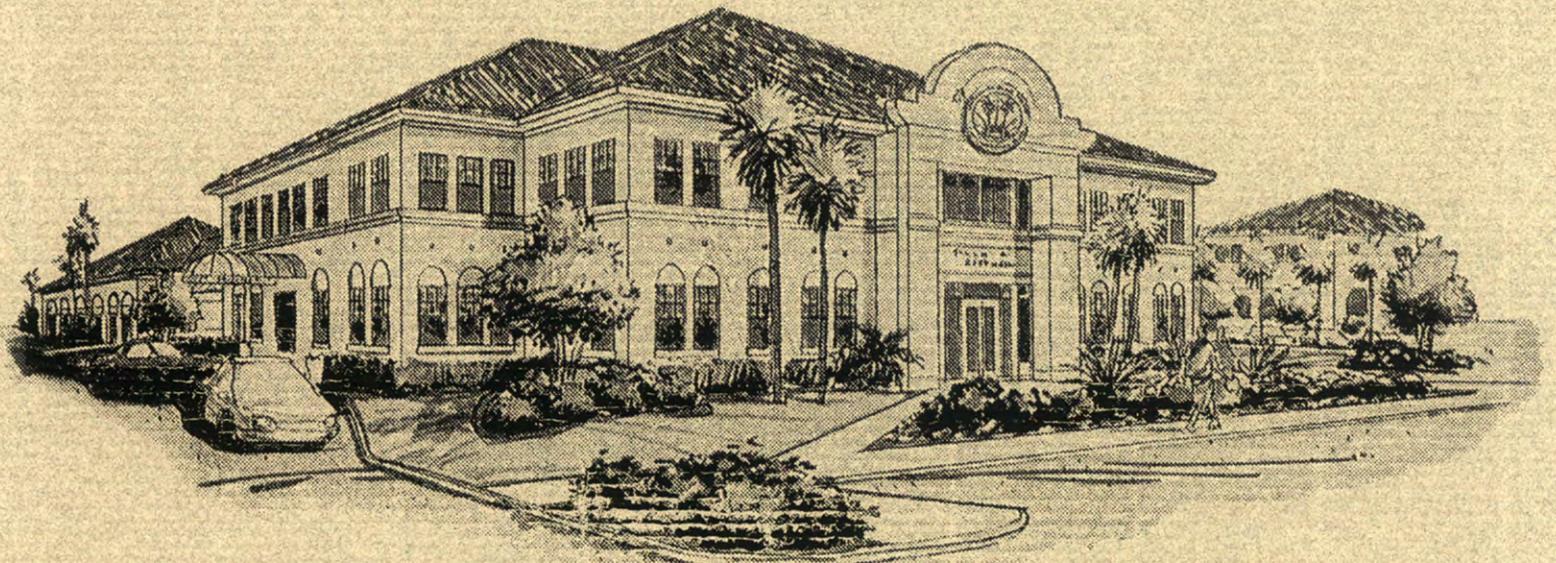


CITY OF
JACKSONVILLE BEACH,
FLORIDA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

CITY OF JACKSONVILLE BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Prepared by
Department of Finance

INTRODUCTORY SECTION

INTRODUCTORY SECTION

**CITY OF JACKSONVILLE BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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January 24, 2012

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

Florida Statutes require that all general purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report for the City of Jacksonville Beach, Florida, for the fiscal year ended September 30, 2011.

This report consists of management's representations concerning the finances of the City of Jacksonville Beach, Florida (the City). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the City's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Purvis, Gray and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there is a reasonable basis for rendering unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City for the fiscal year ended September 30, 2011, and that the City's financial statements are presented fairly in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City is sometimes part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. The City's federal and state Single Audit Reports are included in this document.

City of
Jacksonville Beach

City Hall
11 North Third Street
Jacksonville Beach

FL 32250

Phone: 904.247 6274

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GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City was incorporated in 1907 and is located on the northeastern part of the state. The City currently occupies a land area of 8.06 square miles and serves a population of over 21,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City has operated under the council-manager form of government since 1937. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a nonpartisan basis. Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected to a four-year term. Three council members are elected from within their districts, and the mayor and the remaining three council members are elected at-large.

The City provides a full range of services that include police and fire protection, sanitation services, the maintenance of streets and infrastructure, recreational activities and cultural events. In addition to general government activities, the City provides a full range of utility services including electric, natural gas, stormwater drainage, water, and wastewater treatment.

The annual budget serves as the foundation for the City's financial planning and control. All City departments are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30 of each year. The City Council annually adopts a budget resolution for all funds of the City except capital projects funds. Project-length financial plans are adopted for capital projects funds.

The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Management must seek City Council approval to make budgetary amendments at the departmental level in the general fund, and at the fund level for all other funds. Management may, however, make a budget adjustment as long as it does not increase the overall budget for a department within the general fund or for any other fund in total. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbered appropriations are carried forward into subsequent years' budget without being rebudgeted. All encumbered budget appropriations, except project budgets, lapse at the end of each fiscal year. Encumbrances existing at year-end are recorded as reservations of fund balance and do not require re-appropriation.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the basic financial statements for the governmental funds beginning on page 25. For other nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual nonmajor fund subsection of this report, starting on page 82.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy.

The City, which is adjacent to the Atlantic Ocean, has grown into a solid business, resort, and residential community that is in close proximity to historical, entertainment, and tourism attractions. The City has a considerable commercial district that includes shopping centers, restaurants, and hotels which contributes significantly to its economy. Major employers in the area include: the United States Navy and the Beaches Baptist Medical Center.

Even though the City is the economic center of the beaches area, housing is still the dominant land use, occupying well in excess of 50% of the developed land areas of the City. Approximately 58% of the City's housing is comprised of single-family homes and 42% is multifamily dwellings based on U.S. Census Bureau estimates. Generally, the quality of the housing is high, with approximately 46% of the housing built since 1980. The City is a mature community, which is nearly fully developed.

Cash management policies and practices.

In order to maximize the City's potential investment earnings, temporarily idle short-term cash is invested mostly in short term obligations of the U.S. Treasury, certificate of deposits, and money market accounts, and investment accounts managed by professional money managers. Interest earned in governmental funds by the City this year totaled \$349,651. Enterprise and internal service funds earned \$641,486 in interest; the pension fund had investment earnings of \$158,325. Pension fund earnings/losses included interest, and realized and unrealized gains. Overall, investment earnings decreased in total by \$5,242,666 in comparison to 2010 because of lower rates of return in 2011. Most of this decrease (\$4,763,134) related to pension funds. The City invests funds in accordance with guidelines established by the City's investment policies for operating funds and pension funds.

Risk management. The City maintains a variety of insurance that is designed to provide adequate coverage and to prevent exposure from property, liability, or workers' compensation claims. Selection of insurers is made on the basis of competitive bids.

The City's decision to partially self-insure its workers' compensation insurance beginning in 1995 has reduced insurance costs by enabling it to raise deductibles on its other policies. In addition, a program to build funded insurance reserves is enabling it to raise deductibles on all other insurance policies.

Pension and other postemployment benefits. The City sponsors three separate single-employer defined benefit pension plans for its employees (general, police, and fire). Each year, an independent actuary calculates the annual contribution amount the City must make to ensure the plans will be able to fully meet their obligations to the retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary. As of the last actuarial valuation dated October 2010, the future actuarial liability represented by general, police and fire employees are funded at 78.7%, 75.6%, and 70.4%, respectively.

Additional information on the City's pension arrangements and postemployment benefits can be found in notes 14 and 20 of the notes to the financial statements.

Awards and Acknowledgements

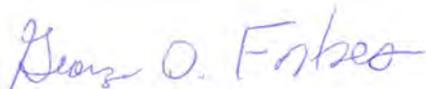
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

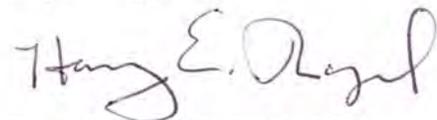
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories: as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of the financial report would not have been possible without the commitment and dedication of the Finance Department. We would like to express our appreciation to members of all departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support in the management of the finances for the City.

Respectfully submitted,



George D. Forbes
City Manager



Harry E. Royal, C.P.A., M.B.A.
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jacksonville Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



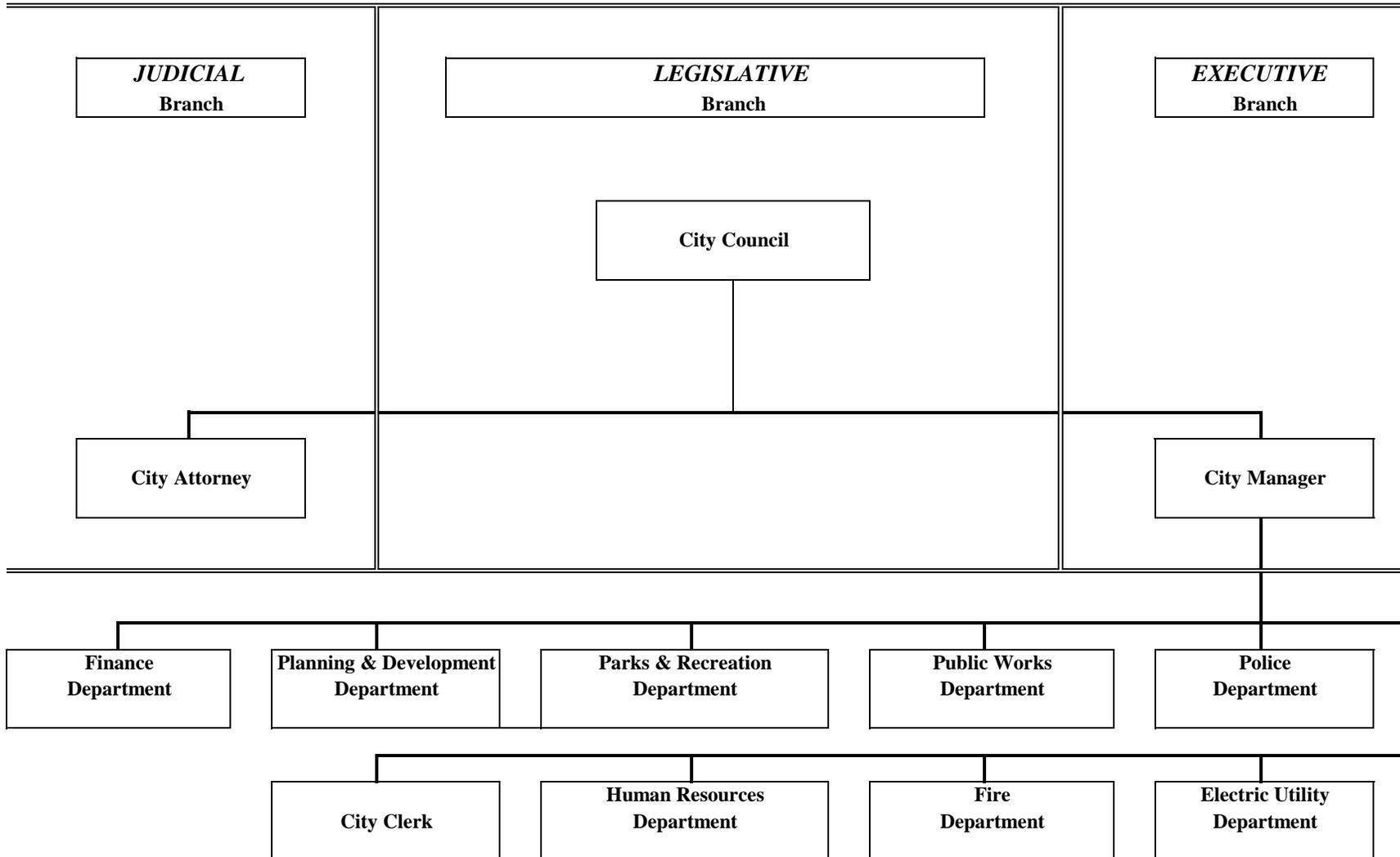
Linda C. Dandison

President

Jeffrey R. Enos

Executive Director

**CITY OF JACKSONVILLE BEACH
Government Organization Chart**



CITY OF JACKSONVILLE BEACH, FLORIDA
CITY OFFICIALS

LEGISLATIVE BRANCH

City Council:

Mayor

Seat 1, At-Large

Seat 2, At-Large

Seat 3, At-Large

Seat 4, District 1

Seat 5, District 2

Seat 6, District 3

Fland O. Sharp

Penny Christian

Richard Knight

Lee Buck

Steve Hartkemeyer

Jeanell Wilson

Tom Taylor

City Attorney:

Susan Erdelyi

City Auditors:

Purvis, Gray and Company, LLP

EXECUTIVE BRANCH

Acting City Clerk

City Manager

Chief, Fire Department

Chief, Police Department

Director of Electric Utility

Director of Grounds Maintenance

Director of Human Resources

Director of Planning and Development

Director of Public Works

Finance Officer

Judy Bullock

George D. Forbes

Gary Frazier

Bruce A. Thomason

Roy Trotter

Gary Meadors

Karen Nelson

Steven G. Lindorff

William T. Edwards, P.E.

Harry E. Royal, C.P.A.

AGENCY, BOARDS AND COMMISSION

Board of Adjustment

Community Redevelopment Agency

Planning Commission

General Pension Board

Police Pension Board

Fire Pension Board

Special Magistrate – Code Enforcement

FINANCIAL SECTION

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville Beach, Florida, (the City), as of and for the year ended September 30, 2011, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the community redevelopment fund 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 January 24, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other schedules, bond covenant information, schedule of expenditures of grant funds per the City of Jacksonville's Ordinance Code Chapter 118.202(e), and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by 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* of the State of Florida, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other schedules, bond covenant information, schedule of expenditures of federal awards and state financial assistance, and schedule of expenditures of grant funds per the City of Jacksonville's Ordinance Code Chapter 118.202(e) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Purvis, Gray and Company, LLP

January 24, 2012
Gainesville, Florida

MANAGEMENT'S DISCUSSION
AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

As the management of the City of Jacksonville Beach (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi-ix of this report and the City's financial statements beginning on page 19.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$296 million (net assets). Of this amount, \$68.2 million (unrestricted net assets) may be used to meet the government's obligations to provide ongoing services to our citizens and customers, to make payments to creditors, to pay for the projects in our capital improvement plan, to extinguish debt early, or to establish reserves for emergencies or catastrophic events.
- The government's total net assets increased by \$14.3 million primarily due to the result of operations.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$28.3 million, a decrease of \$700 thousand in comparison with the prior year. Of this amount, \$14.2 million is reserved for certain types of restricted uses related to redevelopment, tourism, law enforcement, transportation and capital projects. An additional \$4.5 million has been committed for revenue stabilization and \$3.7 million assigned for emergencies or unanticipated events. In addition, \$5.2 million has been assigned for capital projects and \$642 thousand for repayment of infrastructure surtax bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) notes to the financial statements, and 3) fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial position.

The *Statement of Activities* presents revenue and expenses and shows how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, law enforcement, fire control, building inspection, physical environment, roads and streets, economic environment, human services, and recreation. The business-type activities of the City include electric, natural gas, water and sewer, stormwater, sanitation, golf course, and leased facilities.

The City's government-wide financial statements can be found on pages 19-20 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

The City presents funds that are most significant to the City (major funds) in separate columns and all other governmental funds are aggregated and reported in a single column (nonmajor funds). Individual data for these nonmajor funds is presented in the form of combining statements in the section entitled "Combining and Individual Nonmajor Fund Statements and Schedules", on pages 76-104.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

The City's governmental fund financial statements are presented on pages 21-26.

Proprietary Funds

Proprietary fund financial statements consist of a statement of net assets, statement of revenues, expenses, and changes in fund net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds and Internal Service Funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utilities including electric, natural gas, water and sewer, stormwater, sanitation, the municipal golf course, and the City's leased facilities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses separate internal service funds to account for self-insurance and other internal charges. Because these charges predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 27-31 of this report.

Fiduciary Funds

Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets held by the City for other parties, either as a trustee or as an agent that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports pension trust funds that present the results of three defined benefit pension plans as fiduciary funds.

The fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-69 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 70-75 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

Government-Wide Financial Analysis

The following schedule is a summary of the fiscal year 2011 Statement of Net Assets found on page 19 of this report with comparative information for fiscal year 2010:

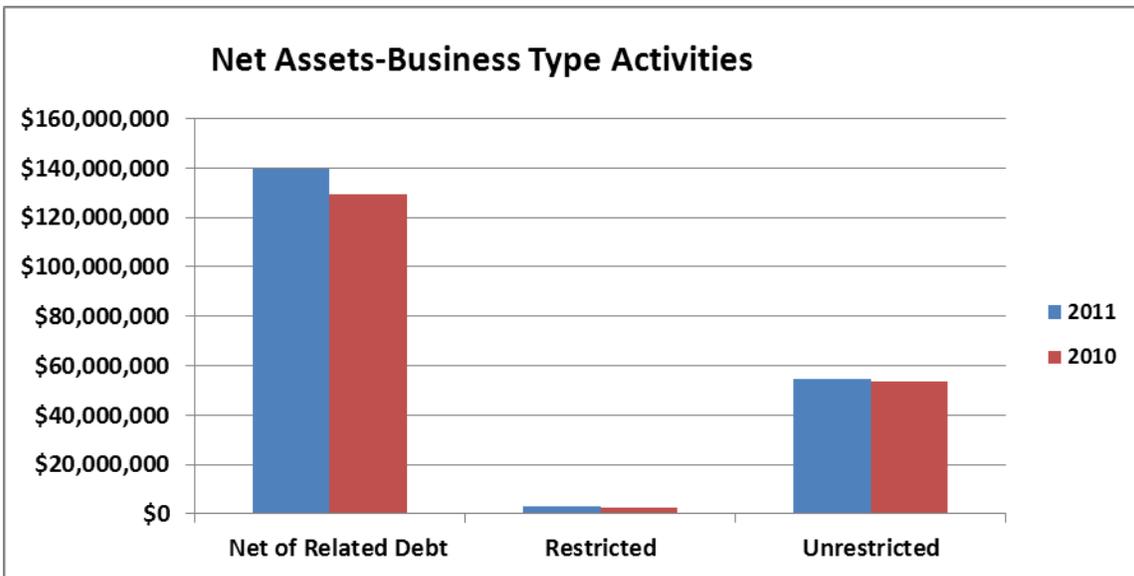
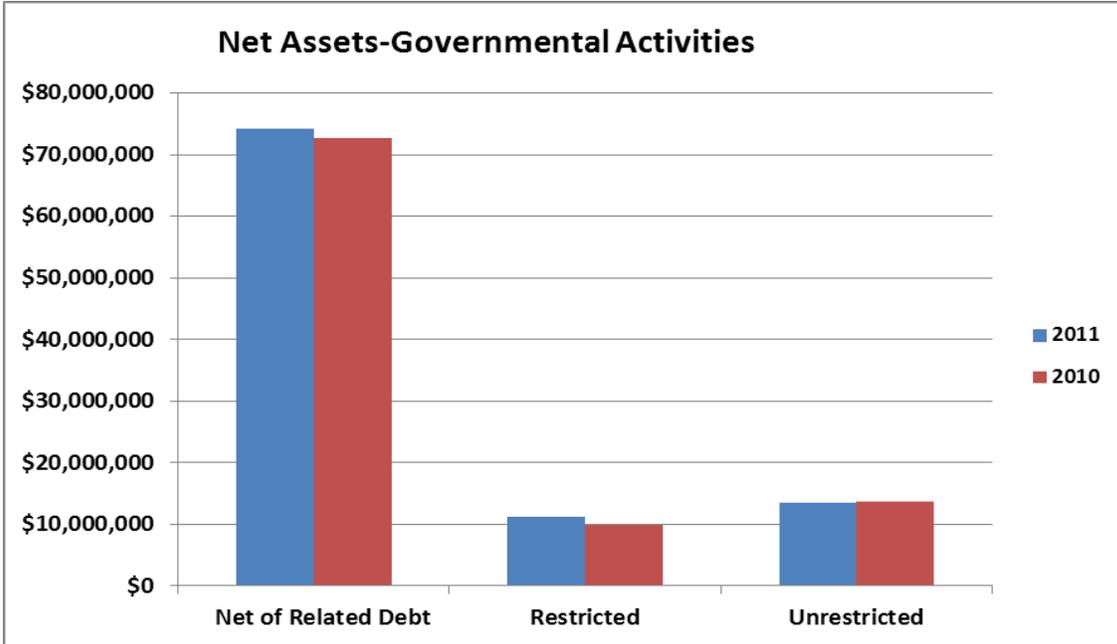
CITY OF JACKSONVILLE BEACH						
Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 34,582,449	\$ 34,243,179	\$ 86,931,045	\$ 75,328,671	\$ 121,513,494	\$ 109,571,850
Capital Assets, Net of Depreciation	83,002,441	82,717,225	174,168,574	168,178,752	257,171,015	250,895,977
Total Assets	117,584,890	116,960,404	261,099,619	243,507,423	378,684,509	360,467,827
Current and Other Liabilities	2,509,125	1,849,936	26,543,033	17,081,678	29,052,158	18,931,614
Long-term Liabilities	16,196,588	18,861,803	37,428,648	40,958,015	53,625,236	59,819,818
Total Liabilities	18,705,713	20,711,739	63,971,681	58,039,693	82,677,394	78,751,432
Net Assets:						
Investment in Capital Assets, Net of Related Debt	74,132,348	72,717,821	139,702,686	129,533,451	213,835,034	202,251,272
Restricted	11,180,126	9,884,908	2,751,550	2,571,810	13,931,676	12,456,718
Unrestricted	13,566,703	13,645,936	54,673,702	53,362,469	68,240,405	67,008,405
Total Net Assets	\$ 98,879,177	\$ 96,248,665	\$ 197,127,938	\$ 185,467,730	\$ 296,007,115	\$ 281,716,395

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. This year the City's assets exceeded liabilities by \$296 million. The overall financial position of the City improved by \$14.3 million from the prior year, an increase of approximately 5.1% from \$281.7 million in 2010. The governmental activities net assets increased \$2.7 million primarily as a result of operations. The net assets of the business-type activities increased \$11.6 million primarily as a result of operations and the transfer of the capital assets from governmental activities.

A substantial portion of the City's assets (72.2%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and customers; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (4.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$68.2 million) may be used to meet the government's ongoing obligations to citizens, customers, and creditors, for capital improvements, for repayment of debt, or to pay for expenditures related to natural disasters.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

The following two charts reflect the net assets for governmental and business activities for the current and prior fiscal year.



The chart below is a summary of the information presented in the 2011 Statement of Activities found on page 20 of this report, with comparative information for 2010:

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

**CITY OF JACKSONVILLE BEACH
Changes in Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 829,114	\$ 715,441	\$ 103,882,907	\$ 114,490,445	\$ 104,712,021	\$ 115,205,886
Operating Grants and Contributions	1,022,748	1,403,135		306,715	1,022,748	1,709,850
Capital Grants and Contributions	1,344,895	1,901,182	1,888,820	6,430,278	3,233,715	8,331,460
General Revenues:						
Property Taxes	15,969,619	15,625,045			15,969,619	15,625,045
Other Taxes	3,272,516	3,466,543			3,272,516	3,466,543
State Shared Revenues	2,535,819	2,434,706			2,535,819	2,434,706
Other Intergovt. Revenues	33,681	35,033			33,681	35,033
Interest	373,674	663,193	610,607	795,084	984,281	1,458,277
Miscellaneous	185,037	21,916			185,037	21,916
Total Revenues	<u>25,567,103</u>	<u>26,266,194</u>	<u>106,382,334</u>	<u>122,022,522</u>	<u>131,949,437</u>	<u>148,288,716</u>
Expenses:						
Governmental Activities:						
General Government	2,851,860	2,773,496			2,851,860	2,773,496
Law Enforcement	8,527,985	8,551,929			8,527,985	8,551,929
Fire Control	3,612,558	3,540,877			3,612,558	3,540,877
Building Inspections	459,024	448,328			459,024	448,328
Physical Environment	365,433	367,166			365,433	367,166
Road and Street	2,644,514	5,531,743			2,644,514	5,531,743
Human Services	20,000	81,754			20,000	81,754
Recreation	2,963,644	2,920,198			2,963,644	2,920,198
Interest on Long-Term Debt	535,930	626,709			535,930	626,709
Business-type Activities						
Electric			79,898,012	92,079,658	79,898,012	92,079,658
Water and Sewer			8,662,357	8,567,596	8,662,357	8,567,596
Stormwater			1,293,782	1,202,504	1,293,782	1,202,504
Sanitation			3,011,321	3,040,014	3,011,321	3,040,014
Golf Course			1,537,817	1,675,714	1,537,817	1,675,714
Leased Facilities			376,748	369,927	376,748	369,927
Natural Gas			897,732	99,804	897,732	99,804
Total Expenses	<u>21,980,948</u>	<u>24,842,200</u>	<u>95,677,769</u>	<u>107,035,217</u>	<u>117,658,717</u>	<u>131,877,417</u>
Increase in Net Assets Before Other Items	3,586,155	1,423,994	10,704,565	14,987,305	14,290,720	16,411,299
Transfers	(930,957)	(7,152,937)	930,957	7,152,937	0	0
Increase (Decrease)in Net Assets	2,655,198	(5,728,943)	11,635,522	22,140,242	14,290,720	16,411,299
Net Assets-Beginning of Year	96,248,665	101,977,608	185,467,730	163,327,488	281,716,395	265,305,096
Adjustment-Care Fund	(24,686)		24,686			
Net Assets-End of Year	<u>\$ 98,879,177</u>	<u>\$ 96,248,665</u>	<u>\$ 197,127,938</u>	<u>\$ 185,467,730</u>	<u>\$ 296,007,115</u>	<u>\$ 281,716,395</u>

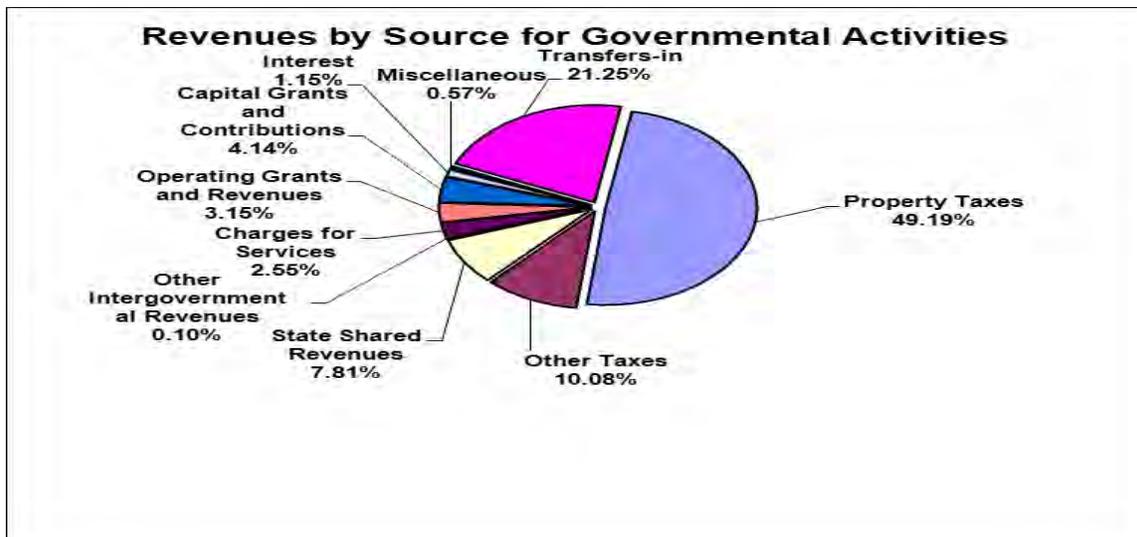
**MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

Governmental Activities

Governmental activities increased the City's net assets by \$2.7 million or by 2.8% for the year. The following information relates key points regarding the financial activities that significantly impacted the change in net assets:

- Charges for services in 2011 were above the prior year which was attributable to parking revenue. The City's parking program did not begin until May 2010 which means the City only collected parking revenues for five months last year compared to collecting every month in Fiscal Year 2011.
- Operating grants and contributions were less than the prior year because of a large amount of federal forfeiture monies received in 2010.
- Capital grants and contributions were less than the prior year mostly because of federal, state, and local grant monies received in 2010 for the 2nd street stormwater project and the A1A streetscape project.
- Property tax revenues increased in the redevelopment districts, but decreased in total by \$345 thousand due to the decline in taxable property values caused by the depressed real estate market.
- Other tax revenues decreased by \$194 thousand mostly because of overpayments of communication service taxes over the past several years paid to the City in error by the State which was deducted from current revenues.
- State shared revenues increased by 4% because of greater ½ cent sales tax collections which also have resulted from slightly better local economic conditions this year.
- Interest revenues decreased \$290 thousand due largely to the decline of interest earning rates paid on city investments.
- Miscellaneous revenues increased \$163 thousand which is primarily attributable to greater losses on disposals of capital assets in 2010.
- Total expenses for governmental activities decreased by a net of \$2.9 million from the prior year mostly because of a substantial decrease in large road and drainage maintenance projects during 2011.

