

CITY OF  
JACKSONVILLE BEACH,  
FLORIDA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012

**CITY OF JACKSONVILLE BEACH, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012**

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LETTER OF TRANSMITTAL

January 28, 2013

City of

Jacksonville Beach

City Hall

11 North Third Street

Jacksonville Beach

FL 32250

Phone: 904.247 6274

Fax: 904.270 1 642

[www.jacksonvillebeach.org](http://www.jacksonvillebeach.org)

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, 2012.

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, 2012, 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, 2012, 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.



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 complement 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 83.

## 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.

### Awards and Acknowledgements

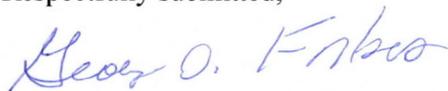
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the eighteenth consecutive year that the government has 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.

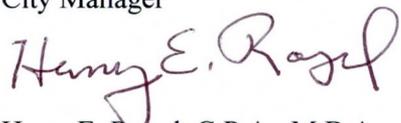
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient 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 Office

# 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, 2011

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.



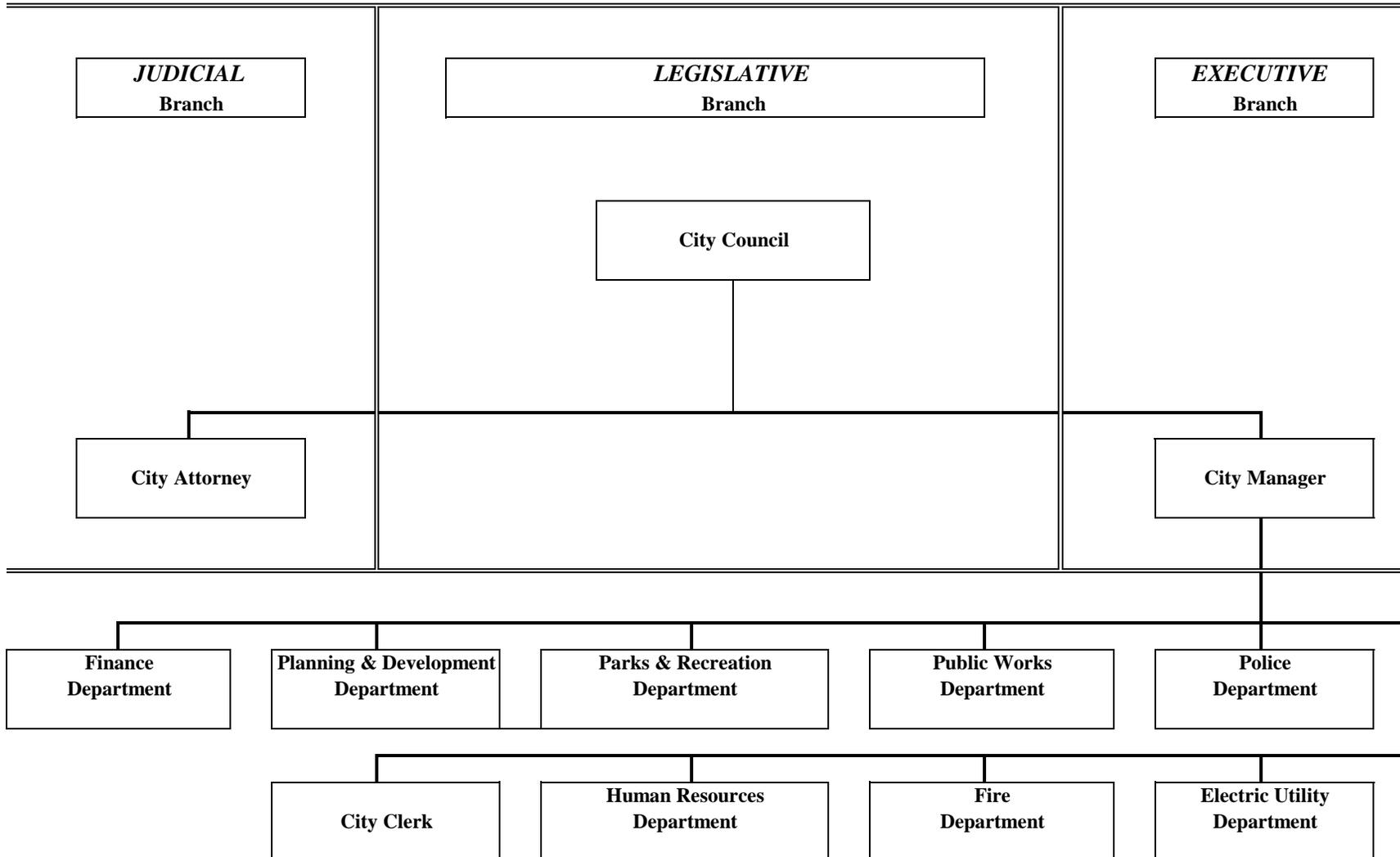
*Christopher P. Moirrell*

President

*Jeffrey R. Emer*

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

Charlie Latham

Chris Hoffman

Phil Vogelsang

Keith Doherty

Steve Hartkemeyer

Jeanell Wilson

Tom Taylor

City Attorney:

Susan Erdelyi

City Auditors:

Purvis, Gray and Company, LLP

EXECUTIVE BRANCH

City Clerk

Judy Bullock

City Manager

George D. Forbes

Chief, Fire Department

Gary Frazier

Interim Chief, Police Department

Patrick K. Dooley

Director of Electric Utility

Roy Trotter

Director of Grounds Maintenance

Gary Meadors

Director of Human Resources

Karen Nelson

Director of Planning and Development

Steven G. Lindorff

Director of Public Works

William T. Edwards, P.E.

Finance Officer

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 the 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, 2012, and the respective changes in financial position, and where applicable, cash flows 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 28, 2013, 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  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
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 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 28, 2013  
Gainesville, Florida

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**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, 2012. 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 viii 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 \$306.4 million (net assets). Of this amount, \$71.2 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 \$10.4 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 \$29.3 million, an increase of \$960 thousand in comparison with the prior year. Of this amount, \$15.4 million is reserved for certain types of restricted uses related to redevelopment, tourism, law enforcement, transportation, and capital projects. The amount of \$4.4 million has been committed for revenue stabilization and another \$4.4 million assigned for emergencies or unanticipated events. In addition, \$4.1 million has been assigned for capital projects, \$222 thousand has been assigned as a budget reserve to help fund the 2013 budget, and \$628 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, 2012**  
**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

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 77-105. 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 (electric, natural gas, water and sewer, stormwater and sanitation), 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 34-70 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

**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 71-76 of this report.

**Government-Wide Financial Analysis**

The following schedule is a summary of the fiscal year 2012 Statement of Net Assets found on page 19 of this report with comparative information for fiscal year 2011:

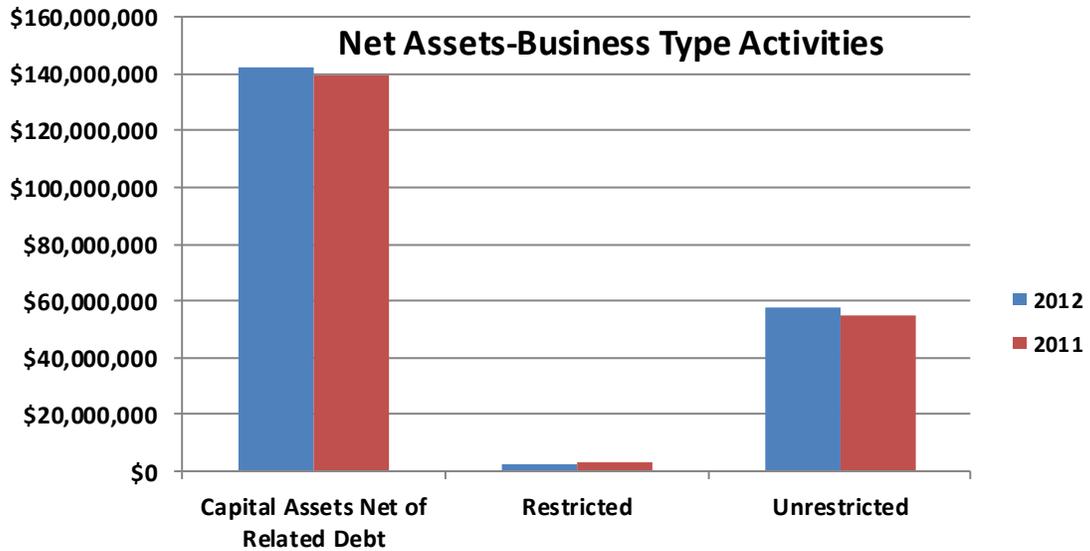
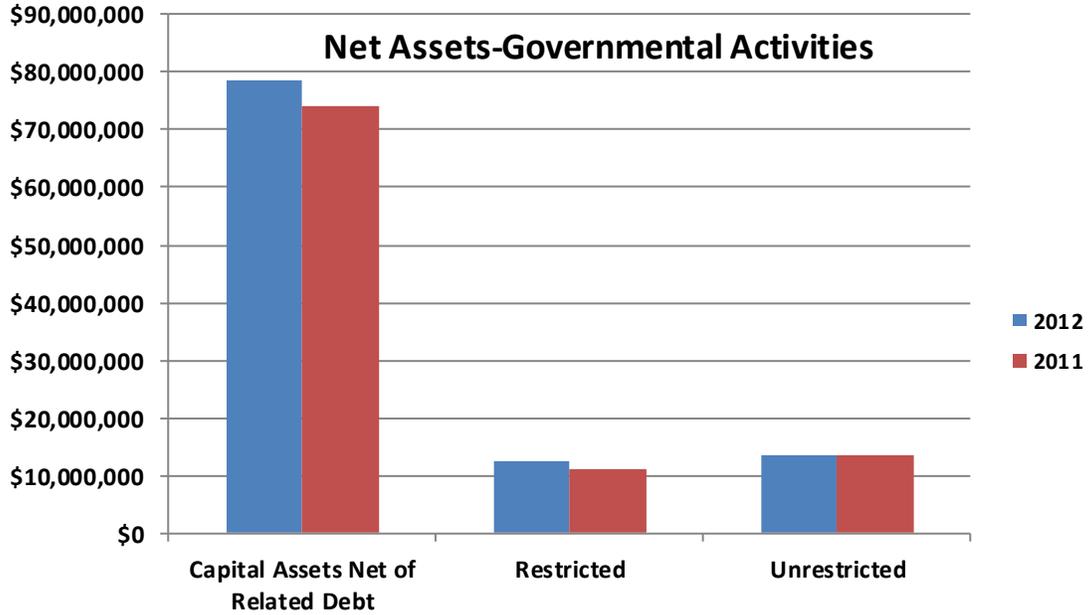
CITY OF JACKSONVILLE BEACH						
Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$36,030,184	\$34,582,449	\$97,791,897	\$86,931,045	\$133,822,081	\$121,513,494
Capital Assets, Net of						
Depreciation	85,104,911	83,002,441	173,026,862	174,168,574	\$258,131,773	\$257,171,015
<b>Total Assets</b>	<b>121,135,095</b>	<b>117,584,890</b>	<b>270,818,759</b>	<b>261,099,619</b>	<b>391,953,854</b>	<b>378,684,509</b>
Current and Other						
Liabilities	2,588,293	2,509,125	35,198,962	26,543,033	37,787,255	29,052,158
Long-term Liabilities	13,871,329	16,196,588	33,883,844	37,428,648	47,755,173	53,625,236
<b>Total Liabilities</b>	<b>16,459,622</b>	<b>18,705,713</b>	<b>69,082,806</b>	<b>63,971,681</b>	<b>85,542,428</b>	<b>82,677,394</b>
<b>Net Assets:</b>						
Investment in Capital Assets,						
Net of Related Debt	78,634,891	74,132,348	142,057,214	139,702,686	220,692,105	213,835,034
Restricted	12,516,772	11,180,126	2,000,000	2,751,550	14,516,772	13,931,676
Unrestricted	13,523,810	13,566,703	57,678,739	54,673,702	71,202,549	68,240,405
<b>Total Net Assets</b>	<b>\$104,675,473</b>	<b>\$98,879,177</b>	<b>\$201,735,953</b>	<b>\$197,127,938</b>	<b>\$306,411,426</b>	<b>\$296,007,115</b>

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 \$306.4 million which was an improvement of \$10.4 million in the City's overall financial position from the prior year. This increase in net assets represented an increase of approximately 3.5% from \$296 million of net assets in 2011. The governmental activities' and business-type activities' net assets increased \$5.8 million and \$4.6 million, respectively, primarily as a result of operations.

A substantial portion of the City's assets (72%) 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 (\$71.2 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, 2012  
 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

The chart below is a summary of the information presented in the 2012 Statement of Activities found on page 20 of this report, with comparative information for 2011:

<b>CITY OF JACKSONVILLE BEACH</b>						
<b>Changes in Net Assets</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 936,129	\$ 829,114	\$ 97,090,038	\$ 103,882,907	\$ 98,026,167	\$ 104,712,021
Operating Grants and Contributions	1,553,819	1,022,748	196,737		1,750,556	1,022,748
Capital Grants and Contributions	142,918	1,344,895	996,393	1,888,820	1,139,311	3,233,715
General Revenues:						
Property Taxes	14,412,386	15,969,619			14,412,386	15,969,619
Other Taxes	3,768,045	3,682,356			3,768,045	3,682,356
State Shared Revenues	2,537,879	2,535,819			2,537,879	2,535,819
Other Intergovt. Revenues	33,504	33,681			33,504	33,681
Interest	656,852	373,674	758,841	610,607	1,415,693	984,281
Miscellaneous	254,892	185,037			254,892	185,037
Total Revenues	<u>24,296,424</u>	<u>25,976,943</u>	<u>99,042,009</u>	<u>106,382,334</u>	<u>123,338,433</u>	<u>132,359,277</u>
<b>Expenses:</b>						
Governmental Activities:						
General Government	2,141,571	2,851,860			2,141,571	2,851,860
Law Enforcement	8,604,107	8,696,277			8,604,107	8,696,277
Fire Control	3,796,759	3,854,106			3,796,759	3,854,106
Building Inspections	427,941	459,024			427,941	459,024
Physical Environment	380,328	365,433			380,328	365,433
Road and Street	3,548,624	2,644,514			3,548,624	2,644,514
Human Services	20,000	20,000			20,000	20,000
Recreation	2,945,435	2,963,644			2,945,435	2,963,644
Interest on Long-Term Debt	393,170	535,930			393,170	535,930
Business-type Activities						
Electric			75,056,538	79,898,012	75,056,538	79,898,012
Water and Sewer			8,327,251	8,662,357	8,327,251	8,662,357
Stormwater			1,291,954	1,293,782	1,291,954	1,293,782
Sanitation			3,150,288	3,011,321	3,150,288	3,011,321
Golf Course			1,391,476	1,537,817	1,391,476	1,537,817
Leased Facilities			271,007	376,748	271,007	376,748
Natural Gas			1,187,673	897,732	1,187,673	897,732
Total Expenses	<u>22,257,935</u>	<u>22,390,788</u>	<u>90,676,187</u>	<u>95,677,769</u>	<u>112,934,122</u>	<u>118,068,557</u>
Increase in Net Assets Before						
Other Items	2,038,489	3,586,155	8,365,822	10,704,565	10,404,311	14,290,720
Transfers	3,757,807	(930,957)	(3,757,807)	930,957	0	0
Increase (Decrease) in Net Asset:	5,796,296	2,655,198	4,608,015	11,635,522	10,404,311	14,290,720
Net Assets-Beginning of Year	98,879,177	96,248,665	197,127,938	185,467,730	296,007,115	281,716,395
Adjustment-Care Fund		(24,686)		24,686		
Net Assets-End of Year	<u>\$104,675,473</u>	<u>\$98,879,177</u>	<u>\$201,735,953</u>	<u>\$197,127,938</u>	<u>\$306,411,426</u>	<u>\$296,007,115</u>

