to the Chief Financial Officer, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

The **Jacksonville Aviation Authority** (JAA) was created by chapter 2001-319 of the Laws of Florida to operate, manage, and control all of the publicly owned airports and ancillary facilities located within Duval County and outside such boundary lines. The governing body of the JAA consists of seven members, four of whom are appointed by the Governor, and three of whom are appointed by the mayor and confirmed by the City Council. The JAA is fiscally dependent upon the City because the City Council approves and modifies the JAA budget. The JAA engages only in business-type activities and issues separate financial statements. Requests for information may be addressed to the JAA Chief Financial Officer at 14201 Pecan Park Road, Jacksonville, Florida 32218.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

The JTA is empowered to construct, improve, operate and lease the Jacksonville Expressway System. The JTA is, however, fiscally dependent upon the City under Section 14 of the City Charter through approval of its budgets which ensures strong accountability to the local constituent citizenry. The JTA engages in both governmental and business-type activities and issues separate financial statements, which may be obtained from its administrative office at 100 North Myrtle Avenue, Jacksonville, Florida 32203.

Component Units that do not issue a separate report

The **Jacksonville Housing Finance Authority** (JHOFA), formerly known as the Duval County Housing Finance Authority (DCHFA), was created by City Ordinance 2003-1058, to alleviate a shortage of housing and capital investment for the people of Duval County, pursuant to Florida Statutes, Section 159.604. The mayor appoints three of the five board members. The City has the ability to impose its will on the JHOFA. The JHOFA operates in conjunction with the Jacksonville Housing Commission, also created by Ordinance 2003-1058, and has the rights and duties necessary under Florida Statutes, Chapter 159, Part IV, to preserve outstanding debt, issue new debt and to shield the City from financial liability. The bonds issued and outstanding are included in Note 8K. Conduit Debt. The JHOFA engages only in governmental activities. There are no separately issued financial statements for the JHOFA, whose financial activity is accounted for by the City. The JHOFA financial statements are presented in the financial section of the City report.

The **Jacksonville Economic Development Commission** (JEDC), created July 1, 1997, under Chapter 92-341, Laws of Florida, provided a focal point for economic development in the City that results in a centralization of economic development programs under the auspices of one agency, thus ensuring a more efficient and practical means of addressing economic development in the City. The JEDC operated with all the powers and authority of a community redevelopment agency under Part III, Chapter 163, Florida Statutes and as an industrial development authority under Part III, Chapter 159, Florida Statutes. The mayor appointed the board members and the chairman, who were confirmed by the City Council, and the City had the ability to impose its will. The JEDC engaged only in governmental activities. There are no separately issued financial statements for the JEDC, whose financial activity is accounted for by the City. The JEDC financial statements are presented in the financial section of the City report.

With the passage of ordinance 2012-212-E, Article 24 of the City Charter, Chapter 92-341, Laws of Florida was repealed, and the Office of Economic Development was created within the Office of the Mayor. JEDC is presented as a discretely presented component unit for 2012 reporting as substantive changes had not occurred by year end. As of October 1, 2012, future year related financial information will be reported as part of the primary government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Non-major Component Units

Downtown Vision, Inc. (DVI) was established as a not-for-profit corporation under the Laws of Florida in 1997. DVI was created to provide community enhancements in the downtown area, with associated costs assessed to the properties benefited. The assessment is levied and collected by the City in accordance with the Enhanced Municipal Services Agreement, and was approved by City Ordinance 1999-1175-E. Therefore, DVI is fiscally dependent on the City. The DVI is governed by a 15-member Board of Directors, of which two are City representatives. The enhanced services are provided to property owners within several of the City's Downtown Community Redevelopment areas, including some properties owned by the City. DVI engages only in governmental activities and issues separate financial statements, which may be obtained from its main office at 214 North Hogan Street, Suite 120, Jacksonville, Florida 32202.

The **Jacksonville Health Facilities Authority** (JHFA), created under Chapter 490 of the City Ordinance Code pursuant to Chapter 154 Part III, Laws of Florida, provides appropriate additional means to assist in the development, improvement and maintenance of the public health. The JHFA provides a method for the financing and refinancing, on a tax-exempt basis, of projects on behalf of private corporations and organized not-for-profits that are authorized by law to provide hospital or nursing home services, thus providing facilities at favorable interest costs with a resultant decrease in health care costs for the users of health facilities within the City. All five members are appointed by the City Council, and the City is able to impose its will on the JHFA.

The bonds issued by the JHFA are special limited obligations of the JHFA and the principal and interest are payable from rental payments. The principal and interest on the bonds shall never constitute an indebtedness of the City of Jacksonville, Duval County, the State of Florida or any municipality or political subdivision thereof. Accordingly, the bonds issued and outstanding are included in Note 8K Conduit Debt. During the fiscal year presented, JHFA had no financial transactions or assets and liabilities to report. Therefore, there are no separately issued financial statements for JHFA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

Related Organizations

The **Jacksonville Housing Authority** (JHA) is governed by a seven member board, whose members are appointed by the mayor and confirmed by City Council. However, the City does not have the ability to impose its will on JHA. The City cannot remove appointed members of the JHA Board at will. JHA managers are appointed by the JHA Board of Directors. The Board approves the operating budget and amendments to the budget. The City does not exercise influence in JHA management or operations. It does not approve JHA budgets, and does not provide or collect major revenues of the JHA. Accordingly, the financial activities of the JHA are not included in the City's financial statements.

The **Duval County Research and Development Authority** (Authority) is governed by a five member board whose members are appointed by the City Council. However, the City does not have the ability to impose its will on the Authority. The City does not exercise influence in the management or operations of the Authority and is not financially accountable for the actions of the Authority. Accordingly, the financial activities of the Authority are not included in the City's financial statements.

Jointly Governed Organization

The **North Florida Transportation Planning Organization (TPO)** is an independent regional transportation planning agency for Duval, Clay, Nassau and St. Johns counties. The mayor, three Jacksonville City council members and various other leaders of the other affiliated communities / transportation agencies, make up the 15 member board, with five members being non-voting.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements:

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

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

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

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

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

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

D. Fund Structure:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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

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

Debt Service Funds:

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

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

Capital Project Funds:

The General Projects Fund receives monies appropriated from the General Fund and other sources including proceeds from non-bonded debt for general capital improvements.
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Other Non-major Governmental Funds:

This is the aggregate of all of the non-major governmental funds.

Proprietary Funds. These funds report transactions related to activities similar to those found in the private sector. Major proprietary funds include:

The Solid Waste Disposal Fund accounts for the collection, recycling, and disposal of commercial and residential garbage services throughout the City, including operation of three municipally owned landfill sites, two of which are closed.

The EverBank Field Fund accounts for events held at the stadium including National Football League and college football games, concerts and other activities.

The Storm Water Services Fund accounts for the storm water utility financed by service charges, to be used for paying for costs of constructing and maintaining the storm water management system.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

Other Non-major Enterprise - This is the aggregate of all of the non-major enterprise funds.

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

In addition, the City reports the following fund types:

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

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

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

Permanent Fund - This fund is used to account for activities of the City relative to cemetery maintenance at specified locations. Fund resources are restricted. Only earnings on invested resources may be used to support these activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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

E. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The citywide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary pension trust fund financial statements. Agency funds are accounted for using the full accrual basis of accounting. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied for. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting: (continued)

Expenditures are recorded when the related fund liability is incurred, except for items that are not planned to be liquidated with expendable available resources. The City records an accrual for debt service liabilities and expenditures by providing financial resources to a debt service fund for payment of liabilities that will mature early in the following year. Exceptions to the general modified accrual expenditure recognition criteria include capital lease obligations, which are recognized when paid, and payments for compensated absences, pension, OPEB (other post employment benefits), and claims and judgments which are recognized when due.

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

F. Cash, Cash Equivalents, and Investments:

Cash, cash equivalents and investments and related accrued investments earnings are reported in the financial statements as "Equity in cash and investments" under the City's "pooling" concept (See Note 3). All monies, which are not legally restricted to separate administration, are pooled together for investment purposes while each individual fund and/or account is maintained on a daily transaction basis by the City Treasurer. Cash in escrow with fiscal agents is not included in the Statement of Cash Flows ending balances as the funds have been sent to trustee entities to be held for payment of bond principal and interest. Investment earnings are distributed in accordance with the participating funds' relative percentage of investments. All fund types deposit monies into the equity in cash and investments pool of the City. The Proprietary Fund types use this pool as a demand deposit account, and accordingly all amounts in the pool are considered cash and cash equivalents for purposes of the Statement of Cash Flows. Investments are stated at fair value, generally based on quoted market prices except as disclosed herein. Securities, traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments are based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers. Increases and decreases in the fair value of investments are reported as investment income. The City of Jacksonville's swap policy allows for the use of interest rate swaps and other financial instruments to manage the City's financial exposure. This policy went into effect on October 1, 2003 and was revised on August 9, 2011. While the City is authorized to utilize interest rate swaps to manage the interest rate risk associated with various assets, no investment interest rate swaps were used during the reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Receivables:

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based on past collection experience and current economic conditions, to the net realizable values. Types of receivables include amounts that are principally due from the State of Florida for state-shared revenues. Receivables in other funds have arisen in the ordinary course of business.

Certain receivables are related to loans made for economic development purposes. Repayment of these loans is contingent upon a number of economic factors that are outside of the control of the City. Due to the uncertainty over the ultimate collectability of these amounts, a deferral has been recorded in the amount equal to the balance of the receivable.

H. Inventories:

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

I. Capital Assets:

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, capital assets costing $1,000 or more and having a useful life of more than one year are capitalized. Infrastructure is capitalized based on the accumulated amounts charged to specific capital projects on an annual basis. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are reported in the applicable governmental or business-type column in the citywide financial statements, and in the Proprietary Fund Level Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets: (continued)

Depreciation on all capital assets is calculated using the straight line method over the following useful lives:

Infrastructure - Other	12 - 50 years
Infrastructure - Bridges	100 years
Buildings and improvements	12 - 45 years
Furniture, equipment and library books	3 - 10 years
Software Development	10 years

The City capitalizes collections, such as artwork and library books. The City has a collection of artwork in various sites throughout the interior and exterior of public facilities. The value of the art is expected to either remain the same or increase over time, so it is not depreciated. Software development is capitalized if over a threshold of $30,000.

J. Contributions:

Contributions in the form of cash and capital assets to the governmental activities of the City are recognized on the Statement of Activities as revenues in the period they are received. Contributions of capital assets, primarily completed infrastructure from developers, are recognized at the fair value at the date of donation. All contributions are reported on the Statement of Activities as program revenues, with operating contributions reported separately from capital contributions.

K. Interfund Activity:

Interfund activity within and among the City's three fund categories (governmental, proprietary, and fiduciary) are classified as reciprocal interfund activity and nonreciprocal interfund activity. Reciprocal interfund resource flows between funds with an expectation of repayment are reported as interfund receivables and payables.

Reciprocal interfund resource flows, without an expectation of repayment within a reasonable time, are reported as transfers between funds. Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external value and are reported as revenues and expenditures (or expenses) in the funds.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Restricted Assets:

Assets are reported as restricted in the citywide Statement of Net Assets and the enterprise fund level statements when constraints are placed on net asset use. The constraints are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

M. Compensated Absences:

City employees may accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements. This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB Statement No. 16, Accounting for Compensated Absences.

Compensated absences liabilities are accrued when incurred in the citywide financial statements, and the proprietary and fiduciary fund level financial statements. No expenditure is reported in the governmental funds for these amounts until the payment is made. No liability is recorded for nonvesting, accumulated sick pay benefits. Compensated absences liability is determined based on current rates of pay.

N. Risk Financing:

Pursuant to Florida Statute 768.28 "Sovereign Immunity" the City is self-insured for general and automobile liability for state tort claims in excess of $200,000 per person, and $300,000 per occurrence. The City has an excess liability policy which provides coverage for general liability at limits of $5 million per occurrence and subject to a $2.5 million self-insured retention for the City; and for all other participating entities a $1 million general liability limit subject to a $5 million self-insured retention. This policy includes a policy aggregate limit of $5 million. The excess policy includes employer's liability with $3 million in the aggregate with a self-insured retention per occurrence of $1.2 million. The City's self-insured retention is up to $1.2 million per occurrence for workers compensation statutory benefits. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries at September 30, 2012, for incurred but not yet reported claims, claims development, and unallocated loss adjustment expenses. The liability for self-insured losses is accounted for in the Self-Insurance Fund (internal service fund) that pays for claims made against the City.

O. Pension Costs:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Landfill Closure and Postclosure Care Costs:

The City recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988 regulations of the Federal Environmental Protection Agency (EPA), and GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. For those landfills that stopped accepting solid waste prior to final implementation of the 1988 Act and EPA regulations, the total cost of municipal solid waste landfill (MSWLF) closure is recognized as a deferred charge in the Solid Waste Disposal Enterprise Fund, in accordance with SFAS Statement No. 71, Accounting for the Effects of Certain Types of Regulation, (SFAS 71). The City issued bonds to pay for closure costs on closed landfills. Post-closure care costs on closed landfills are recorded as a liability based on engineer's estimates. The City Council establishes rates that are designed to recover costs and believes it is reasonable to assume that such rates, which will recover the costs, can be charged to and collected from customers. Accordingly, the provisions of SFAS 71 are applied. The City intends to recover these MSWLF costs through future operating revenues of the Solid Waste Disposal Enterprise Fund. Accordingly, MSWLF costs are recognized as expense each year to match the flow of revenue and bonds principal payments, thereby reducing the deferred charge. Expenses for closure and postclosure care costs are recorded each year and the liability is adjusted to the engineer's estimate. MSWLF closure and postclosure care costs incurred for landfills accepting solid waste after final implementation of the 1988 Act and EPA regulations are recognized as an expense. A liability is recorded based upon the landfill capacity used during that year applied to the engineer's estimate of closure and postclosure care costs. (See Note 13.C.)

Q. Long-Term Obligations:

In the citywide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets.

Special obligation bonds, which are supported by certain general revenues (other than ad valorem taxes), do not constitute a debt of the City within the meaning of any constitutional or statutory limitation or provision, and the City is not obligated to pay the bonds except from revenues pledged for such purposes.

Non Asset Bonds are created when the City issues debt and either (a) constructs an asset which will become the asset of another entity (e.g. State of Florida), (b) contributes proceeds to another entity (e.g. Shands Jacksonville Hospital) to participate in a construction project, or (c) provides an economic incentive to a development or redevelopment project. Part of the Better Jacksonville Plan (BJP) referendum was to make improvements to state roads and/or interchanges with/between state roads. While these projects enhance traffic movements in and around Jacksonville, the constructed assets and the future maintenance responsibility are transferred to the Florida Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Long-Term Obligations: (continued)

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

R. Categories and Classification of Fund Balance:

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of constraint placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note 19.

S. Bond Discounts, Premiums and Issuance Costs:

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

In the citywide financial statements and for proprietary funds, material bond discount, premium and issuance costs are deferred and amortized as a component of interest expense over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and bond discount/premium are included in Long-Term Liabilities - Revenue Bonds.

T. Deferred Loss on Debt Refundings:

Losses resulting from advance refundings of debt in the citywide and proprietary fund statements are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. The amount deferred is reported as a component of Long-Term Liabilities in the accompanying financial statements and is amortized and reported as a component of interest expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Use of Estimates:

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

V. Reclassifications:

Certain 2011 amounts have been reclassified to conform with the 2012 presentation. Additionally, amounts in the separately issued financial statements of component units have been reclassified to conform to the presentation of the primary government.

W. Summarized Comparative Information:

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2011, from which the summarized information was derived. Limited 2011 comparative information was adjusted for comparability on some of the financial statements.

X. Prepaids:

Prepaid items consist of certain costs which have been paid prior to the end of the fiscal year, but represent items which are applicable to future accounting periods. These amounts do not constitute available spendable resources even though they are a component of current assets. Prepaids are processed using the consumption method.

2. BUDGETARY DATA

The City presents a Budgetary Comparison Schedule for the General Fund as Required Supplementary Information. For this reporting period, no special revenue funds met the major fund criteria. The City's budgetary comparison reporting and Notes to Required Supplementary Information containing descriptions of the City's budgetary policies and processes are included in the Required Supplementary Information section of this report.

3. CASH, INVESTMENTS AND SECURITIES LENDING

A. Cash on Deposit

The City maintains a cash and investment pool that is available for use by all funds except for monies legally restricted to separate administration (i.e. pension plan custodians and deferred compensation plan administrators). The "Equity in cash and investments" on the City Wide Financial Statements, consists of cash and investments owned by each fund and defined as resources that can be liquidated without delay or penalty. Cash and investments held separately, where contractual arrangements and bond covenants require such arrangements, are classified as "restricted assets." Investment earnings are allocated to the individual funds monthly based on the funds' weighted average daily cash balance.

CASH and INVESTMENTS

September 30, 2012	*(in thousands)*
Primary Government:	
Cash and Cash Equivalents	$66,689
Cash in escrow and with fiscal agents	150,389
Investments - Primary Government	693,060
Primary Government Total:	910,138
Pension and Agency Funds:	
Cash and Cash Equivalents	
Pension Trust Funds	$32,836
Private Purpose Trust Funds	248
Agency Funds	55,224
Investments - Pensions	2,772,601
Pension and Agency Total:	2,860,909
Component Units:	
Cash and Cash Equivalents	912,770
Cash in escrow and with fiscal agents	60
Investments - Component Units	834,240
Component Unit Total:	1,747,070
Total Cash and Investments:	$5,518,117
Investments Schedules:	
Operating Portfolio	$1,527,300
(includes interest and dividends receiveble)	
Pension Portfolio	2,772,601
(includes interest and dividends receiveble)	
Sub-total:	4,299,901
Other Cash/Investments:	
Cash	462,538
Cash with Fiscal Agent	150,449
Restricted Funds	605,229
Sub-total:	1,218,216
Total Cash and Investments:	$5,518,117

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

A. Cash on Deposit (continued)

1. Custodial Credit Risk

At September 30, 2012, primary government deposits in financial institutions totaled $78.5 million. Monies on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", and covered by federal depository insurance. For amounts in excess of such federal depository insurance the Act provides that all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor is liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sales of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments and Investment Practices

1. General Operating Investments

The City's operating fund investment guidelines are defined by City Ordinance Code Section 110, Part 2 and a written Investment Policy (the "Policy") as approved by City Council. The Policy establishes a diversified investment strategy, both by type of investment and by manager, a minimum credit quality, and duration limitations. An internal Investment Committee has oversight, within Policy limits, of the implementation and direction of investment strategies. The Policy is reviewed annually for any adjustments due to changes or developments within the investment markets that may provide enhanced investment and/or risk management opportunities.

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Performance benchmarks for the Portfolio are established in the Investment Policy and performance benchmarks for each of the specific third party managers are established by the Investment Committee. The Policy defines the Average Duration and Compliance Categories for investments. Compliance Category limits are stated as a percentage of the 2010-11 Normal Portfolio Balance of $914 million, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months.

Performance and compliance reports are submitted to the Investment Committee monthly, and to the Finance Committee quarterly. The City employs an independent investment custodian who takes direction from the money managers and independently settles all trades. The custodian provides performance and compliance reporting at both the portfolio level and by individual manager.

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. General Operating Investments (continued)

The following schedule reports portfolio compliance at year end, as well as the maximum exposure for each compliance category during the year. Certain compliance categories include assets also measured in another compliance category, i.e. "US Government" issued treasury bonds are also appropriately included in the "US Government plus agencies" category. As a result, the amounts reported as year-end compliance exposures exceed the portfolio balance at year end in aggregate.