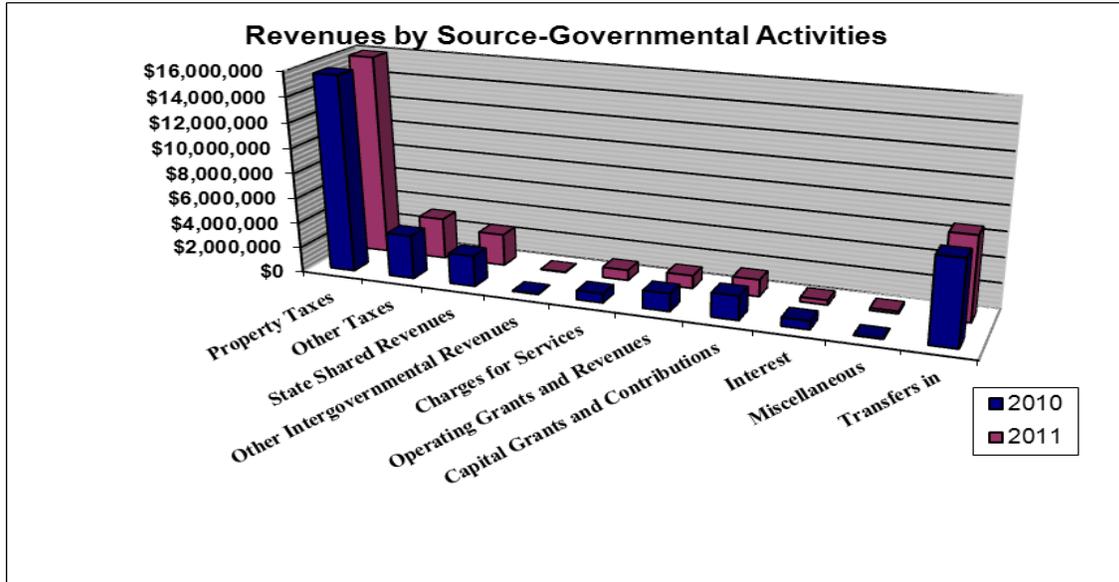
The following graph shows the percentage composition of revenues by source by percent of total revenues for the City's governmental activities for fiscal year 2011:



**MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

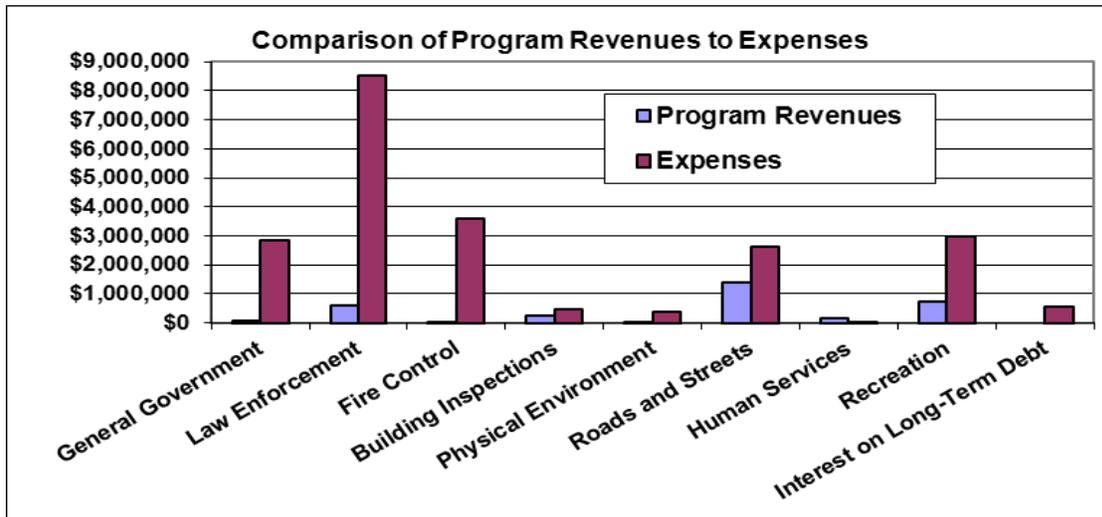
As can be seen in the above chart, property taxes provide 49% of the total revenues that support governmental activities. The other major sources include state shared revenues, other taxes, and transfers.

The following graph shows the dollar amounts of revenues by category for the City's governmental activities for fiscal year 2011.



The net revenue decrease of \$699 thousand over the prior year resulted from decreases in operating grants and contributions, capital grants and contributions, other taxes, and interest revenues which were partially offset by increases in revenues for charges for services, property taxes, state shared revenues, and miscellaneous revenues. See the discussion above the preceding chart for an explanation as to the increases and decreases by source of revenues.

The following chart compares current year program revenues to expenses for governmental activities for fiscal year 2011:



**MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

Business-type Activities

Business-type activities increased the City's net assets by \$11.6 million (after transfers). Key financial factors related to these activities are as follows:

- Total revenues exceeded expenses before transfers by \$11.6 million compared to \$22.1 million in the prior year.
- Charges for services decreased by \$10.6 million over last year mostly due to a decrease in electric revenues which was partially driven by a 2.1% decrease in kilowatt hour sales. However, the main cause of the decrease in electric dollar sales was largely rate decreases in the amount per thousand kilowatt hours charged to customers. In January the rate was decreased by \$5 and an additional \$2 decrease took effect in September.
- Total expenses for the electric operations were below last year due to an \$11.3 million decrease in the cost of power purchased. The City receives all of its electricity from Florida Municipal Power Agency which it then distributes and sells to its customers.
- Cash increased by \$13.2 million mostly due to electric operations and the increase in power costs collected in advance which is due back to our electric customers.
- Net transfers into business activities from governmental activities were approximately \$931 thousand. This represents the difference between the \$1.033 million capital asset transfers in to the business activities from governmental activities and the \$102 thousand by which transfers out from business activities exceeded transfers in from governmental activities.
- The business activities transfers included a \$3.5 million transfer from the electric enterprise fund in accordance with the City's policy on electric transfers.
- \$1 million was transferred from the electric enterprise fund to the natural gas enterprise fund to finance Phase II of the natural gas system construction.
- The beginning net asset balance for the CARE Fund previously accounted for in governmental activities (Special Revenue Fund) was rolled into business activities (Electric Fund) in 2011.

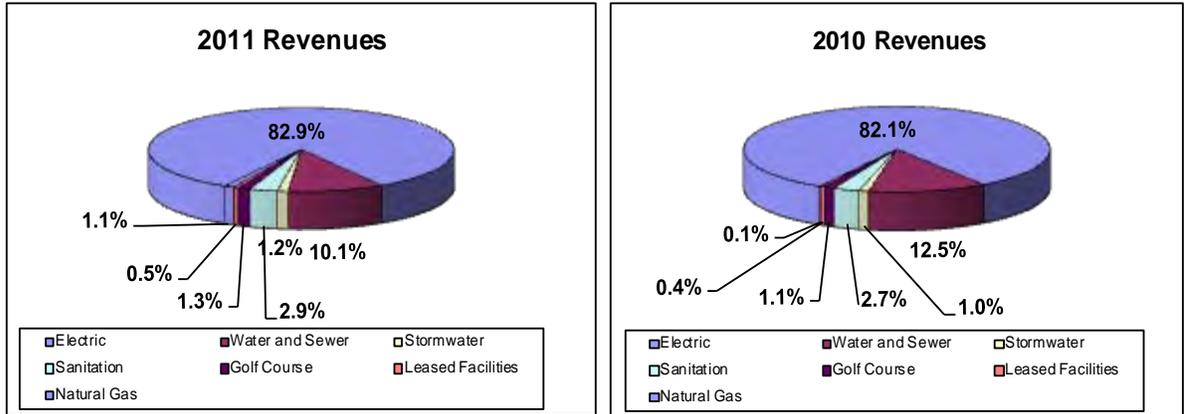
The following chart compares expenses with program revenues for the City's business-type activities for fiscal year 2011. As can be seen in the chart, electric revenue provided the major portion of business-type activities revenues.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

The following chart shows the percentage composition of revenues for business-type activities for the fiscal years 2011 and 2010:

Current Year Revenues by Business-type Activities Compared to Prior Year



As can be seen in the preceding chart, the composition of revenues by business-type activities has not varied significantly from the prior year.

Financial Analysis of the City’s Funds

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

Governmental Funds

The fund financial statements for the governmental funds are provided on pages 21-26. 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, how much the City has committed or assigned portions of their unrestricted fund balance may serve as a useful measure of how well a government is setting aside its available resources available at the end of the fiscal year for emergencies or unanticipated budgetary expenses that may occur in the future and maintaining working capital.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$28.3 million; of this amount, \$14.2 million was restricted fund balance, \$4.5 million is committed as a rate stabilization reserve, \$3.7 million is assigned for an emergency/unanticipated event reserve, and \$5.2 million is assigned for capital projects and \$642 thousand for a debt service reserve. The City’s fund balance policy for governmental funds was adopted in 2011 pursuant to GASB Statement 54 and is discussed at length in the footnotes to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

General Fund

The financial operations of the General Fund are included in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds which can be found on page 23 of this report.

**CITY OF JACKSONVILLE BEACH
General Fund
Statement of Revenues, Expenditures, and Fund Balances**

	<u>2011</u>	<u>2010</u>	<u>Over (Under) Prior Year</u>
Revenues:			
Taxes	\$ 9,155,576	\$ 9,487,717	\$ (332,141)
Licenses and Permits	261,309	226,214	35,095
Intergovernmental	3,397,053	3,343,004	54,049
Charges for Services	368,801	275,174	93,627
Fines and Forfeitures	181,584	189,411	(7,827)
Interest and Other Revenues	237,895	308,543	(70,648)
Total Revenues	<u>13,602,218</u>	<u>13,830,063</u>	<u>(227,845)</u>
Expenditures:			
General Government	2,023,709	1,951,886	(71,823)
Public Safety	11,513,465	11,385,543	(127,922)
Roads and Streets	1,516,800	1,549,363	32,563
Parks and Recreation	2,384,709	2,163,292	(221,417)
Total Expenditures	<u>17,438,683</u>	<u>17,050,084</u>	<u>(388,599)</u>
Excess of Revenues Over (Under) Expenditures	(3,836,465)	(3,220,021)	(616,444)
Other Financing Sources			
Transfers in	4,406,484	4,013,125	393,359
Transfers out	(781,200)	(440,299)	(340,901)
Net Change in Fund Balances	<u>(211,181)</u>	<u>352,805</u>	<u>(563,986)</u>
Fund Balance-Beginning of Year (Restated)	8,482,847	8,130,042	352,805
Fund Balance-End of Year	<u>\$ 8,271,666</u>	<u>\$ 8,482,847</u>	<u>\$ (211,181)</u>

The General Fund is the chief operating fund of the City. The preceding schedule compares 2011 revenues and expenditures with the prior year. The variance for taxes was mostly due to communications service taxes which were down \$212 thousand from the prior year because of overpayments in prior years which were deducted from current revenues. In addition, collections of ad valorem taxes were down approximately \$99 thousand from the prior year mostly because of lower real estate values. The reason charges for services in 2011 were above the prior year was mostly attributable to parking revenue. The City's parking program did not begin until May 2010 and therefore there were only five months of parking revenues in 2010. Interest and other revenues were below last year because of lower interest rates being earned on the city's investments.

Total expenditures reflected a small increase in total while transfers out were more due to greater amounts being transferred from the General Fund in 2011 for capital projects. The reason for the increase in expenditures for the parks and recreation category was that the special events expenditures were accounted in a special revenue fund 2010. These expenditures were consolidated into the General Fund in 2011 and were approximately \$191 thousand in 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CITY OF JACKSONVILLE BEACH, FLORIDA

At the end of the current fiscal year the fund balance of the General Fund was \$8.3 million of which \$4.5 million was committed for a revenue stabilization reserve and \$3.7 million was assigned to an unanticipated/emergencies reserve account. While it can be noted that there is no unrestricted fund balance available for spending, the City has always funded the annual budget for expenditures from current revenue sources. The City actively manages the budget and strives to keep operating expenditures within budgetary limits. When evaluating the General Fund's liquidity, it should be noted that the revenue stabilization reserve serves as a working capital reserve and the unanticipated expenditures/emergencies account may be used to supplement operating revenues if approved by the City Council. Combined these two reserve balances represent 46% of total budgeted General Fund expenditures for 2012.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the General Fund can be found on page 25 of this report.

The difference between the original budget and the final amended budget was an increase in net appropriations of \$387 thousand for expenditures and \$610 thousand for transfers out. Major amendments are summarized in Note 3 in the notes to the financial statements.

Budget amendments were adopted anticipating using available fund balance or revenues in excess of the original budget projections. In 2011 the fund balance of the City's General Fund was decreased by \$211 thousand primarily because the City transferred \$400 thousand at year end to the General Capital Projects Fund to finance technology improvements identified in its strategic information technology plan update performed by outside consultants.

Actual revenues came in below final budgeted revenues by 4.9%, and actual expenditures were 6.5% under budget. Total revenues were below budgeted revenues because taxes, licenses and permits, and interest and other revenues were below budgeted estimates. These categories came in under estimated revenues due mostly to decreases in ad valorem taxes, building permit revenues, and interest revenues that were driven by the general decline of the local and national economy. Total expenditures came in under budget because the departments actively managed their individual budgets assuring compliance with budgetary limits and therefore the City did not have to spend most of the monies it had budgeted for unanticipated contingencies. In addition, a portion (\$236 thousand) of the non-departmental budget was for unanticipated contingencies for emergencies or other unplanned expenditures of which only a minor amount was expended.

Other Major Governmental Funds

The first of the two major governmental funds other than the General Fund is the General Capital Projects Fund. The purpose of this fund is mainly to account for major capital projects that are mostly related to roads and streets construction projects, although the City also funds major equipment purchases in this fund. The financial activities of this fund are included in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page 23 of this report. The capital projects in this fund are primarily funded by transfers from other funds, debt, or grants. In Fiscal Year 2011, approximately \$35 thousand of the expenditures in this fund are related to computer equipment, \$530 thousand for a fire truck and fire command vehicle, \$250 thousand for public safety radio tower and equipment, \$27 thousand for cemetery improvements, \$13 thousand for parking facilities improvements, and \$92 thousand on park improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Community Redevelopment Fund is the other major governmental fund which is also presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds. In addition, a more detailed summary of the activities in this fund can be found in Note 18 in the notes to the financial statements. As can be seen in the summary, the increase in fund balance was because in the Downtown Tax Increment District, we received \$1 million more in revenues than what we spent on major projects last year and in the Southend Tax Increment district we spent \$257 thousand more on projects than we received in revenues. In fiscal year 2012, the Community Redevelopment Agency has committed to the funding of the \$6.1 million Downtown streetscape project for which construction is currently under way, and also approved \$2.8 million for Southend infrastructure identified in an engineering study completed in 2011.

Proprietary Funds

The fund financial statements for the City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements can be found on pages 27-31 of this report.

Factors concerning the finances of the proprietary funds have been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$257.2 million (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, improvements, infrastructure, utility systems and equipment. The total net increase in the City's investment in capital assets for the current fiscal year was \$6.3 million.

Major capital asset activity during the current fiscal year included the following construction or renovation projects:

- Downtown Visioning Project Phase 2
- Sea Walk Reconstruction Beach Blvd to 3rd Ave N
- South Beach Park Playground Upgrade
- South Beach Park Water Feature
- Natural Gas Distribution System
- Wastewater Plant Upgrade
- Water Main Improvements 4th Ave N
- Lake Mildred Storm Water Pump Station
- MSD Electric Conversion San Juan Drive
- Northgate Drive Electric Underground Upgrade
- Palm Valley Road Electric Feeder Rebuild Phase 1
- Villa Del Mar Electric Upgrade
- A1A Electric Streetlight Relocation & Change Out
- Kings Road Electric Conversion

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CITY OF JACKSONVILLE BEACH, FLORIDA

Additional information on the City's capital assets can be found in Note 8 beginning on page 50 of this report. As can be seen in the schedule of capital activity in this note, the City has continued to invest significantly in its capital assets for both governmental and business-type activities.

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$47.1 million (net of unamortized bond premium and deferred loss on refunding). None of this debt is considered general obligation bond debt, backed by the full faith and credit of the City. All of the City's long-term debt represents bonds secured solely by specified revenue sources.

CITY OF JACKSONVILLE BEACH						
Bonded Indebtness						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenue Bonds:						
Infrastructure Sales Tax	\$ 6,890,000	\$ 7,660,000			\$ 6,890,000	\$ 7,660,000
Tax Increment	5,256,399	7,151,554			5,256,399	7,151,554
Utility Revenue			\$ 36,031,040	\$ 41,588,967	36,031,040	41,588,967
Total Outstanding	12,146,399	14,811,554	36,031,040	41,588,967	48,177,439	56,400,521
Add:						
Unamortized Premium			1,640,740		1,640,740	
Less:						
Unamortized Discount				(88,779)		(88,779)
Refunding Loss			(2,750,751)	(2,854,888)	(2,750,751)	(2,854,888)
Total Net Outstanding	\$ 12,146,399	\$ 14,811,554	\$ 34,921,029	\$ 38,645,300	\$ 47,067,428	\$ 53,456,854

The City's total debt outstanding decreased by \$8.2 million because of scheduled principal payments (\$2.7 million in Governmental Activities and \$3.7 million in the Business-type Activities) and also reduced the debt by an additional \$1.8 million by refunding a business activities bond at the beginning of the year.

The bond ratings continue to reflect that the City's bonds have strong investment quality characteristics as shown below.

	Moody's Investor Service	Fitch Investors Service
Business-type Obligations	A-1	AA-

Moody's reaffirmed their rating and Fitch upgraded their rating from an A- in 2010 for the Business-Type bonds. All of the Governmental Activity bonds are unrated and all but one are qualified tax-exempt obligations pursuant to Section 265 (b)(3), Internal Revenue Code of 1986. The one that is not is a private activity bond.

Additional information on the City's long-term debt can be found in Notes 9, 10, and 11 on pages 51-55 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

Economic Factors and Next Year's Budget and Rates

The strength of the local economy has continued to slow in the past year due to the national economic downturn. The City's 2012 budget anticipates reductions in property, sales, fuel, and tourist taxes and building permit fees. During the past few years the state legislature has passed property tax reform legislation that reduced the amount of property taxes collected by many local governments. In addition, there is a state constitutional amendment on the ballot for November 2012 that would further reduce property tax revenues beginning in fiscal year 2013. The City is closely monitoring its financial operations and planning for future revenue reductions related to additional property tax reform initiatives by the state legislature.

Of particular concern to management has been the trend of increasing costs for health and pension benefits for employees. During the next budget cycle (Fiscal Year 2013), these costs will be thoroughly reviewed and options for mitigating this trend in the future will be examined and discussed with the City Council.

In the near future, changes in the electric industry due to global warming concerns and the increase in the cost of power resulting from changes in the availability and types of electrical demand resources will have a significant financial impact on the City's revenue sources. Another recent development that will greatly affect our operating and capital costs are new Federal regulations concerning the levels of pollutants in stormwater runoff. We are currently in process of renewing our National Pollution Discharge Elimination Permit (NPDES) in which we will have to address stormwater pollutants. However, we are not certain of the fiscal impact the new standards will have on our operations.

We have more recently been concerned with how we are going to pay for water and wastewater improvements that are in our five (5) year capital improvement plan as our current water and sewer rates are not generating sufficient revenues to meet those needs. We recently engaged a water and sewer rate consultant to prepare a revenue sufficiency analysis to determine what the water and sewer rates should be to pay for all or a portion of those needed improvements. The City will review the findings from this study prior to the preparation of the next budget to determine how to address this issue.

We expect to continue to be careful about managing the City's resources and cautious about increases in spending and service levels. We are very concerned about continuing to provide the level of service to our citizens we have in the past, given the economic downturn, property tax reform initiatives by the state legislature, and new federal regulations affecting our utility operations.

Each year the City begins its annual budget process with a financial evaluation of its current financial position. This evaluation considers local and national economic trends, financial and statistical analysis, a five-year capital improvement plan, and a five-year cash flow analysis for major city operations. We feel strongly that with careful planning and due diligence we can overcome the concerns we have that will affect our financial position and operations while meeting our budget objectives each year. The budget objectives for the Fiscal Year 2012 budget include the following:

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

- The 2012 departmental budgets included in the general fund were prepared on the basis that personnel and operating costs will be 4% less than the 2011 budgets.
- For all other departmental budgets included in other funds, the budget was prepared on the basis that personnel and operating costs was to be equal or less than the prior year budgets.
- Spending patterns in all funds must be sustainable.
- The General Fund Budget will be based on the rolled back millage rate of \$4.0947.
- All operating budgets will be balanced.
- Maintaining the ability to provide core service levels.
- Adequate maintenance of City equipment, facilities and infrastructure.
- Capital budgets were to be funded within cash flow projections.
- Minimize future debt through long term financial planning and capital budgeting.

Requests for Information

This financial report is designed to provide users with a general overview of the City of Jacksonville Beach's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, City of Jacksonville Beach, 11 North Third Street, Jacksonville Beach, Florida, 32250. You can also visit our website at www.jacksonvillebeach.org.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 31,082,536	\$ 53,436,833	\$ 84,519,369
Other Cash and Investments	41,051	2,657,241	2,698,292
Accounts Receivable, Net	212,351	17,901,388	18,113,739
Assessments Receivable, Net	590,358	7,982	598,340
Due from Other Governments	1,074,197	211,259	1,285,456
Inventories		1,780,039	1,780,039
Prepaid Power Costs		13,000	13,000
Prepaid Items	65,444	113,898	179,342
Deposits	1,516,512		1,516,512
Restricted Assets:			
Equity in Pooled Cash and Investments		10,354,264	10,354,264
Capital Assets:			
Nondepreciable	32,521,829	33,535,779	66,057,608
Depreciable, Net	50,480,612	140,632,795	191,113,407
Bond Issue Costs, Net		455,141	455,141
Total Assets	117,584,890	261,099,619	378,684,509
Liabilities			
Accounts Payable	284,160	6,195,427	6,479,587
Accrued Interest		582,250	582,250
Other Accrued Liabilities	488,229	1,754,323	2,242,552
Power Costs Recovered in Advance		13,102,600	13,102,600
Due to Other Governments	243,098		243,098
Deposits	12,485	4,868,160	4,880,645
Unearned Revenues	181,257	40,273	221,530
Self-insurance Claims Payable	1,299,896		1,299,896
Noncurrent Liabilities:			
Due Within One Year	3,078,497	4,191,645	7,270,142
Due in More Than One Year	13,118,091	33,237,003	46,355,094
Total Liabilities	18,705,713	63,971,681	82,677,394
Net Assets			
Invested in Capital Assets, Net of Related Debt	74,132,348	139,702,686	213,835,034
Restricted for:			
Redevelopment	7,729,773		7,729,773
Tourism	612,532		612,532
Transportation Improvements	1,925,421		1,925,421
Capital Projects	303,059	2,751,550	3,054,609
Law Enforcement	609,341		609,341
Unrestricted	13,566,703	54,673,702	68,240,405
Total Net Assets	\$ 98,879,177	\$ 197,127,938	\$ 296,007,115

See accompanying notes.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 2,851,860	\$ 53,182			\$ (2,798,678)		\$ (2,798,678)
Law Enforcement	8,527,985	156,311	\$ 256,324	\$ 426,798	(7,688,552)		(7,688,552)
Fire Control	3,612,558		1,477		(3,611,081)		(3,611,081)
Building Inspections	459,024	267,879			(191,145)		(191,145)
Physical Environment	365,433	14,791			(350,642)		(350,642)
Roads and Streets	2,644,514	229,084		918,097	(1,497,333)		(1,497,333)
Human Services	20,000		146,308		126,308		126,308
Parks and Recreation	2,963,644	107,867	618,639		(2,237,138)		(2,237,138)
Interest on Long-term Debt	535,930				(535,930)		(535,930)
Total Governmental Activities	21,980,948	829,114	1,022,748	1,344,895	(18,784,191)	\$ 0	(18,784,191)
Business-type Activities							
Electric	79,898,012	87,488,045		193,874		7,783,907	7,783,907
Water and Sewer	8,662,357	9,025,798		1,694,946		2,058,387	2,058,387
Stormwater	1,293,782	1,232,483				(61,299)	(61,299)
Sanitation	3,011,321	3,091,891				80,570	80,570
Golf Course	1,537,817	1,359,474				(178,343)	(178,343)
Leased Facilities	376,748	570,920				194,172	194,172
Natural Gas	897,732	1,114,296				216,564	216,564
Total Business-type Activities	95,677,769	103,882,907	0	1,888,820	0	10,093,958	10,093,958
Total Primary Government	\$ 117,658,717	\$ 104,712,021	\$ 1,022,748	\$ 3,233,715	(18,784,191)	10,093,958	(8,690,233)
General Revenues							
Taxes:							
					15,969,619		15,969,619
					5,280		5,280
					975,611		975,611
					1,074,935		1,074,935
					221,509		221,509
					742,603		742,603
					252,578		252,578
					2,535,819		2,535,819
					33,681		33,681
					373,674	610,607	984,281
					185,037		185,037
					(930,957)	930,957	0
					21,439,389	1,541,564	22,980,953
					2,655,198	11,635,522	14,290,720
					96,223,979	185,492,416	281,716,395
					\$ 98,879,177	\$ 197,127,938	\$ 296,007,115

See accompanying notes.

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	General Fund	General Capital Projects Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 9,048,641	\$ 5,209,106	\$ 7,752,726	\$ 5,563,197	\$ 27,573,670
Other Cash and Investments	4,255				4,255
Receivables:					
Accounts, Net	210,867			1,484	212,351
Assessments, Net	11,547		3,471	575,340	590,358
Interfund Receivables	26,750				26,750
Due from Other Governments	720,525			353,672	1,074,197
Prepaid Expenditures	18,000				18,000
Deposits			1,011,070	505,442	1,516,512
Total Assets	10,040,585	5,209,106	8,767,267	6,999,135	31,016,093
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	110,870	13,738	12,716	9,855	147,179
Other Accrued Liabilities	327,698		10,237	2,392	340,327
Due Other Governments	243,098				243,098
Interfund Payables				26,750	26,750
Deposits	12,485				12,485
Deferred Revenue	1,074,768		3,471	869,324	1,947,563
Total Liabilities	1,768,919	13,738	26,424	908,321	2,717,402
Fund Balances					
Nonspendable:					
Prepaid Expenditures	18,000				18,000
Restricted for:					
Redevelopment			7,729,773		7,729,773
Tourism Expenses				594,032	594,032
Transportation Improvements			1,011,070	790,351	1,801,421
Capital Projects				3,429,365	3,429,365
Law Enforcement				609,341	609,341
Committed for:					
Revenue Stabilization	4,529,922				4,529,922
Tree Replacement				12,756	12,756
Assigned for:					
Unanticipated Events/ Emergencies	3,723,744				3,723,744
Capital Projects		5,195,368		12,778	5,208,146
Debt Service				642,191	642,191
Total Fund Balances	8,271,666	5,195,368	8,740,843	6,090,814	28,298,691
Total Liabilities and Fund Balances	\$ 10,040,585	\$ 5,209,106	\$ 8,767,267	\$ 6,999,135	\$ 31,016,093

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Fund Balance - Total Governmental Funds \$ 28,298,691

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 governmental funds:

Capital Assets	\$ 120,507,619	
(Accumulated Depreciation)	<u>(38,522,655)</u>	81,984,964

Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.		1,766,306
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Revenue Bonds	(12,146,399)	
Accrued Other Postemployment Benefits	(931,101)	
Compensated Absences	<u>(2,178,923)</u>	(15,256,423)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are reported with governmental activities.		<u>2,085,639</u>
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Net Assets of Governmental Activities \$ 98,879,177

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	General Fund	General Capital Projects Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,155,576		\$ 8,146,836	\$ 1,939,223	\$ 19,241,635
Licenses and Permits	261,309				261,309
Intergovernmental	3,397,053	\$ 250,000		323,106	3,970,159
Charges for Services	368,801		298	394,738	763,837
Fines and Forfeitures	181,584			52,843	234,427
Interest and Other Revenue	237,895	48,247	107,654	85,455	479,251
Total Revenues	13,602,218	298,247	8,254,788	2,795,365	24,950,618
Expenditures					
Current:					
General Government	2,023,709	33,654	236,563	630	2,294,556
Public Safety	11,513,465	64,926	390,822	263,421	12,232,634
Physical Environment		3,175		18,581	21,756
Roads and Streets	1,516,800	12,674		350,143	1,879,617
Human Services				20,000	20,000
Parks and Recreation	2,384,709	21,617		135,153	2,541,479
Debt Service:					
Principal			1,895,155	770,000	2,665,155
Interest and Fees			241,336	294,594	535,930
Capital Outlay		866,273	2,528,704	132,726	3,527,703
(Total Expenditures)	(17,438,683)	(1,002,319)	(5,292,580)	(1,985,248)	(25,718,830)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(3,836,465)	(704,072)	2,962,208	810,117	(768,212)
Other Financing Sources (Uses)					
Transfers in	4,406,484	571,200		1,920,359	6,898,043
Transfers (out)	(781,200)		(2,173,598)	(3,841,053)	(6,795,851)
Total Other Financing Sources (Uses)	3,625,284	571,200	(2,173,598)	(1,920,694)	102,192
Net Change in Fund Balances	(211,181)	(132,872)	788,610	(1,110,577)	(666,020)
Fund Balances, Beginning of Year	8,482,847	5,328,240	7,952,233	7,201,391	28,964,711
Fund Balances, End of Year	\$ 8,271,666	\$ 5,195,368	\$ 8,740,843	\$ 6,090,814	\$ 28,298,691

See accompanying notes.

**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, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Net Change in Fund Balance - Total Governmental Funds \$ (666,020)

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

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 as depreciation expense:

Expenditures for Capital Assets	\$ 4,170,340	
Disposals and Transfers	(1,051,796)	
(Current Year Depreciation)	<u>(2,738,180)</u>	380,364

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Principal Payments	<u>2,665,155</u>	2,665,155
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Accrued Compensated Absences	25,447	
Change in Other Postemployment Benefits	<u>(161,731)</u>	(136,284)

Some revenues have been deferred in the governmental funds because they were not available at year-end, but have been recognized in the statement of activities.