Note: 2011 revenues and expenditure retroactively adjusted for state pension contributions in compliance with GASB 24.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

**Governmental Activities**

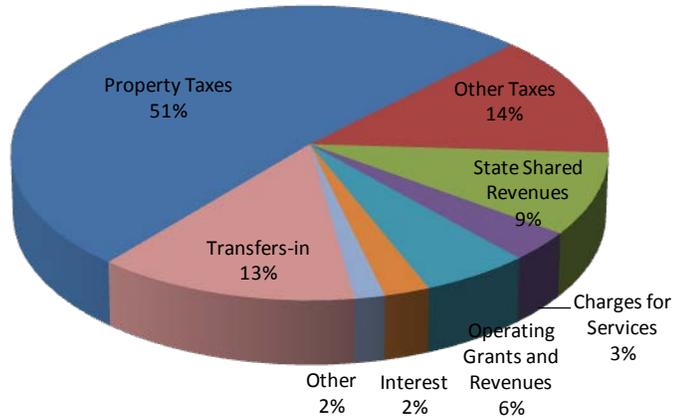
Governmental activities increased the City's net assets by \$5.8 million or by 5.9% for the year. The following information relates key points regarding the financial activities that significantly impacted the change in net assets:

- Charges for services in 2012 exceeded the prior year due to building permits and related fees. The value of commercial construction was up 23% and residential construction was up 67%.
- Operating grants and contributions were more than the prior year because of a large amount of federal forfeiture monies received in 2012.
- Capital grants and contributions were less than the prior year mostly because of federal and local grant monies received in 2011 for purchasing radios for the public works department and assessment revenues received related to the Avalon infrastructure project.
- Property tax revenues decreased in total by \$1.6 million due to the decline in taxable property values caused by the depressed real estate market.
- Other tax revenues increased over last year mostly because of overpayments of communication service taxes paid to the City by the State which were deducted from other tax revenues in 2011.
- Interest revenues increased \$283 thousand because of an improvement in rates of return on the City's investment portfolio. In 2012, a greater percentage of the City's investments were managed by professional investment firms which were hired pursuant to the City's investment policy.
- Miscellaneous revenues increased \$70 thousand which is primarily attributable to greater revenues on disposals of capital assets in 2012.
- Total expenses for governmental activities decreased by \$133 thousand from the prior year. Increased road paving expenditures included in Road and Street in 2012, were offset by decreases in insurance expenditures, included in General Government, and interest paid on debt-related to governmental activities.
- Interest costs declined because of reduced interest paid in 2012 for the Community Redevelopment debt and also because the Infrastructure Surtax debt was refunded last year with lower interest rates.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

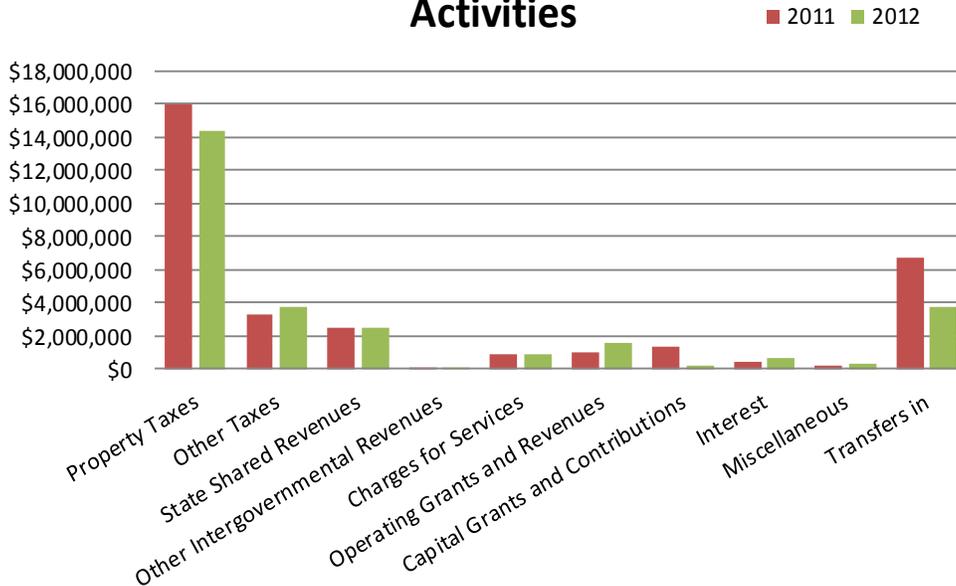
The following graph shows the percentage composition of revenues by source by percent of total revenues for the City's governmental activities for fiscal year 2012. As can be seen in the chart, property taxes provide 51% of the total revenues that support governmental activities. The other major sources include state-shared revenues, other taxes, and transfers.

**Revenues by Source-Governmental**



The following graph shows the dollar amounts of revenues by category for the City's governmental activities for fiscal year 2012 compared to 2011.

**Revenues by Source-Governmental Activities**

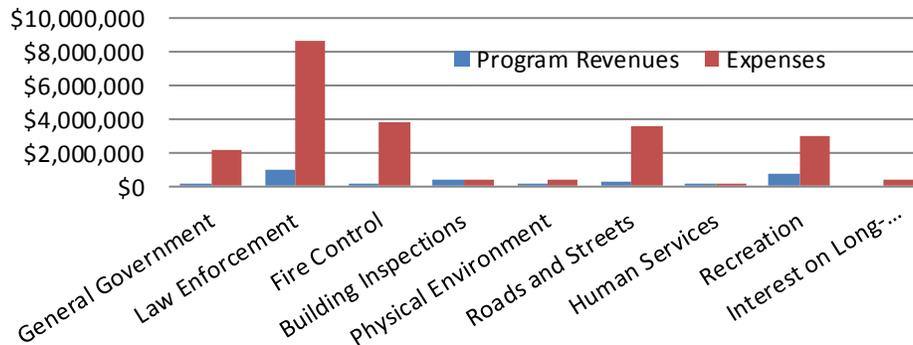


**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

The net revenue decrease of \$1.7 million over the prior year resulted from decreases in capital grants and contributions and property taxes, which were partially offset by increases in charges for services, operating grants and contributions, other taxes, interest 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 2012:

**Comparison of Program Revenues to Expenses**



**Business-type Activities**

Business-type activities increased the City's net assets by \$4.6 million (after transfers). Key financial factors related to these activities are as follows:

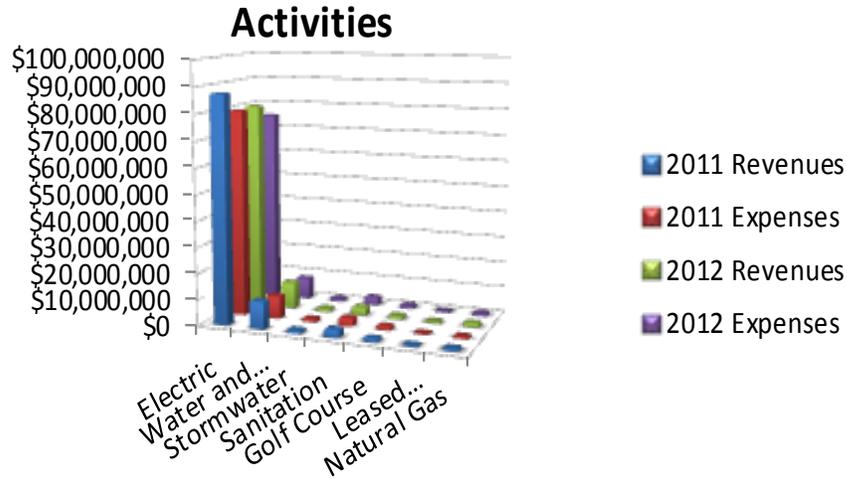
- Total revenues exceeded expenses before transfers by \$8.4 million compared to \$10.7 million in the prior year.
- Charges for services decreased by \$6.8 million over last year mostly due to a decrease in electric revenues. This decrease was partially driven by a 7.4% decrease in kilowatt hour sales due to much milder weather in 2012. In addition, an overall 2.3% decrease in the total rate billed to the customers contributed to the decrease in dollar sales. The rate decrease was comprised of a reduction in the bulk power adjustment rate of \$1 per thousand kilowatt hours in May and an additional \$2 reduction in July.
- Capital grants and contributions in business activities decreased substantially below last year because the construction of the new wastewater plant for which the City was receiving State and Federal grant monies was nearing completion in 2012.
- Total expenses for the electric operations were lower than last year mainly due to a \$4.8 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 \$12.8 million mostly due to electric operations and the increase in power costs collected in advance which is owed to our electric customers.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

- Net transfers into business-type activities included a transfer from governmental activities of approximately \$41 thousand. This represents the funding for a utility and storage building at the water plant located in the Southend Tax Increment District.
- Other business-type activities transfers included a \$3.5 million transfer from the electric enterprise fund to the General Fund in accordance with the City's policy on electric transfers, and \$260 thousand that was transferred from the Lease Facilities Fund to the General Fund to fund capital outlay purchases.

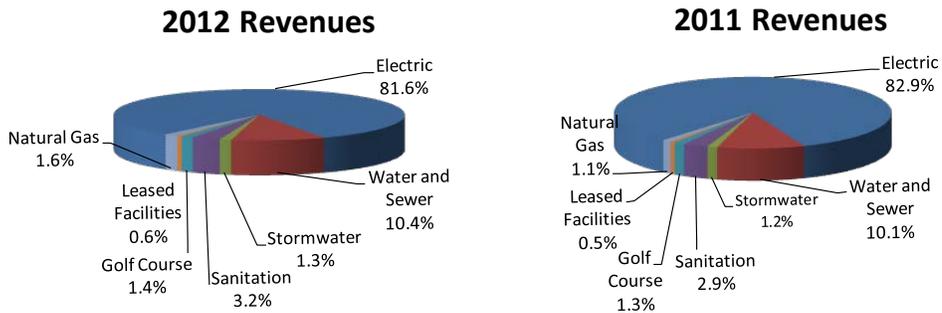
The following chart compares expenses with program revenues for the City's business-type activities for fiscal year 2012. As can be seen in the chart, electric revenue provided the major portion of business-type activities revenues.

**Comparison of Program Revenues to Expenses-Business**



The following chart shows the percentage composition of revenues for business-type activities for the fiscal years 2012 and 2011:

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

**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, the portion of unrestricted fund balance the City has committed or assigned may serve as a useful measure of how well a government is setting aside its available resources at the end of the fiscal year for future emergencies or unanticipated budgetary expenses and maintaining working capital.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29.3 million; of this amount, \$15.4 million (52.5%) was restricted fund balance, \$4.4 million is committed as a rate stabilization reserve, another \$4.4 million is assigned for an emergency/unanticipated event reserve, and \$4.1 million is assigned for capital projects and \$628 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 notes to the financial statements.

**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.

The General Fund is the chief operating fund of the City. The following schedule compares 2012 revenues and expenditures with the prior year. The variance for taxes was mostly due to ad valorem taxes which were down \$602 thousand from the prior year due to the decline in taxable property values caused by the depressed real estate market. However, license and permit revenues were up approximately \$107 thousand because of increases in construction activity within the City. Interest and other revenues were above last year because of improvement in investment returns and because a greater percentage of the City's investments were managed by professional investment firms which were hired pursuant to the City's investment policy.

Total expenditures and transfers out reflect a decrease in total while transfers in increased due to greater amounts being transferred to the General Fund in 2012 to pay for special events. The reason for the decreases in expenditures was because of budgetary constraints imposed by management in response to projected reductions in ad valorem revenues in 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

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

	<u>2012</u>	<u>2011</u>	<u>Over (Under) Prior Year</u>
<b>Revenues:</b>			
Taxes	\$ 9,068,880	\$ 9,565,416	\$ (496,536)
Licenses and Permits	367,855	261,309	106,546
Intergovernmental	3,411,784	3,397,053	14,731
Charges for Services	366,278	368,801	(2,523)
Fines and Forfeitures	182,646	181,584	1,062
Interest and Other Revenues	417,926	237,895	180,031
Total Revenues	<u>13,815,369</u>	<u>14,012,058</u>	<u>(196,689)</u>
<b>Expenditures:</b>			
General Government	1,846,448	2,023,709	(177,261)
Public Safety	11,813,062	11,923,305	(110,243)
Roads and Streets	1,441,040	1,516,800	(75,760)
Parks and Recreation	2,228,144	2,384,709	(156,565)
Total Expenditures	<u>17,328,694</u>	<u>17,848,523</u>	<u>(519,829)</u>
Excess of Revenues Over (Under) Expenditures	(3,513,325)	(3,836,465)	323,140
<b>Other Financing Sources</b>			
Transfers in	4,526,543	4,406,484	120,059
Transfers out	(188,360)	(781,200)	592,840
Net Change in Fund Balances	824,858	(211,181)	1,036,039
Fund Balance-Beginning of Year	8,271,666	8,482,847	(211,181)
Fund Balance-End of Year	<u>\$ 9,096,524</u>	<u>\$ 8,271,666</u>	<u>\$ 824,858</u>

At the end of the current fiscal year, the fund balance of the General Fund was \$9.1 million of which \$4.4 million was committed for a revenue stabilization reserve and additional \$4.4 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 historically 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 49% of total budgeted General Fund expenditures for 2013.

**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 \$171 thousand for expenditures and \$17 thousand for transfers out. Major amendments are summarized in Note 3 in the notes to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

Budget amendments were adopted anticipating using available fund balance or revenues in excess of the original budget projections. In 2012, the fund balance of the City's General Fund was increased by \$825 thousand. Actual revenues came in above final budgeted revenues by .8%, and actual expenditures were 4.4% under budget. Total revenues were above budgeted revenues primarily because interest revenues exceeded budgeted estimates. As mentioned previously, interest revenues were above last year because of improvement in investment returns and a greater percentage of the City's investments were managed by professional investment firms. Total expenditures came in under budget because the departments actively managed their individual budgets assuring compliance with budgetary limits.

**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 2012, approximately \$516 thousand was spent for computer equipment in the City's strategic technology plan, \$18 thousand for engineering of stormwater improvements, \$773 thousand for road and street improvements, \$17 thousand on park improvements, and \$56 thousand for operating supplies and administrative expenses.