Operating Fund
Compliance Guideline Characteristics
as of September 30, 2012

	Sector Guideline Exposures			
		% of Normal Portfolio Balance		
			Maximum	
Compliance Guideline	Exposure to Specific Guideline	Year end Exposure %	During Year	By Policy
Duration[1]	2.78	NA	3.47	5.00
Liquidity	$ 205,651,187	22.5%	44.4%	100.0%
Requirements				
USG + Agencies	$ 253,416,328	27.7%	33.0%	100.0%
US Govt (USG)	133,732,728	14.6%	17.9%	100.0%
Constraints				
Agencies	$ 119,683,600	13.1%	15.6%	45.0%
MBS	92,780,665	10.2%	11.3%	35.0%
Agency MBS	56,615,878	6.2%	7.3%	35.0%
Non-Agency MBS	36,164,787	4.0%	4.8%	15.0%
Asset Backed Securities	24,253,735	2.7%	2.7%	7.5%
Corporates	284,667,643	31.1%	39.1%	60.0%
Corporates > 1 Year	137,949,015	15.1%	18.3%	40.0%
Municipal Bonds	8,178,199	0.9%	0.9%	10.0%
Bond Funds	135,726,398	14.8%	40.7%	85.0%
Money Market Funds	39,611,628	4.3%	10.5%	40.0%
Certificates of Deposit	-	0.0%	0.1%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities	42,534,892	4.7%	7.3%	10.0%
Specialty Risk				
High Yield	$ 31,735,378	3.5%	4.4%	7.5%
International	9,618,709	1.1%	2.2%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Market	2,665,518	0.3%	0.4%	7.5%
Duration > 8.5	38,131,467	4.2%	4.3%	7.5%
Normal Portfolio Balance	$ 914,000,000			

[1]Commingled Funds and Cash are excluded

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

2. Pension Plan Investments

The City's two separate defined benefit pension plans are the Jacksonville Retirement System and the Police and Fire Pension Plan. Investments in the City's two plans are governed by state statute and locally adopted investment policies. These policies establish investment objectives and guidelines for the portfolio as a whole, for each individual manager, as well as by instrument and issuer. The following schedules are presented for only the Jacksonville Retirement System investments:

Jacksonville Retirement System
Distribution by Asset Type
9/30/2012

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	$ 671,642,107	$ -	$ -	$ 20,012,791	$ 691,654,898	42%
Large Cap Value	171,814,997	-	-	7,489,284	179,304,281	11%
Large Cap Growth	164,310,945	-	-	5,184,983	169,495,928	10%
Large Cap Core	174,396,261	-	-	1,162,715	175,558,976	11%
Small Cap Value	40,266,653	-	-	1,475,610	41,742,263	3%
Small Cap Growth	87,348,905	-	-	3,271,098	90,620,003	5%
Small Cap Core	33,504,346	-	-	1,429,101	34,933,447	2%
Equity (International)	$ 320,478,538	$ -	$ -	$ 5,296	$ 320,483,834	20%
Value	143,074,313	-	-	5,296	143,079,609	10%
Growth	88,709,575	-	-	-	88,709,575	5%
Emerging	88,694,650	-	-	-	88,694,650	5%
Bonds	$ -	$ 369,462,558	$ -	$ 3,872,812	$ 373,335,370	22%
Intermediate	-	203,163,304	-	3,809,211	206,972,515	12%
Aggregate	-	121,764,214	-	101	121,764,315	7%
Inflation Protected		44,535,040		63,500	44,598,540	3%
Cash Account	$ -	$ -		20,514,531	$ 20,514,531	1%
Other	$ 90,348,584	$ -	$ 157,763,951	$ 2,788,293	$ 250,900,828	15%
Real Assets	90,348,584	-	157,763,951	2,788,293	250,900,828	15%
Total investments	$ 1,082,469,229	$ 369,462,558	$ 157,763,951	$ 47,193,723	$ 1,656,889,461	100%
Less: Amount reported as receivables					(3,044,498)	
Total Investments less receivables					$ 1,653,844,963	

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

2. Pension Plan Investments (continued)

Police and Fire Pension Fund
Distribution by Asset Type
9/30/2012

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	$ 507,161,452	$ -	$ -	$ 12,603,884	$ 519,765,336	47%
Large Cap Value	100,107,852	-	-	1,260,640	101,368,492	9%
Large Cap Growth	150,579,726	-	-	4,675,137	155,254,863	14%
Large Cap Core	52,773,009	-	-	150	52,773,159	5%
Small Cap Value	83,334,547	-	-	1,526,308	84,860,855	8%
SMID Cap Growth	60,141,706	-	-	1,507,428	61,649,134	5%
MLPs	$ 60,224,612			$ 3,634,221	$ 63,858,833	6%
Equity (International)	$ 208,765,979	$ -	$ -	$ 1,717,303	$ 210,483,282	19%
Value	71,057,193	-	-	1,717,220	72,774,413	7%
Growth	72,292,878	-	-	-	72,292,878	6%
Emerging Markets	65,415,908	-	-	83	65,415,991	6%
Bonds	$ -	$ 281,052,968	$ -	$ (4,679,307)	$ 276,373,661	24%
Intermediate	-	89,706,358	-	(8,090,841)	81,615,517	7%
Aggregate	-	191,346,610	-	3,411,534	194,758,144	17%
Cash Account	$ -	$ -	$ -	$ (2,880,088)	$ (2,880,088)	0%
Other	$ -	$ -	$ 109,184,606	$ -	$ 109,184,606	10%
Real Estate	-	-	109,174,492	-	109,174,492	10%
Miscellaneous			10,114		10,114	0%
Total investments	$ 715,927,431	$ 281,052,968	$ 109,184,606	$ 6,761,792	$ 1,112,926,797	100%
Less: Amount reported as receivables					(2,084,038)	
Total Investments less receivables					$ 1,110,842,759	

3. Interest Rate Risk

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond, or bond portfolio, for a given change in interest rates. In general, shorter duration measures are less sensitive to interest rate shifts, while longer durations are more sensitive. To limit the portfolio volatility associated with changes in interest rates, the City's Investment Policy Statement restricts the average duration of the overall portfolio to a range of 0.75 – 5.00 years, of which, no more than 7.5% of the individual securities in the portfolio can have a duration greater than 8.5 years. This guideline applies to all investment types underlying the portfolio including, but not limited to, government, agency, corporate, international, and mortgage backed securities, as referenced in Section 3. B. 1.

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

4. Credit Quality

The Operating and Pension portfolios measure credit quality of the fixed income holdings contained therein using Moody's rating schedule. Within the Operating Portfolio, the City's Investment Policy Statement is designed to control credit risk by requiring both, minimum amounts that must be invested in the highest quality U.S. Government securities, as well as a maximum limit of 9.0% of the normal portfolio balance in non-investment grade securities. This is reported and monitored monthly by the Investment Committee and staff. Credit Quality for the Pension Plan is reported on a quarterly basis and is monitored by the Pension Board of Trustees, staff to the board, and by the plan's consultant. Credit Quality reports are provided on the overall portfolios to illustrate the credit risk at fiscal-year end.

Credit Quality
September 30, 2012

Operating Portfolio		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Aaa	36%	43%	75%
Aa1-Aa3	5%	3%	4%
A1-A3	12%	18%	12%
Baa1-Baa3	20%	11%	9%
Other	3%	0%	0%
Commingled	24%	25%	0%
	100%	100%	100%

Ratings definitions:
Treasury – United States Treasury Securities
Agency – Government Agency Securities
Aaa (AAA) – Highest Investment Grade Quality Rating
Aa1–Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating
A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating
Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating
Commingled – Securities that are not applicable to Quality Ratings - they represent predominantly mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

5. Foreign Currency

The City has nominal exposure to foreign currencies due to investments in non-U.S. markets implemented through our money managers' portfolios. Foreign currencies will fluctuate relative to the U.S. dollar, but it is believed that the diversification benefits outweigh potential risks. Given the limited exposure, foreign currency risk is considered minor.

Foreign Currency Exposure
September 30, 2012

	Operating Portfolio		General Employees Pension Fund		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	$ 683,449,820	98.61%	$ 1,656,615,252	99.98%	$ 1,076,607,440	96.92%
CANADIAN DOLLAR	4,252,824	0.61%	-	0.00%	-	0.00%
MEXICAN NEW PESO	1,556,446	0.22%	-	0.00%	-	0.00%
NEW ZEALAND DOLLAR	1,292,261	0.19%	-	0.00%	-	0.00%
AUSTRALIAN DOLLAR	1,115,972	0.16%	-	0.00%	1,274,371	0.11%
BRAZIL REAL	869,480	0.13%	-	0.00%	-	0.00%
SWISS FRANC	-	0.00%	244,802	0.01%	3,218,060	
RUSSIAN RUBEL (NEW)	230,665	0.03%	-	0.00%	-	0.00%
NORWEGIAN KRONE	189,113	0.03%	-	0.00%	241,568	0.02%
EURO CURRENCY UNIT	103,021	0.01%	8,892	0.00%	10,105,875	0.91%
JAPANESE YEN	-	0.00%	15,207	0.01%	10,170,554	0.92%
SWEDISH KRONA	-	0.00%	5,309	0.00%	-	0.00%
BRITISH POUND	-	0.00%	-	0.00%	5,950,492	0.54%
SINGAPORE DOLLAR	-	0.00%	-	0.00%	816,782	0.07%
HONG KONG DOLLAR	-	0.00%	-	0.00%	1,873,665	0.17%
SOUTH AFRICAN RAND	-	0.00%	-	0.00%	326,253	0.03%
SOUTH KOREAN WON	-	0.00%	-	0.00%	257,699	0.02%
Total	$ 693,059,602	100.00%	$ 1,656,889,462	100.00%	$ 1,110,842,759	100.00%

C. Securities Lending

The City participates in securities lending with both its Operating and Pension portfolios. The City has a contract with its custodian, The Bank of New York Mellon (the City's Operating Portfolio and the Jacksonville Retirement System) that allows the custodian, acting as agent, to lend securities held in the portfolios with the intent of generating additional interest income. The transactions are designed to be invisible to our third party money managers and are reviewed by staff on an ongoing basis. The market for securities lending was developed to provide temporary access to a large portfolio of securities for broker/dealers who might have a need to borrow specific instruments. Securities are loaned against collateral that may include cash, U.S government securities and irrevocable letters of credit. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed.

3. CASH, INVESTMENTS AND SECURITIES LENDING

C. Securities Lending (continued)

The securities loaned are on a rolling daily basis and the cash collateral can be deposited and / or withdrawn from the investment on a daily basis. The weighted average duration of the collateralized loans at September 30, 2012 was 94 days for the City's Operating Portfolio and 105 days for the Jacksonville Retirement System.

As a result of market disruptions, caused by the financial crisis of 2008-2009, those managing the collateral pool of assets have shifted their strategy to maintain a target allocation that closely represents a portfolio managed to money market guidelines as contained in 2a-7 of the SEC Investment Company Act of 1940. Rule 2a-7 of the act restricts the quality, maturity, and diversity of investments by money market funds. While the Securities Lending portfolio is not subject to this rule, the managers see these guidelines as a conservative approach that will serve to reduce the overall risk profile of invested collateral funds.

The transaction establishes a rebate interest rate (assuming cash collateral), which is due back to the broker/dealer upon return of the security. The cash is then invested short-term and the City and the custodian share in the incremental return available above the rebated interest rate. The short-term fixed income instruments can be invested in high quality, dollar denominated fixed income instruments, with a policy dollar-weighted, average maturity limit of less than thirty days. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate interest rate, (b) the overnight investment will experience a loss in fair value (i.e., principal) and (c) the collateral will not be sufficient if the borrower fails to return the security back to the lending bank. As noted above, cash collateral is invested in short-term income instruments. When non-cash collateral is provided the collateral must be obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The City cannot pledge or sell these obligations in the absence of a default by the borrower. The net asset value of the collateral may fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%. As of September 30, 2012, the City of Jacksonville maintained a sufficient 102.1% collateral on loaned securities. During the fiscal year ended September 30, 2012; Securities Lending net income was $3.2 million ($1.6 million Operating, $1.6 million Jacksonville Retirement System).

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

4. ACCOUNTS AND MORTGAGES RECEIVABLE

The accounts and mortgages receivable balances in the funds listed below, in thousands, are shown net of an allowance for doubtful accounts. No other funds had an allowance for doubtful accounts at September 30, 2012.

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Net Amount Shown on Balance Sheet
Major Governmental Funds:			
General Fund	$ 72,648	$ (37,708)	$ 34,940
General Capital Project Fund	256	-	256
Non-Major Governmental Funds	1,816	(59)	1,757
Major Enterprise Funds:			
Solid Waste Disposal	35,783	(5,256)	30,527
EverBank Field	228	(63)	165
Veterans Memorial Arena	269	(27)	242
Stormwater	34,239	(15,759)	18,480
Non-Major Enterprise Funds	549	(5)	544
Fiduciary Funds:			
Pension Trust Funds	5,358	-	5,358
Agency Funds	2,561	-	2,561

Fund	Mortgages Receivable	Allowance for Doubtful Accounts	Net Amount Shown on Balance Sheet
General Fund	$ 30	$ -	$ 30
Non-Major Governmental Funds	13,168	(8,432)	4,736

5. PROPERTY TAXES

A. Ad Valorem Property Taxes:

Property tax collections are governed by Chapter 197, Florida Statutes. The Duval County Tax Collector bills and collects all property taxes levied within the consolidated city/county. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively. The total millage rate levied by the City was 10.0353 for the fiscal year ended September 30, 2012.

The Florida Constitution, as amended under Article VII, Section 4, limits the increase in homestead property valuations for ad valorem tax purposes to a maximum of the lesser of (i) three percent (3%) of the assessment for the prior year, or (ii) the percent change in the Consumer Price Index for the preceding calendar year. The first tax year in which the limitations of these constitutional provisions apply is January 1, 1995. Calendar year 1995 is the base year upon which assessed just value of the homestead property is determined.

B. Property Tax Calendar:

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenue as it is received from the Tax Collector since virtually all taxes levied will be collected through the tax collection process within the fiscal year levied for. The calendar of events is as follows:

January 1	Property taxes are based on assessed value at this date as determined by the Duval County Property Appraiser.
July 1	Assessment roll approved by the state.
September 30	Millage resolution approved by the City Council.
October 1	Beginning of fiscal year for which taxes have been levied.
November 30	Last day for 4% maximum discount.
April 1	Unpaid property taxes become delinquent.
May 31	Tax certificates are sold by the Duval County Tax Collector. This is the first lien date on the properties.

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6. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

Primary Government

	Beginning Balance October 1, 2011	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	301,924	2,922		304,846
Easements	4,631	506		5,137
Art In Public Places	693	12		705
Construction in progress	244,707	915	(243,192)	2,430
Furniture and equipment in work in process	20,229	83	(20,230)	82
Purchased Software work in process	225		(225)	-
Software Development Work In Process	-			-
Total capital assets not being depreciated	572,409	4,438	(263,647)	313,200
Capital assets being depreciated:				
Buildings	549,172	232,518		781,690
Furniture, equipment and library books	331,026	99,335	(13,332)	417,029
Improvements	259,870	19,899		279,769
Infrastructure	2,079,977	60,221		2,140,198
Purchased Software	7,213	5,798		13,011
Internal Software	26,773	45		26,818
Total assets being depreciated	3,254,031	417,816	(13,332)	3,658,515
Less accumulated depreciation for:				
Buildings	176,746	9,517		186,263
Furniture, equipment and library books	257,897	25,716	(12,346)	271,267
Improvements	51,262	10,422		61,684
Infrastructure	511,192	85,398		596,590
Purchased Software	6,891	178		7,069
Internal Software	8,677	2,678		11,355
Total accumulated depreciation	1,012,665	133,909	(12,346)	1,134,228
Total capital assets being depreciated, net	2,241,366	283,907	(986)	2,524,287
Governmental activities capital assets, net	2,813,775	288,346	(264,633)	2,837,487

Business-type activities:	Beginning Balance October 1, 2011	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2012
Capital assets not being depreciated:				
Land	45,242	71		45,313
Easements	335	211		546
Construction in progress	1,392	3	(1,390)	5
Total capital assets not being depreciated	46,969	285	(1,390)	45,864
Capital assets being depreciated:				
Buildings and improvements	550,829	8,570		559,399
Infrastructure	21,158	11,444		32,602
Furniture and equipment	6,312	352	(286)	6,378
Total assets being depreciated	578,299	20,366	(286)	598,379
Less accumulated depreciation for:				
Buildings and improvements	185,131	13,224		198,355
Infrastructure	1,204	1,764		2,968
Furniture and equipment	5,670	132	(286)	5,516
Total accumulated depreciation	192,005	15,120	(286)	206,839
Total capital assets being depreciated, net	386,294	5,246	-	391,540
Business-type activities capital assets, net	433,263	5,531	(1,390)	437,404

6. CAPITAL ASSET ACTIVITY

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

Governmental activities:	
General government	18,513
Human services	1,989
Public Safety	10,566
Culture and recreation	13,345
Transportation	10,618
Economic environment	60
Physical environment	78,818
Total depreciation expense - governmental activities	133,909

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

Business-type activities:	
Parking system	361
Motor vehicle inspections	1
Solid Waste	2,227
Stormwater Services	1,753
Ever Bank Field	5,549
Veterans Memorial Arena	2,458
Baseball Stadium	656
Performing Arts	757
Convention Center	645
Equestrian Center	713
Total depreciation expense - business-type activities	15,120

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

A summary of interfund balances follows. (in thousands)

	TRANSFERS OUT								
TRANSFERS IN	General Fund	General Capital Projects	Solid Waste	EverBank Field	Veterans Memorial Arena	Non Major Enterprise	Non Major Governmental	Internal Service	Total
MAJOR FUNDS									
General Fund						33	9,657	1,414	11,104
General Capital Projects	6,985			396			200		7,581
Solid Waste								549	549
EverBank Field	5,542				945				6,487
Veterans Memorial Arena						146	8,980		9,126
Stormwater	1,483								1,483
Special Bonded Debt	74,049						11,624		85,673
Special Bonded Debt-BJP							52,612		52,612
NON-MAJOR FUNDS									
Enterprise	3,361		125	15		10	2,375		5,886
Governmental	29,858	1,510					16,717		48,085
Internal Service	1,497						47		1,544
	122,775	1,510	125	411	945	189	102,212	1,963	230,130

Transfers between funds are made in the normal course of operations and are for the operational support of the fund receiving the transfer

(in thousands)

DUE FROM OTHER FUNDS		DUE TO OTHER FUNDS				
	Total	General Fund	EverBank Field	Veterans Memorial Arena	Non Major Enterprise	Non Major Governmental
MAJOR FUNDS:						
General Fund	5,468		25	1	869	4,573
Enterprise Funds						
Veterans Memorial Arena	579				579	
NON MAJOR FUNDS:						
Enterprise	8	8				
	6,055	8	25	1	1,448	4,573

The purpose of the Due To/From is to provide temporary interfund loans for regular operations.

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

During fiscal year 1999, the self-insurance fund advanced $14,000,000 to the capital projects fund for the purpose of fulfilling City obligations under a redevelopment agreement for a new 900-room hotel with substantial convention and business spaces. The total capital investment for the project was $126.0 million. The City Council passed an ordinance to treat the funding from the self-insurance fund as a loan which will be repaid from general fund revenues commencing on May 1, 2000 in equal annual installments over 20 years, plus simple interest of 4.4%. The balance of this advance was $6,326,237 at September 30, 2012.

In fiscal year 2003, the City passed an ordinance to enter into a redevelopment agreement with Vestcor Companies and its subsidiaries for the redevelopment of the Lynch Building and the Roosevelt Hotel into apartment buildings as City historic landmarks. In fiscal year 2003, the City used internal self-insurance funds, in an amount of $17,816,000, to provide permanent financing for the Lynch Building project. The self-insurance fund will be repaid on an annual basis with funds from the Northbank Downtown Tax Increment District. The terms of the repayment are a 30-year amortization, with a 20-year term at a fixed interest rate of 6% per year. Annual payments are $1,294,313 which includes both principal and interest with a balloon payment of $8,290,400 at the end of the 20-year period. The balance of the loan at September 30, 2012 was $12,944,495 which is recorded in the Self Insurance Fund as other receivables noncurrent.

Vestcor will repay the City an amount of $17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual principal and interest payments were initially scheduled for $595,248, but were reduced to interest-only payments for the three year period beginning March 1, 2010. The deferred principal payments were added to the balloon payment, which is now $11,389,033 due on July 1, 2023. The balance of the loan at September 30, 2012 was $15,576,840 which is recorded in the Jacksonville Economic Development Commission Fund.