542,628

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

(130,645)

Change in Net Assets of Governmental Activities \$ 2,655,198

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 9,876,010	\$ 9,876,010	\$ 9,155,576	\$ (720,434)
Licenses and Permits	323,800	323,800	261,309	(62,491)
Intergovernmental	3,303,205	3,303,205	3,397,053	93,848
Charges for Services	137,375	338,651	368,801	30,150
Fines and Forfeitures	151,500	151,500	181,584	30,084
Interest and Other Revenue	282,009	305,626	237,895	(67,731)
Total Revenues	<u>14,073,899</u>	<u>14,298,792</u>	<u>13,602,218</u>	<u>(696,574)</u>
Expenditures				
Executive	972,127	978,349	881,095	97,254
Central Services	504,859	515,837	455,978	59,859
Planning and Development	669,288	669,288	597,848	71,440
Parks and Recreation	2,185,470	2,238,862	2,193,685	45,177
Public Works	1,570,958	1,571,043	1,516,799	54,244
Police	7,969,408	8,191,234	7,696,319	494,915
Fire	3,445,766	3,485,751	3,377,039	108,712
Nondepartmental	950,799	1,005,630	719,920	285,710
(Total Expenditures)	<u>(18,268,675)</u>	<u>(18,655,994)</u>	<u>(17,438,683)</u>	<u>1,217,311</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(4,194,776)</u>	<u>(4,357,202)</u>	<u>(3,836,465)</u>	<u>520,737</u>
Other Financing Sources (Uses)				
Transfers in	4,365,976	4,431,960	4,406,484	(25,476)
Transfers (out)	(171,200)	(781,200)	(781,200)	0
Total Other Financing Sources (Uses)	<u>4,194,776</u>	<u>3,650,760</u>	<u>3,625,284</u>	<u>(25,476)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ (706,442)</u>	<u>\$ (211,181)</u>	<u>\$ 495,261</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,839,986	\$ 8,146,836	\$ 8,146,836	\$ 0
Charges for Services			298	298
Interest and Other Revenue	145,000	145,000	107,654	(37,346)
Total Revenues	<u>6,984,986</u>	<u>8,291,836</u>	<u>8,254,788</u>	<u>(37,048)</u>
Expenditures				
Current:				
General Government	211,943	495,660	236,563	259,097
Public Safety	413,010	405,980	390,822	15,158
Debt Service:				
Principal	1,895,155	1,895,155	1,895,155	0
Interest and Fees	251,335	251,335	241,336	9,999
Capital Outlay		12,751,930	2,528,704	10,223,226
(Total Expenditures)	<u>(2,771,443)</u>	<u>(15,800,060)</u>	<u>(5,292,580)</u>	<u>10,507,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,213,543</u>	<u>(7,508,224)</u>	<u>2,962,208</u>	<u>10,470,432</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(2,173,598)</u>	<u>(2,173,598)</u>	<u>(2,173,598)</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 2,039,945</u>	<u>\$ (9,681,822)</u>	<u>\$ 788,610</u>	<u>\$ 10,470,432</u>

See accompanying notes.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Electric	Water and Sewer	Other Funds	Totals	
Assets					
Current Assets:					
Equity in Pooled Cash and Investments	\$ 34,962,741	\$ 9,727,475	\$ 8,746,617	\$ 53,436,833	\$ 3,508,866
Other Operating Cash	6,315	4,076	1,900	12,291	36,796
Other Investments	1,586,970	1,057,980		2,644,950	
Receivables:					
Accounts, Net	15,960,038	1,168,522	772,828	17,901,388	
Assessments, Net		7,982		7,982	
Due from Other Governments		211,259		211,259	
Inventories	1,747,370		32,669	1,780,039	
Prepaid Power Costs			13,000	13,000	
Other Prepaid Expenses	109,038		4,860	113,898	47,444
Restricted Assets:					
Equity in Pooled Cash and Investments	7,709,221	1,435,783	1,209,260	10,354,264	
Total Current Assets	<u>62,081,693</u>	<u>13,613,077</u>	<u>10,781,134</u>	<u>86,475,904</u>	<u>3,593,106</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,551,256	361,970	746,243	3,659,469	
Buildings and Improvements	161,925,356	56,836,073	26,329,701	245,091,130	1,610,007
Equipment	3,363,528	2,264,789	1,514,543	7,142,860	2,465,084
Construction in Progress	6,378,765	22,803,824	693,721	29,876,310	
	<u>174,218,905</u>	<u>82,266,656</u>	<u>29,284,208</u>	<u>285,769,769</u>	<u>4,075,091</u>
(Accumulated Depreciation)	<u>(73,347,189)</u>	<u>(29,801,773)</u>	<u>(8,452,233)</u>	<u>(111,601,195)</u>	<u>(3,057,614)</u>
Total Capital Assets, Net of Accumulated Depreciation	100,871,716	52,464,883	20,831,975	174,168,574	1,017,477
Other Assets:					
Bond Issue Costs, Net	268,078	187,063		455,141	
Total Noncurrent Assets	<u>101,139,794</u>	<u>52,651,946</u>	<u>20,831,975</u>	<u>174,623,715</u>	<u>1,017,477</u>
Total Assets	<u>163,221,487</u>	<u>66,265,023</u>	<u>31,613,109</u>	<u>261,099,619</u>	<u>4,610,583</u>

See accompanying notes.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Electric	Water and Sewer	Other Funds	Totals	
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 5,389,814	\$ 149,265	\$ 656,348	\$ 6,195,427	\$ 136,981
Power Costs Recovered in Advance	13,102,600			13,102,600	
Other Accrued Liabilities	602,563	1,046,361	105,399	1,754,323	147,902
Unearned Revenue		4,960	35,313	40,273	
Estimated Liability for Self-insured Losses				0	1,299,896
Current Portion of Long-term Debt:					
Compensated Absences	244,060	111,331	15,214	370,605	188,033
Current Liabilities Payable from Restricted Assets:					
Bonds Payable, Current Portion	1,984,930	1,385,070	451,040	3,821,040	
Accrued Interest	339,057	236,522	6,671	582,250	
Customer Deposits	4,868,160			4,868,160	
Total Current Liabilities	26,531,184	2,933,509	1,269,985	30,734,678	1,772,812
Noncurrent Liabilities:					
Revenue Bonds Payable	18,168,837	12,931,152		31,099,989	
Accrued Compensated Absences	976,240	445,325	60,857	1,482,422	752,132
Other Postemployment Benefits	411,942	203,149	39,501	654,592	
Total Noncurrent Liabilities	19,557,019	13,579,626	100,358	33,237,003	752,132
Total Liabilities	46,088,203	16,513,135	1,370,343	63,971,681	2,524,944
Net Assets					
Invested in Capital Assets, Net of Related Debt	80,986,027	38,335,724	20,380,935	139,702,686	1,017,477
Restricted for:					
Renewal and Replacement	1,500,000	500,000	751,550	2,751,550	
Unrestricted	34,647,257	10,916,164	9,110,281	54,673,702	1,068,162
Total Net Assets	\$ 117,133,284	\$ 49,751,888	\$ 30,242,766	\$ 197,127,938	\$ 2,085,639

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Electric	Water and Sewer	Other Funds		
Operating Revenues					
Charges for Services	\$ 87,326,979	\$ 8,952,816	\$ 6,775,941	\$ 103,055,736	\$ 10,862,103
Other	161,066	72,982	593,123	827,171	814
Total Operating Revenues	<u>87,488,045</u>	<u>9,025,798</u>	<u>7,369,064</u>	<u>103,882,907</u>	<u>10,862,917</u>
Operating Expenses					
Purchased Power	65,197,524		657,616	65,855,140	
Personal Services	4,143,507	2,669,502	1,033,260	7,846,269	3,798,677
Purchased Services	651,672	400,190	3,182,068	4,233,930	937,468
Repairs and Maintenance	346,002	886,224	275,092	1,507,318	468,882
Depreciation	4,855,104	1,888,670	986,863	7,730,637	157,679
Materials and Supplies	553,376	312,004	212,067	1,077,447	330,328
Other Expenses	3,326,162	1,878,059	757,128	5,961,349	5,333,353
(Total Operating Expenses)	<u>(79,073,347)</u>	<u>(8,034,649)</u>	<u>(7,104,094)</u>	<u>(94,212,090)</u>	<u>(11,026,387)</u>
Operating Income (Loss)	<u>8,414,698</u>	<u>991,149</u>	<u>264,970</u>	<u>9,670,817</u>	<u>(163,470)</u>
Nonoperating Revenues (Expenses)					
Investment Earnings	361,798	160,061	88,748	610,607	30,879
Interest Expense	(983,525)	(623,175)	(13,306)	(1,620,006)	
Gain (Loss) on Disposal of Capital Assets	158,860	(4,533)		154,327	1,732
Total Nonoperating Revenues (Expenses)	<u>(462,867)</u>	<u>(467,647)</u>	<u>75,442</u>	<u>(855,072)</u>	<u>32,611</u>
Income (Loss) Before Contributions and Transfers	<u>7,951,831</u>	<u>523,502</u>	<u>340,412</u>	<u>8,815,745</u>	<u>(130,859)</u>
Capital Contributions					
Connection Fees	89,670	47,765		137,435	
Capital Grants		1,647,181		1,647,181	
Developer Contributions	104,204			104,204	
Contributions from Other Funds		817,473	215,890	1,033,363	
Total Capital Contributions	<u>193,874</u>	<u>2,512,419</u>	<u>215,890</u>	<u>2,922,183</u>	<u>0</u>
Transfers					
Transfers in		3,448,323	1,210,000	4,658,323	214
Transfers (out)	(4,518,129)		(242,600)	(4,760,729)	
Total Transfers	<u>(4,518,129)</u>	<u>3,448,323</u>	<u>967,400</u>	<u>(102,406)</u>	<u>214</u>
Change in Net Assets	<u>3,627,576</u>	<u>6,484,244</u>	<u>1,523,702</u>	<u>11,635,522</u>	<u>(130,645)</u>
Total Net Assets, Beginning of Year	<u>113,505,708</u>	<u>43,267,644</u>	<u>28,719,064</u>	<u>185,492,416</u>	<u>2,216,284</u>
Total Net Assets, End of Year	<u>\$ 117,133,284</u>	<u>\$ 49,751,888</u>	<u>\$ 30,242,766</u>	<u>\$ 197,127,938</u>	<u>\$ 2,085,639</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	Business-type Activities - Enterprise Funds				Governmental
	Electric	Water and Sewer	Other Funds	Totals	Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers and Users	\$ 100,143,021	\$ 9,046,686	\$ 7,225,692	\$ 116,415,399	\$ 10,983,780
Cash Payments to Vendors for Goods and Services	(71,109,867)	(3,702,933)	(5,007,257)	(79,820,057)	(3,843,499)
Cash Payments to Employees for Services	(4,057,194)	(2,599,183)	(994,987)	(7,651,364)	(4,488,739)
Claims Paid				0	(2,150,586)
Net Cash Provided by (Used in) Operating Activities	<u>24,975,960</u>	<u>2,744,570</u>	<u>1,223,448</u>	<u>28,943,978</u>	<u>500,956</u>
Cash Flows from Noncapital Financing Activities					
Transfers in		3,448,323	1,210,000	4,658,323	214
Transfer of CARE Fund	24,686			24,686	
Transfers (out)	(4,518,129)		(242,600)	(4,760,729)	
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(4,493,443)</u>	<u>3,448,323</u>	<u>967,400</u>	<u>(77,720)</u>	<u>214</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of Capital Assets	(6,167,930)	(4,340,928)	(2,039,450)	(12,548,308)	(63,283)
Removal Costs	(39,117)			(39,117)	
Proceeds from Sale of Capital Assets	158,860			158,860	2,484
Net Cash Contributed to Refunding (Below)	(323,529)	(225,756)		(549,285)	
Principal Paid on Revenue Bonds	(1,934,865)	(1,350,135)	(437,928)	(3,722,928)	
Interest Paid	(865,239)	(615,212)	(19,783)	(1,500,234)	
Capital Grants		1,939,118		1,939,118	
Connection Fees	89,670	47,765		137,435	
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(9,082,150)</u>	<u>(4,545,148)</u>	<u>(2,497,161)</u>	<u>(16,124,459)</u>	<u>(60,799)</u>
Cash Flows from Investing Activities					
Interest Received on Investments	205,896	56,126	88,748	350,770	30,879
Net Cash Provided by (Used in) Investing Activities	<u>205,896</u>	<u>56,126</u>	<u>88,748</u>	<u>350,770</u>	<u>30,879</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,606,263	1,703,871	(217,565)	13,092,569	471,250
Cash and Cash Equivalents, Beginning of Year	<u>31,072,014</u>	<u>9,463,463</u>	<u>10,175,342</u>	<u>50,710,819</u>	<u>3,074,412</u>
Cash and Cash Equivalents, End of Year	<u>\$ 42,678,277</u>	<u>\$ 11,167,334</u>	<u>\$ 9,957,777</u>	<u>\$ 63,803,388</u>	<u>\$ 3,545,662</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

	Business-type Activities - Enterprise Funds				Governmental
	Electric	Water and Sewer	Other Funds	Totals	Activities - Internal Service Funds
<u>Included on the Accompanying Balance</u>					
<u>Sheet Under the Following Captions</u>					
Current Assets					
Equity in Pooled Cash and Investments	\$ 34,962,741	\$ 9,727,475	\$ 8,746,617	\$ 53,436,833	\$ 3,508,866
Other Operating Cash	6,315	4,076	1,900	12,291	36,796
Restricted Assets					
Equity in Pooled Cash and Investments	7,709,221	1,435,783	1,209,260	10,354,264	
Total	\$ 42,678,277	\$ 11,167,334	\$ 9,957,777	\$ 63,803,388	\$ 3,545,662
<u>Reconciliation of Operating Income (Loss)</u>					
<u>to Net Cash Provided by (Used in)</u>					
<u>Operating Activities</u>					
Operating Income (Loss)	\$ 8,414,698	\$ 991,149	\$ 264,970	\$ 9,670,817	\$ (163,470)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	4,855,104	1,888,670	986,863	7,730,637	157,679
Power Costs Recovered in Advance	10,289,332		(13,000)	10,276,332	
Increase in Estimated Liability for Self-insured Losses				0	470,398
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):					
Accounts Receivable and Unbilled Revenue	2,244,443	23,068	(132,827)	2,134,684	120,863
Assessments Receivable		1,539		1,539	
Inventories	(513,033)		(16,330)	(529,363)	
Prepaid Expenses	1,339		183	1,522	(17,169)
Accounts Payable and Other Accrued Liabilities	(523,437)	(226,456)	92,861	(657,032)	68,999
Customer Deposits	121,201			121,201	
Accrued Compensated Absences	24,863	29,593	41,514	95,970	(136,344)
Unearned Revenues		(3,719)	2,455	(1,264)	
Other Postemployment Benefits	61,450	40,726	(3,241)	98,935	
Net Cash Provided by (Used in)	\$ 24,975,960	\$ 2,744,570	\$ 1,223,448	\$ 28,943,978	\$ 500,956
<u>Supplemental Disclosure of Noncash</u>					
<u>Activities</u>					
Debt Refundings:					
New Debt (at Par)	\$ 21,960,865	\$ 15,324,135		\$ 37,285,000	
Original Issue Discount	1,188,353	829,224		2,017,577	
Bond Issue Costs	(329,649)	(230,027)		(559,676)	
Interest Earned in Escrow	3,060	2,136		5,196	
Accrued Interest	(104,478)	(72,904)		(177,382)	
Net Proceeds	22,718,151	15,852,564	\$ 0	38,570,715	\$ 0
Debt Retired - Principal	(23,041,680)	(16,078,320)		(39,120,000)	
Net Cash Contributed to Refunding	\$ (323,529)	\$ (225,756)	\$ 0	\$ (549,285)	\$ 0
Capital Assets, Contributed	\$ 104,204	\$ 817,473	\$ 215,890	\$ 1,137,567	
Amortization of Bond Issue Costs	64,508	45,013		109,521	
Amortization of Bond Discount (Premium)	(221,136)	(154,308)		(375,444)	
Amortization of Loss on Refunding	435,660	240,917		676,577	

See accompanying notes.

**STATEMENT OF FIDUCIARY NET ASSETS
 ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

Assets

Equity in Pooled Cash and Investments	\$ 2,424,746
Accrued Interest	219,925
Due from Other Governments	78,180
Investments:	
Equities, Including Mutual Funds	33,273,249
Corporate Bonds	13,964,086
U.S. Government Obligations/Agencies	9,970,116
Total Investments	<u>57,207,451</u>
Total Assets	<u><u>59,930,302</u></u>

Liabilities

Accounts Payable	<u>1,520</u>
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Net Assets

Held in Trust for Pension Benefits and Other Purposes	<u><u>\$ 59,928,782</u></u>
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See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Additions

Contributions:	
Employee	\$ 1,170,363
Employer	1,872,829
State of Florida	409,840
Total Contributions	<u>3,453,032</u>

Investment Income:	
Investment Earnings	158,325
(Investment Expenses)	<u>(236,303)</u>
Net Investment Income	<u>(77,978)</u>

Total Additions	<u>3,375,054</u>
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Deductions

Benefits	4,428,564
Refunds of Contributions	311,242
Administrative Expense	<u>212,779</u>

(Total Deductions)	<u>(4,952,585)</u>
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Change in Net Assets	(1,577,531)
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Net Assets, Beginning of Year	<u>61,506,313</u>
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Net Assets, End of Year	<u><u>\$ 59,928,782</u></u>
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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Jacksonville Beach, Florida, (the City) was founded in 1907 and operates under a City Council/City Manager form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units, if any. The City has one blended component unit, the City of Jacksonville Beach Community Redevelopment Agency (CRA). The CRA was created in 1978 pursuant to Chapter 163, Florida Statutes and City Ordinance No. 6950. The City Council serves as the governing board of the CRA. In evaluating this potential component unit, it was determined that the CRA is a separate legal entity but should be treated as a blended component unit, and included as part of the primary government for financial reporting purposes. The CRA is presented in the financial statements of the City as a special revenue fund.

This report does include the accounts and transactions of the following entities, which do not satisfy the definition of component units because they are not legally separate from the City.

- City of Jacksonville Beach General Employees' Retirement System
- City of Jacksonville Beach Police Officers' Retirement System
- City of Jacksonville Beach Fire Fighters' Retirement System

B. Government-wide and Fund Financial Statements

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements required under this statement (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements so as not to distort financial results. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Separate financial statements (fund financial statements) are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

A reconciliation is provided that converts the results of governmental fund accounting to the governmental activities in the government-wide presentations. The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds only) but as noted above are not included in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are allocated among the appropriate governmental and business-type activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, the proprietary fund financial statements, and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as electric, water and sewer, stormwater, sanitation, natural gas and the golf course, or from interfund charges (internal service funds). Operating expenses for these operations include all costs related to providing the service or product. These costs include purchased power, personal and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, accrued compensated absences, and expenditures related to claims and judgments, are recorded only when payment is due. Other postemployment benefits are accrued in governmental funds only if funded.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Only the portion of special assessments collectible within the current period is accrued as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- **General Fund**—is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.
- **General Capital Projects Fund**—is the City’s primary capital projects fund. It accounts for the costs of various capital projects, major equipment purchases, and major repairs and renovations.
- **Community Redevelopment Fund**—accounts for the activities of the City’s Community Redevelopment Agency, including the Downtown and Southend redevelopment districts. This funds revenue source is primarily from ad valorem tax increment funds which are restricted for expenditures benefitting the redevelopment districts.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

The City reports the following major enterprise funds:

- **Electric Fund**—accounts for the activities associated with providing electric service to its customers inside the City, as well as to its service territories in Neptune Beach and Ponte Vedra Beach. The electric fund is a distribution utility, with no significant power generation assets.
- **Water and Sewer Fund**—accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including the capital and operating costs associated with water supply, treatment and distribution, wastewater collection, treatment and disposal, and utility billing and collection.

Governmental and enterprise funds which do not meet the criteria for reporting as *major funds* are grouped together for financial reporting into one column.

In addition, the City reports the following fund types:

- **Internal Service Funds**—account for services provided to other departments within the City on a cost reimbursement basis. These services include: city manager, accounting, data processing, human resources, fleet maintenance, purchasing administration, landscape maintenance, maintenance facility, radio system, and self-insurance. The internal service funds are included in governmental activities for government-wide reporting purposes, and the excess revenue or expenses for the funds are allocated to the appropriate functional activity.
- **Pension Trust Funds**—account for the activities of the general employees' pension, police officers' pension and fire fighters' pension plans, which accumulate resources for defined benefit payments to qualified employees.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the GASB. Governments also have the *option* of following private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges of the City's enterprise activities, which are quasi-external transactions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City does not charge user departments for indirect services provided by general fund departments.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities

■ **Cash and Investments**

- **Cash and Cash Equivalents**—for purposes of the statement of cash flows for the proprietary fund types, cash and cash equivalents include demand deposits, certificates of deposit, repurchase agreements with financial institutions, petty cash, state pool investments, mutual funds and equity in pooled cash and investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. Cash equivalents may exclude certain liquid assets held in restricted investment accounts.

- **Equity in Pooled Cash and Investments**—the City maintains an accounting system in which substantially all cash and investments are recorded and are reflected as pooled cash and investments, except for the pension trust fund investments, and certain other investments purchased under the requirements of bond covenants. Investment earnings are distributed monthly in accordance with the participating funds' relative percentage of investments.

- **Restricted Cash and Investments**—represent equity in pooled cash and investments and separately identified investments which are restricted as to use. Bond covenants require certain enterprise funds to establish and maintain prescribed amounts of resources (consisting of cash and investments) that can be used only for specific purposes.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

- **Receivables**—All receivables are reported at their gross value, and where appropriate are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts at September 30, 2011, is \$274,183. In the fund financial statements, recognition of governmental fund type revenues is deferred until they become measurable and available, in accordance with the modified accrual basis of accounting. Estimated unbilled revenues from the electric, water and sewer, stormwater and sanitation funds are recognized at the end of each fiscal year on a pro rata basis. Included in accounts receivable at September 30, 2011, are unbilled amounts totaling \$8,724,597. The estimated amount is based on billings during the month following the close of the fiscal year.

- **Interfund Receivables and Payables**—During the course of its operations, the City has numerous transactions between funds to provide services, construct assets and service debt. To the extent that certain transactions between funds were not paid for or received as of September 30, 2011, balances of interfund receivables and payables expected to be liquidated within one year have been recorded as due from and due to other funds. Balances of interfund receivables and payables not expected to be liquidated within one year, if any, are recorded as advances to and advances from other funds. Balances of advances to other funds are offset by nonspendable fund balances in the respective funds, since these receivables are not available for appropriation. Short-term interfund loans to eliminate cash deficits are classified as “interfund receivables/payable.”

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities (Continued)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

- **Inventories**—Inventories are only significant to and reported in proprietary funds. Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out (FIFO) method. Inventory in the internal service funds consist of expendable supplies held for consumption.
- **Deposits**—Deposits consist of amounts held in escrow by the Florida Department of Transportation as part of a construction agreement with the City for improvements to 9th Street South. This agreement is more fully described in Note 16.
- **Capital Assets**—Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of one year and individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest on revenue bonds, the proceeds of which are used to finance the construction of certain assets, is capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds. No net interest cost was capitalized in the enterprise funds or the government-wide financial statements in 2011.

In proprietary fund types, capital assets are capitalized at cost in the fund which acquired or constructed them. Donated assets are recorded at fair value. Depreciation of exhaustible capital assets used by these funds is charged as an expense against operations, and accumulated depreciation is reported on the balance sheets of the funds in which the assets are capitalized. Depreciation has been provided over the estimated useful life of each asset using the straight-line method. The range of estimated useful lives of capital assets are:

Buildings and Improvements	30-35 Years
Infrastructure	15-75 Years
Vehicles and Equipment	3-15 Years

Capital assets are not recorded on the balance sheet of governmental funds.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets and Liabilities (Concluded)

- **Long-term Obligations**—In the government-wide financial statements, and proprietary fund types 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 fund type statement of net assets. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Underwriting and other bond issuance costs are deferred and amortized over the term of the bonds also using the straight-line method.

In the fund financial statements, governmental fund types record bond premiums and discounts, as well as bond issuance costs in the year incurred. The face amount of debt and premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

- **Compensated Absences**—City employees are entitled to certain compensated absences based on their length of employment. Accumulated unpaid vacation and sick pay are accrued when earned in the enterprise and internal service funds, but are only recorded when paid in the governmental fund types.

City employees are permitted to accumulate two years of accrued vacation leave and an unlimited amount of accrued sick leave. If an employee retires from the City with at least five years of service he/she will be paid for unused sick leave up to ninety days not to exceed 720 hours. Additionally, employees retiring with twenty years service may be eligible for a supplemental percentage payment of sick leave as outlined below.

The employee must:

1. Be retiring under the City's pension plan in "good standing"
2. Possess twenty years of service
3. Possess a sick leave balance of 720 hours

If the employee meets the above criteria, he/she is eligible for 25% of any hours accrued over 720 to a maximum of 2,880. Upon termination of employment, an employee is paid for his/her accrued vacation leave based on their current hourly rate of pay. If an employee has not used any sick leave for four consecutive calendar quarters, the employee may elect to convert two days of unused sick leave to either two days vacation or two days pay. In addition, employees using one day of sick leave or less in four consecutive calendar quarters may convert one day of unused sick leave to either one days vacation leave or one days pay. For the governmental activities, compensated absences are generally liquidated by the general fund.

- **Pension Costs**—The provision for pension costs is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Fund Balances

■ **Classifications**

The City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted**—This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., ordinance or resolution) of the organization's governing authority (the City Council). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (e.g., ordinance or resolution) employed to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

Fund balance at year-end has been assigned within the general fund for unanticipated events or emergencies. The City's fund balance policy adopted under the City Council's resolution #1887-2011 established the reserve. Expenditures for emergencies must be approved by the City Manager and reported to the City Council within 30 working days of the emergency. Expenditures for major unanticipated unbudgeted events require prior City Council approval and subsequent modification to the general fund budget.

- **Unassigned**—This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

E. Fund Balances (Concluded)

■ **Flow Assumption**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use in the general fund, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned and unassigned) are available for use in any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

■ **Stabilization Arrangement**

Pursuant to a fund balance policy adopted under the City Council's resolution #1887-2011, the City established a stabilization fund in the general fund that qualifies as a stabilization arrangement under GASB 54. At each fiscal year-end, the stabilization fund is adjusted to an amount equal to 25% of the subsequent years' general fund budgeted expenditures. The purpose of the stabilization fund is to provide sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, usually toward the end of the first quarter. The stabilization balance can only be reduced with City Council approval, or for budgeted expenditures when all other unrestricted or uncommitted fund balances have been exhausted, or there is a revenue shortfall resulting in a decrease in the stabilization fund.

■ **Correction of Beginning Balances**

In anticipation of the City's adoption of GASB 54, three special revenue funds were eliminated in 2011 and their activities transferred to other funds. Beginning fund balance/net assets have been restated as follows:

1. General fund beginning fund balance increased \$37,514 due to the elimination of the special events fund.
2. General fund beginning fund balance increased \$72,370 due to the elimination of the emergency management fund.
3. Electric fund beginning net assets increased \$24,686 due to the elimination of the CARE Trust fund.
4. Business-type activities beginning net assets increased \$24,686 due to the elimination of the CARE Trust fund as a governmental activity.
5. Governmental activities net assets decreased \$24,686 due to the reclassification of the CARE Trust fund as a business-type activity.

**NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA
 (Continued)**

Note 2 - Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of Duval County, Florida.

Details of the tax calendar are presented below:

Lien Date	January 1, 2010
Levy Date	October 1, 2010
Installment Payments	
First Installment	No Later Than June 30, 2010
Second Installment	No Later Than September 30, 2010
Third Installment	No Later Than December 31, 2010
Fourth Installment	No Later Than March 31, 2011
Regular Payments	
Discount Periods	November 2010 Through February 2011
No Discount Period	After March 1, 2011
Delinquent Date	April 1, 2011

Note 3 - Stewardship, Compliance and Accountability

Budgets

The City Council annually adopts a budget resolution for all funds of the City except capital projects funds. Project-length financial plans are adopted for all capital projects funds. Governmental fund annual operating budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Encumbrance accounting is employed in the governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are included in fund balances as restricted, assigned or committed and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbered appropriations are carried forward into the subsequent years' budgets without being rebudgeted. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, department, division, and object of expenditure, and includes information on the previous two years, current year budget and proposed expenditures, and the means of financing them for the next fiscal year. Public hearings are conducted to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of a resolution. Overall changes to the adopted budget must be approved by a majority vote of the City Council. The City Council may make supplemental appropriations during the year, up to the amount available for appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to further appropriation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 3 - Stewardship, Compliance and Accountability (Continued)

Budgets (Concluded)

Budgets are monitored at varying levels of classification detail; however, budgetary control is legally maintained at the fund level, except for the general fund, where it is maintained at the departmental level. Management must seek City Council approval to make budgetary amendments at the departmental level in the general fund, and at the fund level for all other funds. Management may, however, make a budget adjustment as long as it does not increase the overall budget for a department within the general fund or for any other fund in total.