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, the City spent \$259 thousand more than the revenues it received last year, and in the Southend Tax Increment District, the City received \$1.5 million more than it spent more than we received in revenues. In the forthcoming fiscal year, the Community Redevelopment Agency has committed to the funding of an additional \$10.4 million from current and future revenues in the Downtown Tax Increment District to complete Phase III of the Downtown Vision Plan, and \$3 million in the Southend Tax Increment District for the funding of engineering, design, and construction of an infrastructure project known as South Beach Capital Improvements Program.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

**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, 2012, amounts to \$258.1 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 approximately \$961,000. Major capital asset activity during the current fiscal year included the following construction or renovation projects:

- Downtown Visioning Project, Phase II and Phase III
- Natural Gas Distribution System
- Water Main Replacement Oceanside Park
- Lake Mildred Storm Water Pump Station
- South Beach Area Infrastructure Improvements Phase I
- 9<sup>th</sup> Street Corridor Project
- Duval Drive Roadway and Drain Improvement
- Total Maximum Daily Load Project
- Rehabilitation Lift Station #3

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 \$41 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.

<b>CITY OF JACKSONVILLE BEACH</b>						
<b>Bonded Indebtness</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenue Bonds:</b>						
Infrastructure Sales Tax	\$ 6,060,000	\$ 6,890,000			\$ 6,060,000	\$ 6,890,000
Tax Increment	3,601,725	5,256,399			3,601,725	5,256,399
Utility Revenue			\$32,210,000	\$36,031,040	32,210,000	36,031,040
Total Outstanding	9,661,725	12,146,399	32,210,000	36,031,040	41,871,725	48,177,439
Add:						
Unamortized Premium			1,300,253	1,640,740	1,300,253	1,640,740
Less:						
Unamortized Discount						
Refunding Loss			(2,179,915)	(2,750,751)	(2,179,915)	(2,750,751)
<b>Total Net Outstanding</b>	<b>\$9,661,725</b>	<b>\$12,146,399</b>	<b>\$31,330,338</b>	<b>\$34,921,029</b>	<b>\$40,992,063</b>	<b>\$47,067,428</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

The City's total debt outstanding decreased by \$6.3 million because of scheduled principal payments (\$2.5 million in Governmental Activities and \$3.8 million in the Business-type Activities). In addition, the City refunded the outstanding 2006 and 2007 Infrastructure Surtax Bonds \$6.495 million by issuing 2012 Infrastructure Surtax Bond at a present value savings of \$526 thousand and an average annual savings of \$80 thousand per year.

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

	<b>Moody's Investor Service</b>	<b>Fitch Investors Service</b>
<b>Business-type Obligations</b>	A-1	AA-

Moody's reaffirmed their rating in 2010 and Fitch reaffirmed their rating of AA- in 2012 for the Utility Revenue 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 51-56 of this report.

**Economic Factors and Next Year's Budget and Rates**

The strength of the local economy has shown a slight improvement in the past year even with the current national economic condition. However, the City's 2013 budget still anticipates reductions in property taxes, fuel taxes, tourist taxes and building permit fees with minor increases in sale taxes and state revenue sharing. 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 was a state constitutional amendment on the ballot for November 2012 that would have further reduce property tax revenues beginning in fiscal year 2013 but it was defeated. Even so, the City is closely monitoring its financial operations and planning for potential 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 2014), 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) during 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

Due to concerns about the adequacy of water and sewer rates to pay for improvements to pay for improvements needed to maintain the system, the City 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. As the result of the consultant's recommendations, the City has implemented a series of three annual rate increases and a CPI rate increase factor thereafter. These increases should enable the City to fund most its capital improvement plan over the next few years, barring unforeseen new state and federal mandates.

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 an 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 2013 budget include the following:

- The 2013 departmental budgets included in the general fund were prepared on the basis that personnel and operating costs will be 3.5% less than the 2012 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.
- Maintain 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](http://www.jacksonvillebeach.org).



## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 32,539,272	\$ 67,143,774	\$ 99,683,046
Other Cash and Investments	34,056	2,833,164	2,867,220
Accounts Receivable, Net	345,895	16,267,962	16,613,857
Assessments Receivable, Net	266,940	5,840	272,780
Due from Other Governments	1,238,195	44,171	1,282,366
Inventories		1,685,020	1,685,020
Prepaid Items	89,314	108,791	198,105
Deposits	1,516,512		1,516,512
Restricted Assets:			
Equity in Pooled Cash and Investments		9,342,485	9,342,485
Capital Assets:			
Nondepreciable	34,966,092	32,113,373	67,079,465
Depreciable, Net	50,138,819	140,913,489	191,052,308
Bond Issue Costs, Net		360,690	360,690
<b>Total Assets</b>	<b>121,135,095</b>	<b>270,818,759</b>	<b>391,953,854</b>
<b>Liabilities</b>			
Accounts Payable	476,890	6,059,597	6,536,487
Accrued Interest		541,879	541,879
Other Accrued Liabilities	711,611	880,876	1,592,487
Power Costs Recovered in Advance		22,539,068	22,539,068
Due to Other Governments	281,954		281,954
Deposits	15,040	5,139,342	5,154,382
Unearned Revenues	177,069	38,200	215,269
Self-insurance Claims Payable	925,729		925,729
Noncurrent Liabilities:			
Due Within One Year	2,859,255	3,734,060	6,593,315
Due in More Than One Year	11,012,074	30,149,784	41,161,858
<b>Total Liabilities</b>	<b>16,459,622</b>	<b>69,082,806</b>	<b>85,542,428</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	78,634,891	142,057,214	220,692,105
Restricted for:			
Redevelopment	8,979,563		8,979,563
Tourism	543,242		543,242
Transportation Improvements	1,908,175		1,908,175
Capital Projects	180,917	2,000,000	2,180,917
Law Enforcement	904,875		904,875
Unrestricted	13,523,810	57,678,739	71,202,549
<b>Total Net Assets</b>	<b>\$ 104,675,473</b>	<b>\$ 201,735,953</b>	<b>\$ 306,411,426</b>

See accompanying notes.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
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
<b>Governmental Activities</b>							
General Government	\$ 2,141,571	\$ 66,802			\$ (2,074,769)		\$ (2,074,769)
Law Enforcement	8,604,107	163,486	\$ 758,362	\$ 96,548	(7,585,711)		(7,585,711)
Fire Control	3,796,759		4,009		(3,792,750)		(3,792,750)
Building Inspections	427,941	372,025			(55,916)		(55,916)
Physical Environment	380,328	8,619		40,000	(331,709)		(331,709)
Roads and Streets	3,548,624	217,998		6,370	(3,324,256)		(3,324,256)
Human Services	20,000		171,485		151,485		151,485
Parks and Recreation	2,945,435	107,199	619,963		(2,218,273)		(2,218,273)
Interest on Long-term Debt	393,170				(393,170)		(393,170)
<b>Total Governmental Activities</b>	<u>22,257,935</u>	<u>936,129</u>	<u>1,553,819</u>	<u>142,918</u>	<u>(19,625,069)</u>	<u>\$ 0</u>	<u>(19,625,069)</u>
<b>Business-type Activities</b>							
Electric	75,056,538	79,918,545	196,737	74,509		5,133,253	5,133,253
Water and Sewer	8,327,251	9,285,736		921,884		1,880,369	1,880,369
Stormwater	1,291,954	1,249,882				(42,072)	(42,072)
Sanitation	3,150,288	3,116,899				(33,389)	(33,389)
Golf Course	1,391,476	1,388,195				(3,281)	(3,281)
Leased Facilities	271,007	551,647				280,640	280,640
Natural Gas	1,187,673	1,579,134				391,461	391,461
<b>Total Business-type Activities</b>	<u>90,676,187</u>	<u>97,090,038</u>	<u>196,737</u>	<u>996,393</u>	<u>0</u>	<u>7,606,981</u>	<u>7,606,981</u>
<b>Total Primary Government</b>	<u>\$ 112,934,122</u>	<u>\$ 98,026,167</u>	<u>\$ 1,750,556</u>	<u>\$ 1,139,311</u>	<u>(19,625,069)</u>	<u>7,606,981</u>	<u>(12,018,088)</u>
		<b>General Revenues</b>					
		Taxes:					
		Property Taxes			14,412,386		14,412,386
		Franchise Taxes			5,280		5,280
		Infrastructure Surtax			997,077		997,077
		Communication Service Tax			1,221,709		1,221,709
		Convention Development Tax			224,402		224,402
		Fuel Taxes			708,396		708,396
		Other Taxes			611,181		611,181
		State-shared Revenues (Unrestricted)			2,537,879		2,537,879
		Other Intergovernmental Revenues (Unrestricted)			33,504		33,504
		Interest			656,852	758,841	1,415,693
		Miscellaneous			254,892		254,892
		<b>Net Transfers</b>			<u>3,757,807</u>	<u>(3,757,807)</u>	<u>0</u>
		<b>Total General Revenues and Transfers</b>			<u>25,421,365</u>	<u>(2,998,966)</u>	<u>22,422,399</u>
		<b>Change in Net Assets</b>			<u>5,796,296</u>	<u>4,608,015</u>	<u>10,404,311</u>
		<b>Net Assets, Beginning of Year</b>			<u>98,879,177</u>	<u>197,127,938</u>	<u>296,007,115</u>
		<b>Net Assets, End of Year</b>			<u>\$ 104,675,473</u>	<u>\$ 201,735,953</u>	<u>\$ 306,411,426</u>

See accompanying notes.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Community Redevelopment Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 9,753,311	\$ 4,102,584	\$ 9,387,213	\$ 5,548,220	\$ 28,791,328
Other Cash and Investments	4,255				4,255
Receivables:					
Accounts, Net	344,327			1,568	345,895
Assessments, Net	11,795		3,642	251,503	266,940
Interfund Receivables	17,839				17,839
Due from Other Governments	867,802			370,393	1,238,195
Prepaid Expenditures	41,640				41,640
Deposits			1,011,070	505,442	1,516,512
<b>Total Assets</b>	<b>11,040,969</b>	<b>4,102,584</b>	<b>10,401,925</b>	<b>6,677,126</b>	<b>32,222,604</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	81,519		237,228	33,508	352,255
Other Accrued Liabilities	401,211		170,422	13,610	585,243
Due Other Governments	281,954				281,954
Interfund Payables				17,839	17,839
Deposits	15,040				15,040
Deferred Revenue	1,164,721		3,642	543,571	1,711,934
<b>Total Liabilities</b>	<b>1,944,445</b>	<b>0</b>	<b>411,292</b>	<b>608,528</b>	<b>2,964,265</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Expenditures	41,640				41,640
Restricted for:					
Redevelopment			8,979,563		8,979,563
Tourism Expenses				524,742	524,742
Transportation Improvements			1,011,070	777,105	1,788,175
Capital Projects				3,220,622	3,220,622
Law Enforcement				904,875	904,875
Committed for:					
Revenue Stabilization	4,447,636				4,447,636
Tree Replacement				6,548	6,548
Assigned for:					
Unanticipated Events/ Emergencies	4,385,343				4,385,343
Budgetary Reserve	221,905				221,905
Capital Projects		4,102,584		6,217	4,108,801
Debt Service				628,489	628,489
<b>Total Fund Balances</b>	<b>9,096,524</b>	<b>4,102,584</b>	<b>9,990,633</b>	<b>6,068,598</b>	<b>29,258,339</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,040,969</b>	<b>\$ 4,102,584</b>	<b>\$ 10,401,925</b>	<b>\$ 6,677,126</b>	<b>\$ 32,222,604</b>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

**Fund Balance - Total Governmental Funds** \$ 29,258,339

**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	\$ 125,235,537	
(Accumulated Depreciation)	<u>(41,005,593)</u>	84,229,944

Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.		1,534,865
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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	(9,661,725)	
Accrued Other Postemployment Benefits	(1,131,227)	
Compensated Absences	<u>(2,234,606)</u>	(13,027,558)

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>2,679,883</u>
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**Net Assets of Governmental Activities** \$ 104,675,473

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Community Redevelopment Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 9,068,880		\$ 7,191,676	\$ 1,931,875	\$ 18,192,431
Licenses and Permits	367,855				367,855
Intergovernmental	3,411,784	\$ 40,000		268,033	3,719,817
Charges for Services	366,278			330,035	696,313
Fines and Forfeitures	182,646			519,207	701,853
Interest and Other Revenue	417,926	75,727	235,501	162,515	891,669
<b>Total Revenues</b>	<b>13,815,369</b>	<b>115,727</b>	<b>7,427,177</b>	<b>3,211,665</b>	<b>24,569,938</b>
<b>Expenditures</b>					
Current:					
General Government	1,846,448	56,168	238,683	373	2,141,672
Public Safety	11,813,062		348,296	235,989	12,397,347
Physical Environment		17,866		18,785	36,651
Roads and Streets	1,441,040	772,861		426,192	2,640,093
Human Services				20,000	20,000
Parks and Recreation	2,228,144	5,050		202,999	2,436,193
Debt Service:					
Principal			1,654,674	830,000	2,484,674
Interest and Fees			179,243	213,927	393,170
Capital Outlay		527,766	3,732,186	537,331	4,797,283
<b>(Total Expenditures)</b>	<b>(17,328,694)</b>	<b>(1,379,711)</b>	<b>(6,153,082)</b>	<b>(2,485,596)</b>	<b>(27,347,083)</b>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<b>(3,513,325)</b>	<b>(1,263,984)</b>	<b>1,274,095</b>	<b>726,069</b>	<b>(2,777,145)</b>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds				6,495,000	6,495,000
Principal, Current Refunding				(6,495,000)	(6,495,000)
Transfers in	4,526,543	171,200	17,160	1,015,115	5,730,018
Transfers (out)	(188,360)		(41,465)	(1,763,400)	(1,993,225)
<b>Total Other Financing Sources (Uses)</b>	<b>4,338,183</b>	<b>171,200</b>	<b>(24,305)</b>	<b>(748,285)</b>	<b>3,736,793</b>
<b>Net Change in Fund Balances</b>	<b>824,858</b>	<b>(1,092,784)</b>	<b>1,249,790</b>	<b>(22,216)</b>	<b>959,648</b>
<b>Fund Balances, Beginning of Year</b>	<b>8,271,666</b>	<b>5,195,368</b>	<b>8,740,843</b>	<b>6,090,814</b>	<b>28,298,691</b>
<b>Fund Balances, End of Year</b>	<b>\$ 9,096,524</b>	<b>\$ 4,102,584</b>	<b>\$ 9,990,633</b>	<b>\$ 6,068,598</b>	<b>\$ 29,258,339</b>

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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

**Net Change in Fund Balance - Total Governmental Funds** \$ 959,648

**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	\$ 5,134,209	
Disposals and Transfers	(42,143)	
(Current Year Depreciation)	<u>(2,847,086)</u>	2,244,980

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>2,484,674</u>	2,484,674
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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	(55,683)	
Change in Other Postemployment Benefits	<u>(200,126)</u>	(255,809)

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. (231,441)