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8. LONG-TERM OBLIGATIONS

A. Bonds and loans outstanding:

The bonds and loans outstanding as of September 30, 2012 are as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost [1]
Revenue Bonds Supported by General Fund:				
Excise Taxes Revenue Bonds:				
Series 1993	$ 43,605	$ 5,217	6.250-6.300%	6.292%
Series 2001B	46,735	40,025	4.500-5.125%	5.271%
Series 2002A	56,685	5,895	5.500%	4.270%
Series 2002B	68,475	50,810	4.000-5.375%	4.576%
Series 2003A	18,745	14,765	3.500-4.500%	4.051%
Series 2003C (AMT)	34,540	32,490	4.000-5.250%	4.915%
* Series 2005A	42,820	41,240	3.750-5.000%	4.685%
Series 2006A	36,540	35,170	3.500-5.000%	4.559%
Series 2006B (AMT)	9,255	7,765	3.750-4.000%	4.169%
Series 2006C	23,555	21,420	4.970-5.220% (taxable)	5.228%
Series 2007	42,245	38,115	3.500-5.000%	4.534%
Series 2009A	39,585	37,565	3.000-5.000%	4.399%
* Series 2009B	18,535	15,365	4.000-5.000%	3.035%
* Series 2009C (ATM)	2,275	1,370	3.000-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	47,682	2,688	5.125%	5.352%
Series 2001	103,725	56,480	5.500%	4.571%
Series 2002	63,060	39,220	4.000-5.375%	4.407%
Guaranteed Entitlement Revenue Bonds:				
Series 2002	115,265	94,865	4.000-5.375%	5.019%
Capital Project Revenue Bonds:				
* Series 2008A	67,037	62,276	Variable, assumed 3.50%	N/A
* Series 2008B	67,037	62,276	Variable, assumed 2.89%	N/A
Special Revenue Bonds				
* Series 2009C-1	30,170	25,210	3.000-5.000%	2.509%
* Series 2009C-2 (Taxable BABS)	10,995	10,995	4.240-4.990% (taxable)	3.111%
* Series 2010A	48,000	48,000	3.250-5.000%	2.737%
* Series 2011A	76,500	76,500	5.000-5.250%	4.674%
* Series 2012B	2,850	2,850	1.120%	1.119%
Total Revenue Bonds Supported by General Fund	$ 1,115,916	$ 828,572		
Notes Payable Supported by General Fund:				
U.S. Government Guaranteed:				
Series 1995 (Coach)	$ 3,845	$ 985	5.080-5.190% (taxable)	N/A
Series 2010 (Hilton Hotel)	2,850	895	1.340-2.200% (taxable)	N/A
Series 2010 (La Villa)	1,700	495	1.340-2.660% (taxable)	N/A
Series 2010 (Armor Holdings)	775	315	1.340-2.660% (taxable)	N/A
Series 2010 (Hampton Inns)	550	185	1.340-2.200% (taxable)	N/A
Total Notes Payable Supported by General Fund	$ 9,720	$ 2,875		
Total Bonds and Notes Supported by General Fund	$ 1,125,636	$ 831,447		

8. LONG-TERM OBLIGATIONS (continued)

A. Bonds and loans outstanding (continued)

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost [1]
Special Revenue (Covenant) Bonds Payable from Internal Service Operations:				
Special Revenue Bonds ($140,908 authorized but unissued):				
Series 2008	$ 54,215	$ 48,400	3.500-5.625%	4.966%
Series 2009A	28,613	26,153	Variable, assumed 5.00%	N/A
* Series 2009C-1	40,160	30,915	3.000-5.000%	2.509%
* Series 2009C-2 (taxable BABs)	26,315	26,315	4.240-4.990% (taxable)	3.111%
* Series 2010A	46,945	46,945	3.250-5.000%	2.737%
* Series 2010C-1	27,205	27,205	5.000%	2.763%
* Series 2011A	32,380	32,380	3.000-5.250%	4.674%
Series 2012A	4,040	4,040	1.120%	1.119%
* Series 2012B	3,470	3,470	1.120%	1.119%
Total Special Revenue Bonds Payable from Internal Service Operations	$ 263,343	$ 245,823		
Notes Payable from Internal Service Operations:				
Commercial Paper Notes	$ 137,125	$ 27,990	Variable, assumed 4.15%	N/A
Total bonds and notes payable from Internal Service Funds	$ 400,468	$ 273,813		
Revenue Bonds Supported by BJP Revenues:				
Transportation Sales Tax Revenue Bonds:				
Series 2007	$ 100,675	$ 88,545	4.000-5.000%	4.745%
Series 2008A	154,535	151,835	Variable, assumed 4.05%	N/A
Series 2008B	121,740	103,400	Variable, assumed 3.20%	N/A
Series 2012A	151,660	151,660	4.000-5.000%	4.324%
Series 2012B	57,730	57,730	2.000-5.000%	3.076%
Infrastructure Sales Tax Revenue Bonds:				
* Series 2003	158,416	8,095	3.750-3.800%	4.715%
* Series 2004	164,200	4,582	3.000%	4.345%
Series 2008	105,470	96,715	4.000-5.000%	4.626%
Series 2011	79,220	79,220	2.000-5.000%	3.615%
* Series 2012	238,570	238,570	2.000-5.000%	3.910%
* Series 2012A	41,095	41,095	5.000%	3.773%
Total Revenue Bonds Supported by BJP Revenues	$ 1,373,311	$ 1,021,447		
Special Revenue (Covenant) Bonds Supported by BJP Revenues:				
Special Obligation Bonds:				
Series 2009B-1A	$ 52,090	$ 51,090	2.000-5.000%	4.006%
Series 2009B-1B (taxable BABs)	55,925	55,925	6.259% (taxable)	6.341%
Series 2010B	100,205	100,205	5.000%	2.282%
Series 2011B	86,600	86,600	3.000-5.000%	2.953%
Total Special Revenue Bonds Supported by BJP Revenues	$ 294,820	$ 293,820		

8. LONG-TERM OBLIGATIONS (continued)

A. Bonds and loans outstanding (continued)

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost (1)
Notes Payable Supported by BJP Revenues:				
State of Florida Infrastructure Bank:				
Series 2005	$ 40,000	$ 25,335	2.000%	1.901%
Series 2007	48,698	32,112	2.500%	2.456%
Total Notes Payable Supported by BJP Revenues	$ 88,698	$ 57,447		
Total Bonds and Notes Supported by BJP Revenues	$ 1,756,829	$ 1,372,714		
Total Governmental Activities	$ 3,282,933	$ 2,477,974		
BUSINESS-TYPE ACTIVITIES:				
Revenue Bonds Supported by Business-Type Activities:				
Excise Taxes Revenue Bonds:				
* Series 2005A	$ 2,000	$ 2,000	3.625-5.000%	4.685%
* Series 2009B	10,475	7,840	4.000-5.000%	3.035%
* Series 2009C (AMT)	21,455	16,135	3.000-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
* Series 1996	17,958	1,012	5.125%	5.352%
Capital Project Revenue Bonds:				
* Series 2008A	248	219	Variable, assumed 3.50%	N/A
* Series 2008B	248	219	Variable, assumed 2.89%	N/A
Infrastructure Sales Tax Revenue Bonds:				
* Series 2003	52,634	2,690	3.750-3.800%	4.715%
* Series 2004	54,555	1,523	3.000%	4.345%
* Series 2012	41,480	41,480	2.000-5.000%	3.910%
* Series 2012A	73,795	73,795	5.000%	3.773%
Capital Improvement Revenue Bonds:				
Series 1997	8,285	5,495	5.150-5.250%	5.452%
Series 1998	37,310	34,360	4.700-5.000%	5.250%
Series 2002A	54,135	51,290	3.700-5.000%	4.820%
Series 2002B	42,170	27,855	5.000-5.250%	4.820%
Series 2002C	26,920	21,510	3.700-5.250%	4.820%
Total Business-Type Activities	$ 443,668	$ 287,423		
COMPONENT UNITS (Note 8N):				
Bond and notes payable:				
JEA		$ 5,952,249		
JAA		183,860		
JPA		243,977		
Total Component Unit bonds and notes payble		$ 6,380,086		

* Indicates individual bond series that were issued in support of both Governmental Activities and Business-Type Activities.

(1) True Interest Cost (TIC) is the actual cost of financing debt and refers to the overall rate of interest to be paid over the life of the bonds, factoring in coupon interest, any premium or discounts, and the time value of money.

8. LONG-TERM OBLIGATIONS (continued)

B. Debt Service Requirements to Maturity:

The debt service requirements to maturity on long-term obligations at September 30, 2012 are as follows (in thousands). The amounts reported include designated maturities established by management as discussed below and there can be no assurance that the stated debt maturities can be revised in accordance with management's plan. The table also does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8G.

Fiscal Year Ending	Bonds and Notes Payable from Governmental Activities				Bonds Payable from Business-type Activities		Principal and Interest-		
	Supported by General Revenues and Internal Service Funds		Supported by BJP Revenues		Enterprise Funds		Primary	Component Units	
September 30	Principal	Interest	Principal	Interest	Principal	Interest	Government	Principal	Interest
2013	$ 67,209	$ 51,127	$ 31,818	$ 60,245	$ 11,678	$ 12,241	$ 234,318	$ 267,521	$ 106,038
2014	69,898	49,110	46,288	59,746	10,651	13,287	248,980	292,728	211,771
2015	62,776	46,562	51,640	57,895	9,758	12,814	241,445	366,076	200,336
2016	63,825	43,950	54,800	55,758	10,494	12,338	241,165	256,965	187,389
2017	65,544	37,116	60,202	53,273	11,287	11,823	239,245	249,662	177,933
2018-2022	285,971	141,563	286,553	231,184	34,009	53,699	1,032,979	1,219,799	754,401
2023-2027	201,041	89,583	375,374	154,420	66,059	42,905	929,382	1,029,040	569,150
2028-2032	169,683	47,775	410,644	56,259	133,220	15,912	833,493	1,016,538	409,824
2033-2037	85,673	14,859	47,925	6,119	267	7	154,850	1,013,455	241,221
2038-2042	33,640	4,114	7,470	187	-	-	45,411	637,905	72,647
2043-2047	-	-	-	-	-	-	-	43,915	4,320
Totals	$ 1,105,260	$ 525,759	$ 1,372,714	$ 735,086	$ 287,423	$ 175,026	$ 4,201,268	$ 6,393,604	$ 2,935,030

The City's Covenant Bond program allows for the issuance of debt which has both a stated maturity date, which is the initial maturity for a bond, and a designated maturity, which reflects the City's intended amortization to maturity. The table of debt service requirements to maturity above is prepared using designated maturities reflecting the City's intended re-amortization to maturity. At each stated maturity the City can retire the maturing amount in whole or in part, or refund the maturing bonds as a part of its annual capital borrowing into another stated maturity, variable rate debt, or fixed rate debt amortized to maturity as determined by then market conditions.

A comparison of the stated maturity debt and designated maturity debt outstanding at fiscal year end are shown in the tables below (in thousands).

Fiscal Year Ending	by Stated Maturity							
	Supported by General Revenue and Internal Service Funds				Supported by BJP Revenues			Total
September 30	Series 2009C	Series 2010A	Series 2012B	Total	Series 2010B	Series 2011B	Total	All Programs
2013	$ 6,530	$ 5,765		$ 12,295	$ 7,705		$ 7,705	$ 20,000
2014	6,755	5,540		12,295	7,705		7,705	20,000
2015	6,995	5,300		12,295	7,705	$ 7,000	14,705	27,000
2016	7,345	4,950		12,295	7,705	7,000	14,705	27,000
2017	-	6,200	$ 6,295	12,495	7,705	10,175	17,880	30,375
2018	-	6,200	-	6,200	7,715	10,175	17,890	24,090
2019	-	6,160	-	6,160	7,715	10,175	17,890	24,050
2020	-	-	-	-	7,715	10,175	17,890	17,890
2021	-	-	-	-	7,715	10,175	17,890	17,890
Total by Series	$ 27,625	$ 40,115	$ 6,295	$ 74,035	$ 69,385	$ 64,875	$ 134,260	$ 208,295

8. LONG-TERM OBLIGATIONS (continued)

B. Debt Service Requirements to Maturity: (continued)

Fiscal Year Ending September 30	by Designated Maturity							
	Supported by General Revenue and Internal Service Funds				Supported by BJP Revenues			Total
	Series 2009C	Series 2010A	Series 2012B	Total	Series 2010B	Series 2011B	Total	All Programs
2022			$ 6,295	$ 6,295	$ 7,705	$ 6,130	$ 13,835	$ 20,130
2023	$ 6,530		-	6,530	7,710	6,375	14,085	20,615
2024	6,755		-	6,755	7,710	6,630	14,340	21,095
2025	6,995		-	6,995	7,710	6,895	14,605	21,600
2026	7,345	$ 3,125	-	10,470	7,710	7,170	14,880	25,350
2027	-	3,280	-	3,280	7,710	7,460	15,170	18,450
2028	-	3,440	-	3,440	7,710	7,755	15,465	18,905
2029	-	3,615	-	3,615	7,710	8,070	15,780	19,395
2030	-	3,800	-	3,800	7,710	8,390	16,100	19,900
2031	-	1,820	-	1,820	-	-	-	1,820
2032	-	1,910	-	1,910	-	-	-	1,910
2033	-	2,005	-	2,005	-	-	-	2,005
2034	-	2,105	-	2,105	-	-	-	2,105
2035	-	2,210	-	2,210	-	-	-	2,210
2036	-	2,320	-	2,320	-	-	-	2,320
2037	-	2,435	-	2,435	-	-	-	2,435
2038	-	2,560	-	2,560	-	-	-	2,560
2039	-	2,680	-	2,680	-	-	-	2,680
2040	-	2,810	-	2,810	-	-	-	2,810
Total by Series	$ 27,625	$ 40,115	$ 6,295	$ 74,035	$ 69,385	$ 64,875	$ 134,260	$ 208,295

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8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities:

Changes in long-term liabilities for the fiscal year ended September 30, 2012 are as follows (in thousands):

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due within one year
Governmental Activities:					
Debt activity supported by general revenues:					
Revenue bonds	$ 869,266	$ 2,850	$ 43,544	$ 828,572	$ 40,466
Notes payable	3,900	-	1,025	2,875	1,035
Debt activity- general revenues	873,166	2,850	44,569	831,447	41,501
Bonds/notes payable - Banking Fund					
Special revenue (covenant) bonds	249,154	7,510	10,841	245,823	12,273
Notes payable	42,000	-	14,010	27,990	4,655
Debt activity - internal service funds	291,154	7,510	24,851	273,813	16,928
Debt activity - general revenues and internal service	1,164,320	10,360	69,420	1,105,260	58,429
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	1,021,588	489,055	489,196	1,021,447	25,182
Special revenue (covenant) bonds - BJP	294,820	-	1,000	293,820	1,500
Notes payable - BJP	62,511	-	5,064	57,447	5,135
Debt activity - BJP	1,378,919	489,055	495,260	1,372,714	31,817
Total governmental activities	2,543,239	499,415	564,680	2,477,974	90,246
Deferred amounts:					
Loss on Advance Refunding	(2,707)	-	(679)	(2,028)	-
Issuance premiums	79,824	46,925	10,371	116,378	-
Issuance discounts	(2,850)	-	(155)	(2,695)	-
Total deferred amounts	74,267	46,925	9,537	111,655	-
Accrued Compensated Absences	63,047	35,491	38,898	59,640	17,892
Estimated Liability for Self-Insured Losses	88,529	39,145	30,528	97,147	23,627
Pollution Remediation	157,228	11,560	2,436	166,352	6,000
Other Post - Employment Benefits	27,230	5,705	-	32,935	-
Miscellaneous long-term obligations	1,118	-	1,113	5	-
Governmental activity long-term obligations	$ 2,954,658	$ 638,241	$ 647,192	$ 2,945,708	$ 137,765

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8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities: (continued)

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due within one year
Business-Type Activities:					
Revenue Bonds	$ 313,015	$ 115,275	$ 140,867	$ 287,423	$ 11,673
Less: Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	(606)	13,841	(121)	13,356	-
Total Revenue Bonds, less Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	312,409	129,116	140,746	300,779	11,673
Accrued Compensated Absences	1,428	1,018	1,086	1,360	408
Landfill Closure and Post Closure Care	61,164	-	519	60,645	-
Picketville Waste Site	499	-	94	405	-
Other Post - Employment Benefits	996	241	-	1,237	-
Loans payable - Banking Fund	19,130	-	221	18,909	1,476
Business-type activity long-term obligations	$ 395,626	$ 130,375	$ 142,666	$ 383,335	$ 13,557
Component Unit Activities:					
Bonds and notes payable:					
JEA	$ 6,334,363	$ 1,549,615	$ 1,931,729	$ 5,952,249	$ 249,112
JAA	200,480	-	16,620	183,860	10,220
JPA	226,866	100,410	83,299	243,977	9,141
Other long-term obligations	400	6,171	(4,767)	11,338	1,471
Component unit activity long-term obligations	$ 6,762,109	$ 1,656,196	$ 2,026,881	$ 6,391,424	$ 269,944

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8. LONG-TERM OBLIGATIONS (continued)

D. Reconciliation of debt issued to financial reporting classifications:

Certain of the City's bonds issued in a single transaction are for assets acquired or constructed for both governmental and business-type activities. As a result, the financial statements report debt outstanding and the related debt service for that combined transaction in both governmental and business-type activities in the relative proportion of the cost of the underlying assets acquired or constructed. When individual business-type revenues are not sufficient to pay for operations inclusive of allocated debt service, interfund transfers are made in amounts to address the shortfall. The following table shows the original combined issue amount and where the debt is reported (in thousands).

Bond Series	Original Amount Issued	Outstanding debt reported in		Total Amount Outstanding
		Governmental Activities	Business-type Activities	
Excise Tax Revenue Bonds:				
Series 2005A	$ 44,820	$ 41,240	$ 2,000	$ 43,240
Series 2009B	29,010	15,365	7,840	23,205
Series 2009C	23,730	1,370	16,135	17,505
Local Government Sales Tax Revenue Bonds:				
Series 1996	65,640	2,688	1,012	3,700
Capital Projects Revenue Bonds:				
Series 2008A	67,285	62,276	219	62,495
Series 2008B	67,285	62,276	219	62,495
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2003	211,050	8,095	2,690	10,785
Series 2004	218,755	4,582	1,523	6,105
Series 2012	280,050	238,570	41,480	280,050
Series 2012A	114,890	41,095	73,795	114,890

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8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues:

The City has formally committed to secure certain debt issued by the City with specific future revenues. A summary of those debt issues and the related pledged revenues follows. The detailed listing of individual series by pledge source is included in Note 8A.

	Range of remaining term	Approximate future principal and interest	Current year revenue received	Current year principal and interest	Principal and interest as % of revenue
Excise Taxes:	2013 - 2034	$555,090,881	$124,673,393	$43,575,717	34.95%
Local Government 1/2 Cent Sales Tax:	2018	$119,143,186	$72,636,339	$17,085,126	23.52%
Guaranteed Entitlement Revenues:	2032	$154,065,838	$7,825,119	$7,398,038	94.54%
JEA Charter Revenues (Capital Project Bonds):	2034	$178,291,887	$104,187,538	$6,548,891	6.29%
(Better Jacksonville) Transportation Sales Tax:	2022 - 2037	$870,730,617	$74,935,750	$31,790,490	42.42%
Better Jacksonville (Infrastructure) Sales Tax:	2014 - 2030	$913,871,190	$64,573,247	$45,511,922	70.48%
with SIB Loans:	2014 - 2030	$978,840,491	$64,573,247	$51,957,123	80.46%
Sports Facilities Capital Improvement Revenues:	2020 - 2030	$216,417,015	$18,860,195	$11,356,294	60.21%

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

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

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

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

8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues (continued)

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

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

Sports Facilities Capital Improvement Revenues - Bonds have been issued to fund renovations to the Municipal Stadium, and are supported by a pledge against the proceeds of Franchise Fees, 15% of the Communications Services Taxes, Sports Facility Sales Tax Rebates, Convention Development Taxes and the Sports Facilities Tourist Development Taxes.

F. New Indebtedness Issued:

On March 29, 2012, the City closed on the sale of $151,660,000 Transportation Refunding Revenue Bonds, Series 2012A. The 2012A bonds have a true interest cost of 4.324% and an average coupon rate of 4.918% with a mandatory sinking schedule beginning October 1, 2022 and a maturity date of October 1, 2031. The proceeds of the 2012A bonds were used to currently refund a portion of the City's Transportation Revenue Bonds, Series 2001 ($155,220,000). The issuance provided net proceeds of $162,859,235, which is inclusive of underwriter's discounts and costs of issuance totaling $1,162,518 and a bond premium of $11,199,235. As a result of the refunding, aggregate debt service payments over the remaining life of the bonds were reduced by $13,196,237,which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of $12,745,508, or 8.21%.

On March 29, 2012, the City closed on the sale of $57,730,000 Transportation Refunding Revenue Bonds, Series 2012B. The 2012B bonds have a true interest cost of 3.076% and an average coupon rate of 4.798% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2022. The proceeds of the 2012B bonds were used to currently refund a portion of the State of Florida, Full Faith and Credit, Jacksonville Transportation Authority, Senior Lien Refunding Bonds, Series 1997 ($84,110,000). The issuance provided net proceeds of $63,743,224, which is inclusive of underwriter's discounts and costs of issuance totaling $412,619 and a bond premium of $6,013,224. The refunding did not result in an economic gain to the City. Since this item is unusual in nature and in the control of management, it is recorded as a special item with a net outflow for the refunding of $61.196 million.

On March 29, 2012, the City closed on the sale of $280,050,000 Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012. The 2012 bonds have a true interest cost of 3.910% and an average coupon rate of 4.910% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2030. The proceeds of the 2012 bonds were used to currently refund a portion of the City's Better Jacksonville Sales Tax Revenue Bonds, Series 2001 and Series 2004 ($91,625,000 and $124,200,000, respectively) and advance refund the Series 2003 bonds (79,560,000 and, together $295,385,000).

8. LONG-TERM OBLIGATIONS (continued)

F. New Indebtedness Issued: (continued)

The issuance provided net proceeds of $305,698,930, which is inclusive of underwriter's discounts and costs of issuance totaling $2,079,798 and a bond premium of $25,648,930. As a result of the refunding, aggregate debt service payments over the remaining life of the bonds were reduced by $19,903,662, which provided a net economic gain (the difference between the net present values of the old and new debt service payments) of $14,606,844, or 4.945%.

On August 30, 2012, the City closed on the sale of $114,890,000 Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012A. The 2012A bonds have a true interest cost of 3.773% and an average coupon rate of 5.000% with a mandatory sinking schedule beginning October 1, 2023 and a maturity date of October 1, 2030. The proceeds of the 2012A bonds were used to currently refund a portion of the City's Better Jacksonville Sales Tax Revenue Bonds, Series 2004 ($49,640,000) and advance refund the Series 2003 bonds ($80,785,000 and, together $130,425,000). The issuance provided net proceeds of $132,794,896, which is inclusive of underwriter's discounts and costs of issuance totaling $1,013,067 and a bond premium of $17,904,896. As a result of the refunding, aggregate debt service payments over the remaining life of the bonds were reduced by $23,524,720, which provided a net economic gain (the difference between the net present values of the old and new debt service payments) of $12,556,907, or 9.628%.

On September 28, 2012, the City closed on the sale of $4,040,000 Special Revenue Bonds, Series 2012A with a true interest cost of 1.119% and an average coupon rate of 1.120% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2016 and a Designated Maturity Date of October 1, 2030. The proceeds of the 2012A bonds were used to fund the acquisition and construction of various capital projects ($4,020,000). The issuance provided net proceeds of $4,040,000 which was inclusive of cost of issuance totaling $20,000.