Listed below is a reconciliation of the original budget to final amended budget for the governmental fund types with legally adopted annual budgets:

	<u>Original</u>	<u>Encumbrances</u>	<u>Supplemental</u>	<u>Amended</u>
	<u>Budget</u>	<u>Rolled</u>	<u>Appropriations</u>	<u>Budget</u>
		<u>Forward</u>		
General Fund	\$ 18,439,875	\$ 96,442	\$ 900,877	\$ 19,437,194
Special Revenue Funds	7,569,523	3,855,589	9,575,528	20,997,640
Debt Service Funds	1,068,563	0	0	1,068,563

Supplementary budgetary appropriations for the general fund include the following:

- \$30,000 to add reserve (part-time) police officers to supplement Police department officer resources
- \$43,140 for estimated costs of parking program
- \$175,000 transfer to golf course for temporary cash flow
- \$400,000 for partial funding for Information Technology Master Plan
- \$4,000 for additional funding for special events
- \$10,000 for sod repair work at Wingate Park and South Beach Park practice fields funded by field improvement fees
- \$23,355 for Surf Camp funded by camp registration fees
- \$65,984 overtime budget for Street Crimes Task force funded by Justice Assistance Grant
- \$36,000 for security services for parking program
- \$14,617 for vehicle repairs paid for by insurance proceeds
- \$60,000 reserve funding for Air Show in November 2012
- \$38,781 for reduction in unanticipated account to offset the cost of adjustments

Supplementary budgetary appropriations for the special revenue funds include the following:

- \$6,111,000 for the estimated cost of Downtown Infrastructure Project approved by the Community Redevelopment Agency
- \$185,006 for Carver Center programs from Community Development Block Grant
- \$123,489 for costs related to parking program
- \$346,821 to adjust budget for phase 2 of SeaWalk Reconstruction project approved by the Community Redevelopment Agency
- \$2,766,540 for South Beach Infrastructure Project approved by the Community Redevelopment Agency
- \$40,100 for engineering service for the Master Stormwater permitting of the Central and South Basin drainage areas
- \$2,572 for other expenditure increases

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 3 - Stewardship, Compliance and Accountability (Concluded)

Other Disclosures

During the year, the following individual fund had an excess of expenditures or other financing uses over the related appropriations in the following amount:

	Excess Expenditures/ Transfers Out
Special Revenue Funds	
JAG Grant Fund	\$ 13,222
Law Enforcement Trust Fund	21,966
Equitable Sharing Trust Fund	273,210

The excess transfer out in the JAG Grant Fund resulted from the transfer of actual award expenditures at fiscal year-end. The \$13,222 represents expenditures incurred but not reimbursed by the granting agency by the end of the fiscal year. The funds were reimbursed subsequent to year-end.

There was a transfer out in excess of budget in the Equitable Sharing Fund in the amount of \$273,210. This amount was transferred from the Equitable Sharing Fund to the Law Enforcement Trust Fund because the DEA case that these funds were related to was transferred from the Federal Government to the State. This correction was determined after the year-end budget modifications were processed. The over-expenditure of \$21,966 in the Law Enforcement Trust Fund occurred for the same reason.

Note 4 - Deposits and Investments

Equity in Pooled Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Interest earned on pooled cash and investments is allocated to each fund based on the average equity balance. The balance in pooled cash and investments was \$94,873,633 in governmental and business-type funds and \$804,333 in the pension funds. In addition, certain cash and investments are held separately and not available for use by all funds, including \$6,355 in petty cash and \$2,691,937 in bank deposits and investments.

Deposits

The City's bank deposits are held in qualified public depositories (QPD's) pursuant to Florida Statutes, Chapter 280. The Act provides protection of public deposits by requiring each QPD to pledge collateral to the State Treasurer. The Treasurer shall establish minimum required collateral pledging levels ranging from 25% to 200% of public deposits held, depending on the depository's financial condition and establishment period. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPD's of the same type as the depositor in default. Therefore, all cash and time deposits held by QPD's are fully insured and collateralized. At September 30, 2011, the carrying amount of the City's deposits held in qualified public depositories was \$21,113,853 and the bank balance was \$21,378,794.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 4 - Deposits and Investments (Continued)

Deposits (Concluded)

Certain deposits held by trust companies and fully secured under trust business laws are exempt from Chapter 280 requirements. At year-end, the amount of City deposits held in trust was \$45,204 and the amount of deposits held in the pension trust funds was \$1,620,413.

Investments

Following are the investments, credit ratings, and maturities of the City's governmental and business-type activities at September 30, 2011:

<u>Investment Type</u>	<u>S&P Credit Rating</u>	<u>Investment Maturities</u>			
		<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
U.S. Government Obligations	AA+	\$ 11,075,245		\$ 8,340,162	\$ 2,735,083
Federal Agency Securities:					
Federal Home Loan Bank	AA+	1,563,922		1,563,922	
Federal Home Loan Mortgage Corporation	AA+	1,993,757		1,993,757	
Federal Farm Credit Bank	AA+	1,043,912		1,043,912	
Federal National Mortgage Association	AA+	3,403,811		3,403,811	
Government National Mortgage Association	AA+	6,789			6,789
AID - Egypt	AA+	158,287		158,287	
Corporate ABS's	AAA	909,982		909,982	
Corporate Bonds	AAA	935,030		935,030	
Corporate Bonds	AA+	2,678,262		2,678,262	
Corporate Bonds	AA	359,889		359,889	
Corporate Bonds	AA-	781,688		781,688	
Corporate Bonds	A+	2,738,540		2,617,597	120,943
Corporate Bonds	A	3,176,561		3,176,561	
Corporate Bonds	A-	1,754,259		1,754,259	
Corporate Bonds	BBB	223,498		223,498	
Municipal Bonds	A-1+	150,489		150,489	
Municipal Bonds	AA	117,313		117,313	
Florida State Board of Administration:					
Florida PRIME	AAAm	146,103	\$ 146,103		
Fund B	Unrated	20,300		20,300	
Florida Municipal Investment Trust:					
Short-term Bond Portfolio (0-2 Years)	AAA (Fitch)	31,545,281	31,545,281		
Short-term Bond Portfolio (1-3 Years)	AAA (Fitch)	12,427,928		12,427,928	
Total		<u>\$ 77,210,846</u>	<u>\$ 31,691,384</u>	<u>\$ 42,656,647</u>	<u>\$ 2,862,815</u>

Listed below are the investments and maturities in the City's pension trust funds at September 30, 2011:

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 4 - Deposits and Investments (Continued)

Investments (Concluded)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Year</u>
Equities	\$ 33,273,249	\$ 33,273,249			
U.S. Government Securities	1,221,136		\$ 911,775	\$ 64,875	\$ 244,486
Federal Agency Securities:					
Federal Home Loan Bank	539,580		539,580		
Federal Home Loan Mortgage Corporation	2,927,759		347,454	301,601	2,278,704
Federal Farm Credit Bank	332,535		332,535		
Federal National Mortgage Association	4,949,106		789,435	190,928	3,968,743
Corporate Bonds	13,964,086		5,443,594	5,933,693	2,586,799
Total	<u>\$ 57,207,451</u>	<u>\$ 33,273,249</u>	<u>\$ 8,364,373</u>	<u>\$ 6,491,097</u>	<u>\$ 9,078,732</u>

Credit quality distribution for the City's pension trust fund investments with credit exposure as a percentage of the total pension investment is as follows:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total</u>
U.S. Government Securities	AAA	2.13%
Federal Agency Securities	AAA	15.29%
Corporate Bonds	A1	6.46%
Corporate Bonds	A2	3.66%
Corporate Bonds	A3	2.77%
Corporate Bonds	AA1	2.16%
Corporate Bonds	AA2	3.21%
Corporate Bonds	AA3	2.94%
Corporate Bonds	AAA	3.21%

Authorized Investments

Florida Statute 218.415 authorizes the City to invest in the state pools and in obligations of the United States Treasury and agencies. In 2010, the City adopted an investment policy for operating funds pursuant to state statutes that allows the City to contract for investment and related services, establish internal controls, and specifies the types of investments that may be purchased. Key objectives of the policy are as follows:

- Safety of principal is the foremost objective of the investment program.
- Provide sufficient liquidity to allow for quick conversion of investments to cash easily and rapidly without loss of principal to meet operating, payroll and capital requirements.
- The investment portfolio shall be designed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.
- Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 4 - Deposits and Investments (Continued)

Authorized Investments (Concluded)

The policy also lists permitted types of investments, limitations as to amounts invested in each type, the amount invested with each issuer, the length of investment maturities, and other statutory or contractual restrictions for each type of investment. The investment in any derivative products or the use of reverse repurchase agreements is not permitted by this investment policy.

The state pools are 2a7-like pools, carried at amortized cost, which approximates market. A 2a7-like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, these pools operate essentially as money market funds. Throughout the year and as of September 30, 2011, the pools contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three-month LIBOR rates. During 2008, the State Board of Administration, who provides oversight for the Local Government Surplus Trust Fund (now Florida PRIME), reported that the fund was exposed to potential risks due to indirect exposure in the subprime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the pool into two separate pools (Florida PRIME and Fund B).

Chapters 175 and 185 of the Florida Statutes authorize the police officers' and fire fighters' pension trust funds to invest in time and savings accounts of banks insured by the Federal Deposit Insurance Corporation.

Under City Ordinance, the pension trust funds are also authorized to invest in obligations of the United States, in obligations guaranteed as to principal and interest by the United States, and in bonds issued by the State of Israel. Additional authorized investments include bonds, stocks or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States provided that the corporation is listed on one or more of the recognized national stock exchanges. Corporate fixed income securities must hold a rating of A or higher by Moody's or Standard & Poor's rating services.

Risk Disclosure

The City's investment policy does not address its exposure to interest rate changes, custodial credit risk, or quality credit risk. The following items discuss the City's operating funds and pension funds' exposure to various risks in primarily the fixed rate portions of their investment portfolios:

- **Interest Rate Risk**—the City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately five to seven years.
- **Custodial Credit Risk**—for an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third party custodians to help manage custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 4 - Deposits and Investments (Concluded)

Risk Disclosure (Concluded)

- **Concentration of Credit Risk**—the investment policy for the operating funds of the City define what percentage of the total investment portfolio may be invested in each type of investment vehicle. The City's policy states that these percentages may be further restricted based on market conditions, risk and diversification investment strategies. The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 10% of an individual investment manager's total fixed income portfolio may be invested in securities of a single issuer (5% in the case of a corporate issuer). No more than 10% of plan assets may be in foreign securities.

Note 5 - Deferred/Unearned Revenues

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and business-type funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Note 6 - Interfund Receivables and Payables

Interfund receivables/payables represent primarily loans to cover other funds' deficits in pooled cash and investments. At September 30, 2011, the balance in these accounts consists of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 26,750	
Special Revenue Funds		
Community Development Block Grant		\$ 13,528
JAG Grant		13,222
Total	\$ 26,750	\$ 26,750

Note 7 - Transfers In/Out

Interfund transfers during the year ended September 30, 2011, consisted of the following:

	<u>Transfers In</u>						
	<u>General Fund</u>	<u>General Capital Projects</u>	<u>Other Governmental</u>	<u>Water and-Sewer</u>	<u>Other Enterprise</u>	<u>Internal Service</u>	
Transfers Out							
General Fund		\$ 571,200 (2)			\$ 210,000 (1)		\$ 781,200
Community Redevelopment				\$ 2,173,598 (2)			2,173,598
Other Governmental	\$ 645,969 (3)		\$ 1,920,359 (4) (2)	1,274,725 (2)			3,841,053
Electric Fund	3,517,915 (5)				1,000,000 (6)	\$ 214 (1)	4,518,129
Other Enterprise	242,600 (1)						242,600
Total Transfers Out	\$ 4,406,484	\$ 571,200	\$ 1,920,359	\$ 3,448,323	\$ 1,210,000	\$ 214	\$ 11,556,580

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 7 - Transfers In/Out (Concluded)

Transfer Purpose

- (1) Supplemental Program Funding
- (2) Capital Projects Funding
- (3) Reimburse Fund for Expenditures/Expenses Incurred on its Behalf
- (4) Debt Service Payment Transfer
- (5) Payment in Lieu of Taxes
- (6) Initial Funding of Natural Gas System

Note 8 - Capital Assets

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 29,224,644			\$ 29,224,644
Construction in Progress	<u>2,386,746</u>	\$ 2,361,856	\$ (1,451,417)	<u>3,297,185</u>
Total Capital Assets Not Being Depreciated	<u>31,611,390</u>	<u>2,361,856</u>	<u>(1,451,417)</u>	<u>32,521,829</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	30,873,468	659,670		31,533,138
Equipment	10,187,191	1,286,694	(670,117)	10,803,768
Road Network	24,211,969	343,457		24,555,426
Other Infrastructure Networks	<u>25,168,549</u>			<u>25,168,549</u>
Total Capital Assets Being Depreciated	<u>90,441,177</u>	<u>2,289,821</u>	<u>(670,117)</u>	<u>92,060,881</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,623,195)	(1,008,388)		(9,631,583)
Equipment	(7,609,472)	(759,945)	650,932	(7,718,485)
Road Network	(8,856,746)	(455,007)		(9,311,753)
Other Infrastructure Networks	<u>(14,245,929)</u>	<u>(672,519)</u>		<u>(14,918,448)</u>
Total Accumulated Depreciation	<u>(39,335,342)</u>	<u>(2,895,859)</u>	<u>650,932</u>	<u>(41,580,269)</u>
Total Being Depreciated, Net	<u>51,105,835</u>	<u>(606,038)</u>	<u>(19,185)</u>	<u>50,480,612</u>
Governmental Activities Capital Assets, Net	<u>\$ 82,717,225</u>	<u>\$ 1,755,818</u>	<u>\$ (1,470,602)</u>	<u>\$ 83,002,441</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,659,469			\$ 3,659,469
Construction in Progress	<u>25,200,646</u>	\$ 10,600,932	\$ (5,925,268)	<u>29,876,310</u>
Total Capital Assets Not Being Depreciated	<u>28,860,115</u>	<u>10,600,932</u>	<u>(5,925,268)</u>	<u>33,535,779</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	236,393,616	8,697,568	(54)	245,091,130
Equipment	<u>7,144,898</u>	<u>312,910</u>	<u>(314,947)</u>	<u>7,142,861</u>
Total Capital Assets Being Depreciated	<u>243,538,514</u>	<u>9,010,478</u>	<u>(315,001)</u>	<u>252,233,991</u>
Less Accumulated Depreciated for:				
Buildings and Improvements	(99,126,828)	(7,197,728)	39,118	(106,285,438)
Equipment	<u>(5,093,049)</u>	<u>(532,909)</u>	<u>310,200</u>	<u>(5,315,758)</u>
Total Accumulated Depreciation	<u>(104,219,877)</u>	<u>(7,730,637)</u>	<u>349,318</u>	<u>(111,601,196)</u>
Total Being Depreciated, Net	<u>139,318,637</u>	<u>1,279,841</u>	<u>34,317</u>	<u>140,632,795</u>
Business-type Activities Capital Assets, Net	<u>\$ 168,178,752</u>	<u>\$ 11,880,773</u>	<u>\$ (5,890,951)</u>	<u>\$ 174,168,574</u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 8 - Capital Assets (Concluded)

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

Governmental Activities

General Government	\$	416,868
Law Enforcement		397,922
Fire Control		200,098
Building Inspections		2,872
Physical Environment		343,677
Roads and Streets		937,272
Parks and Recreation		439,471
Internal Service Funds		157,679
Total Depreciation Expense - Governmental Activities	\$	<u>2,895,859</u>

Business-type Activities

Electric	\$	4,855,104
Water and Sewer		1,888,670
Stormwater		659,554
Sanitation		38,553
Golf Courses		83,286
Leased Facilities		159,044
Natural Gas		46,426
Total Depreciation Expense - Business-type Activities	\$	<u>7,730,637</u>

Note 9 - Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

	<u>Balance</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Refunded</u>	<u>Other</u> <u>Reductions</u>	<u>Balance</u> <u>9/30/2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities						
Revenue Bonds	\$ 14,811,554			\$ (2,665,155)	\$ 12,146,399	\$ 2,454,679
Accrued Compensated Absences	3,280,879	\$ 1,142,574		(1,304,365)	3,119,088	623,818
Accrued Other Postemployment Benefits	769,370	161,731			931,101	
Total Governmental Activities	<u>18,861,803</u>	<u>1,304,305</u>	<u>\$ 0</u>	<u>(3,969,520)</u>	<u>16,196,588</u>	<u>3,078,497</u>
Business-type Activities						
Revenue Bonds - Par	41,588,967	37,285,000	(39,120,000)	(3,722,927)	36,031,040	3,821,040
Unamortized Premium		2,017,577		(376,838)	1,640,739	
(Unamortized Discount)	(88,779)		87,386	1,393	0	
(Unamortized Refunding Loss)	(2,854,888)	(3,382,530)	2,810,090	676,578	(2,750,750)	
Revenue Bonds, Net	38,645,300	35,920,047	(36,222,524)	(3,421,794)	34,921,029	3,821,040
Accrued Compensated Absences	1,757,058	743,737	(647,768)		1,853,027	370,605
Accrued Other Postemployment Benefits	555,657	98,935			654,592	
Total Business-type Activities	<u>40,958,015</u>	<u>36,762,719</u>	<u>(36,870,292)</u>	<u>(3,421,794)</u>	<u>37,428,648</u>	<u>4,191,645</u>
Total Long-term Obligations	<u>\$ 59,819,818</u>	<u>\$ 38,067,024</u>	<u>\$ (36,870,292)</u>	<u>\$ (7,391,314)</u>	<u>\$ 53,625,236</u>	<u>\$ 7,270,142</u>

Bonds and notes outstanding at September 30, 2011, consist of the following for governmental activities:

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 9 - Long-term Debt (Continued)

	<u>Note</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
Governmental Activities					
Revenue Bonds:					
2006 Series, Infrastructure Sales Surtax	1	2019	\$ 5,000,000	\$ 3,430,000	3.88%
2007 Series, Infrastructure Sales Surtax	1	2019	5,000,000	3,460,000	3.98%
2003 Series, (AMT), Southend	2	2016	1,543,022	699,441	4.53%
2003-1 Series, Southend	3	2016	4,986,347	2,284,480	3.83%
2003-2 Series, Southend	4	2014	1,698,749	555,143	3.70%
2003 Series, Downtown	5	2014	1,697,411	516,571	3.28%
2003A Series, Downtown	6	2012	2,756,968	337,910	3.05%
2003 B & C Series, Downtown	7	2013	3,892,515	<u>862,854</u>	3.05%
Total Governmental Activities				<u>\$ 12,146,399</u>	

Note Explanation - Purpose of Issue

1. Modifications to the City's wastewater treatment facilities and other authorized projects
2. Refunded 1996B Southend Redevelopment Bonds (originally for Ocean Cay Development)
3. Refunded 1998 Southend Redevelopment Bonds (original funds were for street paving, storm drainage improvements, land acquisition, and water and wastewater facilities in the Southend Redevelopment Area)
4. Refunded 1999 Southend Redevelopment Bonds (originally for land and improvements at South Beach Park)
5. Refunded 2002 Downtown Redevelopment Bonds (original funds were for various improvements in Downtown Redevelopment Area)
6. Refunded 2002A Downtown Redevelopment Bonds (originally for a community center and seawalk/parking improvements)
7. Refunded 2002B and 2002C Downtown Redevelopment Bonds (original funds were for downtown plaza improvements and downtown street reconstruction)

Bonds outstanding at September 30, 2011, consist of the following for business-type activities:

	<u>Note</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Amount</u>	<u>Interest Rate</u>
Business-type Activities					
Revenue Bonds:					
2010 Series, Utility Revenue:					
Electric Fund	1	2020	\$ 21,960,865	\$ 20,956,620	2 - 4%
Water and Sewer Fund			<u>15,324,135</u>	<u>14,623,380</u>	
Total 2010 Series			37,285,000	35,580,000	
2003 Series, Utility Revenue	2	2012	<u>3,648,500</u>	<u>451,040</u>	2.95%
Total Business-type Activities			<u>\$ 40,933,500</u>	<u>\$ 36,031,040</u>	

1. Refunded remaining 2002 Utility Revenue Bonds (originally for electric, water and wastewater improvements)
2. Refunded 2002 Utility Revenue Bonds (originally for drainage improvements)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 9 - Long-term Debt (Continued)

The bonds listed above are secured by a pledge of the revenue source listed in the bond name. Most of the bonds contain mandatory redemption provisions and require premium payments upon early redemption. In addition, the Utility Revenue Bonds, Series 2010, require the establishment and maintenance of various "funds" or accounts on the books of the City, as follows:

**Electric and Water and Sewer
Fund**

To receive the gross revenues of the electric and sewer systems (the systems) from which monies can be spent for operations and maintenance, debt service payments, required transfers to the reserve accounts, and the costs of extensions, enlargements, additions, or replacement of capital assets.

**Electric and Water and Sewer
Reserve Accounts**

To receive and maintain an amount equivalent to the lesser of the maximum annual debt service requirement or an amount equivalent to 1.25 times the average annual debt service requirement, but in no event more than 10% of the principal amount of the Bonds. In lieu of this reserve the City may establish a reserve account credit facility which is an insurance policy that may be drawn on to make debt service payments when a deficiency of gross revenues exists. If such a withdrawal is made, the City is required to reinstate the reserve account credit facility.

**Renewal and Replacement
Accounts**

To accumulate and disburse funds only for repair and replacement of the systems following damage by hurricane or other unforeseen emergency or catastrophe.

Annual debt service requirements as of September 30, 2011, are as follows:

Governmental Activities			
Fiscal Year	Revenue Bonds		Total
	Principal	Interest	
2012	\$ 2,454,679	\$ 442,475	\$ 2,897,154
2013	2,198,579	351,648	2,550,227
2014	1,845,463	276,540	2,122,003
2015	1,520,799	207,995	1,728,794
2016	1,591,879	147,218	1,739,097
2017	985,000	90,017	1,075,017
2018	1,025,000	50,973	1,075,973
2019	525,000	10,289	535,289
Total	\$ 12,146,399	\$ 1,577,155	\$ 13,723,554

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 9 - Long-term Debt (Continued)

Business-type Activities			
Fiscal Year	Revenue Bonds		Total
	Principal	Interest	
2012	\$ 3,821,040	\$ 1,133,309	\$ 4,954,349
2013	3,370,000	1,051,313	4,421,313
2014	3,460,000	966,588	4,426,588
2015	3,555,000	870,938	4,425,938
2016	3,680,000	745,588	4,425,588
2017	3,800,000	634,688	4,434,688
2018	3,925,000	498,219	4,423,219
2019	4,060,000	366,925	4,426,925
2020	4,210,000	213,100	4,423,100
2021	<u>2,150,000</u>	<u>43,000</u>	<u>2,193,000</u>
Total	<u>\$ 36,031,040</u>	<u>\$ 6,523,668</u>	<u>\$ 42,554,708</u>

Interest paid and incurred in the governmental activities totaled \$534,900 for the year ended September 30, 2011. Interest costs incurred in the business-type activities (excluding amortization) totaled \$1,205,800 for the same period.

Debt Refunding

On December 10, 2010, the City refunded the Series 2002 Utility Bonds with the issuance of the Series 2010 Utility Refunding Bonds in the par amount of \$37,285,000. Interest on the Series 2010 bonds will range from 2-4% and the bonds will mature on October 1, 2020. The purpose of the issuance was to take advantage of lower borrowing costs. Issuance costs were paid from bond proceeds. As a result of this transaction, the City reduced its aggregate debt service payments by \$4,400,736 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$3,901,679. Most refundings that result in economic “gains” require the recognition of a “loss” for financial reporting purposes. As a result, a deferred loss on the refunding of \$3,382,530 was recorded in the Electric and Water and Sewer funds.

Pledged Revenue

Pledged revenues on the City’s outstanding debt for the year ended September 30, 2011, were as follows:

Description of Bond	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percentage Pledged	Outstanding Principal and Interest	Pledged Through
Governmental Activities						
2003 Series, Downtown, 2003A Series, Downtown, 2003B&C Series, Downtown	Downtown Tax Increment	\$ 5,522,156	\$ 974,205	17.64%	\$ 1,784,950	2014
2003 Series, (AMT) Southend, 2003-1 Series, Southend 2003-2 Series, Southend 2003 Series, Southend	Southend Tax Increment	2,732,632	1,162,286	35.24%	4,419,889	2016
Infrastructure Sales Surtax Bonds, Series 2006 and 2007	Infrastructure Surtax	988,707	1,063,563	101.46%	8,025,098	2019

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 9 - Long-term Debt (Concluded)

Pledged Revenue (Concluded)

<u>Description of Bond</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Business-type Activities						
Series 2010, Utility Revenue Bonds	Net Electric Bonds Utility Revenue	\$ 13,721,270	\$ 2,797,988	18.07%	\$ 24,795,129	2021
Series 2010, Utility Revenue Bonds	Net Water & Sewer Utility Revenue	3,087,645	1,952,417	12.61%	17,301,864	2021
Series 2003, Utility Revenue Bonds	Gross Stormwater Revenue	1,255,520	444,990	3.34%	457,711	2012

Note 10 - Restricted Assets

The following table indicates the balances at September 30, 2011, for all restricted assets in the proprietary fund types:

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total Enterprise</u>
Sinking Funds:				
Principal	\$ 1,004,245	\$ 700,755	\$ 451,040	\$ 2,156,040
Interest	336,816	235,028	6,671	578,515
Renewal and Replacement	1,500,000	500,000	751,550	2,751,550
Customer Deposits	<u>4,868,160</u>			<u>4,868,160</u>
Total Restricted Assets	<u>\$ 7,709,221</u>	<u>\$ 1,435,783</u>	<u>\$ 1,209,261</u>	<u>\$ 10,354,265</u>

Note 11 - Defeased Debt

The City has defeased certain revenue bonds by using the proceeds of new bonds to purchase U.S. government securities, which were placed in irrevocable trusts. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matured. For financial reporting purposes, the debt has been considered defeased, and therefore, neither the trust account assets nor the liability for the defeased bonds are included on the statement of net assets of the City's enterprise funds.

The City has the following revenue bonds outstanding, which are legally defeased:

	<u>Series</u>	<u>Date Defeased</u>	<u>Amount Defeased</u>	<u>Outstanding as of 9/30/11 (at Par)</u>
Business-type Activities				
Utility Revenue Bonds	1980	1985	\$ <u>9,500,000</u>	\$ <u>2,970,000</u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 12 - Florida Municipal Power Affiliation

The City is a member of the Florida Municipal Power Agency (FMPA) and a participant in two of its projects: the St. Lucie Project and the All Requirements Project. FMPA currently has five major power supply projects in operation: (1) the St. Lucie Project; (2) the Stanton Project; (3) the Tri-City Project; (4) the Stanton 2 Project; and (5) the All Requirements Project.

The St. Lucie Project

On May 12, 1983, FMPA acquired an 8.806% undivided ownership interest in the St. Lucie Unit 2, an 838 megawatt (MW) nuclear power plant operated by Florida Power & Light Company (FPL). St. Lucie Unit 2 began operation in 1983. In 2003, the Nuclear Regulatory Commission extended the plant's operating license by twenty years. It is now licensed to operate until 2043.

Fifteen of FMPA's members, including the City, are participants in the St. Lucie Project. As a participant in the St. Lucie Project, the City is entitled to 5.4 MW of FMPA's 73.5 MW capacity and energy associated with the St. Lucie Project.

Total expense for 2011 under this contract was \$2,716,965. The City's St. Lucie Power Supply and Sales contracts with FMPA extend through the later of (1) the date on which related bond principal or other obligations are fully retired, or (2) the date St. Lucie Project is fully decommissioned or otherwise disposed of, or (3) the date all obligations of FMPA under its participation agreement with FPL has been fully satisfied.

The All-Requirements Project

FMPA's All Requirements Project provides (1) each Participant's power supply requirements above Excluded Power Supply Resources and Back-up and Support Services (capitalized terms are defined in the All Requirements Power Supply Contracts), if any, under All Requirements Services; and (2) reserves, losses, firming capacity, back-up energy, and certain associated transmission and dispatching services required for Excluded Power Supply Resources under Back-up and Support Services.

The All Requirements Project's current utility plant assets include varying ownership interests in Stanton Energy Center Units 1 and 2; Indian River Combustion Turbines A, B, C and D; and Stanton A. The All Requirements Project's current utility plant assets also consist of 100% ownership in Key West Stock Island Units 2, 3 and 4; the Treasure Coast Energy Center; and Cane Island Units 1, 2, 3, and 4.

In addition to its ownership facilities, FMPA has interchange and power purchase contracts with Progress Energy, Florida Power & Light, and Southern Company.

The electric system's load in excess of that served from the St. Lucie Project is provided for by FMPA under the All Requirements Project. The City's contract with FMPA extends through October 1, 2030. The City's highest system peak load for fiscal 2011 was in December 2010, at 208.67 MW. Total expense to the City under the All Requirements Project for 2011 was \$62,114,904.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 12 - Florida Municipal Power Affiliation (Concluded)

Interconnect Services

The City also has a contract for backup interconnection and electric service with Jacksonville Electric Authority (JEA) through an interconnection point at the Neptune Beach Substation. Total expense for 2011, under this contract, was \$365,655 and the FMPA contribution was \$110,400.

Note 13 - Prepaid Power Costs/Power Costs Recovered in Advance

The City uses a power true-up recomputed monthly. At September 30, 2011, the City was over-recovered from customers by \$13,102,600. This amount will be returned to customers during 2012. At September 30, 2010, the City was over-recovered by \$2,813,268.

Note 14 - Retirement Systems

Plan Descriptions

Substantially all full-time employees of the City were covered by the City of Jacksonville Beach, Florida Public Employees' Retirement System (the PERS) through March 31, 2000.

Effective April 1, 2000, substantially all full-time employees were covered under one of three separate defined benefit pension plans formed on April 1, 2000, as a result of amendments to Florida Statutes mandated by the state legislature. Chapter 175.061 governing fire fighters' pensions and Chapter 185.05 governing police officers' pensions were amended to require separate pension plans for each of these groups of employees. On March 31, 2000, the predecessor pension plan (the PERS) ceased operations and its assets, liabilities, and fund balance were divided among the following three distinct pension plans:

- General Employees' Retirement System (GERS)
- Police Officers' Retirement System (PORS)
- Fire Fighters' Retirement System (FFRS)

Each plan is considered a single-employer, defined benefit pension plan. Each of the plans present separate financial statements, and are included as part (reporting as pension trust funds) of the City's financial reporting entity since they are not "legally separate." The plans issue publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to the City Clerk, City of Jacksonville Beach, 11 North Third Street, Jacksonville Beach, Florida, 32250, or by calling (904) 247-6250.