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. 594,244

**Change in Net Assets of Governmental Activities** \$ 5,796,296

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 9,100,076	\$ 9,100,076	\$ 9,068,880	\$ (31,196)
Licenses and Permits	328,800	328,800	367,855	39,055
Intergovernmental	3,458,934	3,469,583	3,411,784	(57,799)
Charges for Services	302,450	352,598	366,278	13,680
Fines and Forfeitures	167,000	167,000	182,646	15,646
Interest and Other Revenue	264,000	284,677	417,926	133,249
<b>Total Revenues</b>	<u>13,621,260</u>	<u>13,702,734</u>	<u>13,815,369</u>	<u>112,635</u>
<b>Expenditures</b>				
Executive and Legislative	726,573	731,109	615,026	116,083
Central Services	443,585	444,487	419,358	25,129
Planning and Development	647,734	646,141	591,026	55,115
Parks and Recreation	2,226,773	2,327,225	2,228,144	99,081
Public Works	1,514,674	1,527,271	1,441,040	86,231
Police	7,858,528	8,097,966	7,827,398	270,568
Fire	3,409,310	3,588,643	3,553,901	34,742
Nondepartmental	1,121,312	757,039	652,801	104,238
<b>(Total Expenditures)</b>	<u>(17,948,489)</u>	<u>(18,119,881)</u>	<u>(17,328,694)</u>	<u>791,187</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(4,327,229)</u>	<u>(4,417,147)</u>	<u>(3,513,325)</u>	<u>903,822</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,498,429	4,564,884	4,526,543	(38,341)
Transfers (out)	(171,200)	(188,360)	(188,360)	0
<b>Total Other Financing Sources (Uses)</b>	<u>4,327,229</u>	<u>4,376,524</u>	<u>4,338,183</u>	<u>(38,341)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 0</u>	<u>\$ (40,623)</u>	<u>\$ 824,858</u>	<u>\$ 865,481</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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 7,475,878	\$ 7,475,878	\$ 7,191,676	\$ (284,202)
Interest and Other Revenue	65,000	65,000	235,501	170,501
<b>Total Revenues</b>	<u>7,540,878</u>	<u>7,540,878</u>	<u>7,427,177</u>	<u>(113,701)</u>
<b>Expenditures</b>				
Current:				
General Government	177,436	409,335	238,683	170,652
Public Safety	491,356	501,909	348,296	153,613
Debt Service:				
Principal	1,654,675	1,654,675	1,654,674	1
Interest and Fees	189,256	189,256	179,243	10,013
Capital Outlay		22,854,805	3,732,186	19,122,619
<b>(Total Expenditures)</b>	<u>(2,512,723)</u>	<u>(25,609,980)</u>	<u>(6,153,082)</u>	<u>19,456,898</u>
<b>Excess of Revenues Over Expenditures</b>	<u>5,028,155</u>	<u>(18,069,102)</u>	<u>1,274,095</u>	<u>19,343,197</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in		17,160	17,160	0
Transfers (out)	(17,622)	(41,465)	(41,465)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(17,622)</u>	<u>(24,305)</u>	<u>(24,305)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>\$ 5,010,533</u>	<u>\$ (18,093,407)</u>	<u>\$ 1,249,790</u>	<u>\$ 19,343,197</u>

See accompanying notes.

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Water and Sewer</b>	<b>Other Funds</b>	<b>Totals</b>	
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Investments	\$ 46,391,482	\$ 10,150,683	\$ 10,601,609	\$ 67,143,774	\$ 3,747,944
Other Operating Cash	6,118	4,078	1,290	11,486	29,801
Other Investments	1,693,007	1,128,671		2,821,678	
Receivables:					
Accounts, Net	14,412,076	1,146,655	709,231	16,267,962	
Assessments, Net		5,840		5,840	
Due from Other Governments	20,387	23,784		44,171	
Inventories	1,657,429		27,591	1,685,020	
Prepaid Expenses	103,502		5,289	108,791	47,674
Restricted Assets:					
Equity in Pooled Cash and Investments	7,936,993	1,405,492		9,342,485	
Total Current Assets	<u>72,220,994</u>	<u>13,865,203</u>	<u>11,345,010</u>	<u>97,431,207</u>	<u>3,825,419</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,551,256	361,970	746,243	3,659,469	
Buildings and Improvements	166,675,940	58,392,964	27,088,961	252,157,865	1,610,007
Equipment	3,924,243	2,228,291	1,607,875	7,760,409	2,364,278
Construction in Progress	5,199,012	23,022,428	232,464	28,453,904	
	<u>178,350,451</u>	<u>84,005,653</u>	<u>29,675,543</u>	<u>292,031,647</u>	<u>3,974,285</u>
(Accumulated Depreciation)	<u>(78,026,447)</u>	<u>(31,622,560)</u>	<u>(9,355,778)</u>	<u>(119,004,785)</u>	<u>(3,099,318)</u>
Total Capital Assets, Net of Accumulated Depreciation	100,324,004	52,383,093	20,319,765	173,026,862	874,967
Other Assets:					
Bond Issue Costs, Net	212,446	148,244	0	360,690	
Total Noncurrent Assets	<u>100,536,450</u>	<u>52,531,337</u>	<u>20,319,765</u>	<u>173,387,552</u>	<u>874,967</u>
<b>Total Assets</b>	<u>172,757,444</u>	<u>66,396,540</u>	<u>31,664,775</u>	<u>270,818,759</u>	<u>4,700,386</u>

See accompanying notes.

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA  
 (Concluded)**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Water and Sewer</b>	<b>Other Funds</b>	<b>Totals</b>	
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	\$ 5,388,988	\$ 266,286	\$ 404,323	\$ 6,059,597	\$ 124,635
Power Costs Recovered in Advance	22,224,496		314,572	22,539,068	
Other Accrued Liabilities	563,844	263,997	53,035	880,876	126,368
Unearned Revenue		2,292	35,908	38,200	
Estimated Liability for Self-insured Losses				0	925,729
Current Portion of Long-term Debt:					
Compensated Absences	230,101	112,881	21,078	364,060	168,754
Current Liabilities Payable from Restricted Assets:					
Bonds Payable, Current Portion	1,984,930	1,385,070		3,370,000	
Accrued Interest	319,208	222,671		541,879	
Customer Deposits	5,139,342			5,139,342	
<b>Total Current Liabilities</b>	<b>35,850,909</b>	<b>2,253,197</b>	<b>828,916</b>	<b>38,933,022</b>	<b>1,345,486</b>
Noncurrent Liabilities:					
Revenue Bonds Payable	16,350,515	11,609,823		27,960,338	
Accrued Compensated Absences	920,406	451,524	84,314	1,456,244	675,017
Other Postemployment Benefits	474,836	244,400	13,966	733,202	
<b>Total Noncurrent Liabilities</b>	<b>17,745,757</b>	<b>12,305,747</b>	<b>98,280</b>	<b>30,149,784</b>	<b>675,017</b>
<b>Total Liabilities</b>	<b>53,596,666</b>	<b>14,558,944</b>	<b>927,196</b>	<b>69,082,806</b>	<b>2,020,503</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt					
	82,201,005	39,536,444	20,319,765	142,057,214	874,967
Restricted for:					
Renewal and Replacement	1,500,000	500,000		2,000,000	
Unrestricted	35,459,773	11,801,152	10,417,814	57,678,739	1,804,916
<b>Total Net Assets</b>	<b>\$ 119,160,778</b>	<b>\$ 51,837,596</b>	<b>\$ 30,737,579</b>	<b>\$ 201,735,953</b>	<b>\$ 2,679,883</b>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Electric</b>	<b>Water and Sewer</b>	<b>Other Funds</b>		
<b>Operating Revenues</b>					
Charges for Services	\$ 79,748,438	\$ 9,208,727	\$ 7,312,986	\$ 96,270,151	\$ 10,144,056
Other	170,107	77,009	572,771	819,887	940
<b>Total Operating Revenues</b>	<u>79,918,545</u>	<u>9,285,736</u>	<u>7,885,757</u>	<u>97,090,038</u>	<u>10,144,996</u>
<b>Operating Expenses</b>					
Purchased Power	59,747,595		865,145	60,612,740	
Personal Services	4,321,326	2,631,349	997,159	7,949,834	3,624,709
Purchased Services	497,492	404,846	3,214,980	4,117,318	917,224
Repairs and Maintenance	762,005	685,271	270,185	1,717,461	423,573
Depreciation	5,023,217	1,924,819	964,154	7,912,190	145,817
Materials and Supplies	518,222	312,664	224,953	1,055,839	299,837
Other Expenses	3,448,670	1,813,998	766,822	6,029,490	4,205,251
<b>(Total Operating Expenses)</b>	<u>(74,318,527)</u>	<u>(7,772,947)</u>	<u>(7,303,398)</u>	<u>(89,394,872)</u>	<u>(9,616,411)</u>
<b>Operating Income</b>	<u>5,600,018</u>	<u>1,512,789</u>	<u>582,359</u>	<u>7,695,166</u>	<u>528,585</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Earnings	433,513	178,361	146,967	758,841	53,615
Interest Expense	(872,777)	(556,304)		(1,429,081)	
Intergovernmental Revenue	196,737			196,737	
Gain (Loss) on Disposal of Capital Assets	134,766	2,000	11,000	147,766	(8,970)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(107,761)</u>	<u>(375,943)</u>	<u>157,967</u>	<u>(325,737)</u>	<u>44,645</u>
<b>Income Before Contributions and Transfers</b>	<u>5,492,257</u>	<u>1,136,846</u>	<u>740,326</u>	<u>7,369,429</u>	<u>573,230</u>
<b>Capital Contributions</b>					
Connection Fees	21,926	95,921		117,847	
Capital Grants		647,701		647,701	
Developer Contributions	52,583	178,262		230,845	
<b>Total Capital Contributions</b>	<u>74,509</u>	<u>921,884</u>	<u>0</u>	<u>996,393</u>	<u>0</u>
<b>Transfers</b>					
Transfers in		41,465	14,487	55,952	21,014
Transfers (out)	(3,539,272)	(14,487)	(260,000)	(3,813,759)	
<b>Total Transfers</b>	<u>(3,539,272)</u>	<u>26,978</u>	<u>(245,513)</u>	<u>(3,757,807)</u>	<u>21,014</u>
<b>Change in Net Assets</b>	2,027,494	2,085,708	494,813	4,608,015	594,244
<b>Total Net Assets, Beginning of Year</b>	<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>
<b>Total Net Assets, End of Year</b>	<u>\$ 119,160,778</u>	<u>\$ 51,837,596</u>	<u>\$ 30,737,579</u>	<u>\$ 201,735,953</u>	<u>\$ 2,679,883</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Electric</b>	<b>Water and Sewer</b>	<b>Other Funds</b>	<b>Totals</b>	<b>Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers and Users	\$ 90,839,198	\$ 9,307,077	\$ 8,277,521	\$ 108,423,796	\$ 10,144,996
Cash Payments to Vendors for Goods and Services	(64,918,052)	(3,882,122)	(5,641,825)	(74,441,999)	(4,405,272)
Cash Payments to Employees for Services	(4,328,225)	(2,582,349)	(993,373)	(7,903,947)	(3,721,103)
Claims Paid				0	(1,848,890)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>21,592,921</b>	<b>2,842,606</b>	<b>1,642,323</b>	<b>26,077,850</b>	<b>169,731</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in		41,465	14,487	55,952	21,014
Intergovernmental Revenue	196,737			196,737	
Transfers (out)	(3,539,272)	(14,487)	(260,000)	(3,813,759)	
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(3,342,535)</b>	<b>26,978</b>	<b>(245,513)</b>	<b>(3,561,070)</b>	<b>21,014</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of Capital Assets	(4,185,057)	(1,662,767)	(440,944)	(6,288,768)	(12,277)
Removal Costs	(237,865)			(237,865)	
Proceeds from Sale of Capital Assets	134,766			134,766	
Principal Paid on Revenue Bonds	(1,984,930)	(1,385,070)	(451,040)	(3,821,040)	
Interest Paid and Fiscal Charges	(670,386)	(467,595)	(6,671)	(1,144,652)	
Capital Grants		835,176		835,176	
Connection Fees	21,926	95,921		117,847	
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(6,921,546)</b>	<b>(2,584,335)</b>	<b>(898,655)</b>	<b>(10,404,536)</b>	<b>(12,277)</b>
<b>Cash Flows from Investing Activities</b>					
Interest Received on Investments	327,476	107,670	146,967	582,113	53,615
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>11,656,316</b>	<b>392,919</b>	<b>645,122</b>	<b>12,694,357</b>	<b>232,083</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>42,678,277</b>	<b>11,167,334</b>	<b>9,957,777</b>	<b>63,803,388</b>	<b>3,545,662</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 54,334,593</b>	<b>\$ 11,560,253</b>	<b>\$ 10,602,899</b>	<b>\$ 76,497,745</b>	<b>\$ 3,777,745</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Concluded)*

	<u>Business-type Activities - Enterprise Funds</u>				<b>Governmental</b>
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Other Funds</u>	<u>Totals</u>	<b>Activities - Internal Service Funds</b>
<b><u>Included on the Accompanying Balance Sheet Under the Following Captions</u></b>					
<b>Current Assets</b>					
Equity in Pooled Cash and Investments	\$ 46,391,482	\$ 10,150,683	\$ 10,601,609	\$ 67,143,774	\$ 3,747,944
Other Operating Cash	6,118	4,078	1,290	11,486	29,801
<b>Restricted Assets</b>					
Equity in Pooled Cash and Investments	7,936,993	1,405,492	0	9,342,485	
<b>Total</b>	<b><u>\$ 54,334,593</u></b>	<b><u>\$ 11,560,253</u></b>	<b><u>\$ 10,602,899</u></b>	<b><u>\$ 76,497,745</u></b>	<b><u>\$ 3,777,745</u></b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>					
Operating Income (Loss)	\$ 5,600,018	\$ 1,512,789	\$ 582,359	\$ 7,695,166	\$ 528,585
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	5,023,217	1,924,819	964,154	7,912,190	145,817
Power Costs Recovered in Advance	9,121,896		327,572	9,449,468	
Increase in Estimated Liability for Self-insured Losses				0	(374,167)
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):					
Accounts Receivable and Unbilled Revenue	1,547,962	21,867	63,597	1,633,426	
Assessments Receivable		2,142		2,142	
Inventories	89,941		5,078	95,019	
Due from Other Governments	(20,387)			(20,387)	
Prepaid Expenses	5,536		(429)	5,107	(230)
Accounts Payable and Other Accrued Liabilities	(39,545)	(665,343)	(304,389)	(1,009,277)	(33,880)
Customer Deposits	271,182			271,182	
Accrued Compensated Absences	(69,793)	7,749	29,321	(32,723)	(96,394)
Unearned Revenues		(2,668)	595	(2,073)	
Other Postemployment Benefits	62,894	41,251	(25,535)	78,610	
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 21,592,921</u></b>	<b><u>\$ 2,842,606</u></b>	<b><u>\$ 1,642,323</u></b>	<b><u>\$ 26,077,850</u></b>	<b><u>\$ 169,731</u></b>
<b><u>Supplemental Disclosure of Noncash Activities</u></b>					
Capital Assets, Contributed	\$ 52,583	\$ 178,262		\$ 230,845	
Change in Fair Value of Investments	106,037	70,691		176,728	
Amortization of Bond Issue Costs	55,632	38,819		94,451	
Amortization of Bond Discount (Premium)	(200,546)	(139,940)		(340,486)	
Amortization of Loss on Refunding	367,154	203,681		570,835	

See accompanying notes.