On September 28, 2012, the City closed on the sale of $6,320,000 Special Revenue Bonds, Series 2012B. The 2012B bonds have a true interest cost of 1.119% and an average coupon rate of 1.120% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2017 and a Designated Maturity Date of October 1, 2022. The proceeds of the 2012B bonds were used to currently refund a portion of the City's Special Revenue, Series 2009C-1 ($6,295,000). The issuance provided net proceeds of $6,320,000, which is inclusive of cost of issuance totaling $25,000. The 2012B bonds were not refunded for an economic gain. The refunding was undertaken to refinance, or "roll", the maturing 2009C-1 medium-term note. It is the City's intention to continuously roll the note until the Designated Maturity date (see Note 8B for the Designated Maturity schedule).

Market conditions during the fiscal year dictated the issuance of bonds with significant premiums, which reduced the face amount of the borrowing and the effective True Interest Cost (TIC) of the transaction.

8. LONG-TERM OBLIGATIONS (continued)

G. Demand Bonds Issued by the City:

Each series of demand bonds listed below meets the criteria for inclusion as long term debt of the City.

$154,535,000 Transportation Revenue Bonds, Series 2008A:

Bond Terms - The Series 2008A Transportation Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Standby Bond Purchase Agreement (the Agreement) with JPMorgan Chase Bank (the Bank) dated April 1, 2008 and expiring April 20, 2014.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If the Bonds were to be purchased by the Bank, then the City would be required to amortize the balance of the Bonds ($150,485,000 as of the current termination date) over 12 equal quarterly installments beginning 180 days after the date of purchase.

As of September 30, 2012, there were no advances outstanding or bank bonds held under this Agreement.

$67,285,000 Capital Projects Bonds, Series 2008A:

Bond Terms - The Series 2008A Capital Projects Bonds (the Bonds) are uninsured variable rate demand bonds which mature and are remarketed every seven days at a reset interest rate.

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with the Bank of America (the Bank) dated July 1, 2008 and expiring July 15, 2014.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds ($57,875,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2012, there were no advances outstanding or bank bonds held under this Agreement.

During the fiscal year, the $121,740,000 Transportation Revenue Bonds, Series 2008B were converted to an Index Rate Mode. The existing Letter of Credit and Reimbursement Agreement with Wells Fargo (the Bank) was terminated and the bonds were directly purchased by the Bank.

8. LONG-TERM OBLIGATIONS (continued)

H. Non-Asset Debt:

The City has issued debt for the benefit of its component units or other public use entities where the asset acquired or constructed will not be owned by the primary government. An expense is recorded by the City instead of a capital asset on the citywide statements, while the debt remains as a liability of the City. The following is a listing of the outstanding debt in the Governmental Activities that was issued for non-asset backed debt (in thousands):

Excise Taxes Bonds	Entity or Purpose		Amount
Series 1993	Jacksonville Port Authority	$	5,217
Series 2002B	Shands Jacksonville Medical Center		50,810
Series 2003C (AMT)	Jacksonville Port Authority		32,490
Plan (BJP)			
Series 2007	(JTA) road projects		50,785
Series 2009	(JTA) road projects		2,628
Series 2010	(JTA) road projects		12,850
Series 2011	(JTA) road projects		19,740
Series 2012B	(JTA) road projects		57,730
Infrastructure Bank			
Loan #1	JTA road projects		25,335
Loan #2	JTA road projects		32,112
	Other Bond Issues		
Various	Misc. projects - BJP		81,389
Various	Misc. projects – other		45,341
	Banking Fund Financed Projects		
Various	Misc. projects – other		39,987
TOTAL		$	456,414

(1) Better Jacksonville Series 2012B is reported as a special item in the City-Wide Financial Statement due to the unusual nature of the transaction. Series 2012B refunded State of Florida, Full Faith and Credit, Jacksonville Transportation Authority, Senior Lien Refunding Bonds, Series 1997 (see Note 8F-New Indebtedness Issued).

8. LONG-TERM OBLIGATIONS (continued)

I. Defeased Debt:

The City has defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

As of September 30, 2012, the City had legally defeased the following bond maturities (in thousands):

Issue	Refunded by	Principal Balance at September 30, 2012	Investment Balance with Escrow Agent at September 30, 2012 (a)
Sales Tax Revenue Bonds, Series 1996 (RCR)	Cash Refunded on October 10, 2002	$14,535	$15,424
Better Jacksonville Sales Tax Revenue Bonds, Series 2003	Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012	$79,560	$85,207
Better Jacksonville Sales Tax Revenue Bonds, Series 2003	Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012A	$80,785	$86,687
Better Jacksonville Sales Tax Revenue Bonds, Series 2004	Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012A	$49,640	$50,754

(a) Source: Escrow Agent's Records

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8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt:

The City has entered into two interest rate swaps structured as integrated hedges with the same amortization as the bonds resulting in synthetic fixed rate debt in the Better Jacksonville Plan financing. For purposes of credit, the swaps are secured by a pledge on the City's transportation sales tax and constitutional gas tax with a lien on parity to the bonds. The counterparty does not have the right to terminate these transactions unless a termination event occurs. The City retains the right to terminate the swap agreements at any time.

The City computed the actual synthetic rate for both swaps for the year ended September 30, 2012 by adding the net swap payments to the variable rate interest paid and dividing by the notional amount and determined that the actual synthetic rate fell within 90 to 111 percent of the swap fixed rate. Using the synthetic instrument method, the swap is deemed an effective hedging instrument and hedge accounting is applied.

The swap agreements require the City to post cash collateral when the negative market value of the swap exceeds $25 million equal to the residual exposure. A lower credit rating will also increase the amount of collateral required. The table below summarizes the key elements of the swaps as of September 30, 2012. The fair values were obtained by the counter-parties' mark-to-market reports submitted to the City.

	SIFMA Index	67% LIBOR
Bond Series	Transportation Revenue Bonds, 2003 (1)	Transportation Revenue Bonds, 2004A (1)
Counterparty (Rating)	Wells Fargo (Aa3)	Wells Fargo (Aa3)
Effective Date	July 1, 2003	September 30, 2004
Maturity Date	October 1, 2020	October 1, 2027
Notional Amount Outstanding	$35,140,000	$67,475,000
Variable Rate Received (2)	0.153%	0.168%
Fixed Rate Paid	4.010%	3.455%
Change in Fair Value - Current Year	($322,320)	($636,849)
Underlying Fair Value at Fiscal Year End	($6,133,476)	($13,443,029)
Net Swap Interest	($1,355,439)	($2,217,870)

(1) On May 14, 2008, the Series 2003 and Series 2004A Transportation Revenue Bonds were refunded by the Series 2008B Transportation Revenue Refunding Bonds. The Series 2008B bonds were issued as uninsured variable rate demand bonds, which are remarketed every 7 days.

(2) Weighted average of rates throughout the fiscal year.

Credit Risk - As of September 30, 2012, the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreements) because each had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the City would then be exposed to credit risk in the amount of the swap's fair value.

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Basis Risk - As of September 30, 2012, the swaps expose the City to basis risk (the risk of loss due to the mismatch in interest-earning assets and interest-incurring liabilities). The agreement dated July 1, 2003 calls for the City to pay a fixed rate and receive a variable payment based on the BMA index. If the fixed rate is greater than the rates on the BMA index the City will be liable for the difference. The agreement dated September 30, 2004 calls for the City to pay a fixed rate and receive a variable payment of 67% of the one month LIBOR rate. If the fixed rate is greater than the rates on the LIBOR index, the City will be liable for the difference.

Market Risk - As of September 30, 2012, the swaps expose the City to market risk (the risk of loss due to the pricing of the swap under the current economic environment) because each swap currently has a negative fair value. If the swaps were to be terminated under the current economic conditions, the City would be liable to the counterparty for a make-whole payment in the amount equal to the negative fair value.

Using rates as of September 30, 2012 and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the City's hedged variable rate bonds.

Fiscal Year	Variable-Rate Bonds			Swap Interest Payments			Total Bonds
Ending 9/30	Principal	Interest	Total	Fixed Pay	Var. Received	Net Pay	and Swaps
2013	$ 4,680	$ 196	$ 4,876	$ 3,555	$ 155	$ 3,400	$ 8,276
2014	5,615	188	5,803	3,349	146	3,203	9,006
2015	5,695	177	5,872	3,136	137	2,999	8,871
2016	5,955	166	6,121	2,914	128	2,786	8,907
2017	8,915	155	9,070	2,587	114	2,473	11,543
2018-2022	41,745	514	42,259	7,919	354	7,565	49,824
2023-2027	25,110	201	25,311	2,710	123	2,587	27,898
2028-2032	5,685	11	5,696	-	-	-	5,696
	$103,400	$1,608	$105,008	$26,170	$1,157	$25,013	$130,021

The above chart is based upon actual rates as of September 30, 2012. The bond and swap rates as of fical year end were as follows:

City of Jacksonville $47,775,000 Transportation Revenue Bonds, Series 2003 (refunded by the Series 2008B bonds):
The 7-day variable rate reset was 0.190%
The BMA rate for swap receipts was 0.164%

City of Jacksonville $80,275,000 Transportation Revenue Refunding Bonds, Series 2004A (refunded by the Series 2008B bonds):
The 7-day variable rate reset was 0.190%
The 67% of LIBOR rate for swap receipts was 0.154%

8. LONG-TERM OBLIGATIONS (continued)

K. Conduit Debt:

The City issued certain conduit debt in the form of industrial development revenue bonds (IDB's) and private activity bonds (PAB's) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Conduit debt refers to certain limited-obligation revenue bonds or similar debt instruments issued by the City for the express purpose of providing capital financing for a specific nongovernmental third party. Although conduit debt bears the name of the City as issuer, it is collateralized by the resources provided by the loan with the third party on whose behalf they are issued. The City acts solely as a conduit issuer with respect to the debt.

Conduit debt is collateralized by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the IDB's and PAB's, ownership of the acquired facilities transfers to the private-sector entity served the bond issue. None of the assets or revenues of the City are pledged to the payment of IDB's or PAB's and under the constitution and laws of Florida, the City may not legally pledge any of its revenues or assets to the payment thereof. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2012, the City had $580,485,614 IDB's and PAB's total principal outstanding. From time to time, certain issues of such conduit debt may be in default or under investigation as to tax-exempt status of interest on such debt, however, this has no effect on the City's financial position.

As of September 30, 2012, the City had a total of $122,295,000 Jacksonville Housing Finance Authority (JHOFA), formerly Duval County Housing Finance Authority (DCHFA), Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was $28,690,000. The amount of Multi-Family Housing Bonds outstanding was $93,605,000. Refunding of previous issues make up $22,010,000 of the total amount outstanding.

As of September 30, 2012, the City had $733,209,000 of Jacksonville Health Facilities Authority (JHFA) Bonds total outstanding.

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8. LONG-TERM OBLIGATIONS (continued)

L. Interest Expense:

Total interest expense for the fiscal year ended September 30, 2012 was $128.3 million for governmental activities and $14.9 million for business-type activities.

M. Component Unit Long-Term Debt:

The long-term debt presentations for the major component units in Note 8A through Note 8C contains highly summarized data. Detailed debt presentations are available in each major component unit's separately issued financial report, which may be obtained from the finance offices below.

JEA
21 West Church Street
Jacksonville, Florida 32202

JAA
14201 Pecan Park Road
Jacksonville, Florida 32218

JPA
P.O. Box 3005
Jacksonville, Florida 32206-0005

JTA
100 North Myrtle Avenue
Jacksonville, Florida 32203

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9. PENSION PLANS

The City sponsors two public employee retirement systems (PERS) administered by separate pension boards of trustees that provide retirement, death and disability benefits: the City of Jacksonville Retirement System (JRS) and the Police and Fire Pension Plan. Substantially all employees of the City participate in one of these two plans with less than 1% of City employees participating in the State of Florida Retirement System. The JRS is administered by a nine-member board of Trustees that makes recommendations to the City Council. The City Council is responsible for establishing or amending the pension plan provisions. The Police and Fire Plan is administered independently by a five-member board.

The JRS is a cost-sharing, multiple-employer, contributory defined benefit pension plan with a defined contribution alternative. JRS includes both the General Employees Pension Plan (GEPP) and the Corrections Officers Pension Plan (COPP). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GEPP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA and the employees of JHA are eligible to participate in the GEPP upon employment. All certified Corrections Officers employed by the City are eligible to participate in the COPP upon employment. There are no separately issued financial statements for the City of Jacksonville Retirement System.

The Police and Fire Pension Plan is a single-employer contributory defined benefit pension plan covering all full-time certified police officers and firefighters employed by the City of Jacksonville Sheriff's Office and Fire and Rescue Department, respectively. The separately issued financial statements for the Police and Fire Pension Plan are available from Police and Fire Pension Fund, One West Adams Street, Suite 100, Jacksonville, FL 32202.

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

9. PENSION PLANS (continued)

A. Summary of Significant Accounting Policies:

(1) **Basis of Accounting** -The City's pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution benefit payments and refunds are recognized when due and payable in accordance with the terms of each plan. The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll and any contribution shortfalls are the responsibility of the City to fund. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes.

(2) **Method Used to Value Investments** - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers. Investments are managed by third party money managers while cash and securities are held by the City's independent custodian. The City receives a monthly reconciliation of any material differences in pricing by the custodian and manager.

B. Trend Information and Plan Overviews:

(1) Trend information gives an indication of whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial accrued liability for benefits. Historical trend information for all three plans, on a year-by-year basis, is included in the accompanying Required Supplemental Information. The annual pension costs for the fiscal year ended September 30, 2012 were $69.3 and $90.3 million for JRS and PFPF respectively, which was equal to the required contributions. Trend information for each of the City's three plans is as follows:

EMPLOYER CONTRIBUTIONS
(in thousands)

Valuation Date	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
General Employees Pension Plan			
9/30/2010	38,609	105%	(2,097)
9/30/2011	39,101	101%	(2,374)
9/30/2012	57,471	87%	5,198
Corrections Officers Pension Plan			
9/30/2010	9,098	104%	(246)
9/30/2011	8,882	109%	(1,075)
9/30/2012	11,847	76%	1,706
Police and Fire Pension Plan			
9/30/2010	95,020	100%	-
9/30/2011	94,631	100%	-
9/30/2012	90,278	100%	-

9. PENSION PLANS (continued)

B. Trend Information and Plan Overviews: (continued)

FUNDING PROGRESS
(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as % of Covered Payroll
General Employees Pension Plan						
9/30/2011	1,582,042	2,217,381	635,339	71.35%	314,054	202.3%
Corrections Officers Pension Plan						
9/30/2011	103,154	223,579	120,425	46.14%	31,832	378.3%
Police and Fire Pension Plan						
9/30/2011	1,042,241	2,427,198	1,384,957	42.94%	148,968	929.7%

** Note: 2012 actuarial valuation reports for the above pension plans were not available as of the printing date of this statement.

Net Pension Obligation and Annual Pension Cost

(Dollar amounts in thousands)	General Employees Pension Plan	Corrections Officers Pension Plan
Annual required contribution (ARC)	57,498	11,861
Interest on net pension obligation	(196)	(89)
Adjustment to ARC	169	75
Annual pension cost	57,471	11,847
Contributions made	(49,899)	(9,066)
Increase in net pension obligation (asset)	7,572	2,781
Net pension obligation (asset) beginning of year	(2,374)	(1,075)
Net pension obligation end of year	5,198	1,706

Note: Police & Fire Pension Plan did not have a net pension obligation or asset as of fiscal year end.

The following page is an overview of selected plan elements for the City's defined benefit plans.

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9. PENSION PLANS (continued)

B. Trend Information and Plan Overviews: (continued)

PLAN OVERVIEW AS OF SEPTEMBER 30, 2012

	Jacksonville Retirement System		
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
Membership:			
Retirees and beneficiaries currently receiving benefits	4,783	241	2,045
Deferred Retirement Option (DROP) participants	NA		550
Terminated employees vested, not yet receiving benefits	81	1	52
Active employment plan members:			
Vested	3,494	351	1,848
Non-vested	1,991	278	365
Total plan membership	10,349	871	4,860
Benefit structure:			
Accrual rate:			
Years one through twenty	2.5%	3.0%	3.0%
Years twenty-one and after	2.5%	2.0%	2.0%
Years of service required to vest	5	5	5
Years of service required- normal retirement	30	20	20
Final average pay parameters	3 years	3 years	2 years
Maximum benefit as % applied to final average pay	80%	80%	80%
Cost of living (COLA) adjustments:			
Years delay after retirement	5	1	1
Annual percentage increase	3%	3%	3%
DROP structure:			
Options	Back	Forward	Forward
Maximum duration- years	5	5	5
Earnings rate on benefit payments held in trust	actual with +4% ceiling, -4% floor	actual with 0% floor	8.4% guaranteed
Financial information (in millions):			
Annual contributions 2011-12:			
City	$ 27	$ 9	$ 73
Other participating employers	$ 24	N/A	N/A
Other sources	-	-	$ 10
Employer contribution stated as percentage of pay:			
FYE 9-30-10	13.50%	31.78%	49.60%
FYE 9-30-11	13.50%	31.78%	49.60%
FYE 9-30-12	17.52%	31.78%	49.60%
Employee contribution stated as percentage of pay	8%	8%	7%
Covered Payroll	$ 287	$ 29	$ 134
Benefit payments (including DROP payments)	$ 135	$ 9	$ 140

9. PENSION PLANS (continued)

B. Trend Information and Plan Overviews: (continued)

ACTUARIAL PLAN VALUATION AS OF SEPTEMBER 30, 2011

	Jacksonville Retirement System		
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
Actuarial reports:			
Date of last actuarial valuation	October 1, 2011	October 1, 2011	October 1, 2011
Actuarial method	Entry age	Entry age	Entry age
Plan assumptions:			
Earnings rate	8.25%	8.25%	7.75%
Mortality Table in use	RP-2000	RP-2000	RP-2000
Salary growth	3.50%	3.50%	5.00%
Unfunded Liability Amortization period	30 years, Closed	30 years, Closed	5 - 30 years, Open
Amortization method	Level Pct of Payroll	Level Pct of Payroll	Level Percent
Asset Valuation Method	5-year smoothing	5-year smoothing	5-year smoothing
Actuarial financial information (in millions):			
Assets (net of securities lending) as of September 30, 2011:			
Market value	$ 1,384	$ 93	$ 956
Actuarial value	$ 1,582	$ 103	$ 1,042
Unfunded Actuarial Accrued Liability- September 30, 2011	$ 635	$ 120	$ 1,385
Funded Ratio	71.35%	46.14%	42.94%

C. City of Jacksonville Retirement System: Financial Information

(1) The Statement of Fiduciary Net Assets – Jacksonville Retirement System - General Employees and Corrections Officers Plan for the year ended September 30, 2012 is as follows (in thousands):

ASSETS	
Equity in cash and investments	$ 32,652
Receivables	5,671
Investments, at fair value	1,656,630
Capital assets, net of depreciation	1
Securities Lending Collateral	96,041
TOTAL ASSETS	1,790,995
LIABILITIES	
Obligations Under Securities Lending Agreement	96,046
Accounts payable and accrued liabilities	1,066
Accrued Compensated Absences	16
Due to Drop Participants	14,360
TOTAL LIABILITIES	111,488
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,679,507

9. PENSION PLANS (continued)

C. City of Jacksonville Retirement System: Financial Information (continued)

(2) The Statement of Changes in Fiduciary Net Assets – Jacksonville Retirement System for the year ended September 30, 2012 is as follows (in thousands):

ADDITIONS	
Contributions:	
Employer	$ 60,490
Plan Member	28,304
Total contributions	$ 88,794
Other additions	1,009
Investment income	270,382
Securities Lending	1,637
TOTAL ADDITIONS	361,822
DEDUCTIONS	
Benefits payments	138,789
DROP Benefits	4,951
Refunds of contributions	20,970
Administrative expenses	760
TOTAL DEDUCTIONS	165,470
Net change in net assets	196,352
NET ASSETS, BEGINNING OF YEAR	1,483,155
NET ASSETS, END OF YEAR	$ 1,679,507

D. Police and Fire Pension Plan

(1) Net assets available for benefits are designated pursuant to an agreement between the Police and Fire Pension Plan Board of Trustees and the City effective April 1, 2000, and include two actuarially computed components, the City Stabilization Account and the Enhanced Benefit Account. The City Stabilization Account, which has a balance of $6.7 million as of September 30, 2012, was established for the purpose of cushioning actuarial losses in the base benefits fund and giving the City greater flexibility in its funding of the Plan. The Enhanced Benefits Account which has a balance of $21.7 million of September 30, 2012, was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements. The base benefits fund consists of the remaining assets pledged to provide fund benefits.

(2) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of $9.3 million pursuant to Chapters 175 and 185, Florida Statutes. Such remittances, which are reported as State insurance contributions in the Statement of Changes in Fiduciary Net Assets are generally earmarked under state policy and legal guidance for the purpose of granting enhanced benefits to public safety pension plans throughout the State of Florida. The remittances received by the Plan are governed by the Restated Agreement executed between the Plan and the City.

9. PENSION PLANS (continued)

D. Police and Fire Pension Plan (continued)

The Agreement stipulated that $6.5 million of the $9.3 million remittance received during the fiscal year is to be allocated for expenditures authorized within the current benefit structure, with the remaining $2.8 million being uncommitted and earmarked for use in funding future benefits and/or ad-hoc, non-recurring expenditures as authorized by the Trustees of the Plan. During the fiscal year, $1.8 million of the $2.8 million uncommitted element was expended for ad-hoc non-recurring expenditures.

E. Defined Contribution Plan

As of October 1, 2009, the City created by ordinance a Defined Contribution (DC) plan within the Jacksonville Retirement System for GEPP participants as an employee choice alternative to the DB plans. Both employer and employee contributions to the DC plan stated as a percentage of pay were 7.7% and totaled $631 and $632 thousand for the 2011-12 fiscal year. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation.