As of October 1, 2010 (date of the latest annual actuarial valuation), employee membership data related to the pension plan were:

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 14 - Retirement Systems (Continued)

Plan Descriptions (Continued)

	<u>General</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Retirees and Beneficiaries Currently Receiving Benefits (Including DROP Participants)	142	36	23	201
Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>12</u>	<u>2</u>	<u>2</u>	<u>16</u>
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>154</u>	<u>38</u>	<u>25</u>	<u>217</u>
Active Plan Participants				
Vested	167	33	17	217
Nonvested	<u>60</u>	<u>26</u>	<u>13</u>	<u>99</u>
Total Active Plan Participants	<u>227</u>	<u>59</u>	<u>30</u>	<u>316</u>

The pension plans provide retirement benefits, deferred allowances, and death and disability benefits. The plan assets are available to pay the general, police, and fire fighters categories of employees, respectively. A member who is a general employee may retire after reaching the age of sixty, with five or more years of service, or accumulating thirty years of service with the City, regardless of age. A member who is a police officer or fire fighter may retire after reaching the age of fifty-two with twenty-five or more years of service, age fifty-five with five or more years of service, or accumulating thirty years of service with the City, regardless of age. Early retirement is available to all members with a reduced benefit.

General employees who retired prior to October 1, 1990, are entitled to pension payments for the remainder of their lives equal to 2% of their final five-year average compensation times the number of years they were employed by the City. The maximum annual pension payment to these employees is 60% of their final average compensation. General employees who retire after September 30, 1990, are entitled to benefit payments equal to 2-1/2% of their final average compensation times the number of years they were employed by the City. The maximum annual pension payments to these employees is 75% of their final average compensation.

Police officers and fire fighters who retired prior to October 1, 1990, are entitled to pension payments for the remainder of their lives equal to 2-1/2% of their final average compensation times the number of years they were employed by the City. The maximum annual pension benefit to these employees is 75% of their final average compensation. Police officers and fire fighters who retire after September 30, 1990, are entitled to pension payments for the remainder of their lives equal to 3% of their final average compensation times the number of years they were employed by the City up to a maximum of thirty years. After thirty years, the pension benefit is reduced to 2% of their final average compensation times the number of years of service over thirty years. The maximum annual pension benefit to these employees is 100% of their final average compensation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 14 - Retirement Systems (Continued)

Plan Descriptions (Concluded)

In the FFRS only, a one-time, permanent benefit increase of 2% was granted to retirees who retired before January 1, 2009. Retirees who retired after that date will receive on the second anniversary of retirement, a 2% benefit increase and an additional 2% compounded annually, inclusive of certain periods and/or survivor benefits.

The normal form of benefit is a benefit payable for the life of the retired member with the first ten years guaranteed for police officers and fire fighters. Optional benefit forms are available on an actuarial equivalent basis.

A deferred retirement benefit is available upon attainment of retirement eligibility. Benefits begin to accrue upon the election to participate in the deferred retirement option program (DROP). Benefits are computed as a normal retirement, but based upon service and final average compensation at time of election.

Pension provisions include disability benefits, whereby a disabled employee is entitled to receive normal retirement benefits as long as the employee has attained ten or more years of service. The ten-year credited service requirement is waived if the employee has a duty-related disability. An employee with a duty-related disability receives additional service credit granted from the date of retirement to the later of normal retirement age or five years after date of disability. At which time, the member who is retired because of duty disability has the option of converting his or her benefit to a normal retirement or remaining on duty disability. Until an employee reaches regular retirement age, the minimum nonduty disability benefit is 25% and the minimum duty disability benefit is 50% of their final average compensation. At regular retirement age, the minimum duty disability benefit is 42% of their final average compensation.

Pension provisions include death benefits when the death is nonduty-related, whereby the surviving spouse is entitled to receive annually an amount equal to 100% of the employee's normal retirement benefit as long as the employee has attained ten or more years of service.

When the death is duty-related, the surviving spouse is entitled to receive 100% of the employee's normal retirement benefit, with a minimum benefit of 35% of their final average compensation.

Funding Policy

For the year ended September 30, 2011, plan participants were required to pay 6.45% of their annual compensation to their respective pension plan. The payments are deducted from the employees' wages or salary and remitted by the City to the respective plan at the end of each pay period. If an employee leaves the employment of the City before attaining five years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary. If an employee leaves the employment of the City after attaining five years of service, but before attaining retirement age, the employee or the employee's designated beneficiary has the option of being refunded the accumulated contributions plus earned interest or keeping the funds in the plan and receiving benefits under the plan upon reaching retirement age.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 14 - Retirement Systems (Continued)

Funding Policy (Concluded)

The City makes periodic contributions totaling a minimum of 100% of the annual actuarially determined amount to the pension plan. In addition to the employer contribution, the police officers' and fire fighters' pension plans receive a distribution of casualty premium tax monies from the State of Florida pursuant to Chapters 175 and 185, Florida Statutes. For the year ended September 30, 2011, the actuarially determined contribution amount as determined in the actuarial valuation dated October 1, 2009, to be \$2,250,984 (\$1,872,829 employer and \$378,155 state). The actual contribution was \$2,282,669 (\$1,872,829 employer and \$409,840 state).

The actuarial determined contribution amounts have been adjusted for the impact of changes in employee contribution percentages as discussed above. For the year ended September 30, 2011, the City's total covered payroll amounted to \$17,561,200. Covered payroll refers to all compensation paid by the City to active employees covered by the plans (on which contributions to the pension plans are based). Total payroll for the City (covered and uncovered) for the year ended September 30, 2011, was \$19,943,241.

Annual Pension Cost

The pension cost for the year ended September 30, 2011, was \$1,872,829 (actuarial contribution – City share). The pension cost for the 2011 fiscal year was determined as part of the October 1, 2009, actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions in the October 1, 2009, valuations included (a) 8% investment rate of return (includes 3.5% inflation and 4.5% real investment return); and (b) projected salary increases ranging from 4.2% to 12.5% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2009, was one to twenty-five years. Following is three-year trend information for each plan:

General Employees' Trend Information

Year Ended September 30,	Pension Cost (PC)	Percentage of PC Contributed	Net Pension Asset/(Liability)
2009	\$ 612,175	100.0%	\$ 11,571
2010	749,103	98.5%	0
2011	971,717	100.0%	0

Police Officers' Trend Information

Year Ended September 30,	Pension Cost (PC)*	Percentage of PC Contributed	Net Pension Asset/(Liability)
2009	\$ 370,645	100.0%	\$ 3,688
2010	516,367	99.3%	0
2011	609,116	100.0%	0

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)**

Note 14 - Retirement Systems (Continued)

Annual Pension Cost (Concluded)

Fire Fighters' Trend Information

<u>Year Ended September 30,</u>	<u>Pension Cost (PC)*</u>	<u>Percentage of PC Contributed</u>	<u>Net Pension Asset/(Liability)</u>
2009	\$ 194,421	100.6%	\$ 59,593
2010	239,183	75.1%	0
2011	291,996	100.0%	0

* Excludes State of Florida contributions under Chapters 175 and 185, Florida Statutes.

Funded Status and Funding Progress

The following is funded status information for each plan as of October 1, 2010, the most recent actuarial valuation date:

General Employees (In Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2010	\$ 41,771	\$ 53,050	\$ 11,279	78.7%	\$ 11,485	98.2%

Police Officers (In Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2010	\$ 15,646	\$ 20,688	\$ 5,042	75.6%	\$ 3,896	129.4%

Fire Fighters (In Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2010	\$ 8,434	\$ 11,987	\$ 3,553	70.4%	\$ 2,079	170.9%

The schedule of funding progress, presented as 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 liability for benefits.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 14 - Retirement Systems (Concluded)

Fund Balance Reserves

Three separate fund balance reserves are required in each plan to separately account for the net plan assets available for plan benefits. Investment income is allocated to the members' savings and DROP reserves based on a predetermined formula. The remainder of net investment income (realized gains and appreciation of fair value of investments, plus interest and dividends, net of administrative costs) is allocated to the retirement reserve. The purpose of these three reserve fund balances and the formula used to allocate net investment income is summarized as follows:

- **Retirement Reserve**—this reserve accounts for all City and state contributions, transfers from the member's savings reserves, and pension benefit payments made to retired employees (transfers in are assumed to be made as of the beginning of the year). The amount of net investment income recorded into this reserve is the balance remaining after allocations are made to both the members' savings reserve and DROP reserve.
- **Members' Savings Reserve**—this reserve includes all employee contributions. Investment income is allocated to this reserve based on 3.5% of the average reserve balance outstanding during the year. Transfers are made from this reserve to the retirement reserve as employees retire during the year. Termination refunds are remitted back to the employee, or maintained in this reserve at the option of the terminated employee depending on the employee's total years of service.
- **DROP Reserve**—the Deferred Retirement Option Program (DROP) was established in 1998. This program allows participants eligible for regular retirement to continue employment for a maximum of three years, and receive retirement benefits during this period. Employee contributions to the plan are discontinued, and the retirement benefits are transferred to the DROP reserve monthly, payable in full upon retirement. Investment income is allocated to this reserve based on rates determined by the Pension Boards.

Investments

Investments in securities are reported at fair value. Corporate bond securities are assigned a value based on yields currently available on securities of issuers with credit ratings similar to the securities held by the pension plan. Unrestricted capital stock securities are assigned a value based on quoted market prices. There are no investments in, loans to, or leases with parties related to the pension plans.

Note 15 - Interlocal Agreement

In 1984, pursuant to an interlocal agreement authorized by Florida Statutes, Section 163.01, the City joined with the Cities of Neptune Beach and Atlantic Beach, Florida, to construct and operate effluent outfall lines, together with all the lands, right-of-ways, easements, and other entitlements necessary for the construction and use thereof.

Certain individually used segments were constructed and financed directly by the user municipality. Two shared segments of the outfall lines were funded by the municipalities in the following proportions:

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 15 - Interlocal Agreement (Concluded)

	<u>Atlantic Beach to Discharge</u>	<u>Neptune Beach to Jacksonville Beach</u>
Atlantic Beach, Florida	33.06%	00.00%
Jacksonville Beach, Florida	55.78%	83.33%
Neptune Beach, Florida	<u>11.16%</u>	<u>16.67%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The City of Atlantic Beach, Florida, provided all accounting and purchasing services for the interlocal agreement. Until June 2000, annual repair and maintenance of the shared outfall lines were being shared by the participating municipalities in the percentages noted above. Effective June 26, 2000, those percentages were amended to reflect the parties' updated respective plant capacity. The new percentages are as follows:

	<u>Atlantic Beach to Discharge</u>	<u>Neptune Beach to Jacksonville Beach</u>
Atlantic Beach, Florida	33.33%	00.00%
Jacksonville Beach, Florida	50.00%	75.00%
Neptune Beach, Florida	<u>16.67%</u>	<u>25.00%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The City made no contributions to the interlocal agreement during 2011. The interlocal agreement has no debt outstanding as of September 30, 2011. There are no separate financial statements prepared for the interlocal agreement. The City's share of the capital assets of the interlocal agreement were recorded and are being depreciated in the water/sewer enterprise fund.

Note 16 - Commitments, Contingencies, and Encumbrances

Grants

The City participates in federal, state, and county programs that are fully or partially funded by grants received from other governmental units. In management's opinion, there are no material instances of noncompliance relating to these grants.

Litigation

The City is a party to claims and lawsuits arising in the normal course of business. Management does not expect that these matters will have a material effect on the financial position or results of operations of the City.

Construction Commitments

As of September 30, 2011, the City had the following commitments related to significant unfinished capital projects:

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 16 - Commitments, Contingencies and Encumbrances (Concluded)

Construction Commitments (Concluded)

<u>Project</u>	Expended as of 9/30/11	Remaining Commitment
9 th Street South Corridor Improvements	\$ 463,702	\$ 1,516,512
Total Maximum Daily Load Project	21,785,710	948,546
Downturn Improvements - Phase 2	735,643	64,177
Natural Gas Distribution System	3,640,776	356,422
Water Main Improvements 2 nd Ave. & 4 th Ave. N	804,610	28,494
2 nd Street N Sewer Replacement Project	137,115	28,444
Lake Mildred Pump Station	475,136	143,709
Ocean Forest Drainage Project	96,882	86,820
Constitution Cove Drainage Project	93,547	18,833
Kings Road Electric Conversion	351,200	98,800

As part of an agreement with the Florida Department of Transportation (the Department) for improvements to 9th Street South, the City deposited \$1,516,512 into an escrow account held by the Department. The total costs of the project are estimated at \$4,796,512, of which the Department's share is estimated at \$3,280,000. The Department will use this escrow account to pay the costs of the project. Construction on the project is expected to continue into next year. The City's deposit is currently included in Deposits in the accompanying financial statements.

Encumbrances

Significant encumbrances included in governmental fund balances are as follows:

	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General Fund		\$ 108,822
General Capital Projects Fund		145,672
Community Redevelopment Fund	\$ 319,009	
Other Governmental Funds	<u>132,408</u>	<u>1,650</u>
Total	<u>\$ 451,417</u>	<u>\$ 256,144</u>

Note 17 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In response to that risk, the City has implemented a risk management program. The major features of the program include the following:

- Self-insuring workers' compensation risks up to \$150,000 per claim
- Self-insuring health insurance claims up to a contractual maximum (\$1,658,076 in 2011 and \$1,725,483 in 2010)
- Continuing a \$25,000 general liability coverage deductible
- Funding adequate reserves to cover self-insuring workers' compensation retentions and liability and property insurance deductibles
- Competitive solicitation of insurance and self-insurance proposals

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 17 - Risk Management (Concluded)

- Assigning a part-time risk coordinator
- Contracting with a safety consultant

During 2011, the City purchased commercial insurance against losses for the following types of risk:

- Real and personal property damage, including flood damage
- General and automobile liability
- Commercial crime
- Police professional liability

Substantially all risk management activities are accounted for by the City within its internal service fund. Total expenses for risk management services (including claims and commercial insurance) were \$3,597,346 in 2011 and \$3,307,624 in 2010.

The City is self-insured for workers' compensation risks with the Florida League of Cities, Inc. providing aggregate excess coverage. The City is also self-insured for health insurance with CIGNA HealthCare providing excess aggregate coverage. The total of all claims paid during 2011 and 2010, were \$2,150,586 and \$2,132,303, respectively.

The internal service fund is charging other funds of the City for risk management services based on costs incurred subsequent to the implementation of the new program. For 2011, interdepartmental charges and other earnings were less than actual costs by \$180,977. For 2010, interdepartmental charges and other earnings were less than actual costs by \$127,767. The self-insurance fund has unrestricted net assets of \$1,994,872 at September 30, 2011.

There were no significant reductions in insurance coverage from 2010 to 2011. In addition, no settlements exceeded insurance coverage in the past three years.

The estimated liability for self-insured losses of \$1,299,896 accrued in the self-insurance fund at September 30, 2011, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the self-insurance fund's estimated liability were as follows for September 30:

	2011	2010
Beginning Balance	\$ 829,498	\$ 331,102
Current Year Claims and Changes in Estimates	2,620,984	2,630,699
(Claim Payments)	<u>(2,150,586)</u>	<u>(2,132,303)</u>
Ending Balance	<u>\$ 1,299,896</u>	<u>\$ 829,498</u>

Note 18 - Community Redevelopment Agency

The five-member Jacksonville Beach Community Redevelopment Agency (CRA) was established in 1978, pursuant to Chapter 163, Part III of the Florida Statutes. The CRA was created for the purpose of carrying out a community redevelopment program for the City. The Jacksonville Beach program consists of a variety of redevelopment activities in two districts: Downtown and Southend.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 18 - Community Redevelopment Agency (Concluded)

The initial focus of the CRA was the rejuvenation of the Downtown District. The plan for the redevelopment of the Downtown District was adopted in June 1987, following the creation of the Tax Increment District in 1984. The successful redevelopment effort has been centered on improvements to the public infrastructure to facilitate private investment in the area. As the result of a Downtown Visioning Study completed in 2007, the CRA has approved the funding for a \$4.4 million Streetscape project for which construction is to begin in the fall of 2011.

In November 1985, the Southend District was designated for redevelopment. A plan for the redevelopment of the area was adopted and a tax increment trust fund was established in 1987. Since the adoption of the redevelopment plan, six major public-private projects have been completed (Riptide, South Beach Regional Shopping Center, South Beach Parkway Shopping Center, Ocean Cay, Paradise Key, and the South Beach Mixed Use Development). The CRA has approved the funding for the engineering and design of the initial set of projects identified in the South Beach Infrastructure Improvement Study completed in 2011.

In addition, numerous public infrastructure and recreational projects have been constructed or are under construction or design to support the redevelopment activity in both districts. The CRA has also expended funds for the acquisition of land parcels in the Downtown District for future redevelopment purposes, including but not limited to off street parking. The schedule below summarizes revenue and expenditure activity for the two districts in fiscal year 2011:

	<u>Downtown</u>	<u>Southend</u>	<u>Total</u>
Revenues and Transfers In			
Ad Valorem Taxes	\$ 5,439,837	\$ 2,706,999	\$ 8,146,836
Charges for Services		298	298
Interest and Other	<u>82,319</u>	<u>25,335</u>	<u>107,654</u>
Total Revenues and Transfers In	<u>\$ 5,522,156</u>	<u>\$ 2,732,632</u>	<u>\$ 8,254,788</u>
Expenditures and Transfers Out			
General Government	\$ 168,656	\$ 67,907	\$ 236,563
Public Safety	390,822		390,822
Capital Projects:			
Downtown Landscape/Streetscape Improvement	371,409		371,409
Seawalk Construction	1,722,074		1,722,074
Water Feature at Sunshine Park		195,239	195,239
Playground Improvements at Sunshine Park		232,956	232,956
Other Capital	7,026		7,026
Debt Service:			
Principal	899,744	995,411	1,895,155
Interest	74,461	166,875	241,336
Transfer to Water and Sewer Fund*	<u>842,416</u>	<u>1,331,182</u>	<u>2,173,598</u>
(Total Expenditures and Transfers Out)	<u>\$ (4,476,608)</u>	<u>\$ (2,989,570)</u>	<u>\$ (7,466,178)</u>

* Funding of wastewater treatment plant.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 19 - Lease Revenue

The City has four facilities that have rental space available. Revenues from the facilities' operating leases and the related maintenance expenses are accumulated in the City's Lease Facilities Fund; fund net income is used to make technology purchases. Lease agreements for the Community Services Center, the Industrial Park, the cell tower, and the Marina building are generally three to five-year leases, with the option for either party to cancel the lease given ninety days notice. Charges for space at the Community Services Center, the Industrial Park, and the Marina building are based on the size of the area leased; cell tower charges are a flat rate. There are no contingent rentals or subleases at any of the facilities. Cost, accumulated depreciation, and carrying value on the leased assets are:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Buildings	\$ 832,874	\$ (589,777)	\$ 243,097
Improvements	43,168	(25,567)	17,601
Total	<u>\$ 876,042</u>	<u>\$ (615,344)</u>	<u>\$ 260,698</u>

Note 20 - Other Postemployment Benefits (OPEB)

Plan Description

As part of a single-employer postemployment benefit plan, the City offers postemployment medical, dental, and life insurance benefits to any employee who satisfies the vesting, disability, early or normal retirement provisions of the applicable retirement plan (GERS, PORS or FFRS). Eligibility requirements for retirement under the City's three retirement systems may be obtained by writing to the City Clerk, City of Jacksonville Beach, 11 North Third Street, Jacksonville Beach, Florida 32250, or by calling (904) 247-6250. According to the Substantive Plan, retired police officers, fire fighters and general employees as well as their dependents are permitted to remain covered under the City's medical plans as long as they pay the premium charged by the insurance company for the plan and coverage elected. This conforms to the minimum requirements of governmental employers under Chapter 112.08, FS. The plan does not issue separate financial statements.

Dental benefits and life insurance coverage is not considered other postemployment benefits for purposes of GASB Statement No. 45. As of October 1, 2010, the latest actuarial valuation date, there were 282 active participants and 36 retirees receiving medical benefits. The amount of the contributions required for retiree and dependent coverage may change from time-to-time.

Funding Policy

Currently the City's OPEB benefits are unfunded. That is, there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by the general assets of the City, which are invested in very short-term fixed income instruments. Although an actuarial valuation for OPEBs was completed to measure current year's subsidies and project future subsidies, the City Council has not determined if a separate trust fund or equivalent arrangement will be established.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Continued)

Note 20 - Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is the amount that was expensed for the fiscal year. Since the City's OPEB plan is unfunded, the only offset to that expense comes from premiums paid by the current retirees. These premiums are payroll deducted from the retiree's pension payment. The cumulative difference between the annual OPEB cost since inception and the retiree premiums paid (employer contribution) since inception is called the net OPEB obligation. The total net OPEB obligation is \$1,585,693 and is reflected as a liability in the statement of net assets (\$931,101 governmental, \$654,592 business-type). GASB Statement No. 45 was implemented prospectively in 2007. Pursuant to that standard, the net OPEB obligation was reset to zero at implementation on October 1, 2006. The following table shows the components of the City's annual OPEB cost for the year and the net pension obligation for fiscal year ended September 30, 2011:

	<u>2011</u>	<u>2010</u>
Normal Cost	\$ 269,147	\$ 312,495
Amortization of Unfunded Actuarial Accrued Liability	215,633	259,422
Interest on Normal Cost and Amortization	0	12,500
Annual Required Contribution (ARC)	<u>\$ 484,780</u>	<u>\$ 584,417</u>
Net OPEB Obligation, Beginning of Year	<u>\$ 1,325,027</u>	<u>\$ 957,434</u>
Annual Required Contribution	484,780	584,417
Interest on Net OPEB Obligation	53,001	38,297
Adjustment to ARC	<u>(50,963)</u>	<u>(34,194)</u>
Annual OPEB Cost	<u>486,818</u>	<u>588,520</u>
Employer Contribution Toward the OPEB Cost	<u>(226,152)</u>	<u>(220,927)</u>
Net OPEB Obligation, End of Year	<u>\$ 1,585,693</u>	<u>\$ 1,325,027</u>

The schedule of employer contributions is as follows:

Year Ended	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Estimated Net OPEB Obligation
<u>September 30</u>	<u>Cost</u>	<u>Contributed</u>	<u>Contributed</u>	<u>Obligation</u>
2009	\$ 564,436	\$ 189,576	33.59%	\$ 957,434
2010	588,520	220,927	37.54%	1,325,027
2011	486,818	226,152	46.45%	1,585,693

Funded Status and Funding Progress

The funded status of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2006	\$ 0	\$ 6,442,900	\$ 6,442,900	0.00%	\$ 16,901,893	38.12%
10/1/2008	0	6,848,807	6,848,807	0.00%	17,280,037	39.63%
10/1/2010	0	5,497,575	5,497,575	0.00%	16,678,298	32.96%

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

Note 20 - Other Postemployment Benefits (OPEB) *(Concluded)*

Funded Status and Funding Progress *(Concluded)*

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 health care cost trend. Amounts determined regarding the funding status of a 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.

Actuarial Methods and Assumptions

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

In the October 1, 2010 actuarial valuation, the entry age normal cost method with an increasing normal cost pattern with salary increase assumptions was used. The actuarial assumptions included a 4% investment rate of return (since there are no invested plan assets held in trust to finance the OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in City funds pursuant to its investment policy) and an annual health care cost trend rate. Per capita costs for medical and Rx benefits are expected to increase in 2011 by 9% over the per capita cost in the prior year. The UAAL, as calculated pursuant to the individual entry age actuarial cost method, is being amortized as a level percent of payroll over a thirty-year period with twenty-six years remaining. A closed amortization method is used. The assumed rate of payroll growth is a weighted-average of such rates used in pension valuations and is equal to 4%.

REQUIRED SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE BEACH, FLORIDA
PENSION TRUST FUNDS**

(In Thousands, Except Percentages)

General Employees' Retirement System

Actuarial Valuation Date 10/1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2005	\$ 34,445	\$ 40,242	\$ 5,797	85.6%	\$ 10,714	54.1%
2006	36,644	43,650	7,006	83.9%	11,575	60.5%
2007	39,424	46,208	6,784	85.3%	11,700	58.0%
2008	40,975	49,110	8,135	83.4%	11,556	70.4%
2009	41,538	51,118	9,580	81.3%	11,677	82.0%
2010	41,771	53,050	11,279	78.7%	11,485	98.2%

Police Officers' Retirement System

Actuarial Valuation Date 10/1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2005	\$ 13,021	\$ 15,867	\$ 2,846	82.1%	\$ 3,231	88.1%
2006	13,707	16,513	2,806	83.0%	3,181	88.2%
2007	14,694	17,434	2,740	84.3%	3,572	76.7%
2008	15,104	19,480	4,376	77.5%	3,931	111.3%
2009	15,342	20,083	4,741	76.4%	3,873	122.4%
2010	15,646	20,688	5,042	75.6%	3,896	129.4%

Fire Fighters' Retirement System

Actuarial Valuation Date 10/1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2005	\$ 7,483	\$ 9,707	\$ 2,224	77.1%	\$ 1,651	134.7%
2006	7,502	9,662	2,160	77.6%	1,768	122.2%
2007	8,044	10,099	2,055	79.7%	1,726	119.1%
2008	8,366	10,726	2,360	78.0%	1,928	122.4%
2009	8,468	11,472	3,004	73.8%	1,985	151.4%
2010	8,434	11,987	3,553	70.4%	2,079	170.9%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF JACKSONVILLE BEACH, FLORIDA
PENSION TRUST FUNDS**

General Employees' Retirement System

Period Ended	Actuarial Valuation Date 10/1	Required Contribution	Actual Contribution	Percentage Contribution
9/30/06	2004	\$ 241,358	\$ 241,358	100.0%
9/30/07	2005	389,150	389,150	100.0%
9/30/08	2006	612,047	623,377	101.9%
9/30/09	2007	612,416	612,416	100.0%
9/30/10	2008	749,331	737,532 (2)	98.4%
9/30/11	2009	971,717	971,717	100.0%

Police Officers' Retirement System

Period Ended	Actuarial Valuation Date 10/1	Required Contribution (1)	Actual Contribution (1)	Percentage Contribution
9/30/06	2004	\$ 376,586	\$ 425,205	112.9%
9/30/07	2005	443,557	532,674	120.1%
9/30/08	2006	468,951	528,361	112.7%
9/30/09	2007	503,281	550,995	109.5%
9/30/10	2008	713,865	690,515 (2)	96.7%
9/30/11	2009	777,408	777,408	100.0%

Fire Fighters' Retirement System

Period Ended	Actuarial Valuation Date 10/1	Required Contribution (1)	Actual Contribution (1)	Percentage Contribution
9/30/06	2004	\$ 289,937	\$ 313,076	108.0%
9/30/07	2005	345,883	518,567	149.9%
9/30/08	2006	347,184	584,172	168.3%
9/30/09	2007	329,117	425,843	129.4%
9/30/10	2008	373,810	423,928	113.4%
9/30/11	2009	501,859	533,544	106.3%

(1) Includes contributions from the State of Florida under Chapters 175 and 185, Florida Statutes.