**STATEMENT OF FIDUCIARY NET ASSETS  
ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

**Assets**

Equity in Pooled Cash and Investments	\$ 2,593,847
Accrued Interest	161,932
Due from Other Governments	54,785
Investments:	
Equities, Including Mutual Funds	40,138,091
Corporate Bonds	11,525,156
U.S. Government Obligations/Agencies	13,806,758
Total Investments	<u>65,470,005</u>
<b>Total Assets</b>	<u>68,280,569</u>

**Liabilities**

Accounts Payable	10,082
Other Accrued Liabilities	1,825
<b>Total Liabilities</b>	<u>11,907</u>

**Net Assets**

Held in Trust for Pension Benefits and Other Purposes	<u>\$ 68,268,662</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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

**Additions**

Contributions:	
Employee	\$ 1,143,659
Employer	2,174,130
State of Florida	350,069
Total Contributions	<u>3,667,858</u>

Investment Income:	
Investment Earnings	10,010,818
(Investment Expenses)	(254,360)
Net Investment Income	<u>9,756,458</u>

<b>Total Additions</b>	<u>13,424,316</u>
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**Deductions**

Benefits	4,801,738
Refunds of Contributions	92,688
Administrative Expense	190,010
	<u>5,084,436</u>

<b>(Total Deductions)</b>	<u>(5,084,436)</u>
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<b>Change in Net Assets</b>	8,339,880
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<b>Net Assets, Beginning of Year</b>	<u>59,928,782</u>
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<b>Net Assets, End of Year</b>	<u><u>\$ 68,268,662</u></u>
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See accompanying notes.



## **NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**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. 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, 2012**  
**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, 2012  
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. The primary revenue source is ad valorem tax increment funds which are restricted for expenditures benefitting the redevelopment districts.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012  
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, 2012  
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, 2012, is \$248,590. 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, 2012, are unbilled amounts totaling \$7,569,738. 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, 2012, 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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA  
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

**D. Assets and Liabilities** (Continued)

■ **Interfund Receivables and Payables**—(Concluded)

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 9<sup>th</sup> 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 2012.

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, 2012  
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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA  
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

**E. Fund Balances**

■ **Classifications**—The City has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), 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.

Pursuant to a fund balance policy adopted under the City Council’s resolution No. 1887-2011, the City established a stabilization fund in the general fund that qualifies as a stabilization arrangement and is classified as committed fund balance 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.

- **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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**E. Fund Balances (Concluded)**

■ **Classifications—(Concluded)**

● **Assigned—(Concluded)**

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 No. 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. There are no unassigned fund balances as of September 30, 2012.

■ **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.

**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:

<b>Lien Date</b>	January 1, 2011
<b>Levy Date</b>	October 1, 2011
<b>Installment Payments</b>	
First Installment	No Later Than June 30, 2011
Second Installment	No Later Than September 30, 2011
Third Installment	No Later Than December 31, 2011
Fourth Installment	No Later Than March 31, 2012
<b>Regular Payments</b>	
Discount Periods	November 2011 Through February 2012
No Discount Period	After March 1, 2012
Delinquent Date	April 1, 2012

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**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.

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	\$ 18,119,689	\$ 109,648	\$ 78,904	\$ 18,308,241
Special Revenue Funds	4,962,013	10,414,972	13,125,328	28,502,313
Debt Service Funds	1,068,218	0	15,000	1,083,218

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 3 - Stewardship, Compliance and Accountability (Continued)**

**Budgets (Concluded)**

Supplementary budgetary appropriations for the general fund include the following:

- \$144,571 for pension (reduction) and increases for health insurance
- \$60,000 for Air Show fiscal year 2013
- \$17,600 for work on pavers in Latham Plaza due to settling
- (\$25,000) for increased parking revenues
- \$30,000 for hiring consultant outside actuary and pension attorney
- \$53,093 for increase in police overtime for JAG grant; transfer in from grant budgeted, but overtime expense not budgeted
- \$20,000 for auxiliary fire fighter program
- \$25,000 for search process for new police chief
- \$69,529 for Fire Department pay plan adjustment
- \$52,385 for increase budgets for reimbursements for insurance and donations
- \$38,698 for additional CDBG funds carried forward from previous year for Carver Center and CAPE programs
- (\$394,273) for reduction in unanticipated account to offset the budget adjustments
- (\$12,699) other

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

- \$100,000 for grant to American Red Cross for improvements to the Life Saving Corps building
- \$16,180 for purchase of software for police records management and dispatch
- \$26,690 for crime prevention programs funded by the Law Enforcement Trust Fund
- \$42,916 for SWAT, surveillance and traffic control equipment funded by Equitable Sharing Trust Fund
- \$12,026,574 for commitment for downtown redevelopment projects - Phase III
- \$797,260 for commitment for Southend Redevelopment projects
- \$38,698 for additional CDBG funds carried forward from previous year for Carver Center and CAPE programs
- \$14,505 for Justice Assistance Grant for purchase of SWAT vests
- \$35,137 for crime prevention and community programs, part-time police volunteer programs funded by the Law Enforcement Trust Fund
- \$24,990 for purchase of audio/video recording system for Police Department funded by the Equitable Sharing Trust Fund
- \$2,378 for other

Supplementary budgetary appropriations for the debt service fund include the following:

- \$15,000 for costs associated with refunding of 2006 and 2007 infrastructure Surtax Revenue Bonds

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**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 over the related appropriations in the following amount:

	<b>Excess Expenditures</b>
<b>Special Revenue Funds</b>	
Infrastructure Surtax Fund	\$ 15,494

This excess occurred because actual expenditures exceeded original expectations. Current year revenues were sufficient to cover excess expenditures over appropriations.

**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 \$109,025,531 in governmental and business-type funds and \$2,593,847 in the pension funds. In addition, certain cash and investments are held separately and not available for use by all funds, including \$5,545 in petty cash and \$2,861,675 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, 2012, the carrying amount of the City's deposits held in qualified public depositories was \$13,832,071 and the bank balance was \$14,084,419.

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 \$12,477,357 and the amount of deposits held in the pension trust funds was \$2,135,550.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 4 - Deposits and Investments (Continued)**

**Investments**

Following are the investments, credit ratings, and maturities of the City's governmental and business-type activities at September 30, 2012:

<u>Investment Type</u>	<u>S&amp;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+	\$ 20,580,560	\$ 501,155	\$ 17,257,727	\$ 2,821,678
Federal Agency Securities:					
Federal Home Loan Bank	AA+	718,890	265,643	453,247	
Federal Home Loan Mortgage Corporation	AA+	1,923,120		1,923,120	
Federal Farm Credit Bank	AA+	6,862,665		6,862,665	
Federal National Mortgage Association	AA+	4,783,029	400,153	4,382,876	
Government National Mortgage U.S. Department of Housing and Urban Development	AA+	5,092		5,092	
Corporate ABS's	N/A	51,066		51,066	
Corporate Bonds	AAA	814,338		814,338	
Corporate Bonds	AAA	522,401	156,231	366,170	
Corporate Bonds	AA+	1,886,234	130,657	1,755,577	
Corporate Bonds	AA	371,438		371,438	
Corporate Bonds	AA-	477,244		477,244	
Corporate Bonds	A+	3,541,414	94,380	3,447,034	
Corporate Bonds	A	4,180,667	183,177	3,997,490	
Corporate Bonds	A-	4,069,606	315,635	3,753,971	
Corporate Bonds	BBB+	530,578	225,816	304,762	
Municipal Bonds	A-1+	218,878		218,878	
Municipal Bonds	AA	150,889	150,889		
Florida State Board of Administration:					
Florida PRIME	AAA	151,306	151,306		
Fund B	Unrated	20,947		20,947	
Florida Municipal Investment Trust:					
Short-term Bond Portfolio (0-2 Years)	AAA (Fitch)	21,638,985	21,638,985		
Short-term Bond Portfolio (1-3 Years)	AAA (Fitch)	<u>12,536,728</u>		<u>12,536,728</u>	
<b>Total</b>		<u>\$ 86,036,075</u>	<u>\$ 24,214,027</u>	<u>\$ 59,000,370</u>	<u>\$ 2,821,678</u>

Listed below are the investments and maturities in the City's pension trust funds at September 30, 2012:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**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	\$ 40,138,091	\$ 40,138,091			
U.S. Government Securities	4,468,064	649,998	\$ 1,812,685	\$ 1,484,709	\$ 520,672
Federal Agency Securities:					
Federal Home Loan Bank	520,545		520,545		
Federal Home Loan Mortgage Corporation	2,566,123		389,764	421,036	1,755,323
Federal Farm Credit Bank	2,506,489		2,506,489		
Federal National Mortgage Association	3,745,537			273,306	3,472,231
Corporate Bonds	11,525,156		4,956,726	3,243,255	3,325,175
<b>Total</b>	<u>\$ 65,470,005</u>	<u>\$ 40,788,089</u>	<u>\$ 10,186,209</u>	<u>\$ 5,422,306</u>	<u>\$ 9,073,401</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	6.82%
Federal Agency Securities	AAA	14.26%
Corporate Bonds	A1	3.43%
Corporate Bonds	A2	2.35%
Corporate Bonds	A3	2.37%
Corporate Bonds	AA1	1.98%
Corporate Bonds	AA2	0.99%
Corporate Bonds	AA3	4.07%
Corporate Bonds	N/R*	2.42%

\*Bonds were not rated by Moody's but were rated A- or better by S&P.

**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. The City has 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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 4 - Deposits and Investments (Continued)**

**Authorized Investments (Concluded)**

- 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.

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, 2012, 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:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 4 - Deposits and Investments (Concluded)**

**Risk Disclosure (Concluded)**

- **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.
- **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, 2012, the balance in these accounts consists of the following:

	<u>Receivable</u>	<u>Payable</u>
<b>General Fund</b>	\$ 17,839	
<b>Special Revenue Funds</b>		
Community Development Block Grant		\$ 17,613
JAG Grant		226
<b>Total</b>	<u>\$ 17,839</u>	<u>\$ 17,839</u>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 7 - Transfers In/Out**

Interfund transfers during the year ended September 30, 2012, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>General Fund</u>	<u>General Capital Projects</u>	<u>Community Redevelopment</u>	<u>Other Governmental</u>	<u>Water and Sewer</u>	<u>Other - Enterprise</u>	
General Fund		\$ 171,200 <sup>(2)</sup>	\$ 17,160 <sup>(3)</sup>				\$ 188,360
Community Redevelopment					\$ 41,465 <sup>(2)</sup>		41,465
Other Governmental	\$ 748,285 <sup>(3)</sup>			\$ 1,015,115 <sup>(4)</sup>			1,763,400
Electric Fund	3,518,258 <sup>(5)</sup>					\$ 21,014 <sup>(6),(3)</sup>	3,539,272
Water and Sewer						\$ 14,487 <sup>(6)</sup>	14,487
Other Enterprise	260,000 <sup>(1)</sup>						260,000
<b>Total Transfers Out</b>	<u>\$ 4,526,543</u>	<u>\$ 171,200</u>	<u>\$ 17,160</u>	<u>\$ 1,015,115</u>	<u>\$ 41,465</u>	<u>\$ 14,487</u>	<u>\$ 5,806,984</u>
						<u>\$ 21,014</u>	

**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) Transfer of Capital Assets

**Note 8 - Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 29,224,644			\$ 29,224,644
Construction in Progress	3,297,185	\$ 4,333,603	\$ (1,889,340)	5,741,448
Total Capital Assets Not Being Depreciated	32,521,829	4,333,603	(1,889,340)	34,966,092
Capital Assets Being Depreciated:				
Buildings and Improvements	31,533,138	31,595		31,564,733
Equipment	10,803,768	857,873	(466,450)	11,195,191
Road Network	24,555,426			24,555,426
Other Infrastructure Networks	25,168,549	1,810,816	(50,987)	26,928,378
Total Capital Assets Being Depreciated	92,060,881	2,700,284	(517,437)	94,243,728
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,631,583)	(1,020,524)		(10,652,107)
Equipment	(7,718,485)	(807,355)	451,946	(8,073,894)
Road Network	(9,311,753)	(457,308)		(9,769,061)
Other Infrastructure Networks	(14,918,448)	(707,715)	16,316	(15,609,847)
Total Accumulated Depreciation	(41,580,269)	(2,992,902)	468,262	(44,104,909)
Total Being Depreciated, Net	50,480,612	(292,618)	(49,175)	50,138,819
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 83,002,441</u>	<u>\$ 4,040,985</u>	<u>\$ (1,938,515)</u>	<u>\$ 85,104,911</u>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 8 - Capital Assets (Concluded)**

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,659,469			\$ 3,659,469
Construction in Progress	<u>29,876,310</u>	\$ 4,586,534	\$ (6,008,940)	<u>28,453,904</u>
Total Capital Assets Not Being Depreciated	<u>33,535,779</u>	<u>4,586,534</u>	<u>(6,008,940)</u>	<u>32,113,373</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	245,091,130	7,067,262	(528)	252,157,864
Equipment	<u>7,142,861</u>	<u>959,263</u>	<u>(341,715)</u>	<u>7,760,409</u>
Total Capital Assets Being Depreciated	<u>252,233,991</u>	<u>8,026,525</u>	<u>(342,243)</u>	<u>259,918,273</u>
Less Accumulated Depreciated for:				
Buildings and Improvements	(106,285,438)	(7,413,280)	237,865	(113,460,853)
Equipment	<u>(5,315,758)</u>	<u>(498,910)</u>	<u>270,737</u>	<u>(5,543,931)</u>
Total Accumulated Depreciation	<u>(111,601,196)</u>	<u>(7,912,190)</u>	<u>508,602</u>	<u>(119,004,784)</u>
Total Being Depreciated, Net	<u>140,632,795</u>	<u>114,335</u>	<u>166,359</u>	<u>140,913,489</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 174,168,574</u>	<u>\$ 4,700,869</u>	<u>\$ (5,842,581)</u>	<u>\$ 173,026,862</u>

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

<b>Governmental Activities</b>		
General Government		\$ 479,846
Law Enforcement		378,821
Fire Control		200,833
Building Inspections		379
Physical Environment		343,677
Roads and Streets		995,886
Parks and Recreation		447,643
Internal Service Funds		<u>145,817</u>
<b>Total Depreciation Expense - Governmental Activities</b>		<u>\$ 2,992,902</u>
<b>Business-type Activities</b>		
Electric		\$ 5,023,217
Water and Sewer		1,924,819
Stormwater		672,554
Sanitation		41,847
Golf Courses		86,090
Leased Facilities		67,959
Natural Gas		<u>95,704</u>
<b>Total Depreciation Expense - Business-type Activities</b>		<u>\$ 7,912,190</u>

**Note 9 - Long-term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 9 - Long-term Debt (Continued)**

	Balance 9/30/2011	Additions	Refunded	Other Reductions	Balance 9/30/2012	Due Within One Year
<b>Governmental Activities</b>						
Revenue Bonds	\$ 12,146,399	\$ 6,495,000	\$ (6,495,000)	\$ (2,484,674)	\$ 9,661,725	\$ 2,243,579
Accrued Compensated Absences	3,119,088	1,284,046		(1,324,757)	3,078,377	615,676
Accrued Other Postemployment Benefits	931,101	200,126			1,131,227	
<b>Total Governmental Activities</b>	<b>16,196,588</b>	<b>7,979,172</b>	<b>\$ (6,495,000)</b>	<b>(3,809,431)</b>	<b>13,871,329</b>	<b>2,859,255</b>
<b>Business-type Activities</b>						
Revenue Bonds - Par	36,031,040			(3,821,040)	32,210,000	3,370,000
Unamortized Premium	1,640,739			(340,486)	1,300,253	
(Unamortized Refunding Loss)	(2,750,750)			570,835	(2,179,915)	
Revenue Bonds, Net	34,921,029	0	0	(3,590,691)	31,330,338	3,370,000
Accrued Compensated Absences	1,853,027	724,185		(756,908)	1,820,304	364,060
Accrued Other Postemployment Benefits	654,592	105,485		(26,875)	733,202	
<b>Total Business-type Activities</b>	<b>37,428,648</b>	<b>829,670</b>	<b>0</b>	<b>(4,374,474)</b>	<b>33,883,844</b>	<b>3,734,060</b>
<b>Total Long-term Obligations</b>	<b>\$ 53,625,236</b>	<b>\$ 8,808,842</b>	<b>\$ (6,495,000)</b>	<b>\$ (8,183,905)</b>	<b>\$ 47,755,173</b>	<b>\$ 6,593,315</b>

Bonds and notes outstanding at September 30, 2012, consist of the following for governmental activities:

	Note	Maturity	Originally Issued	Outstanding Amount	Interest Rate
<b>Governmental Activities</b>					
Revenue Bonds:					
2012 Series, Infrastructure Sales Surtax	1	2019	\$ 6,495,000	\$ 6,060,000	1.73%
2003 Series (AMT), Southend	2	2016	1,543,022	573,612	4.53%
2003-1 Series, Southend	3	2016	4,986,347	1,861,641	3.83%
2003-2 Series, Southend	4	2014	1,698,749	376,853	3.70%
2003 Series, Downtown	5	2014	1,697,411	349,964	3.28%
2003 B & C Series, Downtown	6	2013	3,892,515	439,655	3.05%
<b>Total Governmental Activities</b>				<b>\$ 9,661,725</b>	

**Note Explanation - Purpose of Issue**

1. Refunded 2006 and 2007 Infrastructure Sales Surtax Bonds (originally for 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 2002B and 2002C Downtown Redevelopment Bonds (original funds were for downtown plaza improvements and downtown street reconstruction).