F. Florida Retirement System

(1) Plan Description - The City also participates in the Florida Retirement System (FRS), a multiple-employer cost-sharing retirement system which covers less than 1% of the City's full-time employees. FRS is a defined-benefit contributory retirement plan, administered by the State of Florida, Division of Retirement. The City payroll for employees covered by FRS was $2.8 million during the fiscal year; the City's total payroll for all employees was $421.2 million.

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

9. PENSION PLANS (continued)

F. Florida Retirement System (continued)

(2) A. Employer Contributions – For the fiscal years ended September 30, 2012, 2011, and 2010, the City contributed $321,000, $552,000, and $584,000 respectively, to the System for covered employees. For the Fiscal year ended September 30, 2012, the contributions represented less than 1% of the System's total contributions required by all participating employers of 3.2 billion. Contributions in fiscal years 2011 and 2010 were also less than 1% of the total contributions required by all participating employers, which amount to approximately 3.0 and 2.3 billion per year.

B. Employee Contributions: Effective July 1, 2011 the Senate Bill 2100 – Pension Reform was passed, requiring a 3% Employee Contribution for all Plans except DROP. Total employee contributions from October, 1, 2011 to September 30, 2012 were $73,837.

The City has contributed 100% of the annual required contribution for each of the last three years.

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make contributions actuarially determined at the rates in effect at September 30, 2012, of 5.181% of the compensation for regular members, 14.90% for risk members, 10.23% for elected county officials, and 6.30% for senior management and 5.44% for DROP Plan members.

(3) Trend Information - Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2012 annual financial report. The report may be obtained from the State of Florida, Department of Management Services, Division of Retirement P.O. Box 9000, Tallahassee, Florida 32315-9000.

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10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description: The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance contract plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801 and therefore has an implicit rate subsidy benefit for the retirees' participation. As of the valuation date, the Plan had approximately 7,769 active participants and 1,369 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

Funding Policy: To date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is currently applicable; however, there is an implicit cost discussed below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums. Plan members contributed $4.9 million in premiums for fiscal year 2012, representing 44.9% of the total fiscal year 2012 OPEB cost.

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

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

The City has elected to calculate the ARC and related information using the Entry Age Normal Salary Based Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Annual requirements include a 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 9% at September 30, 2012 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2018 of 5.0%. The projected salary increase assumption is 4% per year.

10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

The actuarial accrued liability (AAL) was determined as of September 30, 2012, based on the above assumptions and cost method, and applied to member data current at September 30, 2012. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2012, with an AAL calculated to be $126.2 million, which is unfunded (or 0% funded). The annual covered payroll is $362.4 million, resulting in an unfunded AAL of 34.8%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on September 30, 2012.

OPEB Government Accounting Standards Board (GASB) 45 results are not based on the assumption that all members terminate service as of the valuation date, but rather on the assumption that the various forces of decrement-future disablement, future mortality, future termination of employment, and future retirement-continue to be operative.

Plan Obligation: (in thousands)		2012
Annual Required City Contribution (ARC)	$	10,593
Interest on Plan Obligation		1,273
Adjustment to ARC		(1,010)
Annual Plan Retiree Cost	$	10,856
Contributions Made		(4,873)
Change in Plan Obligation		5,983
Plan Obligation Beginning of Year		28,283
Plan Obligation End of Year	$	34,266

At fiscal year-end 2012, the City accrued $33 million in the Governmental Statement of Net Assets, $1.2 million in the Business-Type Statement of Net Assets, $79 thousand in the Jacksonville Economic Development Commission (JEDC), and $7 thousand in the Jacksonville Housing Finance Authority (JHFA) two discreetly presented component units.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding years are as follows: (in thousands)

Fiscal Year Ended	Annual OPEB Cost	of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	11,219	41.9%	21,857
9/30/2011	10,621	39.5%	28,283
9/30/2012	10,856	44.9%	34,266

10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

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

11. DEFERRED COMPENSATION PROGRAM

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

12. RISK FINANCING

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

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

12. RISK FINANCING (continued)

While the City self-insures for automobile liability and automobile first party property damage, general liability and workers' compensation; it transfers its risk through the purchase of insurance for its other exposures. As a result of various contractual requirements, the City procures several miscellaneous general liability policies. The following schedule indicates the major categories of policies purchased to transfer risk. The City also purchases Watercraft (P&I)/Hull, Wharfinger Liability, Fine Arts, Out of State Automobile Liability, and General Liability (Rails to Trail, Power lines Easement, Riverwalk, and Voting Precincts) to transfer risk. The following policies are subject to sublimits, policy aggregates (where applicable) terms, conditions and exclusions as noted in the policies. Coverages are applicable to specific entities named as an insured.

Coverages		Limits Occurrence and Aggregate		Retentions/Deductibles	
General Liability (City)	$	5,000,000	$	2,500,000	
General Liability (JEA, JPA, JHA, and JAA)	$	1,000,000	$	5,000,000	
Workers' Compensation Benefits		Statutory	$	1,200,000	
Employers' Liability	$	3,000,000	$	1,200,000	
Property (Real & Personal Property) -	$	600,000,000	$	100,000	(1)
Boiler and Machinery	$	100,000,000	$	50,000	
Employee Fidelity	$	5,000,000	$	50,000	(2)
Aircraft Liability	$	20,000,000	$	-	
Aircraft Physical Damage (Schedule Value)	$	2,729,827	$	1,000 / 250	(3)
Watercraft (P&I)	$	1,000,000	$	2,000	
Watercraft Physical Damage	$	8,510,493		Various/Per Schedule	(4)
Wharfingers Liability	$	5,000,000	$	1,000	
Fine Arts - Scheduled Value	$	145,625	$	1,000 / 2% Windstorm	
Out of State Automobile Liability	$	1,000,000	$	-	
Excess Medical Malpractice	$	10,000,000	$	1,500,000	
Rails to Trail General Liability	$	3,000,000	$	1,000	
Power Lines Easement General Liability	$	2,000,000	$	500	
Riverwalk General Liability	$	5,000,000	$	5,000	
Voting Precincts General Liability	$	1,000,000	$	500	

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12. RISK FINANCING (continued)

(1) The property limits and deductibles are on a per occurrence basis except as otherwise noted in the policy.

The property policy deductible for named windstorm losses is equal to 5% of total values of the locations involved in the occurrence, subject to a minimum deductible of $500,000 and maximum of $25,000,000, except individual maximum deductible applies to Duval County Unified Courthouse $5,000,000, Jacksonville Municipal Stadium $3,500,000, Times Union Center of Performance Arts $3,500,000, Main Library $3,500,000, Jacksonville Veterans Memorial Arena $2,500,000 and Ed Ball Building. The affected locations individual maximum deductibles are inclusive of the $25,000,000 named storm deductible.

The policy $25,000 deductibles apply to Jacksonville Port Authority Equipment Floater, Fine Arts (Excess over other collected insurance) and Property in Transit and Electronic Data Program Equipment and Media. The policy includes Service Interruption coverage with a 24 hours waiting period.

(2) Crime coverage affords Faithful Performance, Forgery or Alteration, Inside the Premises (Theft of Money and Securities), Inside Premises (Robbery or Safe Burglary of Other Property), Outside the Premises, Computer Fraud, Funds Transfer Fraud and Money Orders and Counterfeit Money. These coverages have a $3,000,000 limit with a $25,000 deductible applicable to each coverage either on a per loss or occurrence basis.

(3)Aircraft physical damage deductibles are for aircrafts not in motion or in motion: (1) $1,000 is for rotor wings not in motion and $250 fixed wings;5% of hull not to exceed $25,000 value for rotor wings in motion and $1,000 fixed wings.

(4) Watercraft physical damage deductibles are in the range of $100 to $55,000. These deductibles are based upon the vessel value.

The Division performs the following functions internally: loss prevention, workers' compensation claims, general liability and automobile liability claims, purchase of insurance for its other exposures, and related management activities.

Annually, as of September 30, the Program has a third party actuary review of the claim history for all open claim years. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims and claim development) for each year's claim experience and the probable loss fund cost for the New Year. The City is pro-active in managing workers' compensation costs, and has gone from in-house defense counsel to outside defense counsel for fiscal year 2013. This use of outside defense counsel should result in continued savings, and leveling of costs that otherwise would be increasing faster than the general inflationary rate. The effect of using outside counsel is to continue to mitigate the impact of long term liability of life time claims thereby having a favorable impact on claim experience and development in the workers' compensation program on an ongoing basis. These projections are provided as a range of estimates (low, expected and high), with a discounted alternative for each of the three estimates. The liability is established at the expected level using a discounted rate of 2%. The claims liability at September 30, 2012 is $97,147.

12. RISK FINANCING (continued)

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

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2012, the City has available excess revenues in the Self-Insurance fund of $3,373 (in thousands) and an operating reserve in the amount of $62 (in thousands) for a combined unrestricted net asset of $3,435 (in thousands). In the Supplemental Section of the City's Comprehensive Annual Financial Report, is a trend information schedule for general/auto liability and workers' compensation, entitled "Schedule of Self-Insurance Ten Year Claims Development Information," which reflects the claims paid and liability projection development of each of the most recent ten years as of September 30, 2012.

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12. RISK FINANCING (continued)

The following schedule presents the changes in aggregate claims liabilities for the past two years of the self-insurance fund's general liability, automobile liability, and workers' compensation.

SELF-INSURANCE FUND
CHANGES IN AGGREGATE CLAIMS LIABILITIES HISTORY (Including ULAE)
FOR THE YEARS ENDING SEPTEMBER 30
(in thousands)

	General/Auto Liability		Workers Compensation		Totals	
	2012	2011	2012	2011	2012	2011
Unpaid claims and claims adjustment expenses at beginning of fiscal year	$11,366	$10,796	$77,163	$72,828	$88,529	$83,624
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	4,109	3,884	12,264	6,402	16,373	10,286
Increases (decreases) in provision for insured events of prior fiscal years	295	2,214	11,032	15,406	11,327	17,620
Total incurred claims and claim adjustment expenses	4,404	6,098	23,296	21,808	27,700	27,906
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,652	1,660	3,914	3,054	5,566	4,714
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,838	3,868	10,678	14,419	13,516	18,287
Total Payments	4,490	5,528	14,592	17,473	19,082	23,001
Total unpaid claims and claim adjustment expenses at end of fiscal year	$11,280	$11,366	$85,867	$77,163	$97,147	$88,529

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13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES

A. Compliance with Finance Related Legal and Contractual Provisions:
In the opinion of management, the City has no violations of finance related legal and contractual provisions.

B. Fund Deficits:
The following individual funds had a fund deficit at September 30, 2012, (in thousands):

	Fund Balance/ Net Asset
Non-Major Special Revenue fund:	
Community Development Block Grant	($99)
Internal Service Funds	
Copy Center	($51)

The Community Development Block Grant fund net asset deficit is due to normal cash flow timing differences related to grant reimbursement.

The Copy Center's 2012 net asset figure represents a $52 thousand improvement from the 2011 deficit of ($103) thousand. The rates were adjusted in previous years and the remainder of the deficit is expected to be eliminated by the results of future operations.

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13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES

C. Landfill Closure and Postclosure Care Costs:

The State of Florida's Solid Waste Management Act of 1988 and regulations of the U.S. Environmental Protection Agency (EPA) and the State of Florida Department of Environmental Protection (FDEP) require the City to be responsible for constructing and maintaining the final landfill cover, monitoring ground water and methane gas, and continuing leachate management 30 years after its municipally owned landfills stop accepting solid waste and are closed. The estimated total costs of municipal solid waste landfill (MSWLF) closure and post closure (long-term) care costs reported by the City are based upon professional consulting engineers' studies prepared annually pursuant to rules promulgated by EPA and FDEP. However, existing EPA and FDEP closure and long-term regulations may change which might require the City to revise its MSWLF cost estimates used in the future.

MSWLF costs, for open landfills, are recognized in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs. A liability of the Solid Waste Disposal Enterprise Fund is recorded based upon landfill capacity used at fiscal year-end and a current operating expense of the Fund in the fiscal year in which the MSWLF costs are recovered through earned, operating revenue.

The estimated liability for MSWLF closure and long-term care costs at September 30, 2012, is (in thousands):

	Balance, September 30, 2011	Accrual / Adjustment of Costs	Balance, September 30, 2012
Inactive Landfills -			
Long-term care costs	$ 9,110	$ (2,367)	$ 6,743
Active Landfill -			
Closure and Long-term care costs	52,054	1,848	53,902
Total Landfill Liability	$ 61,164	$ (519)	$ 60,645

At September 30, 2012, the City's total liability for landfill closure and long-term care was $60.6 million. Of this amount $53.9 million relates to the active landfill, Trail Ridge, and $6.7 million relates to the inactive landfills, North and East. Adjustments of costs include accruals or adjustments to cost estimates and reductions for payment of post closure care costs.

Expenses for closure and long-term care costs are funded from future operating revenues of the Solid Waste Disposal fund and bond proceeds. As noted in Note 1. P, the application of SFAS No. 71 resulted in certain cost being capitalized and amortized to later periods. The City obtained bond proceeds to support closure and long-term care cost for North and East landfills and Picketville Waste Site. At September 30, 2012 the deferred balance of the capitalized cost is $10.9 million, which during the year the City amortized $3.1 million.

13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES

C. Landfill Closure and Long-term Care Costs: (continued)

Active Landfill – Trail Ridge

The closure and long-term liability for Trail Ridge as of September 30, 2012 is $53.9 million which represents an increase of $1.8 million compared to preceding year. This increase resulted from adjustments for inflation and current annual closure and long-term care cost estimates. The percentage of landfill capacity used is estimated to be 78%.

Inactive Landfills – North and East

North and East landfills closed October 1999 and April 1992, respectively. The long-term liability for North and East as of September 30, 2012 is $5.5 million for 6 years and $1.2 million for 3 years, respectively. When compared to the preceding year, the liability balances decreased $2.3 million aggregately, due to adjustments for current annual closure cost estimates and cost paid for performing and monitoring closure work.

Annually, the City is required by Chapter 62-701.630 of the Florida Administrative Code, to accumulate resources for payment of closure and long-term care cost. The City is in compliance with these requirements. As of September 30, 2012 $30,863,145 which includes $8,333,141 for accelerated payments, have been accumulated for payment of closure and long-term care cost (see summary below). Accelerated payments are payments in excess of the required financial assurance balances which are held in reserves for contingencies and are used to offset future operational cost.

	Trail Ridge	North	East	Total
Current cost of closure	$ 21,208,484	$ -	$ -	$ 21,208,484
Annual cost of long-term care	-	925,818	395,702	1,321,520
Accelerate funds above state minimum	8,333,141	-	-	8,333,141
Total balance in escrow account	$ 29,541,625	$ 925,818	$ 395,702	$ 30,863,145

14. LESSOR OPERATING LEASE

A. Jacksonville Jaguars, Inc. - The City has entered into a lease dated September 7, 1993, pursuant to which the City leases EverBank Field, a City owned stadium, and adjacent practice facilities to the Jacksonville Jaguars, Inc. (Jaguars) for a period of 30 years from the first National Football League (NFL) regular season play in 1995; Amendment 5, executed September 6, 2002, extends the lease an additional five years.

The lease entitles the Jaguars to use the stadium on game days, for practices and summer training camp, and for the period necessary before game days. During other periods of time, the City has the right to use the stadium, except for certain administrative spaces, training facilities, suites, and other areas that are for the exclusive use of the Jaguars.

For the first five years, rent is deferred in the amount of $250,000 per year; in years 6-10 rent is $500,000 per year; in years 11-20 $1,000,000; and in the final 15 years $1.25 million, including the lease extension. Amendment 8, executed January 2006, reduced the total Jaguars rent obligations by $8,600,000, which was provided through rental reductions in the amount of $1,433,333 for six payments beginning with the November 2005 payment through the June 2008 payment.

Amendment 8 also reduces supplemental lease obligations, with the City's acceptance of payment from the Jaguars in the amount of $10,197,891 for the full satisfaction of amounts due for Super Bowl net revenues. Rents from years 11 through the end of the lease are subject to escalation based on one-half of any increase in the Consumer Price Index, but not to exceed 2.5% per year.

In addition, the Jaguars are obligated to pay supplemental rent in an amount equal to the annual debt service incurred by the City for certain costs of renovation of $53.1 million requested by the Jaguars over a 30 year period with interest computed on a tax-exempt basis; inclusive of Amendment 7 executed May 27, 2004.

The lease generally permits the City to retain revenues from City events at the stadium, with some exceptions. Amendment 8 outlines provisions for advertising revenue generated from electronic signage for different stadium functions. The City is required to provide electricity, water and sewer services for the stadium at its expense. The City must maintain the stadium and all leasehold improvements. Per Amendment 8, the City agreed to provide $1,000,000 for additional electronic signs. The City is required to pay for game day personnel, excluding concessions, on the days of Jaguar games. Amendment 8 gives the Jaguars the responsibility to provide concessions to all events within the concessions area. The Jaguars retain all net revenues from concessions and similar sales on NFL game days. The lease obligates the Jaguars to maintain its franchise at the stadium in Jacksonville and to not relocate unless it pays the City certain guaranteed amounts. Amendment 9 outlines a revenue sharing agreement for the stadium naming rights and provides the parameters for the marketing of the stadium name.

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, Inc. (continued)

Also, Amendment 9 details additional advertising rights and allows for certain fixed signage at the stadium. However, the subsequent naming rights agreement with EverBank eliminated the City participation in revenue from the stadium naming rights.

Amendment 10 outlines the accepted procedures for the use of the City established Sports Complex Capital Maintenance Fund. The agreement allows the Jaguars to advance fund certain capital, repair and maintenance projects at the stadium and receive reimbursement from the City. Amendment 10 also establishes the procedures for the creation of the related capital improvement plan.

A summary of scheduled lease payments is as follows:

Year	Payment
2013	4,047,200
2014	4,006,519
2015	3,960,040
2016	4,768,677
2017	4,749,626
2018 - 2022	21,924,464
2023 - 2027	25,472,788
2028 - 2030	16,473,479

The Jaguars Operating Lease is subject to the rental provisions of GASB #13 – Accounting for Operating Leases with Scheduled Rent Increases.

The Base Rental associated with the startup of operations and the initial capital costs for transforming the stadium to an NFL stadium has deferred rents for the first five years and then scheduled rent increases throughout the term of the lease, Amendment #8 in FY2005 providing rental credits of $2,866,666 in FY2006, FY2007, and FY2008, which reduced the rental payment in each of those years. Paragraph 6 of GASB #13 states that "Sometimes an operating lease with scheduled rent increases contains payment requirements in a particular year or years that are artificially low when viewed in the context of earlier or later payment requirements." This occurred with the base rental of the Jaguars contract. Paragraph 6 guidance states that the operating lease transactions should be measured utilizing one of two measures, with Paragraph 6a being "The operating lease transactions may be measured on a straight-line basis over the lease term." The City has recorded a deferred rent receivable of $11,809,583 due to the application of GASB #13 based on the difference in the actual rent paid and the calculated straight line rent.

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, Inc. (continued)

In analyzing the lease, there are two conditions that could affect the collection of the deferred rent receivables. The lease has been modified eleven times since the original agreement, providing for rent reduction as noted in amendment #8. Based on this history of amending the lease, there is uncertainty and a potential for other rental reductions or deferments which could put the collection of the deferred rent receivables at risk. Additionally, the lease has several paragraphs concerning early termination of the contract and provides the City of Jacksonville reasonable liquidated damages in the circumstance of the Jaguars leaving the City. This termination provision, in effect, makes the rental collection subject to a year by year basis. The City has an offsetting allowance for the entire $11,809,583 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

B. Shands Jacksonville

Under an agreement with a not-for-profit corporation, Shands Jacksonville, formerly known as University Medical Center, the City leases to Shands certain capital assets, principally land and buildings, over a term to September 30, 2027 with an option to renew for an additional forty years to 2067 at $1 per year. In addition, Shands is to be a full service hospital in support of the indigent care programs of the City of Jacksonville and Duval County under the agreement. Shands is to maintain, in good condition, and make improvements and betterments to the Hospital as necessary over the life of the lease. At termination of the lease, all leased property shall revert to the City.

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation:

The City is named as party in legal proceedings which occur in the normal course of government operations. Such litigation includes, but is not limited to, claims asserted against the City arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of state or federal laws.

It is not possible at the present time to estimate the ultimate outcome or liability, if any, to the City for these proceedings. However, it is the City's opinion that ultimate liability in these matters, if any, is not expected to have a material adverse effect on the City's financial position.

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

B. Grants and Contracts:

The City participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of the City. All City agencies and departments are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or department is a recipient of a federal grant, contract or their sponsored agreement. Certain agencies and departments may not be in total compliance with these regulations. Failure to comply may result in questions concerning eligibility of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the City.

C. Self-Insurance:

Through the City's Risk Management Division, the City maintains an insurance and self-insurance program (See Note 12). The Division administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the city general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and Jacksonville Aviation Authority under the City's Ordinance Code Chapter 128. The City purchases commercial insurance for workers' compensation claims in excess of $1.2 million. Under the laws of the State of Florida, the city has sovereign immunity for state tort claims in excess of $200,000 per person, and $300,000 per occurrence. The City retains coverage on all other types of insurance including real and tangible property. The self-insured programs of the City, which are included in the Self-Insurance Internal Service Fund, are funded on a dollar-for-dollar basis determined actuarially for the estimated losses for claim development and incurred but not reported claims, and unallocated loss adjustment expenses. Claims are reserve on ultimate probable cost basis.