(2) A net pension asset resulted from the City overfunding the required contribution in 2008. 2010 contributions were reduced proportionately.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
CITY OF JACKSONVILLE BEACH, FLORIDA
PENSION TRUST FUNDS**

The information presented in the required supplementary schedules was determined as part of actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2010
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent - Open
Remaining Amortization Period:	
General Employee	5 to 25 Years
Police	5 to 25 Years
Firefighters	3 to 25 Years
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Return*	8.0%
Projected Salary Increases**	4.2% to 12.1%

* Includes Inflation Rate of 3.5%

**Based on Age

**SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE BEACH, FLORIDA
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Other Postemployment Benefit Plan

Actuarial Valuation Date <u>10/1</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2006	\$ 0	\$ 6,442,900	\$ 6,442,900	0.00%	\$ 16,901,893	38.12%
2008	0	6,848,807	6,848,807	0.00%	17,280,037	39.63%
2010	0	5,497,575	5,497,575	0.00%	16,678,298	32.96%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF JACKSONVILLE BEACH, FLORIDA
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Other Postemployment Benefit Plan

Period Ended	Actuarial Valuation Date 10/1	Annual OPEB Cost	Estimated Amount Contributed	Percentage Contribution	Estimated Net OPEB Obligation
9/30/07	2006	\$ 472,901	\$ 181,614	38.40%	\$ 291,287
9/30/08	2007	493,759	202,472	41.01%	582,574
9/30/09	2008	564,436	189,576	33.59%	957,434
9/30/10	2009	588,520	220,927	37.54%	1,325,027
9/30/11	2010	486,818	226,152	46.46%	1,585,693

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
CITY OF JACKSONVILLE BEACH, FLORIDA
OTHER POSTEMPLOYMENT BENEFIT PLAN**

The information presented in the required supplementary schedules was determined as part of actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2010
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent - Closed
Remaining Amortization Period	26 Years

Actuarial Assumptions:

Investment Return**	4.0%
Projected Salary Increases**	4.5%-12.1%
Payroll Growth Rate	4.0%
Health-care Cost Trend Rates	9.0%

**Includes Inflation Rate of 3.0%

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND OTHER SCHEDULES**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Special Revenue Funds</u>			
	<u>Convention Development Tax Fund</u>	<u>Court Costs Training Fund</u>	<u>Local Option Gas Tax Fund</u>	<u>Infrastructure Surtax Fund</u>
Assets				
Equity in Pooled Cash and Investments	\$ 566,972	\$ 189,006	\$ 286,267	\$ 153,059
Accounts Receivable				
Special Assessments Receivable			35,641	7,612
Due from Other Governmental Units	52,922		124,000	150,000
Deposit				
Total Assets	<u>619,894</u>	<u>189,006</u>	<u>445,908</u>	<u>310,671</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	7,362			
Other Accrued Liabilities			1,358	
Interfund Payables				
Deferred Revenues	18,500		159,641	157,612
Total Liabilities	<u>25,862</u>	<u>0</u>	<u>160,999</u>	<u>157,612</u>
Fund Balances				
Restricted for:				
Tourism Expenses	594,032			
Transportation Improvements			284,909	
Capital Projects				153,059
Law Enforcement		189,006		
Committed for:				
Tree Replacement				
Assigned for:				
Capital Projects				
Debt Service				
Total Fund Balances	<u>594,032</u>	<u>189,006</u>	<u>284,909</u>	<u>153,059</u>
Total Liabilities and Fund Balances	<u>\$ 619,894</u>	<u>\$ 189,006</u>	<u>\$ 445,908</u>	<u>\$ 310,671</u>

Special Revenue Funds						Debt Service Funds
Community Development Block Grant Fund	Radio Communications Fund	J.A.G. Grant Fund	Tree Protection Fund	Law Enforcement Trust Fund	Equitable Sharing Trust Fund	Infrastructure Surtax Bonds
	\$ 145,046		\$ 12,756 1,484	\$ 223,459	\$ 53,127	\$ 642,191
\$ 13,528		\$ 13,222				
<u>13,528</u>	<u>145,046</u>	<u>\$ 13,222</u>	<u>14,240</u>	<u>223,459</u>	<u>53,127</u>	<u>642,191</u>
13,528		13,222	1,484	263 1,034		
<u>13,528</u>	<u>0</u>	<u>13,222</u>	<u>1,484</u>	<u>1,297</u>	<u>0</u>	<u>0</u>
	145,046		12,756	222,162	53,127	642,191
0	145,046	0	12,756	222,162	53,127	642,191
<u>\$ 13,528</u>	<u>\$ 145,046</u>	<u>\$ 13,222</u>	<u>\$ 14,240</u>	<u>\$ 223,459</u>	<u>\$ 53,127</u>	<u>\$ 642,191</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

	<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infrastructure Tax Capital Projects Fund</u>	<u>Beaches Park Project for Kids Fund</u>	<u>Dog Park Fund</u>	
Assets				
Equity in Pooled Cash and Investments	\$ 3,276,306	\$ 5,642	\$ 9,366	\$ 5,563,197
Accounts Receivable				1,484
Special Assessments Receivable	532,087			575,340
Due from Other Governmental Units				353,672
Deposit	505,442			505,442
Total Assets	<u>4,313,835</u>	<u>5,642</u>	<u>9,366</u>	<u>6,999,135</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable			2,230	9,855
Other Accrued Liabilities				2,392
Interfund Payables				26,750
Deferred Revenues	532,087			869,324
Total Liabilities	<u>532,087</u>	<u>0</u>	<u>2,230</u>	<u>908,321</u>
Fund Balances				
Restricted for:				
Tourism Expenses				594,032
Transportation Improvements	505,442			790,351
Capital Projects	3,276,306			3,429,365
Law Enforcement				609,341
Committed for:				
Tree Replacement				12,756
Assigned for:				
Capital Projects		5,642	7,136	12,778
Debt Service				642,191
Total Fund Balances	<u>3,781,748</u>	<u>5,642</u>	<u>7,136</u>	<u>6,090,814</u>
Total Liabilities and Fund Balances	<u>\$ 4,313,835</u>	<u>\$ 5,642</u>	<u>\$ 9,366</u>	<u>\$ 6,999,135</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Special Revenue Funds			
	Convention Development Tax Fund	Court Costs Training Fund	Local Option Gas Tax Fund	Infrastructure Surtax Fund
Revenues				
Taxes	\$ 221,009		\$ 742,603	\$ 975,611
Intergovernmental				
Charges for Services			22	9,048
Fines and Forfeitures		\$ 4,433		
Other Revenue	5,665	2,160	3,185	4,048
Total Revenues	<u>226,674</u>	<u>6,593</u>	<u>745,810</u>	<u>988,707</u>
Expenditures				
Current:				
General Government				630
Public Safety		40,054		
Physical Environment				
Roads and Streets			261,392	88,751
Human Services				
Parks and Recreation	125,402			
Debt Service:				
Principal				
Interest and Fees				
Capital Outlay				
(Total Expenditures)	<u>(125,402)</u>	<u>(40,054)</u>	<u>(261,392)</u>	<u>(89,381)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>101,272</u>	<u>(33,461)</u>	<u>484,418</u>	<u>899,326</u>
Other Financing Sources (Uses)				
Transfers in				
Transfers (out)	(25,000)		(372,000)	(1,097,149)
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>0</u>	<u>(372,000)</u>	<u>(1,097,149)</u>
Net Change in Fund Balance	76,272	(33,461)	112,418	(197,823)
Fund Balances, Beginning of Year	<u>517,760</u>	<u>222,467</u>	<u>172,491</u>	<u>350,882</u>
Fund Balances, End of Year	<u>\$ 594,032</u>	<u>\$ 189,006</u>	<u>\$ 284,909</u>	<u>\$ 153,059</u>

Special Revenue Funds						Debt Service Funds
Community Development Block Grant Fund	Radio Communication Fund	J.A.G. Grant Fund	Tree Protection Fund	Law Enforcement Trust Fund	Equitable Sharing Trust Fund	Infrastructure Surtax Bonds
\$ 146,308		\$ 175,433			\$ 1,365	
	\$ 12,252		\$ 735	\$ 5,364	30,059	
	1,711		2,150	7,497	2,859	\$ 5,409
<u>146,308</u>	<u>13,963</u>	<u>175,433</u>	<u>2,885</u>	<u>12,861</u>	<u>34,283</u>	<u>5,409</u>
	29,559	17,199	8,376	136,323	40,286	
20,000						
						770,000
						294,594
<u>(20,000)</u>	<u>(29,559)</u>	<u>(17,199)</u>	<u>(8,376)</u>	<u>(136,323)</u>	<u>(40,286)</u>	<u>(1,064,594)</u>
<u>126,308</u>	<u>(15,596)</u>	<u>158,234</u>	<u>(5,491)</u>	<u>(123,462)</u>	<u>(6,003)</u>	<u>(1,059,185)</u>
(126,308)		(122,661)		273,210		1,647,149
<u>(126,308)</u>	<u>0</u>	<u>(122,661)</u>	<u>0</u>	<u>273,210</u>	<u>(273,210)</u>	<u>1,647,149</u>
0	(15,596)	35,573	(5,491)	149,748	(279,213)	587,964
0	160,642	(35,573)	18,247	72,414	332,340	54,227
<u>\$ 0</u>	<u>\$ 145,046</u>	<u>\$ 0</u>	<u>\$ 12,756</u>	<u>\$ 222,162</u>	<u>\$ 53,127</u>	<u>\$ 642,191</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Infrastructure Tax Capital Projects Fund	Beaches Park Project for Kids Fund	Dog Park Fund	
Revenues				
Taxes				\$ 1,939,223
Intergovernmental				323,106
Charges for Services	\$ 385,668			394,738
Fines and Forfeitures				52,843
Other Revenue	47,144	\$ 61	\$ 3,566	85,455
Total Revenues	<u>432,812</u>	<u>61</u>	<u>3,566</u>	<u>2,795,365</u>
Expenditures				
Current:				
General Government				630
Public Safety				263,421
Physical Environment	10,205			18,581
Roads and Streets				350,143
Human Services				20,000
Parks and Recreation		14	9,737	135,153
Debt Service:				
Principal				770,000
Interest and Fees				294,594
Capital Outlay	132,726			132,726
(Total Expenditures)	<u>(142,931)</u>	<u>(14)</u>	<u>(9,737)</u>	<u>(1,985,248)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>289,881</u>	<u>47</u>	<u>(6,171)</u>	<u>810,117</u>
Other Financing Sources (Uses)				
Transfers in				1,920,359
Transfers (out)	(1,824,725)			(3,841,053)
Total Other Financing Sources (Uses)	<u>(1,824,725)</u>	<u>0</u>	<u>0</u>	<u>(1,920,694)</u>
Net Change in Fund Balance	(1,534,844)	47	(6,171)	(1,110,577)
Fund Balances, Beginning of Year	<u>5,316,592</u>	<u>5,595</u>	<u>13,307</u>	<u>7,201,391</u>
Fund Balances, End of Year	<u>\$ 3,781,748</u>	<u>\$ 5,642</u>	<u>\$ 7,136</u>	<u>\$ 6,090,814</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONVENTION DEVELOPMENT TAX FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 150,000	\$ 150,000	\$ 221,009	\$ 71,009
Other Revenue	8,500	8,500	5,665	(2,835)
Total Revenues	<u>158,500</u>	<u>158,500</u>	<u>226,674</u>	<u>68,174</u>
Expenditures				
Current:				
Parks and Recreation	139,321	139,321	125,402	13,919
(Total Expenditures)	<u>(139,321)</u>	<u>(139,321)</u>	<u>(125,402)</u>	<u>13,919</u>
Excess of Revenues Over Expenditures	19,179	19,179	101,272	82,093
Other Financing Sources (Uses)				
Transfers (out)	(25,000)	(25,000)	(25,000)	0
Net Change in Fund Balance	<u>\$ (5,821)</u>	<u>\$ (5,821)</u>	<u>\$ 76,272</u>	<u>\$ 82,093</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 COURT COSTS TRAINING FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 6,000	\$ 6,000	\$ 4,433	\$ (1,567)
Other Revenue	3,000	3,000	2,160	(840)
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>6,593</u>	<u>(2,407)</u>
Expenditures				
Current:				
Public Safety	60,400	60,400	40,054	20,346
(Total Expenditures)	<u>(60,400)</u>	<u>(60,400)</u>	<u>(40,054)</u>	<u>20,346</u>
Net Change in Fund Balance	<u>\$ (51,400)</u>	<u>\$ (51,400)</u>	<u>\$ (33,461)</u>	<u>\$ 17,939</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
LOCAL OPTION GAS TAX FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 720,000	\$ 720,000	\$ 742,603	\$ 22,603
Charges for Services			22	22
Other Revenue	10,000	10,000	3,185	(6,815)
Total Revenues	<u>730,000</u>	<u>730,000</u>	<u>745,810</u>	<u>15,810</u>
Expenditures				
Current:				
Roads and Streets	458,134	514,029	261,392	252,637
(Total Expenditures)	<u>(458,134)</u>	<u>(514,029)</u>	<u>(261,392)</u>	<u>252,637</u>
Excess of Revenues Over Expenditures	271,866	215,971	484,418	268,447
Other Financing Sources (Uses)				
Transfers (out)	(372,000)	(372,000)	(372,000)	0
Net Change in Fund Balance	<u>\$ (100,134)</u>	<u>\$ (156,029)</u>	<u>\$ 112,418</u>	<u>\$ 268,447</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
INFRASTRUCTURE SURTAX FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 950,000	\$ 950,000	\$ 975,611	\$ 25,611
Charges for Services			9,048	9,048
Other Revenue	9,500	9,500	4,048	(5,452)
Total Revenues	<u>959,500</u>	<u>959,500</u>	<u>988,707</u>	<u>29,207</u>
Expenditures				
Current:				
General Government			630	(630)
Roads and Streets	65,000	173,112	88,751	84,361
(Total Expenditures)	<u>(65,000)</u>	<u>(173,112)</u>	<u>(89,381)</u>	<u>83,731</u>
Excess of Revenues Over Expenditures	894,500	786,388	899,326	112,938
Other Financing Sources (Uses)				
Transfers (out)	(1,097,149)	(1,097,149)	(1,097,149)	0
Net Change in Fund Balance	<u>\$ (202,649)</u>	<u>\$ (310,761)</u>	<u>\$ (197,823)</u>	<u>\$ 112,938</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 0	\$ 185,006	\$ 146,308	\$ (38,698)
Expenditures				
Current:				
Human Services	20,000	20,000	20,000	0
(Total Expenditures)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
Excess of Revenues Over Expenditures	(20,000)	165,006	126,308	(38,698)
Other Financing Sources (Uses)				
Transfers (out)	<u>(165,006)</u>	<u>(165,006)</u>	<u>(126,308)</u>	<u>38,698</u>
Net Change in Fund Balance	<u>\$ (185,006)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 RADIO COMMUNICATION FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 20,000	\$ 20,000	\$ 12,252	\$ (7,748)
Other Revenue	3,000	3,000	1,711	(1,289)
Total Revenues	<u>23,000</u>	<u>23,000</u>	<u>13,963</u>	<u>(9,037)</u>
Expenditures				
Current:				
Public Safety	30,000	30,000	29,559	441
(Total Expenditures)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(29,559)</u>	<u>441</u>
Net Change in Fund Balance	<u>\$ (7,000)</u>	<u>\$ (7,000)</u>	<u>\$ (15,596)</u>	<u>\$ (8,596)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
J.A.G. GRANT FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 60,655	\$ 139,861	\$ 175,433	\$ 35,572
Total Revenues	<u>60,655</u>	<u>139,861</u>	<u>175,433</u>	<u>35,572</u>
Expenditures				
Current:				
Public Safety	17,200	17,200	17,199	1
(Total Expenditures)	<u>(17,200)</u>	<u>(17,200)</u>	<u>(17,199)</u>	<u>1</u>
Excess of Revenues Over Expenditures	43,455	122,661	158,234	35,573
Other Financing Sources (Uses)				
Transfers (out)	<u>(43,455)</u>	<u>(109,439)</u>	<u>(122,661)</u>	<u>(13,222)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 13,222</u>	<u>\$ 35,573</u>	<u>\$ 22,351</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 TREE PROTECTION FUND
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures			\$ 735	\$ 735
Other Revenue	\$ 500	\$ 1,000	2,150	1,150
Total Revenues	<u>500</u>	<u>1,000</u>	<u>2,885</u>	<u>1,885</u>
Expenditures				
Current:				
Physical Environment	10,030	10,530	8,376	2,154
(Total Expenditures)	<u>(10,030)</u>	<u>(10,530)</u>	<u>(8,376)</u>	<u>2,154</u>
Net Change in Fund Balance	<u>\$ (9,530)</u>	<u>\$ (9,530)</u>	<u>\$ (5,491)</u>	<u>\$ 4,039</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
LAW ENFORCEMENT TRUST FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 10,000	\$ 10,000	\$ 5,364	\$ (4,636)
Other Revenue	1,500	1,500	7,497	5,997
Total Revenues	<u>11,500</u>	<u>11,500</u>	<u>12,861</u>	<u>1,361</u>
Expenditures				
Current:				
Public Safety	71,787	114,357	136,323	(21,966)
(Total Expenditures)	<u>(71,787)</u>	<u>(114,357)</u>	<u>(136,323)</u>	<u>(21,966)</u>
(Deficiency) of Revenues (Under) Expenditures	(60,287)	(102,857)	(123,462)	(20,605)
Other Financing Sources (Uses)				
Transfers in	0	0	273,210	273,210
Net Change in Fund Balance	<u>\$ (60,287)</u>	<u>\$ (102,857)</u>	<u>\$ 149,748</u>	<u>\$ 252,605</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
EQUITABLE SHARING TRUST FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental			\$ 1,365	\$ 1,365
Fines and Forfeitures	\$ 10,000	\$ 10,000	30,059	20,059
Other Revenue	1,200	1,200	2,859	1,659
Total Revenues	<u>11,200</u>	<u>11,200</u>	<u>34,283</u>	<u>23,083</u>
Expenditures				
Current:				
Public Safety	50,000	176,319	40,286	136,033
(Total Expenditures)	<u>(50,000)</u>	<u>(176,319)</u>	<u>(40,286)</u>	<u>136,033</u>
(Deficiency) of Revenues (Under) Expenditures	(38,800)	(165,119)	(6,003)	159,116
Other Financing Sources (Uses)				
Transfers out	0	0	(273,210)	(273,210)
Net Change in Fund Balance	<u>\$ (38,800)</u>	<u>\$ (165,119)</u>	<u>\$ (279,213)</u>	<u>\$ (114,094)</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
INFRASTRUCTURE SURTAX BONDS
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other Revenues	\$ 2,500	\$ 2,500	\$ 5,409	\$ 2,909
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>5,409</u>	<u>2,909</u>
Expenditures				
Debt Service:				
Principal	770,000	770,000	770,000	0
Interest and Fees	298,563	298,563	294,594	3,969
(Total Expenditures)	<u>(1,068,563)</u>	<u>(1,068,563)</u>	<u>(1,064,594)</u>	<u>3,969</u>
(Deficiency) of Revenues				
(Under) Expenditures	(1,066,063)	(1,066,063)	(1,059,185)	6,878
Other Financing Sources (Uses)				
Transfers in	1,097,149	1,647,149	1,647,149	0
Net Change in Fund Balance	<u>\$ 31,086</u>	<u>\$ 581,086</u>	<u>\$ 587,964</u>	<u>\$ 6,878</u>

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Assets	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Total</u>
Current Assets						
Equity in Pooled Cash and Investments	\$ 1,567,644	\$ 4,658,778	\$ 198,123	\$ 1,372,680	\$ 949,392	\$ 8,746,617
Other Operating Cash			1,900			1,900
Receivables:						
Accounts, Net	153,045	397,661	5,069	45,749	171,304	772,828
Inventory			32,669			32,669
Prepaid Power Costs					13,000	13,000
Prepaid Expenses			4,123	737		4,860
Restricted Assets:						
Equity in Pooled Cash and Investments	1,209,260					1,209,260
Total Current Assets	<u>2,929,949</u>	<u>5,056,439</u>	<u>241,884</u>	<u>1,419,166</u>	<u>1,133,696</u>	<u>10,781,134</u>
Noncurrent Assets						
Capital Assets:						
Land	329,263		388,980	28,000		746,243
Buildings and Improvements	19,667,744		1,977,219	970,691	3,714,047	26,329,701
Equipment	281,130	221,764	104,605	907,044		1,514,543
Construction in Progress	693,721					693,721
	<u>20,971,858</u>	<u>221,764</u>	<u>2,470,804</u>	<u>1,905,735</u>	<u>3,714,047</u>	<u>29,284,208</u>
(Accumulated Depreciation)	<u>(5,889,615)</u>	<u>(127,708)</u>	<u>(906,833)</u>	<u>(1,481,651)</u>	<u>(46,426)</u>	<u>(8,452,233)</u>
Total Noncurrent Assets	<u>15,082,243</u>	<u>94,056</u>	<u>1,563,971</u>	<u>424,084</u>	<u>3,667,621</u>	<u>20,831,975</u>
Total Assets	<u>18,012,192</u>	<u>5,150,495</u>	<u>1,805,855</u>	<u>1,843,250</u>	<u>4,801,317</u>	<u>31,613,109</u>

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

Liabilities	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Total</u>
Current Liabilities						
Accounts Payable	\$ 35,477	\$ 209,098	\$ 13,524	\$ 630	\$ 397,619	\$ 656,348
Other Accrued Liabilities	41,105	3,777	25,578	1,094	33,845	105,399
Unearned Revenues			35,313			35,313
Current Portion of Long-term Debt:						
Compensated Absences		587	14,627			15,214
Current Liabilities Payable from Restricted Assets:						
Bonds Payable - Current Portion	451,040					451,040
Accrued Interest	6,671					6,671
Total Current Liabilities	<u>534,293</u>	<u>213,462</u>	<u>89,042</u>	<u>1,724</u>	<u>431,464</u>	<u>1,269,985</u>
Noncurrent Liabilities						
Accrued Compensated Absences		2,348	58,509			60,857
Other Postemployment Benefits	5,643		33,858			39,501
Total Noncurrent Liabilities	<u>5,643</u>	<u>2,348</u>	<u>92,367</u>	<u>0</u>	<u>0</u>	<u>100,358</u>
Total Liabilities	<u>539,936</u>	<u>215,810</u>	<u>181,409</u>	<u>1,724</u>	<u>431,464</u>	<u>1,370,343</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	14,631,203	94,056	1,563,971	424,084	3,667,621	20,380,935
Restricted for:						
Renewal and Replacement	751,550					751,550
Unrestricted	2,089,503	4,840,629	60,475	1,417,442	702,232	9,110,281
Total Net Assets	<u>\$ 17,472,256</u>	<u>\$ 4,934,685</u>	<u>\$ 1,624,446</u>	<u>\$ 1,841,526</u>	<u>\$ 4,369,853</u>	<u>\$ 30,242,766</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Totals</u>
Operating Revenues						
Charges for Services	\$ 1,232,483	\$ 3,091,891	\$ 1,352,924		\$ 1,098,643	\$ 6,775,941
Other			6,550	\$ 570,920	15,653	593,123
Total Operating Revenues	<u>1,232,483</u>	<u>3,091,891</u>	<u>1,359,474</u>	<u>570,920</u>	<u>1,114,296</u>	<u>7,369,064</u>
Operating Expenses						
Purchased Power					657,616	657,616
Personal Services	146,312	135,168	748,458	3,322		1,033,260
Purchased Services	240,249	2,694,891	75,193	12,574	159,161	3,182,068
Repairs and Maintenance	19,525	3,605	83,396	168,566		275,092
Depreciation	659,554	38,553	83,286	159,044	46,426	986,863
Materials and Supplies	5,949	25,249	180,328		541	212,067
Other Expenses	208,887	113,855	367,156	33,242	33,988	757,128
(Total Operating Expenses)	<u>(1,280,476)</u>	<u>(3,011,321)</u>	<u>(1,537,817)</u>	<u>(376,748)</u>	<u>(897,732)</u>	<u>(7,104,094)</u>
Operating (Loss) Income	<u>(47,993)</u>	<u>80,570</u>	<u>(178,343)</u>	<u>194,172</u>	<u>216,564</u>	<u>264,970</u>
Nonoperating Income (Expense)						
Investment Earnings	23,037	50,448	949	14,314		88,748
Interest Expense	(13,306)					(13,306)
Total Nonoperating Income (Expense)	<u>9,731</u>	<u>50,448</u>	<u>949</u>	<u>14,314</u>	<u>0</u>	<u>75,442</u>
Income (Loss) Before Contributions and Transfers	<u>(38,262)</u>	<u>131,018</u>	<u>(177,394)</u>	<u>208,486</u>	<u>216,564</u>	<u>340,412</u>
Capital Contributions						
Contributions from Other Funds	215,890					215,890
Total Capital Contributions	<u>215,890</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>215,890</u>
Transfers						
Transfers in			210,000		1,000,000	1,210,000
Transfers (out)				(242,600)		(242,600)
Total Transfers	<u>0</u>	<u>0</u>	<u>210,000</u>	<u>(242,600)</u>	<u>1,000,000</u>	<u>967,400</u>
Change in Net Assets	177,628	131,018	32,606	(34,114)	1,216,564	1,523,702
Total Net Assets, Beginning of Year	17,294,628	4,803,667	1,591,840	1,875,640	3,153,289	28,719,064
Total Net Assets, End of Year	<u>\$ 17,472,256</u>	<u>\$ 4,934,685</u>	<u>\$ 1,624,446</u>	<u>\$ 1,841,526</u>	<u>\$ 4,369,853</u>	<u>\$ 30,242,766</u>

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Totals</u>
Cash Flows from Operating Activities						
Cash Received from Customers and Users	\$ 1,237,861	\$ 3,103,758	\$ 1,356,860	\$ 549,937	\$ 977,276	\$ 7,225,692
Cash Payments to Vendors for Goods and Services	(419,448)	(2,842,028)	(710,291)	(215,056)	(820,434)	(5,007,257)
Cash Payments to Employees for Services	(144,943)	(137,854)	(708,868)	(3,322)		(994,987)
Net Cash Provided by (Used in) Operating Activities	<u>673,470</u>	<u>123,876</u>	<u>(62,299)</u>	<u>331,559</u>	<u>156,842</u>	<u>1,223,448</u>
Cash Flows from Noncapital Financing Activities						
Transfers in			210,000		1,000,000	1,210,000
Operating Transfers (out)				(242,600)		(242,600)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>210,000</u>	<u>(242,600)</u>	<u>1,000,000</u>	<u>967,400</u>
Cash Flows from Capital and Related Financing Activities						
Acquisition of Capital Assets	(494,910)		(22,410)		(1,522,130)	(2,039,450)
Principal Paid on Revenue Bonds	(437,928)					(437,928)
Interest Paid	(19,783)					(19,783)
Financing Activities	<u>(952,621)</u>	<u>0</u>	<u>(22,410)</u>	<u>0</u>	<u>(1,522,130)</u>	<u>(2,497,161)</u>
Cash Flows from Investing Activities						
Interest Received on Investments	23,037	50,448	949	14,314	0	88,748
Net Increase (Decrease) in Cash and Cash Equivalents	(256,114)	174,324	126,240	103,273	(365,288)	(217,565)
Cash and Cash Equivalents, Beginning of Year	<u>3,033,018</u>	<u>4,484,454</u>	<u>73,783</u>	<u>1,269,407</u>	<u>1,314,680</u>	<u>10,175,342</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,776,904</u>	<u>\$ 4,658,778</u>	<u>\$ 200,023</u>	<u>\$ 1,372,680</u>	<u>\$ 949,392</u>	<u>\$ 9,957,777</u>

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA
(Concluded)

<u>Included on the Accompanying Balance Sheet</u> <u>Under the Following Captions</u>	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Totals</u>
Current Assets						
Equity in Pooled Cash and Investments	\$ 1,567,644	\$ 4,658,778	\$ 198,123	\$ 1,372,680	\$ 949,392	\$ 8,746,617
Other Operating Cash			1,900			1,900
Restricted Assets						
Equity in Pooled Cash and Investments	1,209,260					1,209,260
Total	<u>\$ 2,776,904</u>	<u>\$ 4,658,778</u>	<u>\$ 200,023</u>	<u>\$ 1,372,680</u>	<u>\$ 949,392</u>	<u>\$ 9,957,777</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>						
Operating Income (Loss)	\$ (47,993)	\$ 80,570	\$ (178,343)	\$ 194,172	\$ 216,564	\$ 264,970
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating Activities:						
Depreciation	659,554	38,553	83,286	159,044	46,426	986,863
Power Costs Recovered in Advance (Returned)					(13,000)	(13,000)
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):						
Accounts Receivable and Unbilled Revenue	5,378	11,867	(5,069)	(20,983)	(124,020)	(132,827)
Inventories			(16,330)			(16,330)
Prepaid Expenses			257	(74)		183
Accounts Payable and Other Accrued Liabilities	55,162	(4,428)	11,855	(600)	30,872	92,861
Unearned Revenues			2,455			2,455
Accrued Compensated Absences		(2,686)	44,200			41,514
Other Postemployment Benefits	1,369		(4,610)			(3,241)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 673,470</u>	<u>\$ 123,876</u>	<u>\$ (62,299)</u>	<u>\$ 331,559</u>	<u>\$ 156,842</u>	<u>\$ 1,223,448</u>
<u>Supplemental Disclosure of Noncash Activities</u>						
Capital Assets - Contributed	<u>\$ 215,890</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 215,890</u>

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Self-insurance Fund</u>	<u>Other Internal Service Fund</u>	<u>Totals</u>
Assets			
Current Assets			
Equity in Pooled Cash and Investments	\$ 3,221,321	\$ 287,545	\$ 3,508,866
Other Operating Cash	36,796		36,796
Prepaid Expenses	47,444		47,444
Total Current Assets	<u>3,305,561</u>	<u>287,545</u>	<u>3,593,106</u>
Noncurrent Assets			
Capital Assets:			
Buildings and Improvements		1,610,007	1,610,007
Equipment		2,465,084	2,465,084
	<u>0</u>	<u>4,075,091</u>	<u>4,075,091</u>
(Accumulated Depreciation)		(3,057,614)	(3,057,614)
Total Noncurrent Assets	<u>0</u>	<u>1,017,477</u>	<u>1,017,477</u>
Total Assets	<u>3,305,561</u>	<u>1,305,022</u>	<u>4,610,583</u>
Liabilities			
Current Liabilities			
Accounts Payable	10,377	126,604	136,981
Other Accrued Liabilities	416	147,486	147,902
Estimated Liability for Self-insured Losses	1,299,896		1,299,896
Current Portion of Long-term Debt - Compensated Absences		188,033	188,033
Total Current Liabilities	<u>1,310,689</u>	<u>462,123</u>	<u>1,772,812</u>
Noncurrent Liabilities			
Accrued Compensated Absences	<u>0</u>	<u>752,132</u>	<u>752,132</u>
Total Liabilities	<u>1,310,689</u>	<u>1,214,255</u>	<u>2,524,944</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt		1,017,477	1,017,477
Unrestricted	1,994,872	(926,710)	1,068,162
Total Net Assets	<u>\$ 1,994,872</u>	<u>\$ 90,767</u>	<u>\$ 2,085,639</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Self-insurance Fund</u>	<u>Other Internal Service Fund</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$ 3,385,490	\$ 7,476,613	\$ 10,862,103
Other Revenue		814	814
Total Operating Revenues	<u>3,385,490</u>	<u>7,477,427</u>	<u>10,862,917</u>
Operating Expenses			
Personal Services	13,696	3,784,981	3,798,677
Purchased Services	59,911	877,557	937,468
Repairs and Maintenance		468,882	468,882
Depreciation		157,679	157,679
Materials and Supplies	1,035	329,293	330,328
Other Expenses	3,522,704	1,810,649	5,333,353
(Total Operating Expenses)	<u>(3,597,346)</u>	<u>(7,429,041)</u>	<u>(11,026,387)</u>
Operating (Loss) Income	<u>(211,856)</u>	<u>48,386</u>	<u>(163,470)</u>
Nonoperating Income (Expense)			
Investment Earnings	30,879		30,879
Gain on Disposal of Capital Assets		1,732	1,732
Total Nonoperating Income (Expense)	<u>30,879</u>	<u>1,732</u>	<u>32,611</u>
(Loss) Income Before Transfers	(180,977)	50,118	(130,859)
Transfers (in)	<u>0</u>	<u>214</u>	<u>214</u>
Change in Net Assets	(180,977)	50,332	(130,645)
Total Net Assets, Beginning of Year	<u>2,175,849</u>	<u>40,435</u>	<u>2,216,284</u>
Total Net Assets, End of Year	<u>\$ 1,994,872</u>	<u>\$ 90,767</u>	<u>\$ 2,085,639</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Self-insurance Fund	Other Internal Service Fund	Totals
Cash Flows from Operating Activities			
Cash Received from Customers and Users	\$ 3,506,353	\$ 7,477,427	\$ 10,983,780
Cash Payments to Vendors for Goods and Services	(417,845)	(3,425,654)	(3,843,499)
Cash Payments to Employees for Services	(567,414)	(3,921,325)	(4,488,739)
Claims Paid	(2,150,586)		(2,150,586)
Net Cash Provided by (Used in) Operating Activities	<u>370,508</u>	<u>130,448</u>	<u>500,956</u>
Cash Flows from Noncapital Financing Activities			
Operating Transfers in	<u>0</u>	<u>214</u>	<u>214</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets		(63,283)	(63,283)
Proceeds from Sale of Capital Assets		2,484	2,484
Financing Activities	<u>0</u>	<u>(60,799)</u>	<u>(60,799)</u>
Cash Flows from Investing Activities			
Interest Received on Investments	<u>30,879</u>	<u>0</u>	<u>30,879</u>
Net Increase (Decrease) in Cash and Cash Equivalents	401,387	69,863	471,250
Cash and Cash Equivalents, Beginning of Year	2,856,730	217,682	3,074,412
Cash and Cash Equivalents, End of Year	<u>\$ 3,258,117</u>	<u>\$ 287,545</u>	<u>\$ 3,545,662</u>
<u>Included on the Accompanying Balance Sheet Under the Following Captions</u>			
Current Assets			
Equity in Pooled Cash and Investments	\$ 3,221,321	\$ 287,545	\$ 3,508,866
Other Operating Cash	36,796		36,796
Total Current Assets	<u>\$ 3,258,117</u>	<u>\$ 287,545</u>	<u>\$ 3,545,662</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>			
Operating Income (Loss)	\$ (211,856)	\$ 48,386	\$ (163,470)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation		157,679	157,679
Increase in Estimated Liability for Self-insured Losses	470,398		470,398
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):			
A/R and Unbilled Revenue	120,863		120,863
Prepaid Expenses	(17,169)		(17,169)
Accounts Payable and Other Accrued Liabilities	8,272	60,727	68,999
Accrued Compensated Absences		(136,344)	(136,344)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 370,508</u>	<u>\$ 130,448</u>	<u>\$ 500,956</u>