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 9 - Long-term Debt (Continued)**

Bonds outstanding at September 30, 2012, 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>
<b>Business-type Activities</b>					
Revenue Bonds:					
2010 Series, Utility Revenue:					
Electric Fund	1	2020	\$ 21,960,865	\$ 18,971,690	2 - 4%
Water and Sewer Fund	1	2020	<u>15,324,135</u>	<u>13,238,310</u>	2 - 4%
<b>Total Business-type Activities</b>			<u>\$ 37,285,000</u>	<u>\$ 32,210,000</u>	

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

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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 9 - Long-term Debt (Continued)**

Annual debt service requirements as of September 30, 2012, are as follows:

<b>Governmental Activities</b>			
<b>Fiscal Year</b>	<b>Revenue Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2013	\$ 2,243,580	\$ 221,527	\$ 2,465,107
2014	1,865,465	164,071	2,029,536
2015	1,545,799	114,652	1,660,451
2016	1,581,881	73,627	1,655,508
2017	955,000	37,804	992,804
2018	980,000	21,224	1,001,224
2019	490,000	4,227	494,227
<b>Total</b>	<b>\$ 9,661,725</b>	<b>\$ 637,132</b>	<b>\$ 10,298,857</b>

<b>Business-type Activities</b>			
<b>Fiscal Year</b>	<b>Revenue Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2013	3,370,000	1,051,312	4,421,312
2014	3,460,000	966,587	4,426,587
2015	3,555,000	870,937	4,425,937
2016	3,680,000	745,587	4,425,587
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	2,150,000	43,000	2,193,000
<b>Total</b>	<b>\$ 32,210,000</b>	<b>\$ 5,390,355</b>	<b>\$ 37,600,355</b>

Interest paid and incurred in the governmental activities totaled \$380,377 for the year ended September 30, 2012. Interest costs incurred in the business-type activities (excluding amortization) totaled \$1,092,937 for the same period.

**Debt Refunding**

On April 24, 2012, the City issued Infrastructure Sales Surtax Bonds, Series 2012, in the par amount of \$6,495,000 to refund its outstanding Infrastructure Sales Surtax Bonds, Series 2006 and 2007, in the same amount. The purpose of the refinancing was to take advantage of lower interest rates. Interest on the Series 2012 bonds is payable quarterly at 1.73%. There were no penalties for prepayment of the Series 2006 and 2007 bonds, and issuance costs were minimal, and were expensed. For accounting purposes, there was no gain or loss requiring recognition. As a result of this transaction, the City reduced its aggregate debt service payments by \$559,631 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$526,475.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 9 - Long-term Debt (Concluded)**

**Pledged Revenue**

Pledged revenues on the City's outstanding debt for the year ended September 30, 2012, were as follows:

<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>
<b>Governmental Activities</b>						
2003 Series, Downtown, 2003A Series, Downtown, 2003B&C Series, Downtown	Downtown Tax Increment	\$ 4,779,577	\$ 974,166	13.15%	\$ 810,746	2014
2003 Series (AMT), Southend, 2003-1 Series, Southend, 2003-2 Series, Southend, 2003 Series, Southend	Southend Tax Increment	2,647,600	859,750	32.56%	3,053,779	2016
Infrastructure Sales Surtax Bonds, Series 2006, 2007, 2012	Infrastructure Surtax	1,000,632	1,031,136	91.86%	6,434,331	2019
<b>Business-type Activities</b>						
Series 2010, Utility Revenue Bonds	Net Electric Bonds Utility Revenue	11,078,676	2,648,519	22.21%	22,146,610	2021
Series 2010, Utility Revenue Bonds	Net Water & Sewer Utility Revenue	3,711,884	1,848,118	46.26%	15,453,746	2021

**Note 10 - Restricted Assets**

The following table indicates the balances at September 30, 2012, for all restricted assets in the proprietary fund types:

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total Enterprise</u>
Sinking Funds:			
Principal	\$ 980,685	\$ 684,315	\$ 1,665,000
Interest	316,966	221,177	538,143
Renewal and Replacement	1,500,000	500,000	2,000,000
Customer Deposits	<u>5,139,342</u>		<u>5,139,342</u>
<b>Total Restricted Assets</b>	<u>\$ 7,936,993</u>	<u>\$ 1,405,492</u>	<u>\$ 9,342,485</u>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**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 9/30/12 (at Par)</u>
<b>Business-type Activities</b>				
Utility Revenue Bonds	1980	1985	\$ <u>9,500,000</u>	\$ <u>2,320,000</u>

**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). The 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 2012 under this contract was \$3,367,220. 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 the 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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 12 - Florida Municipal Power Affiliation (Concluded)**

**The All-Requirements Project (Concluded)**

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, FPL, 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 2012 was in January 2012, at 171.10 MW. Total expense to the City under the All Requirements Project for 2012 was \$55,879,538.

**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 2012, under this contract, was \$354,066 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, 2012, the City was over-recovered from customers by \$22,224,496. This amount will be returned to customers during 2013. At September 30, 2011, the City was over-recovered by \$13,102,600.

**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)

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 14 - Retirement Systems (Continued)**

**Plan Descriptions (Continued)**

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, 2011 (date of the latest annual actuarial valuation), employee membership data related to the pension plan were:

	<u>General</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Retirees and Beneficiaries Currently Receiving Benefits (Including DROP Participants)	151	40	21	212
Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>11</u>	<u>1</u>	<u>2</u>	<u>14</u>
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, But Not Yet Receiving Them	<u>162</u>	<u>41</u>	<u>23</u>	<u>226</u>
<b>Active Plan Participants</b>				
Vested	163	34	23	220
Nonvested	<u>56</u>	<u>23</u>	<u>7</u>	<u>86</u>
<b>Total Active Plan Participants</b>	<u>219</u>	<u>57</u>	<u>30</u>	<u>306</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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 14 - Retirement Systems (Continued)**

**Plan Descriptions (Concluded)**

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.

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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 14 - Retirement Systems (Continued)**

**Funding Policy**

For the year ended September 30, 2012, 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.

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, 2012, the actuarially determined contribution amount as determined in the actuarial valuation dated October 1, 2010, to be \$2,524,199 (\$2,116,911 employer and \$407,288 state). The actual contribution was \$2,524,199 (\$2,174,130 employer and \$350,069 state). The on-behalf payments received from the State of Florida (totaling \$350,069) are recognized as revenue and expense in the General Fund and are used to reduce the City's contribution to the police officers' and fire fighters' pension plans.

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, 2012, the City's total covered payroll amounted to \$17,271,952. 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, 2012, was \$19,443,333.

**Annual Pension Cost**

The pension cost for the year ended September 30, 2012, was \$2,116,911 (actuarial contribution – City share). The pension cost for the 2012 fiscal year was determined as part of the October 1, 2010, actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions in the October 1, 2010, 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, 2010, was three to twenty-five years. Following is three-year trend information for each plan:

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA  
(Continued)**

**Note 14 - Retirement Systems (Continued)**

**Annual Pension Cost (Concluded)**

**General Employees' 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>
2010	\$ 749,103	98.5%	\$ 0**
2011	971,717	100.0%	0
2012	1,132,385	100.0%	0

**Police Officers' 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>
2010	\$ 516,367	99.3%	\$ 0**
2011	609,116	100.0%	0
2012	653,602	100.0%	0

**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>
2010	\$ 239,183	75.1%	\$ 0**
2011	291,996	100.0%	0
2012	388,143	100.0%	0

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

\*\* The net pension asset that resulted from an overfunding in a previous period was extinguished in 2010.

**Funded Status and Funding Progress**

The following is funded status information for each plan as of October 1, 2011, the most recent actuarial valuation date:

**General Employees (In Thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2011	\$ 40,809	\$ 54,975	\$ 14,166	74.2%	\$ 11,449	123.7%

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 14 - Retirement Systems (Continued)**

**Funded Status and Funding Progress (Concluded)**

**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 AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2011	\$ 15,458	\$ 21,630	\$ 6,172	71.5%	\$ 3,786	163.0%

**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 AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2011	\$ 8,363	\$ 12,512	\$ 4,149	66.8%	\$ 2,120	195.7%

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.

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 14 - Retirement Systems (Concluded)**

**Fund Balance Reserves (Concluded)**

- **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:

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

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:

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

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 15 - Interlocal Agreement (Concluded)**

The City made no contributions to the interlocal agreement during 2012. The interlocal agreement has no debt outstanding as of September 30, 2012. 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, 2012, the City had the following commitments related to significant unfinished capital projects:

<u>Project</u>	<u>Expended as of 9/30/12</u>	<u>Remaining Commitment</u>
Total Maximum Daily Load Project	\$ 22,471,685	\$ 262,571
Downtown Improvements - Phase II	4,219,843	1,805,200
Downtown Improvements - Phase III	72,375	800,962
Natural Gas Distribution System	98,825	401,175
Water Main Replacement Oceanside Park	215,256	151,038
Duval Drive Roadway & Drain Improvements	155,362	512,811
South Beach Area Infrastructure Improvements - Phase I	165,308	53,510
2nd Street North Sewer Replacement	149,276	16,283
Ocean Forest Drainage Project	99,504	84,197
Constitution Cove Drainage Project	104,807	7,573

As part of an agreement with the Florida Department of Transportation (the Department) for improvements to 9<sup>th</sup> 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. The Department is currently in negotiations with the contractor for the project as to the final construction cost. At this time, the City estimates its liability to be limited to the amount in the escrow account. 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:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Continued)*

**Note 16 - Commitments, Contingencies, and Encumbrances (Concluded)**

**Encumbrances (Concluded)**

	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General Fund		\$ 125,926
General Capital Projects Fund		9,282
Community Redevelopment Fund	\$ 2,665,440	
Other Governmental Funds	<u>526,205</u>	
<b>Total</b>	<u>\$ 3,191,645</u>	<u>\$ 135,208</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 (\$1,637,889 in 2012 and (\$1,658,076 in 2011)
- 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
- Assigning a part-time risk coordinator
- Contracting with a safety consultant

During 2012, 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 \$2,605,309 in 2012 and \$3,597,346 in 2011.

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 2012 and 2011, were \$1,848,890 and \$2,150,586, respectively.

**NOTES TO FINANCIAL STATEMENTS**  
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*(Continued)*

**Note 17 - Risk Management (Concluded)**

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 2012, interdepartmental charges and other earnings were more than actual costs by \$625,355. For 2011, interdepartmental charges and other earnings were less than actual costs by \$180,977. The self-insurance fund has unrestricted net assets of \$2,620,227 at September 30, 2012.

There were no significant reductions in insurance coverage from 2011 to 2012. In addition, no settlements exceeded insurance coverage in the past three years.

The estimated liability for self-insured losses of \$925,729 accrued in the self-insurance fund at September 30, 2012, 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:

	<b>2012</b>	<b>2011</b>
<b>Beginning Balance</b>	\$ 1,299,896	\$ 829,498
Current Year Claims and Changes in Estimates	1,474,723	2,620,984
(Claim Payments)	<u>(1,848,890)</u>	<u>(2,150,586)</u>
<b>Ending Balance</b>	<u>\$ 925,729</u>	<u>\$ 1,299,896</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.

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.

The CRA approved the funding of \$6.111 million for Phase II of the Downtown Vision Plan that included streetscape and infrastructure improvements. Construction design began in the fall of 2011 and is near completion. This project included reconstruction of Beach Boulevard, reconstruction of 1st Street from Beach to the Pier, a new restroom in the 2nd Avenue North street end, reconstruction of 4th Avenue North, and improvements to the street end leading to the pier. Subsequently, the CRA approved another project, Phase III A that extended Phase II northward by two blocks for \$1.123 million. The CRA also committed an additional \$10.2 million from current and future tax increment revenues for the completion of Phase III (B, C, & D) which includes some additional work north of Beach Boulevard, major reconstruction activity, utility, and roadway improvements from Beach Boulevard to 13th Avenue South.