D. Pollution Remediation:

Governmental Accounting Standards Board Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations (GASB 49) provides accounting and financial reporting for pollution remediation obligations. While GASB 49 does not require the City to search for pollution, it does require the City to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

- The City is compelled to take remediation action because pollution creates an imminent endangerment to public health,
- The City is in violation of pollution prevention,
- The City is named, or has evidence that it will be named as responsible party by a regulator,
- The City is named, or has evidence that it will be named in a lawsuit to enforce cleanup, or
- The City commences or legally obligates itself to conduct pollution remediation activities.

The City recorded a pollution remediation liability as of September 30, 2012 of approximately $166.4 million (See Note 8. C for schedule) using the expected cash flow technique. Under this technique, the City estimated a reasonable range of potential outlays and multiplied those outlays by their probability of occurring. However, this liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

Whitehouse Waste Oil Pits Superfund Site

The US Environmental Protection Agency (USEPA) identified the City as a potential responsible party (PRP) at the *Whitehouse Waste Oil Pits Superfund* Site in western Duval County. The City and other (PRPs) participated in the USEPA's Pilot Allocation Project which resulted in the USEPA assuming as much as 65% of the liability at the site, with the City being allocated less than 10% of the liability.

The USEPA estimates $20 million site costs, with the City paying approximately $2 million over the life of the project (which includes a 30 year operations and maintenance period). Site work was substantially complete in October 2006 when operations and maintenance work began. The PRPs have more than $1.9 million on deposit to fund operations and maintenance; however until USEPA officially declares the remedial action complete, the prospect for additional work remains. In January 2008, the City met with adjacent property owners to negotiate the purchase of additional private property to account for the location of the remedial berm. Negotiations are ongoing, with the estimated additional purchase within the limits of the remaining funds contributed by PRPs. The City and other PRPs settled with the USEPA which had sought reimbursement of its cost of a removal action in 1995, regarding the Bill Johns Waste Oil Site. The City's liability is based on contracting with the waste oil service to empty used oil collection points operated under a recycling grant from the State. Florida Department of Environmental Protection (FDEP) has submitted a demand to the PRPs to assess the site further to determine the extent of contamination that may remain after the removal action. The liability to FDEP is being assessed, but the site may be eligible for the state-funded cleanup program, relieving the City of any financial exposure. Because of the uncertainty of this event, no accrual has been recorded.

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

Ash Sites

The City has identified four sites that were used for incinerator ash waste. The common practice during the 1950s and 1960s was to incinerate garbage and then mix the residual ash waste with other soil and use it as fill dirt. The City and the USEPA signed an agreement in 1999 to develop a plan to remediate the four sites. In order to make the sites and surrounding areas safe from a variety of residual pollutants, the City has proposed to the EPA a plan to clean up the areas by removing the top two feet of soil, placing a barrier, and then replacing the topsoil with untainted dirt. The project is estimated to take several years to complete once started and a cost estimate of $76.7 million has been accrued based on the City's estimate used in its five year capital project plan.

Other Sites

FDEP had identified five sites of potential liability the City is responsible for. These sites are: *Burke St. Lime Pitts, Doe Boy Dump Site, Gold Merit/Pope Plan, Confederate Park, and Southside Incinerator Site*.

These projects, which are estimated to take several years to complete once started, have an estimated cost of $51.4 million, which has been accrued by the City and included in the City's five year capital projects plan. Various other remediation sites exist within the City and $37.9 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

The liability for *Picketville Waste Dump* Site at September 30, 2012, of $0.4 million is based on the most recent estimate by the Federal Government of the City's allocated share of the clean-up and long term care cost of the site under a Participation Agreement and Consent Decree with the USEPA. The City was identified as a responsible party, sharing 65% of the total clean-up costs.

E. Garage Development Agreement:

The City entered into agreements for a private developer to construct and operate three parking garages. Two of the garages are to support the sports complex and the other is to support a new courthouse site. The current agreement provides an operating subsidy to support debt service, operating deficits, required reserves, and percentage return of equity, totaling approximately $4 million per year. Associated therewith, the City has options to buyout the current business arrangement, refinance the related non-city debt and assume operational control thereof.

F. Other Litigation:

The City is involved in a number of legal matters as of September 30, 2012. Related claims involve various issues including contract disputes, civil rights, negligence, wrongful deaths and other contested matters. An estimate of potential losses for these claims cannot be made at this time.

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

F. Other Litigation: (continued)

Since September 30, 2012, the City settled several legal matters. The City does not consider the settlement amounts to be material.

In accordance with FAS 5, no accrual has been made in the accompanying financial statements for these cases because relevant criteria have not been met. Payments, if any, will be funded by general revenue sources and earnings.

G. Construction and other significant Commitments: At September 30, 2012, the City had significant commitments for the following projects (in thousands):

General Government	
Contractual Services	2,032
Courthouse	3,806
Environmental Cleanup	607
Facilities Cap Maint	1,188
Improvements	1,064
Misc Services & Charges	1,015
Mobile Equipment	3,040
Other Operating Supplies	702
Professional Services	4,383
LaVilla Brooklyn Project	1,731
Workers Compensation	523
Computer items under $1,000	539
Public Safety	
Food Services - Jail	740
Disaster Recovery	2,083
Radio Systems	1,746
Security Guard Services	1,332
Specialized Equipment	771
Physical Environment	
Ash Site Remediation	20,740
Drainage	3,992
Garbage/Recycling Contract	3,273
Miscellaneous	2,229
Stormwater	1,810
Tree Protection	4,527
Transportation	
Public Works Road Projects	6,311
Resurfacing	4,639
Economic Environment	
Bay/Hogan Garage	3,500
HUD	2,659
Edward Waters College	550
Pinnacle Project	722
Human Services	
Subsidies & Contributions to private organizations	5,443
Culture/Recreation	
Parks	2,100
	89,797

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

H. Encumbrance Commitments:

At September 30, 2012, the City had encumbrance commitments in the Governmental Funds as follows: (in thousands)

MAJOR FUNDS	
General Fund	9,172
General Projects	36,568
Total Major Funds	45,740
NON-MAJOR FUNDS	
Concurrency Management	953
Air Pollution Control and Monitoring	1
Tourism Development	515
Clerk of the Court	24
Transportation Fund	147
Budgeted General Government	4,700
Public Safety	570
Emergency 9-1-1	158
Tax Increment Districts	750
Jacksonville Children's Commission	1,752
American Recovery & Reinvestment Act	1,386
Community Development Block Grant	5,472
Maintenance, Parks and Recreation	150
Other Federal, State and Local Grants	7,210
Housing and Neighborhoods	858
State Housing Initiative Partnership	30
Non Budgeted General Government	775
Better Jacksonville Plan Construction Project	3,834
Bond Projects	4,494
Grant Projects	1,739
Total Non-Major Funds	35,518
TOTAL ENCUMBRANCES	81,258

*The Better Jacksonville Plan Construction Project Fund accounts for funds associated with the $2.25 billion improvement plan. Council appropriated funds for the plan in its entirety at the inception, while funding sources including dedicated sales tax and debt issues are secured as needed. Multi-year contracts are encumbered and funding sources are obtained as construction occurs.

16. SUBSEQUENT EVENTS

A. JEA

In October 2012, JEA repaid the $2.7 million SJRPP line of credit draws that were outstanding as of September 30, 2012.

B. JAA

Debt Activity

On December 4, 2012 JAA gave notice of defeasance to bondholders regarding Series 2006 Bonds maturing on October 1, 2031. Full principal of $53.63 million and interest of $622 thousand will be paid to from the escrow account to the bondholders in early 2013.

On December 4, 2012 JAA issued a note in the amount of $48.47 million to refund a portion of 2006 revenue bonds. The note has a fixed rate of 1.73% and a final maturity of October 1, 2022. The principal balance at maturity is $34.74 million. JAA will recognize a present value savings of $24.15 million on the transaction.

17. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE

During fiscal year 2012, the City had financial transactions with its discretely presented component units classified as follows for financial reporting purposes:

A. JEA:

Contribution - On October 1, 1968, the City turned its electrical department over to the newly created JEA. Additionally, on June 1, 1997, the JEA assumed the operation and all related assets and liabilities of the water and sewer system from the City. The JEA is required by the City Charter to contribute annually to the General Fund of the City an amount not to exceed 5.513 mills per kilowatt per hour sold and at a rate of 2.149 mills per cubic feet of water sold. For the fiscal year ended September 30, 2012 these contributions total $104,187,538. Such contributions to the City's General Fund are for the use of the public right-of-way in connection with its electric distribution system and its water sewer distribution and collection system and are based on calculations contained within section 21.07 of the City Charter.

Franchise Fees - Effective April 1, 2008, the City enacted a 3% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2012, the City received from JEA $29,461,951 and $9,859,046 of its electric and water and sewer funds.

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

B. Jacksonville Transportation Authority (JTA) :

Local Option One-Half Cent Sales Tax - On August 11, 1989, Jacksonville citizens voted for the removal of all tolls from county/city bridges and certain roads and replaced the revenue with a local option one-half cent sales tax that provides a permanent funding source for the construction and maintenance of the City's roads and bridges; the operation and maintenance of the bus system and the refinancing of existing bonds issued for the construction of such bridges and roads. All collections from the one-half cent sales tax are statutorily required to be remitted to the JTA. Accordingly, the City remitted all collections from the one-half cent sales tax to the JTA in the amount of $66.6 million in fiscal year 2012. Such collection and payment by the City of this local option one-half cent sales tax is recorded in the Transportation Special Revenue fund as revenue and a transportation expenditure in the equal amount. The JTA reports the transfer from the City as sales tax revenue.

In fiscal year 2000, the City and the JTA entered into an inter-local agreement for the purpose of jointly exercising the separate powers of each to the maximum extent allowable by the law in the development, scheduling, financing, planning, permitting, design, construction, and implementation of a $750 million Road, Bridge and Drainage Capital Improvement Work Program. The term of the agreement commenced on October 1, 2000 and continues in effect until all of the bonds have been duly paid in full or defeased in accordance with their terms. The City and JTA agreed to pledge the Sales Tax and the Constitutional Gas Tax for the payment of bonds issued to implement the program.

Monies available above debt service would be collected in a pay-as-you-go fund to assist with the payment of program expenditures. The City is making available the Local Option Gas Tax for the operation of the JTA's Mass Transit Division.

C. Jacksonville Port Authority (JPA):

Interlocal Agreement - In connection with a major port and marine facilities capital improvement project (the "Project"), the City and the JPA entered into an Interlocal Agreement upon the issuance of $43,605,140 Excise Taxes Revenue Bonds, Series 1993 (the "1993 Bonds"). Subsequent to this transaction, the parties entered into an Amended and Restated Interlocal Agreement in conjunction with the issuance of $57,150,000 Excise Taxes Revenue Bonds, Series 1996B (the "1996B Bonds"). The 1996B Bonds were refunded by the Excise Taxes Revenue Refunding Bonds, Series 2001A (the "2001A Bonds"). The 1993 Bonds were partially refunded by the Excise Taxes Revenue Refunding and Improvement Bonds, Series 2003C (the "2003C Bonds, and together with the 1993 Bonds and 2001A Bonds, the "Bonds").

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

C. Jacksonville Port Authority (JPA): (continued)

Under the Amended and Restated Interlocal Agreement, the City agreed to issue the Bonds to finance the Project, and the JPA, in consideration therefore, agreed to reimburse the City for debt service payments on the Bonds from certain revenues allocated to the JPA. Any insufficiency in the extent of such revenues allocated to the JPA under the Amended and Restated Interlocal Agreement or any amendments to the Amended and Restated Interlocal Agreement does not affect in any manner any obligation of the City pursuant to the terms of the Bonds.

The amended and restated Interlocal Agreement is not for the benefit of the holders of the Bonds and the JPA has no obligation under that Amended and Restated Interlocal Agreement to any third party bondholder. The revenues allocated to the JPA are not pledged as security for the Bonds.

The Amended and Restated Interlocal Agreement provides for the allocation of three sources of revenue (collectively referred to as the "Pledged Revenues") by the City to the JPA. The first source of revenue relates to the allocation of half of the increased revenues in the Telecommunications Tax, which is 85% of the Communication Services Tax (the "Authority Allocation No. 1"). The second source of revenue relates to the amount calculated by multiplying one quarter (.25) mills by the gross kilowatt hours (as defined in Article 21 of the City Charter) sold by JEA during the twelve month period ending May 31 of the prior fiscal year (the "Authority Allocation No. 2"). The third source of revenues relates to the $800,000 annual contribution remitted by the City to the JPA as described in Section 5(a) of the JPA act. Such Pledged Revenues are to be applied by the City to the payment of debt service on the Bonds for such fiscal year prior to being paid to the JPA. For the fiscal year ended September 30, 2012, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was $5.85 million with a total of $5.71 million being distributed to JPA.

In previous years, the City expended $43.1 million on the Project from proceeds of the 1993 Bonds for the benefit of the JPA under the Amended and Restated Interlocal Agreement, which completed the 1993 Bond Program. In previous years, the City expended $64 million on the Project from proceeds of the 1996B Bonds for the benefit of the JPA under the Interlocal Agreement. The City accounted for these expenditures in the Capital Projects Funds. The City does not capitalize these capital outlay expenditures.

18. NET ASSETS:

The government–wide and business-type fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in Capital Assets, Net of Related Debt - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Assets – are liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Assets – typically represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, City Council has authority to revisit or alter these managerial decisions.

While the Unrestricted Net Assets balance is a single number in accordance with GASB Statement 34, the impact of non-asset debt will appear to reduce the year-end discretionary balance available to the government.

However, in the City's case, given that a portion of these non-asset bonds/loans reported in the Governmental Activities column have a dedicated revenue source (to amortize the debt over time) the year-end available portion of the Net Assets to the City is greater than is apparent. The following schedule illustrates these differences (000s):

Governmental Unrestricted Net Assets (per statement – page 22)	$	(222,645)
Impact of Better Jacksonville Plan's (BJP) bond financed capital expenditures incurred by component units and other entities.		282,569
Economic Incentives to be repaid by TIF revenue and/or Developer		31,705
Governmental - Unrestricted Net Assets (adjusted for dedicated revenue funded portions)	$	91,629

Because the BJP program has dedicated sales tax revenue sources which will be used to repay the related debt service and either the CRA's tax increment financing (TIF) revenue or the Developer repayments are anticipated to address the related debt service principal and all or a portion of the interest, the Government Unrestricted Net Assets (adjusted for dedicate revenue funded portions of non-assets debt) more truly reflect the General Government's available (although partially tentatively targeted) portion of net assets.

19. FUND BALANCE DISCLOSURE:

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

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

Spendable Fund Balance

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

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, City Council, through the issuance of an ordinance. Commitments may only be changed through the same type of formal action that created the commitment.

- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned through the following: 1) The Director of Finance is authorized by City Council to assign amounts for a specific purpose. (2) The City Council has authorized the Director of Finance, in coordination with the Council Auditor, to recapture excess fund balance that isn't restricted or committed and transfer the excess to the General Fund – General Service District. Excess fund balance that is not recaptured is classified as assigned by the Director of Finance to be used for the purpose of the subfund.

- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

19. FUND BALANCE DISCLOSURE: (continued)

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize the Operating Reserve (Unassigned fund balance in the General Fund) before considering use of its Emergency Reserve.

The City Council established an emergency reserve policy and fund beginning with the fiscal year 2006 budget and amended with Ordinance 2010-852-E, which added "The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man made or caused by nature." The emergency reserve is contained as a separate subfund within the General Fund and is included in each annual budget. The emergency reserve shall not be used except as initiated by the Mayor through written communication to the City Council, explaining the emergency, and requires approval by two-thirds vote of all City Council members. The emergency reserve will be classified as committed fund balance.

The City does not have a formal minimum fund balance policy. However, the City's Ordinance code addresses various targeted reserve positions and the Administration calculates targets and actuals to report the results annually to City Council.

A schedule of City fund balances is provided in the following pages.

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19. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION (in thousands)

	MAJOR FUNDS			
	GENERAL FUND	SPECIAL BONDED DEBT-BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT-OBLIGATIONS	GENERAL PROJECTS
FUND BALANCES:				
Non Spendable:				
Inventories	5,115	-	-	-
Other	-	-	-	-
Spendable:				
Restricted for:				
Debt Service Reserved by Debt Covenants	-	102,804	16,472	-
Park Projects	-	-	-	619
Physical Environment	-	-	-	12,105
Conservation and Resource Management	-	-	-	-
Transportation Projects	-	-	-	3,394
Human Services	-	-	-	-
Regional Stormwater Facilities	-	-	-	-
Drainage System Projects	-	-	-	-
Housing and Urban Development	-	-	-	-
Building	-	-	-	-
Public Safety	-	-	-	395
Industry Development	-	-	-	2,955
Other Infrastructure and Development	-	-	-	-
Other	-	-	-	1,405
Committed to:				
City Council Emergency Use	48,000	-	-	-
Drainage Projects	-	-	-	-
Park Projects	1,932	-	-	1,597
Planning Projects	5,963	-	-	-
Physical Environment	-	-	-	31,233
Conservation and Resource Management	-	-	-	-
Transportation Projects	882	-	-	8,756
Emergency and Disaster Relief	-	-	-	-
Court Projects and Operations	-	-	-	-
Public Safety	11,996	-	-	1,018
Industry Development	-	-	-	7,624
Other	1,192	-	-	3,626
Assigned to:				
Debt Service	-	-	2,190	-
Public Safety	1,585	-	-	-
Other	1,318	-	-	-
Unassigned	72,138	(3,572)	-	-
Total Fund Balances	$ 150,121	$ 99,232	$ 18,662	$ 74,727

(Continued)

NON MAJOR GOVERNMENTAL FUNDS	TOTAL ALL FUNDS 2012	2011
-	5,115	5,149
224	224	124
-	119,276	114,491
27,674	28,293	32,416
-	12,105	14,888
7,101	7,101	6,847
10,889	14,283	18,262
15,859	15,859	16,610
8,765	8,765	5,690
-	-	6,663
12,144	12,144	11,005
3,693	3,693	12,228
2,751	3,146	3,531
999	3,954	4,431
6,518	6,518	7,322
4,639	6,044	42,517
-	48,000	45,913
1,452	1,452	1,452
11,418	14,947	18,639
1,280	7,243	5,012
-	31,233	21,084
21,467	21,467	19,452
100,445	110,083	121,507
7,210	7,210	6,459
2,031	2,031	2,844
9,277	22,291	16,023
2,934	10,558	6,539
6,915	11,733	41,503
463	2,653	2,079
-	1,585	949
-	1,318	1,013
(99)	68,467	61,598
$ 266,049	$ 608,791	$ 674,240

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF JACKSONVILLE, FLORIDA

GENERAL FUND REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (in thousands)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND					
	ORIGINAL	FINAL	ACTUAL	ENCUMBRANCES	BUDGETARY ACTUAL	VARIANCE WITH FINAL BUDGET-POSITIVE (NEGATIVE)
REVENUE:						
Property taxes	$ 454,806	$ 451,388	$ 450,571	$ -	$ 450,571	($ 817)
Utility service taxes	132,454	132,454	123,132	-	123,132	(9,322)
Sales and use taxes	1,097	1,097	997	-	997	(100)
Franchise Fees	44,227	44,227	40,593	-	40,593	(3,634)
Licenses and permits	7,635	7,635	7,396	-	7,396	(239)
Intergovernmental	128,279	128,279	125,711	-	125,711	(2,568)
Charges for services	67,959	67,959	71,505	-	71,505	3,546
Fines and forfeitures	2,575	2,575	2,459	-	2,459	(116)
JEA Charter	104,188	104,188	104,188	-	104,188	-
Interest	8,421	10,515	12,412	-	12,412	1,897
Other	15,907	16,017	15,638	-	15,638	(379)
Total Revenue	967,548	966,334	954,602	-	954,602	(11,732)
EXPENDITURES AND ENCUMBRANCES:						
Intra-Governmental Services	16,176	9,170	8,807	364	9,171	(1)
City Council	8,120	8,144	7,939	80	8,019	125
Clerk of the Courts	3,443	3,443	2,940	-	2,940	503
Courts	889	888	863	5	868	20
Employee Services	209	7,332	6,016	245	6,261	1,071
Finance	6,354	6,278	6,222	15	6,237	41
Fire/Rescue	162,044	161,782	156,599	1,288	157,887	3,895
General Counsel	370	550	534	-	534	16
Health Administrator	958	958	926	-	926	32
Jacksonville Children's Commission	6,755	6,752	5,980	191	6,171	581
Jacksonville Human Rights Commission	902	902	857	1	858	44
Mayor	3,449	3,508	3,177	34	3,211	297
Mayor's Boards and Commissions	422	427	425	2	427	-
Medical Examiner	2,711	2,693	2,439	7	2,446	247
Military Affairs, Vet & Disabled Svcs	1,034	1,119	1,118	1	1,119	-
Neighborhoods	18,307	18,973	16,894	249	17,143	1,830
Office of Ethics	-	142	114	-	114	28
Parks & Recreation	10,143	10,129	9,183	288	9,471	658
Property Appraiser	8,899	8,899	8,667	4	8,671	228
Public Defender	1,014	1,323	1,309	-	1,309	14
Planning and Development	6,907	6,839	5,783	464	6,247	592
Public Libraries	38,485	38,451	37,328	43	37,371	1,080
Public Works	83,697	83,142	77,121	1,841	78,962	4,180
Special Services	20,193	16,996	15,496	749	16,245	751
State Attorney	180	180	187	1	188	(8)
Supervisor of Elections	9,046	8,990	7,459	55	7,514	1,476
Office of the Sheriff	351,528	339,943	332,071	3,001	335,072	4,871
Tax Collector	16,601	16,573	14,439	93	14,532	2,041
Federal Program Reserve	171	135	-	-	-	135
Contribution to Shands-Jacksonville	23,776	23,776	23,776	-	23,776	-
Cash Carryover Reserves	46,050	46,050	-	-	-	46,050
Jacksonville Misc. Citywide Activities	62,788	77,791	69,411	151	69,562	8,229
Total Expenditures	911,621	912,278	824,080	9,172	833,252	79,026
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	55,927	54,056	130,522	(9,172)	121,350	67,294
OTHER FINANCING SOURCES (USES):						
Long Term Debt Issued	1,797	3,956	2,349	-	2,349	(1,607)
Operating transfers in	5,454	10,990	11,104	-	11,104	114
Operating transfers out	(121,017)	(123,770)	(122,775)	-	(122,775)	995
Total Other Financing Sources (Uses)	(113,766)	(108,824)	(109,322)	-	(109,322)	(498)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,839)	(54,768)	21,200	(9,172)	12,028	66,796
FUND BALANCES - BEGINNING	128,921	128,921	128,921	-	128,921	-
FUND BALANCES - ENDING	71,082	74,153	150,121	(9,172)	140,949	66,796

1. BUDGETARY DATA

The City uses the following procedures in establishing the budgetary data reflected in the financial statements.