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Totals</u>
Assets				
Cash and Cash Equivalents	\$ 1,407,730	\$ 688,871	\$ 328,145	\$ 2,424,746
Accrued Interest	139,504	52,263	28,158	219,925
Due from Other Governments			78,180	78,180
Investments:				
Equities, Including Mutual Funds	21,106,035	7,907,044	4,260,170	33,273,249
Corporate Bonds	8,857,761	3,318,421	1,787,904	13,964,086
U.S. Government Obligations/Agencies	6,324,288	2,369,295	1,276,533	9,970,116
Total Investments	<u>36,288,084</u>	<u>13,594,760</u>	<u>7,324,607</u>	<u>57,207,451</u>
Total Assets	<u>37,835,318</u>	<u>14,335,894</u>	<u>7,759,090</u>	<u>59,930,302</u>
Liabilities				
Other Accrued Liabilities	<u>957</u>	<u>340</u>	<u>223</u>	<u>1,520</u>
Net Assets				
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 37,834,361</u>	<u>\$ 14,335,554</u>	<u>\$ 7,758,867</u>	<u>\$ 59,928,782</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Totals</u>
Additions				
Contributions:				
Employee	\$ 785,744	\$ 247,754	\$ 136,865	\$ 1,170,363
Employer	971,717	609,116	291,996	1,872,829
State of Florida		168,292	241,548	409,840
Total Contributions	<u>1,757,461</u>	<u>1,025,162</u>	<u>670,409</u>	<u>3,453,032</u>
Investment Income:				
Investment Earnings	101,593	36,852	19,880	158,325
(Investment Expenses)	<u>(149,893)</u>	<u>(56,155)</u>	<u>(30,255)</u>	<u>(236,303)</u>
Net Investment Income	<u>(48,300)</u>	<u>(19,303)</u>	<u>(10,375)</u>	<u>(77,978)</u>
Total Additions	<u>1,709,161</u>	<u>1,005,859</u>	<u>660,034</u>	<u>3,375,054</u>
Deductions				
Benefits	2,608,289	1,120,262	700,013	4,428,564
Refunds of Contributions	197,101	100,334	13,808	311,243
Administrative Expense	<u>84,367</u>	<u>66,049</u>	<u>62,362</u>	<u>212,778</u>
(Total Deductions)	<u>(2,889,757)</u>	<u>(1,286,645)</u>	<u>(776,183)</u>	<u>(4,952,585)</u>
Change in Net Assets	(1,180,596)	(280,786)	(116,149)	(1,577,531)
Net Assets, Beginning of Year	<u>39,014,957</u>	<u>14,616,340</u>	<u>7,875,016</u>	<u>61,506,313</u>
Net Assets, End of Year	<u>\$ 37,834,361</u>	<u>\$ 14,335,554</u>	<u>\$ 7,758,867</u>	<u>\$ 59,928,782</u>

**SCHEDULE OF COMBINING BALANCE SHEET
COMMUNITY REDEVELOPMENT FUND
SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Downtown Redevelopment District	Southend Redevelopment District	Totals
Assets			
Equity in Pooled Cash and Investments	\$ 6,494,293	\$ 1,258,433	\$ 7,752,726
Assessments, Net		3,471	3,471
Deposits		1,011,070	1,011,070
Total Assets	<u>6,494,293</u>	<u>2,272,974</u>	<u>8,767,267</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	12,709	7	12,716
Other Accrued Liabilities	9,047	1,190	10,237
Deferred Revenue		3,471	3,471
Total Liabilities	<u>21,756</u>	<u>4,668</u>	<u>26,424</u>
Fund Balances			
Restricted for:			
Redevelopment	6,472,537	1,257,236	7,729,773
Transportation Improvements		1,011,070	1,011,070
Total Fund Balances	<u>6,472,537</u>	<u>2,268,306</u>	<u>8,740,843</u>
Total Liabilities and Fund Balances	<u>\$ 6,494,293</u>	<u>\$ 2,272,974</u>	<u>\$ 8,767,267</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Downtown Redevelopment</u>	<u>Southend Redevelopment</u>	<u>Totals</u>
Revenues			
Taxes	\$ 5,439,837	\$ 2,706,999	\$ 8,146,836
Charges for Services		298	298
Interest and Other Revenue	82,319	25,335	107,654
Total Revenues	<u>5,522,156</u>	<u>2,732,632</u>	<u>8,254,788</u>
Expenditures			
Current:			
General Government	168,656	67,907	236,563
Public Safety	390,822		390,822
Debt Service:			
Principal	899,744	995,411	1,895,155
Interest and Fees	74,461	166,875	241,336
Capital Outlay	2,100,509	428,195	2,528,704
(Total Expenditures)	<u>(3,634,192)</u>	<u>(1,658,388)</u>	<u>(5,292,580)</u>
Excess of Revenues Over Expenditures	<u>1,887,964</u>	<u>1,074,244</u>	<u>2,962,208</u>
Other Financing Sources (Uses)			
Transfers (out)	<u>(842,416)</u>	<u>(1,331,182)</u>	<u>(2,173,598)</u>
Net Change in Fund Balances	1,045,548	(256,938)	788,610
Fund Balances, Beginning of Year	<u>5,426,989</u>	<u>2,525,244</u>	<u>7,952,233</u>
Fund Balances, End of Year	<u>\$ 6,472,537</u>	<u>\$ 2,268,306</u>	<u>\$ 8,740,843</u>

BOND COVENANT INFORMATION

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
(BUDGETARY BASIS)
ELECTRIC, WATER AND SEWER ENTERPRISE FUNDS ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services	\$ 106,074,721	\$ 96,279,795	\$ (9,794,926)
Other	326,569	234,048	(92,521)
Total Operating Revenues	<u>106,401,290</u>	<u>96,513,843</u>	<u>(9,887,447)</u>
Operating Expenses			
Purchased Power	74,297,016	65,197,524	9,099,492
Personal Services	8,343,825	6,813,009	1,530,816
Purchased Services	1,521,198	1,051,862	469,336
Repairs and Maintenance	1,712,210	1,232,226	479,984
Materials and Supplies	1,013,585	865,380	148,205
Other Expenses	7,173,100	5,204,221	1,968,879
(Total Operating Expenses)	<u>(94,060,934)</u>	<u>(80,364,222)</u>	<u>13,696,712</u>
Operating Income	<u>12,340,356</u>	<u>16,149,621</u>	<u>3,809,265</u>
Nonoperating Income (Expense)			
Investment Earnings	1,329,621	521,859	(807,762)
Interest Expense	(1,629,026)	(1,196,046)	432,980
Connection Fees	230,000	137,435	(92,565)
Gain on Disposal of Capital Assets	58,650	154,327	95,677
Capital Outlay	(15,404,202)	(10,509,054)	4,895,148
System Removal Costs		(39,117)	(39,117)
Debt Service Principal	(3,200,000)	(3,285,000)	(85,000)
Capital Grant Revenue	1,346,833	1,647,181	300,348
Developer Contributions	86,000		(86,000)
Total Nonoperating Income (Expense)	<u>(17,182,124)</u>	<u>(12,568,415)</u>	<u>4,613,709</u>
Income Before Operating Transfers	(4,841,768)	3,581,206	8,422,974
Transfers in	3,448,323	3,448,323	0
Transfers (out)	<u>(4,517,915)</u>	<u>(4,518,129)</u>	<u>(214)</u>
Net Income	<u>\$ (5,911,360)</u>	<u>\$ 2,511,400</u>	<u>\$ 8,422,760</u>

**RECONCILIATION OF NET INCOME - FINANCIAL STATEMENT BASIS
TO BUDGETARY BASIS
ELECTRIC, WATER AND SEWER ENTERPRISE FUNDS ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Net Income - Financial Statement Basis	<u>\$ 10,111,820</u>
Adjustments	
Depreciation	6,743,774
Capital Outlay, Purchased	(10,509,054)
Capital Outlay, Developer Contributions	(104,204)
Contributions from Other Funds	(817,473)
Removal Costs	(39,117)
Debt Service, Principal	(3,285,000)
Amortization:	
Bond Issue Costs	109,521
Bond Discount	1,393
Bond Premium	(376,837)
Loss on Refunding	676,577
(Total Adjustments)	<u>(7,600,420)</u>
Net Income - Budgetary Basis	<u><u>\$ 2,511,400</u></u>

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
(BUDGETARY BASIS)
STORMWATER ENTERPRISE FUND ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services	\$ 1,222,863	\$ 1,232,483	\$ 9,620
Total Operating Revenues	<u>1,222,863</u>	<u>1,232,483</u>	<u>9,620</u>
Operating Expenses			
Personal Services	169,276	146,312	22,964
Purchased Services	305,695	240,249	65,446
Repair and Maintenance	70,065	19,525	50,540
Materials and Supplies	26,500	5,949	20,551
Other Expenses	262,846	208,887	53,959
(Total Operating Expenses)	<u>(834,382)</u>	<u>(620,922)</u>	<u>213,460</u>
Operating Income	<u>388,481</u>	<u>611,561</u>	<u>223,080</u>
Nonoperating Income (Expense)			
Investment Earnings	52,509	23,037	(29,472)
Interest Expense	(18,306)	(13,306)	5,000
Capital Outlay	(1,150,948)	(494,910)	656,038
Debt Service, Principal	(437,928)	(437,928)	0
Total Nonoperating Income (Expense)	<u>(1,554,673)</u>	<u>(923,107)</u>	<u>631,566</u>
Net (Loss) Income	<u>\$ (1,166,192)</u>	<u>\$ (311,546)</u>	<u>\$ 854,646</u>

**RECONCILIATION OF NET INCOME - FINANCIAL STATEMENT BASIS
TO BUDGETARY BASIS
STORMWATER ENTERPRISE FUND ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Net Income - Financial Statement Basis	<u>\$ 177,628</u>
Adjustments	
Depreciation	659,554
Capital Outlay, Purchased	(494,910)
Capital Outlay, Contributed (Other Funds)	(215,890)
Debt Service, Principal	<u>(437,928)</u>
(Total Adjustments)	<u>(489,174)</u>
Net Income - Budgetary Basis	<u>\$ (311,546)</u>

**SCHEDULES OF ADDITIONAL INFORMATION REQUIRED
 UNDER UTILITY REVENUE BOND COVENANTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
 CITY OF JACKSONVILLE BEACH, FLORIDA**

Utility Customers Connected and Active

	<u>2011</u>	<u>2010</u>
Electrical Customers		
Jacksonville Beach	13,607	13,560
Neptune Beach	3,909	3,888
Other	15,631	15,548
Total Electrical Customers	<u>33,147</u>	<u>32,996</u>
Water and Wastewater Customers		
Water	9,642	9,610
Wastewater	9,502	9,472
Total Water and Wastewater Customers	<u>19,144</u>	<u>19,082</u>

Insurance in Existence

Electrical Department

Buildings, Equipment, Transformers, Regulators, Substations and Equipment	<u>\$ 49,459,946</u>	<u>\$ 49,189,685</u>
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Water Department

Buildings and Equipment	<u>\$ 20,018,363</u>	<u>\$ 19,030,085</u>
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General Liability

	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
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Automobile Liability

	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
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STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

Statistical Section (Unaudited)

This part of the City of Jacksonville Beach, Florida's (the City) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	110
Revenue Capacity Information These schedules contain information to help the reader assess the City's local revenue source.	115
Debt Capacity Information These schedules present information to help the reader assess the City's debt burden and its ability to issue additional debt in the future.	119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.	123
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125

Sources: Unless otherwise noted, the information in these schedules were obtained from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS INFORMATION

Schedule 1
City of Jacksonville Beach, Florida
Net Assets by Component
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 37,711,247	\$ 43,300,636	\$ 46,542,636	\$ 53,881,212	\$ 64,648,677	\$ 73,400,569	\$ 76,567,062	\$ 72,717,821	\$ 74,132,348
Restricted	9,951,867	8,071,789	8,319,972	10,774,562	13,621,430	11,541,695	13,288,522	9,884,908	11,180,126
Unrestricted	12,005,127	12,490,147	14,054,508	14,287,663	12,569,477	14,225,981	12,122,024	13,645,936	13,566,703
Total Governmental Activities Net Assets	59,668,241	63,862,572	68,917,116	78,943,437	90,839,584	99,168,245	101,977,608	96,248,665	98,879,177
Business-type Activities									
Invested in Capital Assets, Net of Related Debt	58,074,915	66,590,982	74,108,491	77,751,329	88,134,565	97,378,366	105,424,647	129,851,305	139,702,686
Restricted	2,558,852	2,346,492	2,729,471	2,466,144	2,522,999	2,582,388	2,587,835	2,571,810	2,751,550
Unrestricted	50,884,988	50,190,823	53,439,669	58,643,292	53,428,787	50,577,648	55,315,006	53,044,615	54,673,702
Total Business-type Activities Net Assets	111,518,755	119,128,297	130,277,631	138,860,765	144,086,351	150,538,402	163,327,488	185,467,730	197,127,938
Primary Government									
Invested in Capital Assets, Net of Related Debt	95,786,162	109,891,618	120,651,127	131,632,541	152,783,242	170,778,935	181,991,709	202,569,126	213,835,034
Restricted	12,510,719	10,418,281	11,049,443	13,240,706	16,144,429	14,124,083	15,876,357	12,456,718	13,931,676
Unrestricted	62,890,115	62,680,970	67,494,177	72,930,955	65,998,264	64,803,629	67,437,030	66,690,551	68,240,405
Total Primary Government Net Assets	\$ 171,186,996	\$ 182,990,869	\$ 199,194,747	\$ 217,804,202	\$ 234,925,935	\$ 249,706,647	\$ 265,305,096	\$ 281,716,395	\$ 296,007,115

Schedule 2
City of Jacksonville Beach, Florida
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General Government	\$ 2,129,580	\$ 2,710,295	\$ 2,884,475	\$ 2,947,878	\$ 2,851,952	\$ 3,072,996	\$ 3,002,929	\$ 2,773,496	\$ 2,851,860
Law Enforcement	6,431,053	6,614,791	6,774,847	6,786,133	7,561,290	7,993,757	8,373,116	8,551,929	8,527,985
Fire Control	2,652,217	2,740,546	2,843,348	3,024,034	3,207,739	3,480,364	3,336,130	3,540,877	3,612,558
Building Inspections	497,649	542,448	535,243	808,782	564,002	582,524	554,407	448,328	459,024
Physical Environment	303,184	295,016	296,654	282,946	351,125	348,893	25,401	367,166	365,433
Roads and Streets	1,887,342	2,321,679	2,415,431	2,579,906	2,642,995	2,993,898	2,419,751	5,531,743	2,644,514
Economic Environment	108,574	108,575	108,574	108,574	108,574	0	0	0	0
Human Services	38,437	36,398	48,237	64,798	52,967	72,908	102,705	81,754	20,000
Parks and Recreation	2,121,655	2,317,115	2,445,167	2,689,134	2,782,834	2,767,921	3,432,407	2,920,198	2,963,644
Interest on Long-term Debt	1,016,078	828,910	707,425	616,590	843,849	799,470	714,233	626,709	535,930
Total Governmental Activities Expenses	17,185,769	18,515,773	19,059,401	19,908,775	20,967,327	22,112,731	21,961,079	24,842,200	21,980,948
Business-type Activities:									
Electric	57,883,949	62,320,817	69,482,284	80,297,092	80,022,090	91,773,891	94,504,462	92,079,658	79,898,012
Water and Sewer	7,138,557	7,684,024	7,627,250	7,929,875	8,447,018	8,736,166	8,130,979	8,567,596	8,662,357
Stormwater	954,713	889,176	984,910	1,045,624	1,151,344	1,102,946	1,141,190	1,202,504	1,293,782
Sanitation	1,740,597	2,602,484	1,986,868	2,072,581	2,691,311	3,184,459	3,078,358	3,040,014	3,011,321
Golf Course	1,504,824	1,494,718	1,513,555	1,567,269	1,733,805	1,677,223	1,646,381	1,675,714	1,537,817
Leased Facilities	273,907	386,424	238,354	190,490	409,283	341,061	473,711	369,927	376,748
Natural Gas	0	0	0	0	0	0	1,323	99,804	897,732
Total Business-type Activities Expenses	69,496,547	75,377,643	81,833,221	93,102,931	94,454,851	106,815,746	108,976,404	107,035,217	95,677,769
Total Primary Government Expenses	86,682,316	93,893,416	100,892,622	113,011,706	115,422,178	128,928,477	130,937,483	131,877,417	117,658,717
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	311,927	331,464	380,185	364,698	344,011	353,199	334,774	54,617	53,182
Law Enforcement	319,105	532,788	276,969	286,226	264,479	697,090	207,411	145,164	156,311
Building Inspections	504,322	440,196	963,930	616,215	521,039	323,726	347,700	257,693	267,879
Physical Environment	72,231	66,408	42,036	36,608	52,656	40,667	52,029	23,866	14,791
Roads and Streets	4,360	4,360	5,040	5,720	3,560	3,120	25,085	129,850	229,084
Parks and Recreation	79,816	51,422	79,209	61,855	66,325	129,393	75,389	104,251	107,867
Operating Grants and Contributions	1,108,329	1,403,063	1,188,167	1,217,927	1,196,752	1,261,790	1,190,906	1,403,135	1,022,748
Capital Grants and Contributions	684,377	1,225,913	370,093	2,805,273	3,168,120	606,676	1,427,044	1,901,182	1,344,895
Total Governmental Activities									
Program Revenues	3,084,467	4,055,614	3,305,629	5,394,522	5,616,942	3,415,661	3,660,338	4,019,758	3,196,757

Schedule 2 (Concluded)
City of Jacksonville Beach, Florida
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues (Concluded)									
Business-type Activities:									
Charges for Services:									
Electric	\$ 66,239,703	\$ 71,382,087	\$ 81,039,235	\$ 88,556,273	\$ 85,003,991	\$ 99,402,126	\$ 102,109,894	\$ 99,335,420	\$ 87,488,045
Water and Sewer	7,727,854	7,713,574	7,677,393	7,613,195	7,877,881	8,114,095	8,285,652	8,799,017	9,025,798
Stormwater	1,148,760	1,189,009	1,204,030	1,160,866	1,187,770	1,223,464	1,240,510	1,242,265	1,232,483
Sanitation	2,905,490	3,034,830	3,103,650	3,014,376	3,056,234	3,180,523	3,156,520	3,146,460	3,091,891
Golf Course	1,298,122	1,369,242	1,589,583	1,683,338	1,656,950	1,596,557	1,254,826	1,336,243	1,359,474
Leased Facilities	463,317	416,999	539,337	515,700	415,581	494,476	498,717	541,785	570,920
Natural Gas	0	0	0	0	0	0	0	89,255	1,114,296
Operating Grants and Contributions	0	840,039	16,829	0	0	299,832	(265,331)	306,715	0
Capital Grants and Contributions	442,217	405,365	732,955	947,321	1,772,041	1,169,269	2,988,839	6,430,278	1,888,820
Total Business-type Activities									
Program Revenues	80,225,463	86,351,145	95,903,012	103,491,069	100,970,448	115,480,342	119,269,627	121,227,438	105,771,727
Total Primary Government Program Revenues	83,309,930	90,406,759	99,208,641	108,885,591	106,587,390	118,896,003	122,929,965	125,247,196	108,968,484
Net (Expense) Revenue									
Governmental Activities	(14,101,302)	(14,460,159)	(15,753,772)	(14,514,253)	(15,350,385)	(18,697,070)	(18,300,741)	(20,822,442)	(18,784,191)
Business-type Activities	10,728,916	10,973,502	14,069,791	10,388,138	6,515,597	8,664,596	10,293,223	14,192,221	10,093,958
Total Primary Government Net Expense	(3,372,386)	(3,486,657)	(1,683,981)	(4,126,115)	(8,834,788)	(10,032,474)	(8,007,518)	(6,630,221)	(8,690,233)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes									
Property Taxes	7,631,555	8,635,535	9,332,953	12,025,449	14,098,914	15,325,208	16,020,874	15,625,045	15,969,619
Franchise Taxes	5,280	5,280	5,280	5,280	5,280	5,280	5,280	5,280	5,280
Infrastructure Surtax	890,714	925,301	1,060,370	1,150,436	1,109,323	1,062,472	973,627	944,140	975,611
Communication Service Tax	1,241,387	824,812	1,308,742	1,470,286	1,363,762	1,416,442	1,385,211	1,275,419	1,074,935
Convention Development Tax	194,597	197,166	198,762	203,508	179,442	235,080	208,957	220,694	221,509
Fuel Taxes	788,221	794,717	804,025	839,717	806,961	783,579	725,730	747,903	742,603
Other Taxes	0	0	0	0	0	0	0	273,107	252,578
State-shared Revenues	2,568,419	2,683,704	2,930,135	3,174,993	2,985,674	2,617,563	2,470,415	2,434,706	2,535,819
Other Intergovernmental Revenues	50,068	32,287	38,051	31,653	39,876	38,334	33,964	35,033	33,681
Interest	495,916	442,608	937,211	1,687,137	2,820,596	1,811,187	1,030,966	663,193	373,674
Miscellaneous	295,742	(90,241)	18,856	1,837	26,747	225,061	4,736	21,916	185,037
Net Transfers	3,291,758	4,203,321	4,173,931	3,950,278	3,809,957	3,505,525	(1,908,495)	(7,152,937)	(930,957)
Total Governmental Activities	17,453,657	18,654,490	20,808,316	24,540,574	27,246,532	27,025,731	20,951,265	15,093,499	21,439,389
Business-type Activities:									
Interest	806,678	754,465	1,234,670	2,123,457	2,477,537	1,267,824	606,533	795,084	610,607
Miscellaneous	51,746	84,896	18,804	21,817	42,409	25,156	(19,165)	0	0
Net Transfers	(3,291,758)	(4,203,321)	(4,173,931)	(3,950,278)	(3,809,957)	(3,505,525)	1,908,495	7,152,937	930,957
Total Business-type Activities	(2,433,334)	(3,363,960)	(2,920,457)	(1,805,004)	(1,290,011)	(2,212,545)	2,495,863	7,948,021	1,541,564
Total Primary Government	15,020,323	15,290,530	17,887,859	22,735,570	25,956,521	24,813,186	23,447,128	23,041,520	22,980,953
Change in Net Assets									
Governmental Activities	3,352,355	4,194,331	5,054,544	10,026,321	11,896,147	8,328,661	2,650,524	(5,728,943)	2,655,198
Business-type Activities	8,295,582	7,609,542	11,149,334	8,583,134	5,225,586	6,452,051	12,789,086	22,140,242	11,635,522
Total Primary Government	\$ 11,647,937	\$ 11,803,873	\$ 16,203,878	\$ 18,609,455	\$ 17,121,733	\$ 14,780,712	\$ 15,439,610	\$ 16,411,299	\$ 14,290,720

Schedule 3
City of Jacksonville Beach, Florida
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Pre- GASB 54:										
Reserved	\$ 46,402	\$ 282,542	\$ 181,612	\$ 291,479	\$ 231,530	\$ 116,148	\$ 190,292	\$ 140,701	\$ 114,442	\$ 0
Unreserved	5,614,152	5,992,713	6,434,823	6,014,717	6,484,046	6,652,414	7,266,918	7,879,457	8,258,521	0
Post- GASB 54:										
Nonspendable	0	0	0	0	0	0	0	0	0	18,000
Committed	0	0	0	0	0	0	0	0	0	4,529,922
Assigned	0	0	0	0	0	0	0	0	0	3,723,744
Total General Fund	\$ 5,660,554	\$ 6,275,255	\$ 6,616,435	\$ 6,306,196	\$ 6,715,576	\$ 6,768,562	\$ 7,457,210	\$ 8,020,158	\$ 8,372,963	\$ 8,271,666
All Other Governmental Funds										
Pre- GASB 54:										
Reserved	\$ 8,829,226	\$ 9,753,016	\$ 7,641,780	\$ 11,183,119	\$ 12,129,093	\$ 23,030,084	\$ 20,332,022	\$ 18,906,029	\$ 15,246,377	\$ 0
Unreserved, Reported in:										
Special Revenue Funds	5,394,583	235,784	207,110	355,838	525,474	315,996	538,436	313,426	808,007	0
Debt Service Funds	0	569,730	657,157	403,867	86,105	99,026	50,777	50,146	54,227	0
Capital Projects Fund	3,627,759	3,098,410	3,305,563	2,304,445	3,452,300	4,155,813	5,219,459	3,989,455	4,507,823	0
Post- GASB 54:										
Restricted	0	0	0	0	0	0	0	0	0	14,163,932
Committed	0	0	0	0	0	0	0	0	0	12,756
Assigned	0	0	0	0	0	0	0	0	0	5,850,337
Total All Other Governmental Funds	\$ 17,851,568	\$ 13,656,940	\$ 11,811,610	\$ 14,247,269	\$ 16,192,972	\$ 27,600,919	\$ 26,140,694	\$ 23,259,056	\$ 20,616,434	\$ 20,027,025

Schedule 4
City of Jacksonville Beach, Florida
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes	\$ 10,314,596	\$ 10,767,730	\$ 11,389,229	\$ 12,677,157	\$ 15,646,176	\$ 17,592,682	\$ 18,835,061	\$ 19,342,679	\$ 19,109,588	\$ 19,241,635
Licenses and Permits	615,639	755,304	692,010	1,275,226	894,925	671,728	608,246	618,240	229,564	261,309
Intergovernmental	4,226,634	4,075,813	4,925,362	4,444,256	6,275,595	6,325,289	4,215,103	4,750,430	5,687,676	3,970,159
Charges for Services	244,413	223,930	157,606	164,856	433,984	227,186	257,255	181,526	289,680	763,837
Fines and Forfeitures	355,152	445,140	669,729	446,998	422,586	452,653	743,505	298,613	510,579	234,427
Interest and Other Revenue	1,085,274	790,463	740,564	1,238,508	2,003,352	2,943,256	2,058,022	1,227,435	836,043	479,251
Total Revenues	<u>16,841,708</u>	<u>17,058,380</u>	<u>18,574,500</u>	<u>20,247,001</u>	<u>25,676,618</u>	<u>28,212,794</u>	<u>26,717,192</u>	<u>26,418,923</u>	<u>26,663,130</u>	<u>24,950,618</u>
Expenditures										
Current:										
General Government	1,643,503	1,802,848	2,281,707	2,468,800	2,500,821	2,485,052	2,585,363	2,570,445	2,257,807	2,294,556
Public Safety	8,632,176	9,300,490	9,698,775	9,894,822	10,452,658	10,950,523	11,455,467	11,847,147	12,125,856	12,232,634
Physical Environment	2,416	9,825	23	26	4,840	24,986	12,435	25,401	507,257	21,756
Roads and Streets	1,514,968	2,449,485	3,697,864	2,588,041	2,206,594	2,409,065	2,508,986	1,761,805	2,484,625	1,879,617
Human Services	36,091	38,437	36,398	48,237	64,798	52,967	72,908	102,705	81,754	20,000
Parks and Recreation	1,826,172	2,194,792	2,607,841	2,390,783	2,798,019	2,786,423	2,583,648	2,668,329	2,525,052	2,541,479
Debt Service:										
Principal	1,387,706	1,860,925	2,245,189	2,345,627	2,424,904	3,860,469	2,346,929	2,471,321	2,567,041	2,665,155
Interest	1,029,206	1,016,078	828,910	707,425	616,590	843,849	799,470	714,236	626,709	535,930
Capital Outlay	1,663,450	5,449,793	2,982,213	1,877,553	7,603,666	7,421,006	8,804,664	5,905,526	6,730,724	3,527,703
Grants and Aid	1,000,000	0	0	0	0	0	0	0	0	0
(Total Expenditures)	<u>(18,735,688)</u>	<u>(24,122,673)</u>	<u>(24,378,920)</u>	<u>(22,321,314)</u>	<u>(28,672,890)</u>	<u>(30,834,340)</u>	<u>(31,169,870)</u>	<u>(28,066,915)</u>	<u>(29,906,825)</u>	<u>(25,718,830)</u>
(Deficiency) of Revenues										
(Under) Expenditures	<u>(1,893,980)</u>	<u>(7,064,293)</u>	<u>(5,804,420)</u>	<u>(2,074,313)</u>	<u>(2,996,272)</u>	<u>(2,621,546)</u>	<u>(4,452,678)</u>	<u>(1,647,992)</u>	<u>(3,243,695)</u>	<u>(768,212)</u>
Other Financing Sources (Uses)										
Proceeds from Borrowing	16,728,779	14,339,456	6,685,096	0	0	10,000,000	0	0	0	0
Proceeds from Refunding	(10,805,781)	(14,339,456)	(6,685,096)	0	0	0	0	0	0	0
Transfers in	10,245,554	9,722,138	9,730,842	12,559,234	10,094,602	9,145,906	7,441,787	6,660,953	6,683,933	6,898,043
Transfers (out)	(6,165,886)	(6,337,283)	(5,430,572)	(8,359,501)	(4,743,247)	(5,063,427)	(3,760,686)	(7,490,490)	(5,730,055)	(6,795,851)
Total Other Financing Sources (Uses)	<u>10,002,666</u>	<u>3,384,855</u>	<u>4,300,270</u>	<u>4,199,733</u>	<u>5,351,355</u>	<u>14,082,479</u>	<u>3,681,101</u>	<u>(829,537)</u>	<u>953,878</u>	<u>102,192</u>
Net Change in Fund Balance	<u>\$ 8,108,686</u>	<u>\$ (3,679,438)</u>	<u>\$ (1,504,150)</u>	<u>\$ 2,125,420</u>	<u>\$ 2,355,083</u>	<u>\$ 11,460,933</u>	<u>\$ (771,577)</u>	<u>\$ (2,477,529)</u>	<u>\$ (2,289,817)</u>	<u>\$ (666,020)</u>
Debt Service as a % of Noncapital Expenditures*	14.6%	16.9%	16.6%	16.0%	15.3%	21.2%	14.5%	14.7%	14.4%	14.9%

* Noncapital expenditures are total expenditures less capital outlay.