**NOTES TO FINANCIAL STATEMENTS**  
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*(Continued)*

**Note 18 - Community Redevelopment Agency (Concluded)**

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 recently approved \$3 million for funding the engineering, design, and construction of an infrastructure project for Phase I of the South Beach Capital Improvements Program that encompasses an area known as Jacksonville Beach Heights. This project was included in the initial set of projects identified in a capital 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. In prior years, 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 following schedule summarizes revenue and expenditure activity for the two districts in fiscal year 2012:

	<u>Downtown</u>	<u>Southend</u>	<u>Total</u>
<b>Revenues and Transfers In</b>			
Ad Valorem Taxes	\$ 4,620,363	\$ 2,571,313	\$ 7,191,676
Interest and Other	159,213	76,288	235,501
Transfer in from General Fund	<u>17,160</u>	<u>          </u>	<u>17,160</u>
<b>Total Revenues and Transfers In</b>	<u>\$ 4,796,736</u>	<u>\$ 2,647,601</u>	<u>\$ 7,444,337</u>
<b>Expenditures and Transfers Out</b>			
General Government	\$ 155,662	\$ 83,021	\$ 238,683
Public Safety	348,296		348,296
Capital Projects:			
Downtown Landscape/Streetscape Improvement	3,556,576		3,556,576
Southend Infrastructure Improvement		170,320	170,320
Playground Improvements at Sunshine Park		1,600	1,600
Other Capital	3,690		3,690
Debt Service:			
Principal	927,716	726,958	1,654,674
Interest	46,451	132,792	179,243
Transfer to Water and Sewer Fund*		<u>41,465</u>	<u>41,465</u>
<b>(Total Expenditures and Transfers Out)</b>	<u>\$ (5,038,391)</u>	<u>\$ (1,156,156)</u>	<u>\$ (6,194,547)</u>

\* Utility storage building design

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
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*(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:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>
Buildings	\$ 857,443	\$ (610,757)	\$ 246,686
Improvements	43,168	(27,668)	15,500
<b>Total</b>	<b>\$ 900,611</b>	<b>\$ (638,425)</b>	<b>\$ 262,186</b>

**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, Florida Statutes. 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, 2012**  
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*(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 \$1,864,429 and is reflected as a liability in the statement of net assets (\$1,131,227 governmental, \$733,202 business-type). The general fund and the business type funds will be used to liquidate the net other postemployment benefit obligation. 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, 2012:

	<u>2012</u>	<u>2011</u>
Normal Cost	\$ 282,359	\$ 269,147
Amortization of Unfunded Actuarial Accrued Liability	224,258	215,633
<b>Annual Required Contribution (ARC)</b>	<u>\$ 506,617</u>	<u>\$ 484,780</u>
<b>Net OPEB Obligation, Beginning of Year</b>	<u>\$ 1,585,693</u>	<u>\$ 1,325,027</u>
Annual Required Contribution	506,617	484,780
Interest on Net OPEB Obligation	63,428	53,001
Adjustment to ARC	(60,988)	(50,963)
Annual OPEB Cost	<u>509,057</u>	<u>486,818</u>
Employer Contribution Toward the OPEB Cost	<u>(230,321)</u>	<u>(226,152)</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 1,864,429</u>	<u>\$ 1,585,693</u>

The schedule of employer contributions is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Estimated Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Estimated Net OPEB Obligation</u>
<u>September 30</u>				
2010	\$ 588,520	\$ 220,927	37.54%	\$ 1,325,027
2011	486,818	226,152	46.45%	1,585,693
2012	509,057	230,321	45.24%	1,864,429

**Funded Status and Funding Progress**

The funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial 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>
10/1/2006	\$ 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, 2012**  
**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.

The schedule of funding progress immediately following the notes 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.

**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.

Actuarial methods and assumptions include the following:

Actuarial Valuation Date:	October 1, 2010
Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Amortization Period:	25 Years
Asset Valuation Method:	Unfunded
Investment Rate of Return*:	4.0%
Projected Salary Increases*:	4.5%-12.1%
Payroll Growth Assumptions:	4.0%
Health Care Trend Rate:	9.0% Initial Trend Rate Dropping to 5% Ultimate Trend Rate After 7 Years

\*Includes general price inflation of 3.0%

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
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%
2011	40,809	54,975	14,166	74.2%	11,449	123.7%

**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
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%
2011	15,458	21,630	6,172	71.5%	3,786	163.0%

**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
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%
2011	8,363	12,512	4,149	66.8%	2,120	195.7%

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

**General Employees' Retirement System**

<b>Period Ended</b>	<b>Actuarial Valuation Date 10/1</b>	<b>Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contribution</b>
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%
9/30/12	2010	1,132,385	1,132,385	100.0%

**Police Officers' Retirement System**

<b>Period Ended</b>	<b>Actuarial Valuation Date 10/1</b>	<b>Required Contribution (1)</b>	<b>Actual Contribution (1)</b>	<b>Percentage Contribution</b>
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%
9/30/12	2010	818,251	818,251	100.0%

**Fire Fighters' Retirement System**

<b>Period Ended</b>	<b>Actuarial Valuation Date 10/1</b>	<b>Required Contribution (1)</b>	<b>Actual Contribution (1)</b>	<b>Percentage Contribution</b>
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%
9/30/12	2010	573,563	573,563	100.0%

(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 and the net pension asset was extinguished.

**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, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent - Open
Remaining Amortization Period:	
General Employee	5 to 25 Years
Police	5 to 25 Years
Fire Fighters	2 to 25 Years
Asset Valuation Method	4-Year Smoothed Market
Actuarial Assumptions:	
Investment Return*	8.0%
Projected Salary Increases**	4.5% 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**

<b>Actuarial Valuation Date 10/1</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded (Overfunded) AAL (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>(b-a)/(c) UAAL as a Percentage of Covered Payroll</b>
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**

<b>Period Ended</b>	<b>Actuarial Valuation Date 10/1</b>	<b>Annual OPEB Cost</b>	<b>Estimated Amount Contributed</b>	<b>Percentage Contribution</b>	<b>Estimated Net OPEB Obligation</b>
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
9/30/12	2011	509,057	230,321	45.24%	1,864,429

**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	25 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% initial trend rate dropping to 5% ultimate trend rate after 7 years

\*\*Includes Inflation Rate of 3.0%



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

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Special Revenue Funds				
	Convention Development Tax Fund	Court Costs Training Fund	Local Option Gas Tax Fund	Infrastructure Surtax Fund	Community Development Block Grant Fund
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 463,360	\$ 148,248	\$ 272,119	\$ 70,833	
Accounts Receivable					
Special Assessments Receivable			36,607	4,281	
Due from Other Governmental Units Deposit	80,554		120,000	152,000	\$ 17,613
<b>Total Assets</b>	<u>543,914</u>	<u>148,248</u>	<u>428,726</u>	<u>227,114</u>	<u>17,613</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	672	2,505			
Other Accrued Liabilities			456		
Interfund Payables					17,613
Deferred Revenues	18,500		156,607	156,281	
<b>Total Liabilities</b>	<u>19,172</u>	<u>2,505</u>	<u>157,063</u>	<u>156,281</u>	<u>17,613</u>
<b>Fund Balances</b>					
Restricted for:					
Tourism Expenses	524,742				
Transportation Improvements			271,663		
Capital Projects				70,833	
Law Enforcement		145,743			
Committed for:					
Tree Replacement					
Assigned for:					
Capital Projects					
Debt Service					
<b>Total Fund Balances</b>	<u>524,742</u>	<u>145,743</u>	<u>271,663</u>	<u>70,833</u>	<u>0</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 543,914</u>	<u>\$ 148,248</u>	<u>\$ 428,726</u>	<u>\$ 227,114</u>	<u>\$ 17,613</u>

	<b>Special Revenue Funds</b>				
	<b>Radio Communications Fund</b>	<b>J.A.G. Grant Fund</b>	<b>Tree Protection Fund</b>	<b>Law Enforcement Trust Fund</b>	<b>Equitable Sharing Trust Fund</b>
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 133,339		\$ 6,548	\$ 159,816	\$ 467,546
Accounts Receivable			1,568		
Special Assessments Receivable					
Due from Other Governmental Units		\$ 226			
Deposit					
<b>Total Assets</b>	<b>133,339</b>	<b>\$ 226</b>	<b>8,116</b>	<b>159,816</b>	<b>467,546</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable				222	
Other Accrued Liabilities				1,347	
Interfund Payables		226			
Deferred Revenues			1,568		
<b>Total Liabilities</b>	<b>0</b>	<b>226</b>	<b>1,568</b>	<b>1,569</b>	<b>0</b>
<b>Fund Balances</b>					
Restricted for:					
Tourism Expenses					
Transportation Improvements					
Capital Projects					
Law Enforcement	133,339			158,247	467,546
Committed for:					
Tree Replacement			6,548		
Assigned for:					
Capital Projects					
Debt Service					
<b>Total Fund Balances</b>	<b>133,339</b>	<b>0</b>	<b>6,548</b>	<b>158,247</b>	<b>467,546</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 133,339</b>	<b>\$ 226</b>	<b>\$ 8,116</b>	<b>\$ 159,816</b>	<b>\$ 467,546</b>

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**  
*(Concluded)*

	Debt Service Funds	Capital Projects Funds			Total Nonmajor Governmental Funds
	Infrastructure Surtax Bonds	Infrastructure Tax Capital Projects Fund	Beaches Park Project for Kids Fund	Dog Park Fund	
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 628,489	\$ 3,191,705	\$ 5,726	\$ 491	\$ 5,548,220
Accounts Receivable					1,568
Special Assessments Receivable		210,615			251,503
Due from Other Governmental Units					370,393
Deposit		505,442			505,442
<b>Total Assets</b>	<b>628,489</b>	<b>3,907,762</b>	<b>5,726</b>	<b>491</b>	<b>6,677,126</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable		30,109			33,508
Other Accrued Liabilities		11,807			13,610
Interfund Payables					17,839
Deferred Revenues		210,615			543,571
<b>Total Liabilities</b>	<b>0</b>	<b>252,531</b>	<b>0</b>	<b>0</b>	<b>608,528</b>
<b>Fund Balances</b>					
Restricted for:					
Tourism Expenses					524,742
Transportation Improvements		505,442			777,105
Capital Projects		3,149,789			3,220,622
Law Enforcement					904,875
Committed for:					
Tree Replacement					6,548
Assigned for:					
Capital Projects			5,726	491	6,217
Debt Service	628,489				628,489
<b>Total Fund Balances</b>	<b>628,489</b>	<b>3,655,231</b>	<b>5,726</b>	<b>491</b>	<b>6,068,598</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 628,489</b>	<b>\$ 3,907,762</b>	<b>\$ 5,726</b>	<b>\$ 491</b>	<b>\$ 6,677,126</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	Special Revenue Funds				
	Convention Development Tax Fund	Court Costs Training Fund	Local Option Gas Tax Fund	Infrastructure Surtax Fund	Community Development Block Grant Fund
<b>Revenues</b>					
Taxes	\$ 224,402		\$ 712,396	\$ 995,077	
Intergovernmental					\$ 171,485
Charges for Services			140	3,382	
Fines and Forfeitures		\$ 4,463			
Other Revenue	8,848	2,954	5,040	2,173	
<b>Total Revenues</b>	<u>233,250</u>	<u>7,417</u>	<u>717,576</u>	<u>1,000,632</u>	<u>171,485</u>
<b>Expenditures</b>					
Current:					
General Government				373	
Public Safety		50,680			
Physical Environment					
Roads and Streets			358,822	67,370	
Human Services					20,000
Parks and Recreation	194,288				
Debt Service:					
Principal					
Interest and Fees					
Capital Outlay					
<b>(Total Expenditures)</b>	<u>(194,288)</u>	<u>(50,680)</u>	<u>(358,822)</u>	<u>(67,743)</u>	<u>(20,000)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>38,962</u>	<u>(43,263)</u>	<u>358,754</u>	<u>932,889</u>	<u>151,485</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds					
Principal, Current Refunding					
Transfers in					
Transfers (out)	(108,252)		(372,000)	(1,015,115)	(151,485)
<b>Total Other Financing Sources (Uses)</b>	<u>(108,252)</u>	<u>0</u>	<u>(372,000)</u>	<u>(1,015,115)</u>	<u>(151,485)</u>
<b>Net Change in Fund Balance</b>	(69,290)	(43,263)	(13,246)	(82,226)	0
<b>Fund Balances, Beginning of Year</b>	<u>594,032</u>	<u>189,006</u>	<u>284,909</u>	<u>153,059</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 524,742</u>	<u>\$ 145,743</u>	<u>\$ 271,663</u>	<u>\$ 70,833</u>	<u>\$ 0</u>

	<b>Special Revenue Funds</b>				
	<b>Radio Communication Fund</b>	<b>J.A.G. Grant Fund</b>	<b>Tree Protection Fund</b>	<b>Law Enforcement Trust Fund</b>	<b>Equitable Sharing Trust Fund</b>
<b>Revenues</b>					
Taxes					
Intergovernmental		\$ 96,548			
Charges for Services					
Fines and Forfeitures	\$ 14,887			\$ 60	\$ 499,797
Other Revenue	2,473		\$ 657	9,002	17,887
<b>Total Revenues</b>	<u>17,360</u>	<u>96,548</u>	<u>657</u>	<u>9,062</u>	<u>517,684</u>
<b>Expenditures</b>					
Current:					
General Government					
Public Safety	29,067			72,977	83,265
Physical Environment			6,865		
Roads and Streets					
Human Services					
Parks and Recreation					
Debt Service:					
Principal					
Interest and Fees					
Capital Outlay					
<b>(Total Expenditures)</b>	<u>(29,067)</u>	<u>0</u>	<u>(6,865)</u>	<u>(72,977)</u>	<u>(83,265)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(11,707)</u>	<u>96,548</u>	<u>(6,208)</u>	<u>(63,915)</u>	<u>434,419</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds					
Principal, Current Refunding					
Transfers in					
Transfers (out)		(96,548)			(20,000)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(96,548)</u>	<u>0</u>	<u>0</u>	<u>(20,000)</u>
<b>Net Change in Fund Balance</b>	(11,707)	0	(6,208)	(63,915)	414,419
<b>Fund Balances, Beginning of Year</b>	<u>145,046</u>	<u>0</u>	<u>12,756</u>	<u>222,162</u>	<u>53,127</u>
<b>Fund Balances, End of Year</b>	<u>\$ 133,339</u>	<u>\$ 0</u>	<u>\$ 6,548</u>	<u>\$ 158,247</u>	<u>\$ 467,546</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA  
(Concluded)**