A. The City adopts its budget in accordance with Chapters 129 and 200, Florida Statutes, the City Charter and Municipal Ordinance Code.

(1) The Mayor's Proposed Budget is presented to the City Council on the second Tuesday in July; the budget ordinance, millage levy ordinance and related resolutions are introduced.

(2) During the first Council meeting in September, public hearings are held on both the budget and the millage rate. Following the public hearings, the Council adopts a tentative budget and tentative millage rate. A final budget and millage is adopted by full Council, and is effective on October 1.

The City presents a Budgetary Comparison Schedule as Required Supplementary Information for the General Fund and each major special revenue fund with a legally adopted budget. For the Fiscal Year 2012, no special revenue funds met the criteria to be reported as a major fund. The City has opted to make this presentation in the format and classifications of the budget document. These schedules report actual expenditures using generally accepted accounting principles as well as expenditures on the budgetary basis, which include amounts encumbered for future spending.

B. The City adopts annual budgets for the General Fund, certain Special Revenue Funds, and Proprietary Funds. The City reports Budgetary Comparisons for its General Fund and Major Special Revenue Funds in the Required Supplementary Information section of the report. None of these funds had an excess of expenditures over appropriations for the year ended September 30, 2012. Proprietary Fund budgets are adopted for management control purposes. The City is not required to include Budgetary Comparisons for Proprietary Funds in this report. Project or program budgets, which may not coincide with the City's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds and Capital Project Funds. Budgets are not formally adopted for Debt Service Funds as internal spending controls are set by compliance with bond covenants. The Special Revenue Funds which are not annually budgeted include the following: Public Safety, Community Development Block Grant, Job Training Partnership Act Grant, Maintenance Parks and Recreation, Metropolitan Planning Organization, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing and Neighborhoods, State Housing Initiative Partnership, Non-Budgeted General Government, Clerk of Court, and American Recovery & Reinvestment Act.

1. BUDGETARY DATA (continued)

C. Level of Budgetary Control - Expenditures may not exceed appropriations and are controlled in the following manner:

(1) The budget is adopted by ordinance which sets the legal level of control at the fund level by department.

(2) The City adopted more stringent administrative policies that control expenditures at the major category (Personal Services, Operating Expense, Capital Outlay, Debt Service) level within divisions within individual funds.

(3) The City, additionally, adopted a Municipal Ordinance Code Policy that provides transfer authority to the mayor, without City Council approval, within an individual fund if the total transferred funds for a specific purpose, project or issue is under $500,000 during the fiscal year. These transfers are reported to the Finance Committee on a quarterly basis.

D. Supplemental Appropriations - The City Council may, through passage of an ordinance, amend the budget in any manner permissible under state and local law, with one exception. Bond covenants, trust and agency agreements, and certain clauses of ordinances in effect may restrict certain budgetary items in terms of amount or use.

In certain instances the City may supplement the appropriations in a fund due to unexpected high levels of receipts or under estimates of carry forward balances. Supplemental appropriations to the Fiscal Year 2012 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

E. All appropriations in annually budgeted funds, except for amounts corresponding to outstanding encumbrances, lapse at year-end or at the close of the authorizing project/program, unless specifically carried forward by ordinance.

F. Formal budgetary integration is used as a management control device for all funds of the City, except certain Debt Service Funds as explained in Note to RSI 1.C.

G. The City's Annual Financial Plan, or published budget document, may be obtained from the City's Budget Office located at 117 West Duval Street, Suite 325, Jacksonville, Florida 32202.

H. The Clerk of Court special revenue fund budget is not approved by the City. The Court subfund is submitted and approved by the State and is based on the State's July 1st to June 30th fiscal year. The Court's Public Modernization Trust subfund and Child Support Enforcement Trust subfund are not budgeted. This special revenue fund does not meet the annually budgeted criteria.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

(in thousands)

Plan Year Ending September 30	Annual Required Contributions	City Cash Contributions	Alloted from Past Excess Contributions	Total Employer Contributions	Percentage Contributed
General Employees Pension Plan					
2007	29,297	29,581	-	29,581	101%
2008	29,371	29,488	-	29,488	100%
2009	29,491	29,530	-	29,530	100%
2010	38,612	40,551	-	40,551	105%
2011	39,124	39,378	-	39,378	101%
2012	57,498	49,899	-	49,899	87%
Corrections Officers Plan					
2007	1,830	2,482	-	2,482	136%
2008	4,329	4,350	-	4,350	100%
2009	5,268	5,101	146	5,247	100%
2010	9,097	9,491	-	9,491	104%
2011	8,885	9,711	-	9,711	109%
2012	11,861	9,066	-	9,066	76%

Certain adjustments are made to the annual required contribution if the plan carries a net pension obligation (NPO). The net pension obligation is defined in GASB No. 27 as the cumulative difference at the date of adoption between annual requireemnts and actual contributions plus the cumulative difference between the requirements and contributions after that date. For 2012 interest credits attributable to the timing of contribution payments resulted in a net pension obligation of $6,904 thousand for the plan as a whole, $5,198 thousand for General Employees and $1,706 thousand for Corrections.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER AND MEMBER CONTRIBUTIONS
POLICE AND FIRE RETIREMENT SYSTEM
SEPTEMBER 30, 2012

(in thousands)

Plan Year Ending Sept., 30		*Annual Required Contributions	City Cash Contributions	Allocated from CBSA (2)	Court Fines	Premium Tax Refunds	Total Employer Contributions	Total Member Contributions	Percentage Contributed
2010	(1)	95,020	81,171	(5,015)	1,026	6,322	83,504	11,516	100%
2011		94,631	75,039	1,162	864	5,959	83,024	11,607	100%
2012		90,278	69,829	3,130	770	5,345	79,074	11,204	100%

NOTES:

* Excess contributions from all sources are accumulated in the City Budget Stabilization Account (CBSA), which is drawn upon if actual contributions fall below the annual required contribution.

(**1**) The FY2010 values have been revised.

In all years shown, 100% of the ARC has been contributed thus producing a Net Pension Obligation of $0 for all years.
City Cash Contributions shown above do not include employer buyback contributions.
Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

(in thousands)

Valuation Date	Actuarial Value of Assets (2) (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
General Employees Pension Plan						
9/30/2006	1,593,296	1,812,972	219,676	87.88%	237,108	92.6%
9/30/2007	1,712,461	1,904,929	192,468	89.90%	248,887	77.3%
9/30/2008	1,673,435	2,004,279	330,844	83.49%	262,345	126.1%
9/30/2009	1,591,345	2,065,464	474,119	77.05%	276,257	171.6%
9/30/2010	1,640,892	2,163,080	522,188	75.86%	322,531	161.9%
9/30/2011	1,582,042	2,217,381	635,339	71.35%	314,054	202.3%
9/30/2012*	--	--	--	--	--	--
Corrections Officers Plan						
9/30/2006	68,791	104,126	35,335	66.07%	27,702	127.6%
9/30/2007	78,458	116,945	38,487	67.09%	27,083	142.1%
9/30/2008	83,056	137,830	54,774	60.26%	26,334	208.0%
9/30/2009	86,358	181,031	94,673	47.70%	27,661	342.3%
9/30/2010	97,464	204,384	106,920	47.69%	32,329	330.7%
9/30/2011	103,154	223,575	120,421	46.14%	31,832	378.3%
9/30/2012*	--	--	--	--	--	--

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

(2) Net of the unassigned past-excess contributions separate account

* Note: Updated actuarial valuation reports for the above pension plans were not available as of the printing date of this statement

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
POLICE AND FIRE RETIREMENT SYSTEM
SEPTEMBER 30, 2012

(in thousands)

Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
09/30/09		855,997	1,753,946	897,949	48.80%	155,558	577.24%
09/30/10	**2**	1,060,406	2,024,453	964,047	52.38%	158,047	609.97%
09/30/11	**2**	1,039,894	2,427,198	1,387,304	42.84%	148,968	931.28%
09/30/12	*						

* An updated actuarial valuation for the Plan was not completed as of the date of issuance of the Police and Fire Pension report.

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

(2) Beginning with 2010, the actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest since these are assets of the Trust. Beginning in 2011, the Senior Staff Voluntary Retirement Plan is recognized as part of the assets of the Trust.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
SEPTEMBER 30, 2012

(in thousands)

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
9/30/2010	$ 139,600	$0	$ 139,600	0.0%	$ 393,800	35.5%
9/30/2011	$ 123,300	$0	$ 123,300	0.0%	$ 384,900	32.0%
9/30/2012	$ 126,200	$0	$ 126,200	0.0%	$ 362,400	34.8%

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

The decrease in Actuarial Accrued Liability (AAL) from fiscal years 2010 to 2011 and 2012 were due to the following:

(a) A 4.5% discount rate was used in fiscal year 2010, 2011, and 2012.

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

(c) The other key assumption was the treatment of retirees who are not eligible for Medicare.
Based on the information provided by the City's health insurance carrier, fiscal years 2010, 2011, and 2012 assumed that 10% of the current retirees would not be eligible for Medicare.

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Single Audit

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CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
DEPARTMENT OF AGRICULTURE				
PASSED THROUGH STATE DEPARTMENT OF HEALTH:				
Child and Adult Care Food Program	10.558	A1109	$ 2,109,238	$ -
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Summer Food Service Program for Children	10.559	04-851	943,656	-
Special Economic Development	11.307	**	424,029	-
TOTAL DEPARTMENT OF AGRICULTURE			$ 3,476,923	$ -
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
DIRECT PROGRAMS:				
Community Development Block Grant Grants/Entitlement	14.218	**	$ 6,805,380	$ -
Community Development Block Grant-Neighborhood Stabilization	14.218	**	7,213,560	-
Emergency Shelter Grants Program	14.231	**	296,622	-
Housing Opportunities for Persons with Aids	14.241	**	2,784,860	2,721,206
Home Investment Partnership Program	14.239	**	2,494,083	-
ARRA-Community Development Block Grant-Recovery	14.253-ARRA	B09UY120017	219,483	197,982
ARRA-Homeless Prevention-Evaluation	14.257-ARRA	S09UY12006	55,013	53,234
Fair Housing Assistance Program-State & Local	14.401	FF204K004024	113,370	-
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY				
CDBG Disaster Recovery	14.228	10DBK4042602K10	460,029	-
CDBG Disaster Recovery	14.228	10DBK4042602K10	816,842	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			$ 21,259,242	$ 2,972,422

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
DEPARTMENT OF THE INTERIOR				
PASSED THROUGH STATE OF FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION				
Save American's Treasure	15.929	FWC10159	$ 31,077	$ -
TOTAL DEPARTMENT OF THE INTERIOR			$ 31,077	$ -
DEPARTMENT OF JUSTICE				
DIRECT PROGRAMS:				
Grants to Encourage Arrest Policies & Enforcement	16.590	2008WEAX0031	$ 171,615	$ -
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	**	95,889	-
State Criminal Alien Assistance Program	16.606	2008APBX0416	63,074	-
Public Safety and Community Policing Grant	16.710	2009CKWX0569	648,619	-
Congressionally Recommended Awards	16.753	2010JLFX0618	74,816	
Edward J. Byrne Memorial Justice Assistance	16.738	2009-DJ-BX-1256	193,169	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011DJBX3288	351,163	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011JAGCDUVA5B2116	(2,898)	-
Edward J. Byrne Memorial Justice Assistance	16.738	2012-JAGC-DUVA-7-C4-143	52,992	-
ARRA-Public Safety and Policing-COPS	16.710-ARRA	2009RJWX0027	2,695,293	-
ARRA-Edward Byrne JAG-Journey	16.804-ARRA	2009SBB92640	164,860	-
PASSED THROUGH STATE DEPARTMENT OF CORRECTIONS:				
Second Chance for Prisoner Reentry Initiative	16.812	C2954	52,281	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	**	122,872	-
PASSED THROUGH STATE OF FLORIDA, DEPARTMENT OF LAW ENFORCEMENT:				
Edward J. Byrne Memorial Justice Assistance	16.738	2012-JAGC-DUVA-6-C4-144	23,230	-
ARRA-Edward Byrne JAG-Public Safety	16.803-ARRA	2010ARRCDUVA14W7088	(240)	-
ARRA-Edward Byrne JAG-Public Safety	16.803-ARRA	2010-DUVA-12-W7-177	102,750	-
ARRA-Edward Byrne JAG-Public Safety	16.803-ARRA	2010ARRCDUVA11W7328	354	-

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
TOTAL DEPARTMENT OF JUSTICE			$ 4,809,839	$ -
DEPARTMENT OF LABOR				
DIRECT PROGRAMS:				
Youthbuild	17.274	YB190910960A12	$ 240,427	$ -
Homeless Veterans Reintegration Project	17.805	**	1,305	-
TOTAL DEPARTMENT OF LABOR			$ 241,732	$ -
DEPARTMENT OF TRANSPORTATION				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
National Recreation Trails Funding- S Line Rail	20.205	**	182,750	-
Highway Planning & Construction-Timucuan	20.205	AJ130	1,225,589	-
Highway Planning & Construction-Water Taxi	20.205	A0542	13,128	-
Highway Planning & Construction-Argyle Forest Blvd	20.205	9096-42	386,016	-
Highway Planning & Construction-West Central Civic Core	20.205	9096-32	29,482	-
Highway Planning & Construction-MS4 Permit	20.205	8326-19	386,534	-
Highway Planning & Construction-Fort George	20.205	AOU30	793	-
TOTAL DEPARTMENT OF TRANSPORTATION			$ 2,224,292	$ -
EQUAL EMPLOYMENT OPPORTUNITY COMMISSIOM				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	**	$ 61,275	$ -
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			$ 61,275	$ -
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Grants to States-VASE	45.310	**	$ 78,512	$ -
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			$ 78,512	$ -
ENVIRONMENTAL PROTECTION AGENCY				

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	A004025100	$ 461,607	$ -
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	A004250940	80,388	-
Environmental Justice Small Grants Program	66.604	**	1,749	-
Brownfield Cleanup Revolving Loan Grant	66.811	BF96426905	63,601	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			$ 607,345	$ -
DEPARTMENT OF ENERGY				
DIRECT PROGRAMS:				
ARRA-Energy Efficient Appliance Rebate Program	81.128	DEEE0000777	$ 3,433,360	$ 2,258,378
PASSED THROUGH THE SOUTHEAST ENERGY EFFICIENCY ALLIANCE:				
ARRA-Energy Efficient/Conservation	81.128	DEEE0003575	616,382	616,382
TOTAL DEPARTMENT OF ENERGY			$ 4,049,742	$ 2,874,760
DEPARTMENT OF EDUCATION				
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Centers	84.287	DCPS	53,002	44,524
Twenty-First Century Community Learning Centers	84.287	DCPS	619,720	561,560
Twenty-First Century Community Learning Centers	84.287	DCPS	413,925	372,270
TOTAL DEPARTMENT OF EDUCATION			$ 1,086,647	$ 978,354
ELECTION ASSISTANCE COMMISSION				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Help America Vote Act Requirements Payments	90.401	**	$ 96,155	$ -
TOTAL ELECTION ASSISTANCE COMMISSION			$ 96,155	$ -
DEPARTMENT OF HEALTH AND HUMAN SERVICES				

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
DIRECT PROGRAMS:				
SAMHS Projects of Regional & National Significance	93.243	1H79TI01994201	$ 106,567	$ -
SAMHS Projects of Regional & National Significance	93.243	1U79SM05993901	1,213,239	1,213,239
SAMHS Projects of Regional & National Significance	93.243	1H79T102190301	313,635	-
HIV Emergency Relief Project Grants	93.914	DIG1112	2,321,354	2,184,442
HIV Emergency Relief Project Grants	93.914	**	3,096,339	2,911,005
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement- Service of Process	93.563	CS616	54,780	-
Child Support Enforcement	93.563	CD316	760,980	-
Child Support Enforcement- Writ of Attachments	93.563	CS616	28,644	-
PASSED THROUGH STATE OF FLORIDA , DEPARTMENT OF CHILDREN & FAMILIES:				
Refugee & Entrant Assistance-State Adm. Prog	93.566	LK918	185,282	-
Temporary Assistance for Needy Families-Ounce	93.558	HF111202	520,976	80,315
Community Based Family Resource and Support Grants	93.590	HF111202	77,847	12,561
Temporary Assistance for Needy Families-Ounce	93.558	HF101302	329,123	20,601
Community Based Family Resource and Support Grants	93.590	HF101302	58,081	3,222
PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION:				
Child Care and Development Block Grant	93.575	ELC	6,573,870	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	ELC	7,284,253	-
Social Services Block Grant	93.667	ELC	22,073	-
Temporary Assistance for Needy Families	93.558	ELC	8,365,855	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Social Program for the Aging-Title lll, Part B	93.044	**	365,276	-
Social Program for the Aging-Title lll, Part B	93.044	A111CJ	43,006	-
Social Program for the Aging-Title lll, Part C	93.045	**	335,005	-
Nutrition Services Incentive Program	93.053	**	95,127	-

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Nutrition Services Incentive Program	93.053	U011CJ	52,212	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 32,203,524	$ 6,425,385
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	**	$ 20,878	$ -
Retired & Senior Volunteer Program	94.002	10SRSFL003	41,703	-
Youthbuild USA Americorps	94.006	**	6,837	-
Youthbuild USA Americorps	94.006	**	17,590	-
Youthbuild USA Americorps	94.006	**	2,098	-
Foster Grandparent Program	94.011	09SFSFL004	361,108	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	**	311	-
Senior Companion Program	94.016	XI712	3,658	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			$ 454,183	$ -
DEPARTMENT OF HOMELAND SECURITY				
DIRECT PROGRAMS:				
Port Security Grant Program	97.056	2007GBT70141	$ 398,573	$ -
Port Security Grant Program	97.056	**	84,458	-
Port Security Grant Program	97.056	2007GBT7K310	5,808	-
Port Security Grant Program	97.056	**	19,309	-
Homeland Security Biowatch Program	97.091	**	289,356	-
PASSED THROUGH DEPARTMENT OF ECONOMIC OPPORTUNITY:				
Flood Mitigation Assistance (FMA)	97.029	07FM71042602192	1,388	-
Flood Mitigation Assistance (FMA)	97.029	07FM2304260235	75,728	-
Flood Mitigation Assistance (FMA)	97.029	10FM46042602	40	-
Flood Mitigation Assistance (FMA)	97.029	10FM56042602	183,878	-

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Hazard Mitigation	97.039	11HMC042601001	177,695	-
Hazard Mitigation Grant	97.039	09HM12042602007	6,103	-
Hazard Mitigation Grant	97.039	10HM88042602020	1,230	-
Emergency Management Performance Grants	97.042	12BG05042601016	80,212	-
Emergency Management Performance Grants	97.042	13BG05042601016	18,730	-
Emergency Management Performance Grants	97.042	11BG25042601135	(330)	-
Emergency Management Performance Grants	97.042	12FGR3042601083	132,614	-
Homeland Security Program Grant	97.067	12CI24042602470	2,171	-
Homeland Security Program Grant	97.067	10CI43042602383	9,981	-
Homeland Security Program Grant	97.067	10DS39130016414	250,410	-
Homeland Security Program Grant	97.067	09DS51130016409	37,697	-
Homeland Security Program Grant	97.067	11DS9Z130016436	10,244	-
Homeland Security Program Grant	97.067	11DS9Z042601390	81,745	-
Severe Loss Repetitive Program	97.110	12SL5E042602386	527,646	-
Severe Loss Repetitive Program	97.110	12SL5E042602386	346,788	-
Severe Loss Repetitive Program	97.110	10SL57042602	194,899	-
Severe Loss Repetitive Program	97.110	11SL5E042602249	152,217	-
Severe Loss Repetitive Program	97.110	09SR47042602282	4,728	-
Severe Loss Repetitive Program	97.110	09SR47042602425	229	-
Severe Loss Repetitive Program	97.110	10SL57042602296	5,588	-
Severe Loss Repetitive Program	97.110	10SL57042602	3,295	-
Severe Loss Repetitive Program	97.110	10SL57042602	5,585	-
Flood Mitigation Assistance	97.029	12FM4N042602276	197,682	-
Flood Mitigation Assistance	97.029	12FM4N042602276	145,595	-
Flood Mitigation Assistance	97.029	10FM56042602	3,490	-
Hazard Mitigation Grant	97.039	10HM88042602018	74,630	-
Homeland Security Grant Program-CERT	97.067	10CC43042602	1,615	-
Homeland Security Grant Program-CERT	97.067	11CCA6042602364	2,941	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	09DS48042601383	635,219	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	10DS41042602343	2,489,808	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	11DSA1042601349	492,224	-