REVENUE CAPACITY INFORMATION

Schedule 5
City of Jacksonville Beach, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

FY Ended September 30,	Assessed Taxable Values			Tax-Exempt Property	Estimated Actual Value (1)	Total Direct Tax Rate (2)	Taxable Assessed Value as a % of Actual Value
	Real Property	Personal Property	Total Taxable Assessed Value				
2002	\$ 1,256,100,317	\$ 71,322,848	\$ 1,327,423,165	\$ 497,676,453	\$ 1,825,099,618	3.9071	72.73%
2003	1,402,984,312	79,284,317	1,482,268,629	561,863,033	2,044,131,662	3.9071	72.51%
2004	1,619,075,506	83,634,587	1,702,710,093	655,815,630	2,358,525,723	3.9071	72.19%
2005	1,819,825,773	81,441,278	1,901,267,051	724,095,855	2,625,362,906	3.9071	72.42%
2006	2,280,438,617	84,593,400	2,365,032,017	1,015,979,952	3,381,011,969	3.9071	69.95%
2007	2,606,024,508	90,973,052	2,696,997,560	1,148,720,832	3,845,718,392	3.9071	70.13%
2008	3,089,463,181	90,297,385	3,179,760,566	1,268,800,772	4,448,561,338	3.6556	71.48%
2009	3,123,832,280	74,861,428	3,198,693,708	1,305,647,708	4,504,341,416	3.6940	71.01%
2010	2,972,830,597	75,403,738	3,048,234,335	1,249,263,603	4,297,497,938	3.8180	70.93%
2011	2,729,906,452	70,349,911	2,800,256,363	1,072,136,657	3,872,393,020	4.0947	72.31%

Source: Duval County Ad Valorem Assessment Rolls for Jacksonville Beach.

(1) Estimated actual values are the total "just" values of property subject to taxation, as defined by Section 193.001, Florida Statutes.

Note: Property is assessed each year as of January 1 at market value. However, assessed value is limited by the Amendment 10 or the "Save Our Homes" tax cap. This 1992 amendment to the Florida Constitution limits increases in value of homesteads (an individual's primary residence) to 3% or less per year. The taxable value is the assessed value less any exemptions.

(2) Tax rate is per \$1,000 of assessed value.

Schedule 6
City of Jacksonville Beach, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$1,000 of Assessed Value)

Fiscal Year September 30,	Direct Rates (1)	Overlapping Rates			Duval County	Total Millage Rate
	City of Jacksonville Beach	Florida Inland Navigation	Water Management District	School District		
2002	3.9071	0.0385	0.4620	8.8720	7.8968	21.1764
2003	3.9071	0.0385	0.4620	8.9200	7.6835	21.0111
2004	3.9071	0.0385	0.4620	9.0510	7.3091	20.7677
2005	3.9071	0.0385	0.4620	8.5650	6.3972	19.3698
2006	3.9071	0.0385	0.4620	8.4250	6.3593	19.1919
2007	3.9071	0.0385	0.4620	8.0420	6.3493	18.7989
2008	3.6556	0.0345	0.4158	7.7550	5.1934	17.0543
2009	3.6940	0.0345	0.4158	7.5610	5.1934	16.8987
2010	3.8180	0.0345	0.4158	7.5820	5.4480	17.2983
2011	4.0947	0.0345	0.4158	7.8440	6.7446	19.1336

Source: Duval County Property Appraiser

(1) Direct rate consists of operating millage only.

Schedule 7
City of Jacksonville Beach, Florida
Principal Property Tax Payers
Fiscal Year 2011 and Nine Years Ago

	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Broadstone Beach House at Jax. Beach	\$ 20,913,970	1	0.77%			
South Beach Regional Shopping Center	16,303,300	2	0.60%	\$ 7,444,291	7	0.59%
Pablo Plaza	15,713,000	3	0.58%	11,994,282	3	0.95%
Ocean Park Partnership Ltd.	15,566,100	4	0.57%	8,485,753	5	0.68%
Courtyard Marriot	12,828,716	5	0.47%			
Beach Marine	12,317,100	6	0.45%	7,856,344	6	0.63%
South Beach Parkway Shopping Center	9,496,500	7	0.35%			
Comfort Inn	9,032,922	8	0.33%	7,350,236	9	0.59%
Gordon Bank	8,996,700	9	0.33%			
Adventure Landing Amusement Park	8,980,203	10	0.33%			
Beach Plaza	8,809,600	11	0.32%			
Home Depot	8,335,070	12	0.30%			
Target	8,202,277	13	0.30%			
Acquillus III Luxury Condos	7,674,949	14	0.28%			
Beaches Baptist Hospital Medical Center	6,904,824	15	0.25%	10,759,029	4	0.86%
Tides at Marsh Landing				24,669,771	1	1.96%
The Villas at Marsh Landing, LLC				12,510,740	2	1.00%
Shaner Hotel Group				7,413,036	8	0.59%
Marsh Landing Hotel Associates				6,213,607	10	0.49%
Total	<u>\$ 170,075,231</u>		<u>6.23%</u>	<u>\$ 104,697,089</u>		<u>8.34%</u>
Total Assessed Real Property Valuation from Schedule 5	<u>\$ 2,729,906,452</u>			<u>\$ 1,256,100,317</u>		

Source: Duval County Property Appraiser

**Schedule 8
City of Jacksonville Beach, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year September 30,</u>	<u>Taxes Levied for Fiscal Year (1)</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections To-date</u>	
		<u>Amount Net of Discount (2)</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 4,233,090	\$ 4,081,883	96.43%	1,558	\$ 4,083,441	96.46%
2003	4,699,816	4,549,701	96.81%	279	4,549,980	96.81%
2004	5,410,422	5,235,474	96.77%	1,703	5,237,177	96.80%
2005	6,044,799	5,854,974	96.86%	(417)	5,854,557	96.85%
2006	7,250,932	6,933,459	95.62%	25,983	6,959,442	95.98%
2007	7,966,508	7,554,503	94.83%	49,010	7,603,513	95.44%
2008	8,510,330	7,994,927	93.94%	77,060	8,071,987	94.85%
2009	8,369,112	7,972,842	95.27%	44,241	8,017,083	95.79%
2010	8,297,074	7,717,072	93.01%	59,334	7,776,406	93.72%
2011	8,226,648	7,614,044	92.55%	46,735	7,660,779	93.12%

Source: Duval County Property Appraiser and City of Jacksonville Beach Finance Department.

(1) Taxes Levied does not include the taxes levied for the Community Redevelopment Agencies.

(2) Section 197.012 of the Florida Statutes allows a discount for early payment of taxes: 4% in November, 3% in December, 2% in January and 1% in February.

DEBT CAPACITY INFORMATION

Schedule 9
City of Jacksonville Beach, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities										Total Debt	Percentage of Personal Income (2)	Total Debt Per Capita (2)
	Redevelopment Bonds	Sales Tax Bonds	Infrastructure Sales Tax Bonds	Total Governmental	Percentage of Personal Income	Electric Bonds	Outstanding Debt Per Electric Customers(1)	Water and Sewer Bonds	Outstanding Debt Per Water Customers (1)	Stormwater Bonds	Outstanding Debt Per Stormwater Customer (1)	Sales Tax Bonds	Per Round of Golf	Total Business-type				
2002	\$ 19,865,839	\$ 2,251,716	\$ 2,816,406	\$ 24,933,961	3.9973%	\$ 51,452,667	\$ 1,614	\$ 28,624,631	\$ 2,998	\$ 4,034,475	423	\$ 230,224	\$ 4	\$ 84,341,997	\$ 109,275,958	0.46%	\$ 5,190	
2003	18,743,645	2,037,195	2,292,196	23,073,036	3.5721%	35,669,840	1,114	24,890,160	2,639	3,648,500	387	208,290	3.55	64,416,790	87,489,826	0.35%	4,137	
2004	17,270,448	1,807,692	1,749,707	20,827,847	2.8714%	34,223,845	1,044	23,881,155	2,435	3,261,903	333	184,825	3.07	61,551,728	82,379,575	0.31%	3,824	
2005	15,722,683	1,571,420	1,188,119	18,482,222	2.5454%	32,618,820	987	22,761,180	2,333	2,894,888	297	160,668	2.56	58,435,556	76,917,778	0.27%	3,572	
2006	14,122,224	1,328,178	606,916	16,057,318	2.0355%	30,981,400	940	21,618,600	2,227	2,517,018	259	135,798	2.17	55,252,816	71,310,134	0.23%	3,310	
2007	12,466,848	0	9,730,000	22,196,848	2.5934%	29,302,750	935	20,447,250	2,133	2,127,835	222	0	0	51,877,835	74,074,683	0.23%	3,329	
2008	10,754,919	0	9,095,000	19,849,919	2.2105%	27,576,980	836	19,243,020	2,002	1,727,070	180	0	0	48,547,070	68,396,989	0.20%	3,007	
2009	8,983,595	0	8,395,000	17,378,595	N/A	25,807,035	779	18,007,965	1,874	1,314,165	137	0	0	45,129,165	62,507,760	0.19%	2,752	
2010	7,151,554	0	7,660,000	14,811,554	N/A	23,972,300	723	16,727,700	1,735	888,967	92	0	0	41,588,967	56,400,521	N/A	2,444	
2011	5,256,399	0	6,890,000	12,146,399	N/A	20,956,620	632	14,623,380	1,517	451,040	47	0	0	36,031,040	48,177,439	N/A	2,247	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Number of electric, water/sewer, and stormwater customers can be found on Schedule 17.
- (2) See the Schedule of Demographic and Economic Statistics on Schedule 14 for personal income and population data.
- (3) The Sales Tax bonds listed relates to the Golf Course.

N/A - Not yet available

Schedule 10
City of Jacksonville Beach, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						
	Redevelopment Bonds	% of Actual Taxable Value of Property (1)	Sales Tax Bonds	Sales Tax Debt Per Capita	Infrastructure Sales Tax Bonds	Infrastructure Debt Per Capita	Total Government Debt
2002	\$ 19,865,839	8.13%	\$ 2,251,716	107	\$ 2,816,406	134	\$ 24,933,961
2003	18,743,645	6.71%	2,037,195	96	2,292,196	108	23,073,036
2004	17,270,448	5.43%	1,807,692	84	1,749,707	81	20,827,847
2005	15,722,683	4.44%	1,571,420	73	1,188,119	55	18,482,222
2006	14,122,224	2.77%	1,328,178	62	606,916	28	16,057,318
2007	12,466,848	1.89%	0	0	9,730,000	437	22,196,848
2008	10,754,919	1.26%	0	0	9,095,000	400	19,849,919
2009	8,983,595	0.96%	0	0	8,395,000	370	17,378,595
2010	7,151,554	0.82%	0	0	7,660,000	332	14,811,554
2011	5,256,399	0.66%	0	0	6,890,000	321	12,146,399

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Total redevelopment debt outstanding divided by total assessed taxable valuation in tax increment districts.

Schedule 11
City of Jacksonville Beach, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2011
(Dollars in Thousands)

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding (1)</u>	<u>Percentage (2)</u>	<u>Estimated Share</u> <u>of Overlapping</u> <u>Debt</u>
Debt Repaid with Property Taxes			
Duval County School Board	\$ 0		<u>\$ 0</u>
Subtotal, Overlapping Debt			0
City of Jacksonville Beach, Direct Debt			<u>12,146,399</u>
Total Direct and Overlapping Debt			<u><u>\$ 12,146,399</u></u>

(1) The debt outstanding includes only debt which is secured by the authority to levy taxes on real estate.

(2) The estimated percentage applicable to City of Jacksonville Beach.

Schedule 12
City of Jacksonville Beach, Florida
Legal Debt Margin Information

Neither the City of Jacksonville Beach Charter or Code, nor the Florida Statutes limits the amount of debt the City can issue.

Schedule 13
City of Jacksonville Beach, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Electric, Water and Sewer Revenue Bonds						Stormwater Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Debt Service Coverage	Utility Service Charges	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest					Principal	Interest	
2002	\$ 71,238,585	\$ (52,291,335)	\$ 18,947,250	\$ 2,970,890	\$ 4,833,157	2.43	\$ 1,159,606	\$ (298,936)	\$ 860,670	\$ 316,726	\$ 170,462	1.77
2003	73,967,557	(56,579,269)	17,388,288	3,667,426	2,576,709	2.78	1,148,760	(504,630)	644,130	385,975	132,016	1.24
2004	79,095,661	(61,960,815)	17,134,846	2,455,000	2,173,035	3.70	1,189,009	(437,491)	751,518	386,597	96,226	1.56
2005	88,716,628	(69,012,179)	19,704,449	2,725,000	2,118,823	4.07	1,204,030	(488,815)	715,215	367,015	85,434	1.58
2006	96,169,468	(79,946,165)	16,223,303	2,780,000	2,053,160	3.36	1,160,866	(517,558)	643,308	377,870	74,252	1.42
2007	92,881,872	(80,035,936)	12,845,936	2,850,000	1,981,630	2.66	1,187,770	(590,609)	597,161	389,183	62,771	1.32
2008	107,516,221	(91,902,712)	15,613,509	2,930,000	1,903,020	3.23	1,223,464	(540,688)	682,776	400,765	50,949	1.51
2009	110,395,546	(93,872,454)	16,523,092	3,005,000	1,812,713	3.43	1,240,510	(584,556)	655,954	412,907	38,741	1.45
2010	108,134,437	(91,779,673)	16,354,764	3,115,000	1,715,503	3.39	1,242,265	(587,126)	655,139	425,197	26,225	1.45
2011	96,513,843	(80,364,222)	16,149,621	3,285,000	1,192,493	3.61	1,232,483	(620,922)	611,561	437,928	13,306	1.36

(1) Excludes depreciation expense.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Schedule 14
City of Jacksonville Beach, Florida
Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Population (1)	Duval County Unemployment Rate (2)	Duval County Total Personal Income (thousands) (3)	Duval County Per Capita Income (3)
2002	21,056	5.9%	\$ 23,651,670	\$ 29,473
2003	21,146	5.8%	25,016,241	30,809
2004	21,544	5.5%	26,694,119	32,502
2005	21,531	4.5%	28,740,416	34,610
2006	21,544	3.8%	31,434,445	37,387
2007	22,253	4.1%	32,575,928	38,462
2008	22,749	5.7%	33,675,423	39,473
2009	22,715	9.9%	33,370,358	38,937
2010	23,077	12.9%	N/A	N/A
2011	21,441	10.3%	N/A	N/A

(1) **Source:** U.S. Census Bureau and City Planning and Development Department.

(2) **Source:** U.S. Department of Labor.

(3) **Source:** Florida Research & Economic Database

N/A - Not yet available.

Schedule 15
City of Jacksonville Beach, Florida
Principal Employers
Current Year

Employer	2011		
	Employees	Rank	Percentage of Total City Employment
Naval Station Mayport	15,170	1	N/A
Baptist Medical Center - Beaches	800	2	N/A
Ponte Vedra Inn & Club	650	3	N/A
PGA Tour	620	4	N/A
Honeywell	570	5	N/A
Sawgrass Marriott	450	6	N/A
City of Jacksonville Beach	400	7	N/A
U.S. Coast Guard	320	8	N/A
Vicar's Landing	320	9	N/A
TPC Sawgrass	320	10	N/A

Source: Jacksonville Chamber of Commerce

Note: Principal Employer ranking includes the four beach communities of Jacksonville, Neptune and Atlantic Beach (Duval County), Ponte Vedra Beach (St. Johns County) and Mayport Naval Base.

N/A - Total beaches workforce number is not available.

Information from 2002 is not available.

OPERATING INFORMATION

Schedule 16
City of Jacksonville Beach, Florida
City Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	16	16	16	16	16	17	18	16	16	15
Finance	26	27	28	28	28	32	32	32	33	33
Planning and Development	11	11	11	11	11	11	11	9	9	8
Electric	72	76	76	81	82	82	85	86	76	76
Central Services	13	13	13	12	11	6	4	4	4	4
Public Works	65	65	65	65	65	65	66	65	65	65
Human Resources	7	7	7	7	7	7	7	7	7	7
Parks and Recreation**	57	57	58	59	56	55	55	57	100	100
Grounds and Maintenance	27	27	25	25	25	24	24	22	20	9
Golf Course	18	18	19	19	19	19	19	19	19	27
Police	107	109	109	110	110	114	98	95	95	94
Fire Fighters	31	31	31	31	31	32	32	32	31	31
Total	450	457	458	464	461	464	451	444	475	469

Source: City of Jacksonville Beach Annual Budget.

Note: Figures include both full-time and part-time positions and have not been converted to full-time equivalent positions.

** Beginning in 2010 the number of lifeguards increased due to the use of part-time employees. The total budgeted dollars remained unchanged.

Schedule 17
City of Jacksonville Beach, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Physical Arrests	3,729	3,156	2,960	3,336	2,490	2,436	2,429	1,986	1,665	1,192
Parking Violations	2,834	3,382	4,526	4,803	3,636	2,127	1,955	2,456	2,726	3,085
Law Violations	5,604	10,024	9,279	11,547	9,174	8,408	7,620	6,362	6,898	3,520
Fire										
Emergency Incidents	2,941	2,865	2,994	2,994	2,876	3,034	3,196	2,975	2,947	3,161
Inspections (Total)	746	954	1,865	1,917	2,154	1,684	1,890	2,719	2,648	2,169
Other Public Works										
Street Resurfacing (Miles)	15.6	17.4	14.0	30.6	0.0	0.0	2.9	4.0	1.2	4.9
Water										
Number of Active Water Customers	9,228	9,344	9,547	9,433	9,806	9,756	9,709	9,585	9,610	9,642
Average Residential Monthly										
Consumption in Gallons	5,190	5,130	4,900	4,700	4,620	4,743	4,267	4,245	4,373	4,530
Electric										
Number of Active Electric Customers	31,552	31,532	31,887	32,023	32,773	33,038	32,976	31,351	32,996	33,147
Average Residential Monthly										
Consumption in Kilowatt Hours	1,348	1,479	1,442	1,442	1,486	1,353	1,304	1,301	1,395	1,368
Wastewater										
Number of Active Wastewater Customers	9,053	9,171	9,351	9,244	9,598	9,583	9,557	9,436	9,472	9,502
Sanitary/Storm Mains Cleaned (ft.)	10,900	28,000	43,800	40,788	26,839	35,623	28,408	65,550	73,670	15,500

Schedule 18
City of Jacksonville Beach, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations (Including Satellite Stations)	2	2	2	2	2	2	2	2	2	2
Patrol Units	51	45	51	53	53	53	54	51	51	73
Fire Stations	1	1	1	2	2	2	2	2	2	2
Other Public Works										
Paved Roads (Miles)	76.9	76.9	76.9	76.9	85.0	87.1	88.0	88.1	88.9	88.9
Streetlights	5,659	5,636	5,659	5,700	5,701	5,198	5,262	5,229	5,376	5,385
Water										
Water Mains (Miles)	105	105	105	105	108	108	108	108	109	110
Production Wells	6	6	6	6	6	6	6	6	6	6
Fire Hydrants	687	729	779	815	833	840	842	849	859	858
Wastewater										
Sanitary Sewer Mains (Gravity) in Miles	83	83	83	83	83	84	84	84	85	85
Sanitary Sewer Mains (Force) in Miles	16	16	16	16	16	16	17	16	16	18
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Lift Stations	34	34	34	34	35	36	36	38	38	38
Treatment Capacity (Thousands of Gallons)	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Parks and Recreation										
Acreage	34	80	80	80	80	84	84	84	84	84
Parks	9	12	12	12	12	10	10	10	10	10
Golf Course	1	1	1	1	1	1	1	1	1	1
Tennis Courts	7	8	8	8	8	8	8	8	8	8

SINGLE AUDIT SECTION

SINGLE AUDIT SECTION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through Grantor's Number	Federal/ State Award Amount	Beginning (Receivable) Deferred	Receipts	(Federal/ State Expenditures)	Ending Receivable (Deferred)
<u>Federal Awards</u>							
U.S. Department of Housing and Urban Development Passed Through City of Jacksonville							
Community Development Block Grant	14.218	3177-85	\$ 185,006	\$ 0	\$ 132,780	\$ 146,308	\$ 13,528
U.S. Department of Justice							
Direct Programs:							
Public Safety Partnership & Community Policing Grants	16.710	2010-CKWX0085	250,000	0	250,000	250,000	0
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-1534	17,210	0	17,199	17,199	0
Indirect Programs:							
U.S. Department of Justice Passed Through Florida							
Department of Law Enforcement							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JAGC-DUVA-3-B2-127	79,206	0	65,984	79,206	13,222
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JAGC-DUVA-8-B2-129	43,455	0	43,455	43,455	0
<i>Subtotal Expenditures - CFDA No. 16.738</i>			<u>139,871</u>	<u>0</u>	<u>126,638</u>	<u>139,860</u>	<u>13,222</u>
ARRA - Recovery Act Edward Byrne Memorial							
Justice Assistance Grant	16.803	2010-ARRC-DUVA-4-W7-214	230,103	35,573	35,573	0	0
Total U.S. Department of Justice			<u>619,974</u>	<u>35,573</u>	<u>412,211</u>	<u>389,860</u>	<u>13,222</u>
Total Federal Awards			<u>\$ 804,980</u>	<u>\$ 35,573</u>	<u>\$ 544,991</u>	<u>\$ 536,168</u>	<u>\$ 26,750</u>
<u>State Financial Assistance</u>							
Florida Department of Environmental Protection							
Passed Through St. Johns River Water Management District							
State-wide Surface Water Restoration and Wastewater Project	37.039	SK946AA	\$ 7,000,000		\$ 1,037,051	\$ 1,223,921	\$ 186,870
Total State Financial Assistance			<u>\$ 7,000,000</u>	<u>\$ 0</u>	<u>\$ 1,037,051</u>	<u>\$ 1,223,921</u>	<u>\$ 186,870</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

Note 1 - General

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal programs and state projects of the City of Jacksonville Beach, Florida (the City). The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*.

The City reporting entity is defined in Note 1 to the City's basic financial statements for the year ended September 30, 2011. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the City's financial statements.

**SCHEDULE OF EXPENDITURES OF GRANT FUNDS PER THE
CITY OF JACKSONVILLE'S ORDINANCE CODE CHAPTER 118.202(e)
FOR THE YEAR ENDED SEPTEMBER 30, 2011
CITY OF JACKSONVILLE BEACH, FLORIDA**

**City of Jacksonville Public Service Grants Received as a
Subgrant Recipient Per Interlocal Agreement**

City of Jacksonville Beach Fiscal Year 2010 - 2011 Grant No. 3177-/8 - \$185,006

<u>Expenditures</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Spent in Current Year with Prior Year Awards</u>	<u>Carry Forward</u>
CAPE				
Salaries	\$ 51,002	\$ 26,909		\$ 24,093
Benefits	22,177	9,039		13,138
Total CAPE	<u>73,179</u>	<u>35,948</u>	<u>\$ 0</u>	<u>37,231</u>
CARVER				
Salaries	58,932	57,465		1,467
Benefits	14,895	14,895		0
After School/Summer Program	18,000	18,000		0
Total CARVER	<u>91,827</u>	<u>90,360</u>	<u>0</u>	<u>1,467</u>
Utility Assistance	<u>20,000</u>	<u>20,000</u>		<u>0</u>
Total Expenditures	<u>\$ 185,006</u>	<u>\$ 146,308</u>	<u>\$ 0</u>	<u>\$ 38,698</u>

**INDEPENDENT AUDITORS' 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**

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

Compliance

We have audited the City of Jacksonville Beach, Florida, (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the City's major federal programs and its major state projects for the year ended September 30, 2011. The City's major federal programs and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and major state project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Rules, 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 major state 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.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended September 30, 2011.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITORS' 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
(Concluded)**

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or major state project to determine the 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, *Rules of the Auditor General*, 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.

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

Purvis, Gray and Company, LLP

January 24, 2012
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

PART A - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville Beach, Florida, as of and for the year ended September 30, 2011.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Jacksonville Beach, Florida, were disclosed during the audit (same report as No. 2 above).
4. No significant deficiencies relating to the audit of the major federal programs or state project are reported in the report on compliance with requirements applicable to each major federal program and state project and on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major federal programs and state project for the City of Jacksonville Beach, Florida, expresses an unqualified opinion (same report as No. 4 above).
6. The audit disclosed no findings related to federal programs and state projects required to be disclosed under OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* for the City of Jacksonville Beach, Florida.
7. The programs tested as major federal programs and major state project included:
 - **Federal Programs**
 - U.S. Dept of Justice
 - ▶ Public Safety Partnership and Community Policing Grants
CFDA No. 16.710
 - U.S. Dept of Justice
 - ▶ Edward Byrne Memorial Justice Assistance Grant
CFDA No. 16.738
 - **State Project**
 - Florida Department of Environmental Protection
 - ▶ State-wide Surface Water Restoration and Wastewater Project
CSFA No. 37.039
8. The threshold for distinguishing Type A and Type B federal programs/state projects was \$300,000.
9. The City of Jacksonville Beach, Florida, did not qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133. This does not apply to state financial assistance projects.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS

There were no current year findings.

PART C - NOT APPLICABLE

PART D - NOT APPLICABLE

PART E - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects. No corrective action plan is required because there were no current year findings requiring correction under Federal or Florida Single Audit Acts.

GOVERNMENTAL AUDITING SECTION

GOVERNMENTAL AUDITING SECTION

**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville Beach, Florida, (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Certified Public Accountants

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

**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*
(Concluded)**

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 noted certain other matters that we reported to management of the City in our separate management letter dated January 24, 2012.

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

Purvis, Gray and Company, LLP

January 24, 2012
Gainesville, Florida

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Jacksonville Beach, Florida, (the City) as of and for the year ended September 30, 2011, and have issued our report thereon dated January 24, 2012.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and on compliance and other matters, independent auditors' 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, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated January 24, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which 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 auditors' reports or schedule:

- Section 10.554(1)(i)1, *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings or recommendations disclosed in the preceding audit report.
- Section 10.554(1)(i)2, *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- 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.

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

MANAGEMENT LETTER
(Concluded)

- 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: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- 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. The City was established in 1907 and incorporated in 1937, under the legal authority of the Laws of Florida 18623. In addition, the annual financial audit report for the City also includes the accounts and transactions of the entities noted below. The Jacksonville Beach Community Redevelopment Agency is considered a blended component unit and was established pursuant to Chapter 163 of the Florida Statutes. The three pension plans are not considered component units since they are not legally separate entities.

<u>Entity</u>	<u>Presentation</u>
City of Jacksonville Beach General Employees' Retirement System	Blended
City of Jacksonville Beach Police Officers' Retirement System	Blended
City of Jacksonville Beach Fire Fighters' Retirement System	Blended
City of Jacksonville Beach Community Redevelopment Agency	Blended

- Section 10.554(1)(i)7.(a), *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.(b), *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- 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.

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

January 24, 2012
 Gainesville, Florida