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2012

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Homeland Security Grant Program-Metro Medical Response	97.067	11DSA3042602255	50,147	-
Homeland Security Grant Program-Metro Medical Response	97.067	11DS44042602007	177,672	-
Repetitive Flood Claims Program	97.092	12RF4X042602277	264,200	-
Repetitive Flood Claims Program	97.092	10RF53042602	1,460	-
Repetitive Flood Claims Program	97.092	12FM4N042602312	10,592	-
Repetitive Flood Claims Program	97.092	12RF9B042602465	550	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT:				
Buffer Zone Protection Program	97.078	**	186,750	-
Homeland Security Grant Program-SWAT	97.067	12DS29042601319	172,167	-
PASSED THROUGH FLORIDA DEPARTMENT OF FINANCIAL SERVICES:				
Homeland Security Grant Program-Sustainment	97.067	08DS60130016373	155	-
Assistance to Firefighters	97.044	**	93,276	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			$ 8,108,188	$ -
TOTAL EXPENDITURE OF FEDERAL AWARDS			$ 78,788,676	$ 13,250,921

** not available

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2012

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
EXECUTIVE OFFICE OF GOVERNOR				
DIRECT PROGRAMS:				
Military Base Protection	31.044	**	$ 60,450	$ -
Military Base Protection	31.044	DRG1104	28,000	-
Military Base Protection	31.044	DIG1101	92,863	-
Military Base Protection	31.044	**	107,182	-
TOTAL EXECUTIVE OFFICE OF GOVERNOR			$ 288,495	$ -
DEPARTMENT OF ENVIRONMENTAL PROTECTION				
DIRECT PROGRAMS:				
Beach Erosion Control Program	37.003	**	$ 54,223	$ -
Petroleum Contamination Site Cleanup (Task 10)	37.024	**	722,532	-
Petroleum Contamination Site Cleanup (Task 9)	37.024	**	223,360	-
Statewide Surface Water Restoration & Wastewater-Magnolia Gardens	37.039	LP6736	1,283	-
Statewide Surface Water Restoration & Wastewater-Lower St. Johns River Basin	37.039	**	(5,669)	-
Statewide Surface Water Restoration & Wastewater-Cedar River	37.039	SO271	39,073	-
Statewide Surface Water Restoration & Wastewater-SJWMD	37.039	24903	351,208	351,208
Ambient Air Monitoring Agreement	37.042	**	43,069	-
Delegated Title V Air Pollution Control	37.043	**	392,635	-
Delegated Title V Air Pollution Control	37.043	**	107,322	-

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2012

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			$ 1,929,036	$ 351,208
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES				
DIRECT PROGRAMS:				
Mosquito control	42.017	13071	$ 25,626	$ -
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			$ 25,626	$ -
DEPARTMENT OF STATE AND SECRETARY OF STATE				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	09ST24	$ 276,870	$ -
State Aid to Libraries	45.030	08ST25	6,855	-
State Aid to Libraries	45.030	10ST24	194,119	-
State Aid to Libraries	45.030	07ST25	25	-
State Aid to Libraries	45.030	11ST23	619,556	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE:			$ 1,097,425	$ -
DEPARTMENT OF ECONOMIC OPPORTUNITY				
DIRECT PROGRAMS:				
Residential Construction Mitigation Program	52.016	11RC62042602313	$ 26,000	$ -
Emergency Management Projects	52.023	12CP03042602186	23,998	-
TOTAL DEPARTMENT OF ECONOMIC OPPORTUNITY			$ 49,998	$ -
FLORIDA HOUSING FINANCE CORPORATION				

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2012

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	52.901	HFC01	$ 318,540	$ -
TOTAL FLORIDA HOUSING FINANCE CORPORATION			$ 318,540	$ -
DEPARTMENT OF TRANSPORTATION				
DIRECT PROGRAMS:				
County Incentive Grant Program- Hammond Blvd	55.008	**	$ 462,049	$ -
TOTAL DEPARTMENT OF TRANSPORTATION			$ 462,049	$ -
DEPARTMENT OF HEALTH				
DIRECT PROGRAMS:				
Public Safety Mental Health and Substance Abuse	60.115	LHZ31	$ 220,249	$ -
County Grant Awards	64.005	C1016	78,323	-
TOTAL DEPARTMENT OF HEALTH			$ 298,572	$ -
DEPARTMENT OF ELDER AFFAIRS				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families	65.006	R011CJ	$ 64,884	$ -
Respite for Elders Living in Everyday Families	65.006	R010CJ	15,267	-
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			$ 80,151	$ -
DEPARTMENT OF MANAGEMENT SERVICES				
DIRECT PROGRAMS:				

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2012

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Wireless 911 Emergency Telephone System	72.001	**	$ 27,199	$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			$ 27,199	$ -
DEPARTMENT OF REVENUE				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise	73.016	**	$ 2,000,004	$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICE			$ 2,000,004	$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 6,577,095	$ 351,208

** not available

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

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

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Jacksonville, Florida (the "City") for the year ended September 30, 2012. The schedules do not include the federal and state grant activity of the City's discretely presented component units, the Jacksonville Aviation Authority, the JEA, the Jacksonville Port Authority and the Jacksonville Transportation Authority. Federal and state grant activity for the discretely presented component units is reported on separately. The schedules are presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.500, Rules of the Auditor General.

Note 2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the federal programs with CFDA numbers 16.738, 16.803 and 16.804 are a cluster in accordance with the OMB Circular A-133 Compliance Supplement and were tested together as part of the Department of Justice – JAG Program Cluster. The federal programs with CFDA numbers 93.575 and 93.596 were deemed to be a cluster and were tested together as part of the Child Care and Development Block Grant Cluster.

Note 3. U.S. Department of Housing & Urban Development Section 108 Loan Guarantee Program

The City participates in the U.S. Department of Housing and Urban Development ("HUD") Section 108 Loan Guarantee Program. These notes are guaranteed under Section 108 of Title 1 of the Housing and Urban Development Act of 1974 and a pledge of certain future Community Development Block Grant revenues. The Section 108 Loan Guarantee Program is considered federal financial assistance under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Federal Single Audit Act. As of September 30, 2012, the City had notes outstanding as follows:

U.S. Government Guaranteed Note Payable, Series 1995, payable in semi-annual installments to 2014, with interest ranging from 4.96% to 5.19%	$	985,000
U.S. Government Guaranteed Note Payable, Series 2010 payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.66%		895,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%		495,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%		315,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.20%		185,000
Total outstanding principal amounts	$	2,875,000

McGladrey

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General

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

Compliance

We have audited the compliance of City of Jacksonville, Florida (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state financial assistance projects for the year ended September 30, 2012. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, Jacksonville Transportation Authority, Jacksonville Port Authority, and the Police and Fire Rescue Pension Plan Trust Fund, for which any federal or state grant activity is not included in the schedules of expenditures of federal awards and state financial assistance. Our audit, described below, did not include the operations of Downtown Vision, Inc., Jacksonville Aviation Authority, and JEA because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133 and/or Chapter 10.550, *Rules of the Auditor General, State of Florida*, if applicable. The audit described below also does not include the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.550, *Rules of the Auditor General, State of Florida*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.550, *Rules of the Auditor General, State of Florida*. Those standards, OMB Circular A-133 and Chapter 10.550, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

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In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-03.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-04. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding identified in our audit is included in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, applicable federal and state grantor and pass-through agencies, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Jacksonville, Florida
June 28, 2013

City of Jacksonville, Florida

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2012

I - Summary of Independent Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	X	Yes		None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnership Program
14.241	Housing Opportunities for Persons with Aids
20.205	Highway Planning and Construction
16.710-ARRA	Public Safety Partnership and Community Policing Grants.
16.738, 16.804, & 16.803-ARRA	JAG Program Cluster
81.128	Energy Efficiency and Conservation Block Grant
93.575 & 93.596	Child Care and Development Block Grant Cluster
93.558	Temporary assistance to Needy Families
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs:	$	2,363,660		
Auditee qualified as low-risk auditee?		Yes	X	No

(Continued)

City of Jacksonville, Florida

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2012

I - Summary of Independent Auditor's Results (Continued)

State Financial Assistance

Internal control over major projects:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____	Yes	X	None Reported
Type of auditor's report issued on compliance for major projects:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?	_____	Yes	X	No

Identification of major projects:

CSFA Number(s)	Name of State Project
37.024	Local Government Cleanup Contracting
52.901	State Housing Initiatives Partnership Program
55.008	County Incentive Grant Program
73.016	Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise

Dollar threshold used to distinguish between type A and type B projects: $ 300,000

Section II – Financial Statement Findings

A. Internal Control over Financial Reporting

2012-01 Revenue Recognition of Solid Waste and Storm Water Activities

Criteria: Enterprise funds utilize the accrual basis of accounting. Accordingly, revenues should be recognized when earned, regardless of the timing of the related cash flows.

Condition: Fees for solid waste and storm water services are charged annually for calendar year services. Billings for the service period are mailed out in October of the same year. The City's fiscal year ends on September 30th. As of that date, nine months of service have been provided. Accordingly, the City should record an accrual in both the Solid Waste fund, and the Storm Water fund to record the revenue related to these services. Historically the City has recorded these revenues on a calendar year cycle. Because the fees earned in these funds are generally consistent from one year to the next the timing difference between the calendar year and the fiscal year has not resulted in a significant difference in the revenue or the receivable balances. However, because of a rate increase in 2012 there was a significant difference between the fees earned in 2012 and the revenue and receivable recorded by the City. This misstatement was corrected through an audit adjustment in order for the financial statements of the Solid Waste and Storm Water funds to be presented in accordance with Generally Accepted Accounting Principles.

Context: The finding is isolated to the Solid Waste and Storm Water funds.

Effect: By not correcting these revenue accruals; the assets, revenues, net assets, and change in net assets were materially understated.

Cause: The City had not identified the timing of the revenue cycle pertaining to solid waste and storm water fees.

Recommendation: We recommend that the City review the recognition of its accrual revenues at year end in order to match the recognition of these revenues with the related services provided.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation and will put procedures in place to strengthen communications between Divisions to assure awareness of any change in the standard user fee billings.

2012-02 Accretion of Interest on Capital Appreciation Bonds

Criteria: Capital appreciation bonds are issued at a deep discount and accrete interest annually until the bonds mature. The related interest expense should be recognized annually in the governmental activities.

Condition: It has been the practice of the City to only record the accreted interest once the capital appreciation bonds mature.

Context: The finding is isolated to the governmental activities.

Effect: By not recording the annual accretion of interest on unmatured bonds in the governmental activities, interest expense and long term debt are understated in the years the individual bonds are outstanding. In the year the bonds mature, interest expense is overstated. This error was corrected in the September 30, 2012 financial statements.

Cause: The City has not recorded the annual accretion of interest for capital appreciation bonds in the governmental activities.

Recommendation: We recommend that the City record the accretion of interest for capital appreciation bonds on an annual basis.

Views of Responsible Officials and Planned Corrective Action: An entry was made each year at the fund level to record current interest payable for the interest due on all matured 1993 Excise Tax Revenue Bonds. In the Fiscal Year ended 9/30/2012, an additional conversion entry was made to accrue interest payable on the bonds that will mature in future years. A note has been made to the year-end closing files to adjust this accrual for annual maturities for these bonds until the final maturity in 2015.

B. Compliance and Other Matters

None reported.

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

A. Compliance

2012-03

Allowable Activities / Allowable Costs

Home Investment Partnership Program (CFDA No. 14.239)

Criteria: For costs to be allowable under a federal award, the cost must be allocable to that federal award.

Condition: During our compliance testing of the HOME program, we noted two employees whose full salaries were charged to this program. Upon examination of their personal activity logs it became apparent that their activity was not dedicated in full to the program.

Questioned Cost: $25,715

Context: The finding appears to be isolated to the Home Investment Partnership Program.

Effect: Costs which were not allocable to the Home Investment Partnership Program were billed to that program. The City was reimbursed for these costs and the grantor may subsequently disallow these costs and request repayment by the City to the granting agency.

Cause: Employees salaries are charged to single department when payroll is run. When individuals are chargeable to more than one activity an adjustment is typically made to allocate their time between activities. Allocating entries had not been made for the two individuals noted in our testing.

Recommendation: We recommend that the City consult with the granting agency to resolve the instance of noncompliance and the related questioned costs.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the above finding and is transferring the questioned costs, based upon the timesheets submitted, to the other activities on which the two employees were working.

The City has worked with the US Department of Housing and Urban Development (“HUD”) to improve the documentation of time worked by employees on the various federal grants managed by the Housing and Community Development Division (“HCDD”). The result of these efforts is a new timesheet, that all employees must complete, that meets the requirements of OMB Circular A-87 and allows for the allocation of time and effort to be properly documented for each federal activity being conducted.

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

B. Internal Control over Compliance

2012-04

Procurement, Suspension and Debarment

Energy Efficiency and Conservation Block Grant Program (CFDA No. 81.128)

Criteria: Section 1605 of the American Reinvestment and Recovery Act ("ARRA") prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The City should have controls in place to ensure compliance with the Buy America provisions of ARRA awards.

Condition: The City entered into a contract to add sports lighting to a number of City parks. The project was funded through a federal grant which was identified as an ARRA project. The City was not able to demonstrate that a control was in place to monitor the contractor's compliance with the Buy America provision. Upon our inquiry, the contractor was able to provide a certification from the manufacturer that the lighting products were certified Buy America.

Context: This condition appears to be systematic in nature.

Cause: Although the City had identified this program as an ARRA award, the contract administrator was not aware of the contract provisions. As a result there was no monitoring performed to determine that Buy America provisions had been properly complied with.

Effect: Without controls in place to ensure compliance with the Buy America provision of ARRA awards, expenditures may have been made resulting in disallowed costs which may have to be reimbursed to the granting agency.

Recommendation: We noted that the City does have a process in place for the legal review of contracts and generally, contracts funded through ARRA awards are identified. The City should also have procedures in place to determine whether the contractor has complied with the Buy America provisions prior to approving expenditure payments under the grant program.

Response / Planned Corrective Action: The contract administrator was aware of the contract provisions. The bid package contained three sections referencing the "Purchase of American-Made Equipment and Products". This has been a point of emphasis to all of the departments utilizing funds from the Energy Efficiency and Conservation Block Grant.

In addition, on the site visit documentation, there is reference to make sure the products are American-Made.

The contract referenced the bid package which included related requirements. Also, the City has reviewed procedures to assure that specific related terms are included in future contracts.

The City will also review its monitoring procedures to assure contract provisions are met.

City of Jacksonville, Florida

Summary Schedule of Prior Year's Audit Findings
For the Year Ended September 30, 2012

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
IC 2011-1	Schedule of Expenditures of State Awards		X

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Other Reports

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McGladrey

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2013. We did not audit the financial statements of the Downtown Vision, Inc., Jacksonville Aviation Authority, and JEA, which collectively represent 88% and 88%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the Police and Fire Rescue Pension Plan Trust Fund which represent 33% of the assets and 22% of the revenue/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Vision, Inc., Jacksonville Aviation Authority, JEA, and the Police and Fire Rescue Pension Plan Trust Fund is based on the reports of the other auditors. Our report does not address their respective internal control or compliance. This report also does not include the results of testing of internal control or compliance of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are, discretely presented component units of the City that are reported on separately.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and *Schedule of Findings and Questioned Costs*. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

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

1. Section 10.554(1)(i)1., Rules of the Auditor General, requires a statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in the preceding annual financial audit report has been addressed in Appendix B to this report.

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2. Section 10.554(1)(i)2., Rules of the Auditor General, requires a statement as to whether or not the City complied with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statues.

3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. The recommendation to improve financial management has been addressed in Appendix A to this report.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors:

    a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and;

    b. Deficiencies in internal control that are not significant deficiencies.

    In connection with our audit, we did not have any such findings.

6. Section 10.554(1)(i)6, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 in the notes to the financial statements.

7. Section 10.554(1)(i)7a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

8. Section 10.554(1)(i)7b, Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We noted no deteriorating financial condition pursuant to Rule 10.556(7) as of September 30, 2012.

10. Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the clerk complied with such requirements.

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

McGladrey LLP

Jacksonville, Florida
June 28, 2013

City of Jacksonville, Florida

Appendix A – Current Year Recommendations to Improve Financial Management
For the Year Ended September 30, 2012

No.	Current Year's Observations
ML 2012-01	Financial Accounting and Reporting

ML 2012-01 – Financial Accounting and Reporting

Criteria: The City should review the internal control policies and procedures in place to provide reasonable assurance that the accounting and financial year end closing process is completed in a timely and effective manner.

Condition: During the current year, we noted the following issues during the year end closing process:

a) During the current and prior year audit periods, all arbitrage reports were not available for review because they were not completed as of the end of audit fieldwork. This increases the risk that material liabilities are not properly identified and reported in the City's financial statements.
b) During our year end testing, we noted that cash balances in the Clerk of Court's agency fund had not been reported accurately in the City's financial records. This resulted in an overstatement of cash on the City's financial statements.
c) In 2012 the City recognized revenue pertaining to a E911 grant. This grant had been received in 2011 and all of the eligibility requirements had been met in the same period. Because the revenue was not recognized until the following period, revenue was understated in 2011 and overstated in 2012.

Context: These issues were determined to be systemic in nature.

Effect: Failure to implement strong internal control policies and procedures for financial reporting and the year end closing process could result in potential misstatements in the financial statements that are not detected in a timely manner.

Recommendation: While we recognize that the City has taken significant steps towards addressing these issues, we recommend that the City continue to review its present policies and procedures over accounting and financial reporting including the year-end closing process. In addition the City should ensure that written policies and procedures or position papers are created to summarize the background and application of accounting for significant transactions.

Views of Responsible Officials and Planned Corrective Action:

a) Arbitrage
Arbitrage calculations identified as at risk or reaching the 5 year anniversary per IRS regulations will be performed and available for audit review in the applicable fiscal year.

b) Clerk of Courts
The City does not have access to the records or activities of the Clerk of Courts Agency Fund. The City relies on spreadsheets received from the Clerk's office. The Clerk's office made changes to the spreadsheets between the time they were received by the City and were reviewed by auditors. Going forward, the City will request bank reconciliations from the Clerk of Courts to confirm and finalize the amounts recorded agree with their activity.

c) E911 grant
The City agrees with the recommendation and has procedures in place to determine when revenues should be recorded in accordance with generally accepted governmental accounting principles.

Appendix B – Status of Prior Year's Recommendations to Improve Financial Management
For the Year Ended September 30, 2012

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 2011-01	Information Technology		X
ML 2011-02	Financial Reporting and Accounting	X	

ML 2011-02 – Financial Accounting and Reporting

Criteria: The City should review the internal control policies and procedures in place to provide reasonable assurance that the accounting and financial year end closing process is completed in a timely and effective manner.

Condition: During the current year, we noted the following issues during the year end closing process:

a) During the current and prior year audit periods, all arbitrage reports were not available for review because they were not completed as of the end of audit fieldwork. This increases the risk that material liabilities are not properly identified and reported in the City's financial statements.
b) During our year end testing, we noted that certain transactions between the Tax Collector and the City's general fund had not been reported consistently. This resulted in an overstatement of cash and liabilities on the Tax Collector's books.
c) The City uses an availability period of 60 days in determining the availability of revenues for revenue recognition purposes for all revenue except federal reimbursable grants. For federal reimbursable grants, an availability period of one year is used . The Government Finance Officers Association recommends that governments adopt one period of availability for the purposes of revenue recognition.
d) The accounting methodology used for Housing deferred grant transactions was not clearly documented and required considerable time from staff to research the basis behind the treatment that had been applied.

Context: These issues were determined to be systemic in nature.

Effect: Failure to implement strong internal control policies and procedures for financial reporting and the year end closing process could result in potential misstatements in the financial statements that are not detected in a timely manner.

Recommendation: While we recognize that the City has taken significant steps towards addressing these issues, we recommend that the City continue to review its present policies and procedures over accounting and financial reporting including the year-end closing process. In addition the City should ensure that written policies and procedures or position papers are created to summarize the background and application of accounting for significant transactions.

Views of Responsible Officials and Planned Corrective Action: Management appreciates the recommendations and will take them into consideration and address them as follows:

a) Arbitrage calculations identified as at risk or reaching the 5 year anniversary per IRS regulations will be performed and available for audit review in the applicable fiscal year.
b) Coordination with the Tax Collector's office for year-end reconciliation entries will be added to the year-end check off list.
c) The City will consider the recommendation. However, the City is in compliance with applicable generally accepted accounting principles and believes current practices properly reflect the availability of revenues.
d) The City is reviewing, enhancing, and communicating policies and procedures to departments to ensure that documentation is sufficient to verify the accuracy and reasonableness of transactions.

Current Year Status: Substantially Corrected. All items have been addressed and corrected with the exception of condition A which is repeated in current year finding ML 2012-1.

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