	Debt Service Funds	Capital Projects Funds			Total Nonmajor Governmental Funds
	Infrastructure Surtax Bonds	Infrastructure Tax Capital Projects Fund	Beaches Park Project for Kids Fund	Dog Park Fund	
<b>Revenues</b>					
Taxes					\$ 1,931,875
Intergovernmental					268,033
Charges for Services		\$ 326,513			330,035
Fines and Forfeitures					519,207
Other Revenue	\$ 15,110	96,221	\$ 103	\$ 2,047	162,515
<b>Total Revenues</b>	<u>15,110</u>	<u>422,734</u>	<u>103</u>	<u>2,047</u>	<u>3,211,665</u>
<b>Expenditures</b>					
Current:					
General Government					373
Public Safety					235,989
Physical Environment		11,920			18,785
Roads and Streets					426,192
Human Services					20,000
Parks and Recreation			19	8,692	202,999
Debt Service:					
Principal	830,000				830,000
Interest and Fees	213,927				213,927
Capital Outlay		537,331			537,331
<b>(Total Expenditures)</b>	<u>(1,043,927)</u>	<u>(549,251)</u>	<u>(19)</u>	<u>(8,692)</u>	<u>(2,485,596)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,028,817)</u>	<u>(126,517)</u>	<u>84</u>	<u>(6,645)</u>	<u>726,069</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds	6,495,000				6,495,000
Principal, Current Refunding	(6,495,000)				(6,495,000)
Transfers in	1,015,115				1,015,115
Transfers (out)					(1,763,400)
<b>Total Other Financing Sources (Uses)</b>	<u>1,015,115</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(748,285)</u>
<b>Net Change in Fund Balance</b>	(13,702)	(126,517)	84	(6,645)	(22,216)
<b>Fund Balances, Beginning of Year</b>	<u>642,191</u>	<u>3,781,748</u>	<u>5,642</u>	<u>7,136</u>	<u>6,090,814</u>
<b>Fund Balances, End of Year</b>	<u>\$ 628,489</u>	<u>\$ 3,655,231</u>	<u>\$ 5,726</u>	<u>\$ 491</u>	<u>\$ 6,068,598</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, 2012  
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>		
<b>Revenues</b>				
Taxes	\$ 175,000	\$ 175,000	\$ 224,402	\$ 49,402
Other Revenue	3,500	3,500	8,848	5,348
<b>Total Revenues</b>	<u>178,500</u>	<u>178,500</u>	<u>233,250</u>	<u>54,750</u>
<b>Expenditures</b>				
Current:				
Parks and Recreation	130,129	230,657	194,288	36,369
<b>(Total Expenditures)</b>	<u>(130,129)</u>	<u>(230,657)</u>	<u>(194,288)</u>	<u>36,369</u>
<b>Excess of Revenues Over Expenditures</b>	48,371	(52,157)	38,962	91,119
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(95,000)</u>	<u>(108,252)</u>	<u>(108,252)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>\$ (46,629)</u>	<u>\$ (160,409)</u>	<u>\$ (69,290)</u>	<u>\$ 91,119</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, 2012  
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>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 6,000	\$ 6,000	\$ 4,463	\$ (1,537)
Other Revenue	1,500	1,500	2,954	1,454
<b>Total Revenues</b>	<u>7,500</u>	<u>7,500</u>	<u>7,417</u>	<u>(83)</u>
<b>Expenditures</b>				
Current:				
Public Safety	60,400	60,400	50,680	9,720
<b>(Total Expenditures)</b>	<u>(60,400)</u>	<u>(60,400)</u>	<u>(50,680)</u>	<u>9,720</u>
<b>Net Change in Fund Balance</b>	<u>\$ (52,900)</u>	<u>\$ (52,900)</u>	<u>\$ (43,263)</u>	<u>\$ 9,637</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, 2012  
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>		
<b>Revenues</b>				
Taxes	\$ 777,427	\$ 777,427	\$ 712,396	\$ (65,031)
Charges for Services			140	140
Other Revenue	2,000	2,000	5,040	3,040
<b>Total Revenues</b>	<u>779,427</u>	<u>779,427</u>	<u>717,576</u>	<u>(61,851)</u>
<b>Expenditures</b>				
Current:				
Roads and Streets	384,906	431,535	358,822	72,713
<b>(Total Expenditures)</b>	<u>(384,906)</u>	<u>(431,535)</u>	<u>(358,822)</u>	<u>72,713</u>
<b>Excess of Revenues Over Expenditures</b>	394,521	347,892	358,754	10,862
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(372,000)</u>	<u>(372,000)</u>	<u>(372,000)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>\$ 22,521</u>	<u>\$ (24,108)</u>	<u>\$ (13,246)</u>	<u>\$ 10,862</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, 2012  
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>		
<b>Revenues</b>				
Taxes	\$ 998,523	\$ 998,523	\$ 995,077	\$ (3,446)
Charges for Services			3,382	3,382
Other Revenue	2,500	2,500	2,173	(327)
<b>Total Revenues</b>	<u>1,001,023</u>	<u>1,001,023</u>	<u>1,000,632</u>	<u>(391)</u>
<b>Expenditures</b>				
Current:				
General Government			373	(373)
Roads and Streets	0	52,249	67,370	(15,121)
<b>(Total Expenditures)</b>	<u>0</u>	<u>(52,249)</u>	<u>(67,743)</u>	<u>(15,494)</u>
<b>Excess of Revenues Over Expenditures</b>	1,001,023	948,774	932,889	(15,885)
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(1,015,115)	(1,015,115)	(1,015,115)	0
<b>Net Change in Fund Balance</b>	<u>\$ (14,092)</u>	<u>\$ (66,341)</u>	<u>\$ (82,226)</u>	<u>\$ (15,885)</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, 2012  
 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>		
<b>Revenues</b>				
Intergovernmental	\$ 156,623	\$ 195,321	\$ 171,485	\$ (23,836)
<b>Expenditures</b>				
Current:				
Human Services	20,000	20,000	20,000	0
<b>(Total Expenditures)</b>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
<b>Excess of Revenues Over Expenditures</b>	136,623	175,321	151,485	(23,836)
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(136,623)</u>	<u>(175,321)</u>	<u>(151,485)</u>	<u>23,836</u>
<b>Net Change in Fund Balance</b>	<u>\$ 0</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, 2012  
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>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 13,000	\$ 13,000	\$ 14,887	\$ 1,887
Other Revenue	1,500	1,500	2,473	973
<b>Total Revenues</b>	<u>14,500</u>	<u>14,500</u>	<u>17,360</u>	<u>2,860</u>
<b>Expenditures</b>				
Current:				
Public Safety	30,000	30,000	29,067	933
<b>(Total Expenditures)</b>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(29,067)</u>	<u>933</u>
<b>Net Change in Fund Balance</b>	<u>\$ (15,500)</u>	<u>\$ (15,500)</u>	<u>\$ (11,707)</u>	<u>\$ 3,793</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, 2012  
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>		
<b>Revenues</b>				
Intergovernmental	\$ 111,575	\$ 111,575	\$ 96,548	\$ (15,027)
<b>Total Revenues</b>	<u>111,575</u>	<u>111,575</u>	<u>96,548</u>	<u>(15,027)</u>
<b>Expenditures</b>				
Current:				
Public Safety	15,027	522		522
<b>(Total Expenditures)</b>	<u>(15,027)</u>	<u>(522)</u>	<u>0</u>	<u>522</u>
<b>Excess of Revenues Over Expenditures</b>	96,548	111,053	96,548	(14,505)
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(96,548)</u>	<u>(111,053)</u>	<u>(96,548)</u>	<u>14,505</u>
<b>Net Change in Fund Balance</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2012  
 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>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 1,000	\$ 1,000		\$ (1,000)
Other Revenue	750	750	\$ 657	(93)
<b>Total Revenues</b>	<u>1,750</u>	<u>1,750</u>	<u>657</u>	<u>(1,093)</u>
<b>Expenditures</b>				
Current:				
Physical Environment	10,000	16,840	6,865	9,975
<b>(Total Expenditures)</b>	<u>(10,000)</u>	<u>(16,840)</u>	<u>(6,865)</u>	<u>9,975</u>
<b>Net Change in Fund Balance</b>	<u>\$ (8,250)</u>	<u>\$ (15,090)</u>	<u>\$ (6,208)</u>	<u>\$ 8,882</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, 2012  
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>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 9,000	\$ 9,000	\$ 60	\$ (8,940)
Other Revenue	500	500	9,002	8,502
<b>Total Revenues</b>	<u>9,500</u>	<u>9,500</u>	<u>9,062</u>	<u>(438)</u>
<b>Expenditures</b>				
Current:				
Public Safety	15,920	93,927	72,977	20,950
<b>(Total Expenditures)</b>	<u>(15,920)</u>	<u>(93,927)</u>	<u>(72,977)</u>	<u>20,950</u>
<b>Net Change in Fund Balance</b>	<u>\$ (6,420)</u>	<u>\$ (84,427)</u>	<u>\$ (63,915)</u>	<u>\$ 20,512</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, 2012  
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>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 10,000	\$ 10,000	\$ 499,797	\$ 489,797
Other Revenue	1,200	1,200	17,887	16,687
<b>Total Revenues</b>	<u>11,200</u>	<u>11,200</u>	<u>517,684</u>	<u>506,484</u>
<b>Expenditures</b>				
Current:				
Public Safety	30,000	112,997	83,265	29,732
<b>(Total Expenditures)</b>	<u>(30,000)</u>	<u>(112,997)</u>	<u>(83,265)</u>	<u>29,732</u>
<b>Excess of Revenues Over Expenditures</b>	(18,800)	(101,797)	434,419	536,216
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>\$ (38,800)</u>	<u>\$ (121,797)</u>	<u>\$ 414,419</u>	<u>\$ 536,216</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, 2012  
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>		
<b>Revenues</b>				
Other Revenues	\$ 2,000	\$ 2,000	\$ 15,110	\$ 13,110
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>15,110</u>	<u>13,110</u>
<b>Expenditures</b>				
Debt Service:				
Principal	800,000	800,000	830,000	(30,000)
Interest and Fees	268,218	283,218	213,927	69,291
<b>(Total Expenditures)</b>	<u>(1,068,218)</u>	<u>(1,083,218)</u>	<u>(1,043,927)</u>	<u>39,291</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(1,066,218)	(1,081,218)	(1,028,817)	52,401
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,015,115</u>	<u>1,015,115</u>	<u>1,015,115</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	<u>\$ (51,103)</u>	<u>\$ (66,103)</u>	<u>\$ (13,702)</u>	<u>\$ 52,401</u>

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Equity in Pooled Cash and Investments	\$ 2,817,618	\$ 4,673,210	\$ 263,180	\$ 1,510,507	\$ 1,337,094	\$ 10,601,609
Other Operating Cash			1,290			1,290
Receivables:						
Accounts, Net	147,329	374,315		1,525	186,062	709,231
Inventory			27,591			27,591
Prepaid Expenses			4,511	778		5,289
<b>Total Current Assets</b>	<u>2,964,947</u>	<u>5,047,525</u>	<u>296,572</u>	<u>1,512,810</u>	<u>1,523,156</u>	<u>11,345,010</u>
<b>Noncurrent Assets</b>						
Capital Assets:						
Land	329,263		388,980	28,000		746,243
Buildings and Improvements	20,258,033		1,977,219	995,260	3,858,449	27,088,961
Equipment	277,465	348,613	125,613	856,184		1,607,875
Construction in Progress	232,464					232,464
	<u>21,097,225</u>	<u>348,613</u>	<u>2,491,812</u>	<u>1,879,444</u>	<u>3,858,449</u>	<u>29,675,543</u>
(Accumulated Depreciation)	<u>(6,558,504)</u>	<u>(169,555)</u>	<u>(986,839)</u>	<u>(1,498,750)</u>	<u>(142,130)</u>	<u>(9,355,778)</u>
<b>Total Noncurrent Assets</b>	<u>14,538,721</u>	<u>179,058</u>	<u>1,504,973</u>	<u>380,694</u>	<u>3,716,319</u>	<u>20,319,765</u>
<b>Total Assets</b>	<u>17,503,668</u>	<u>5,226,583</u>	<u>1,801,545</u>	<u>1,893,504</u>	<u>5,239,475</u>	<u>31,664,775</u>

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA  
(Concluded)**

	<u>Stormwater</u>	<u>Sanitation</u>	<u>Golf Course</u>	<u>Leased Facilities</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 13,899	\$ 207,317	\$ 25,767	\$ 4,003	\$ 153,337	\$ 404,323
Power Costs Recovered in Advance					314,572	314,572
Other Accrued Liabilities	4,799	7,099	29,052	1,833	10,252	53,035
Unearned Revenues			35,908			35,908
Current Portion of Long-term Debt:						
Compensated Absences		5,420	15,658			21,078
<b>Total Current Liabilities</b>	<u>18,698</u>	<u>219,836</u>	<u>106,385</u>	<u>5,836</u>	<u>478,161</u>	<u>828,916</u>
<b>Noncurrent Liabilities</b>						
Accrued Compensated Absences		21,682	62,632			84,314
Other Postemployment Benefits	6,983		6,983			13,966
<b>Total Noncurrent Liabilities</b>	<u>6,983</u>	<u>21,682</u>	<u>69,615</u>	<u>0</u>	<u>0</u>	<u>98,280</u>
<b>Total Liabilities</b>	<u>25,681</u>	<u>241,518</u>	<u>176,000</u>	<u>5,836</u>	<u>478,161</u>	<u>927,196</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	14,538,721	179,058	1,504,973	380,694	3,716,319	20,319,765
Unrestricted	2,939,266	4,806,007	120,572	1,506,974	1,044,995	10,417,814
<b>Total Net Assets</b>	<u>\$ 17,477,987</u>	<u>\$ 4,985,065</u>	<u>\$ 1,625,545</u>	<u>\$ 1,887,668</u>	<u>\$ 4,761,314</u>	<u>\$ 30,737,579</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
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>
<b>Operating Revenues</b>						
Charges for Services	\$ 1,249,882	\$ 3,116,899	\$ 1,386,212		\$ 1,559,993	\$ 7,312,986
Other			1,983	\$ 551,647	19,141	572,771
<b>Total Operating Revenues</b>	<u>1,249,882</u>	<u>3,116,899</u>	<u>1,388,195</u>	<u>551,647</u>	<u>1,579,134</u>	<u>7,885,757</u>
<b>Operating Expenses</b>						
Purchased Power					865,145	865,145
Personal Services	143,806	241,253	609,430	2,670	0	997,159
Purchased Services	214,975	2,738,070	77,018	11,242	173,675	3,214,980
Repairs and Maintenance	16,999	4,831	74,108	172,350	1,897	270,185
Depreciation	672,554	41,847	86,090	67,959	95,704	964,154
Materials and Supplies	10,784	25,261	187,374		1,534	224,953
Other Expenses	232,836	110,026	357,456	16,786	49,718	766,822
<b>(Total Operating Expenses)</b>	<u>(1,291,954)</u>	<u>(3,161,288)</u>	<u>(1,391,476)</u>	<u>(271,007)</u>	<u>(1,187,673)</u>	<u>(7,303,398)</u>
<b>Operating (Loss) Income</b>	<u>(42,072)</u>	<u>(44,389)</u>	<u>(3,281)</u>	<u>280,640</u>	<u>391,461</u>	<u>582,359</u>
<b>Nonoperating Income (Expense)</b>						
Investment Earnings	33,316	83,769	4,380	25,502		146,967
Gain on Disposal of Capital Assets		11,000				11,000
<b>Total Nonoperating Income (Expense)</b>	<u>33,316</u>	<u>94,769</u>	<u>4,380</u>	<u>25,502</u>	<u>0</u>	<u>157,967</u>
<b>(Loss) Income Before Contributions and Transfers</b>	<u>(8,756)</u>	<u>50,380</u>	<u>1,099</u>	<u>306,142</u>	<u>391,461</u>	<u>740,326</u>
<b>Transfers</b>						
Transfers in	14,487					14,487
Transfers (out)				(260,000)		(260,000)
<b>Total Transfers</b>	<u>14,487</u>	<u>0</u>	<u>0</u>	<u>(260,000)</u>	<u>0</u>	<u>(245,513)</u>
<b>Change in Net Assets</b>	5,731	50,380	1,099	46,142	391,461	494,813
<b>Total Net Assets, Beginning of Year</b>	<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>
<b>Total Net Assets, End of Year</b>	<u>\$ 17,477,987</u>	<u>\$ 4,985,065</u>	<u>\$ 1,625,545</u>	<u>\$ 1,887,668</u>	<u>\$ 4,761,314</u>	<u>\$ 30,737,579</u>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
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>
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers and Users	\$ 1,255,598	\$ 3,140,245	\$ 1,393,859	\$ 595,871	\$ 1,891,948	\$ 8,277,521
Cash Payments to Vendors for Goods and Services	(533,478)	(2,876,647)	(675,549)	(196,307)	(1,359,844)	(5,641,825)
Cash Payments to Employees for Services	(142,466)	(217,086)	(631,151)	(2,670)		(993,373)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>579,654</u>	<u>46,512</u>	<u>87,159</u>	<u>396,894</u>	<u>532,104</u>	<u>1,642,323</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers in	14,487					14,487
Transfers (out)				(260,000)		(260,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>14,487</u>	<u>0</u>	<u>0</u>	<u>(260,000)</u>	<u>0</u>	<u>(245,513)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition of Capital Assets	(129,032)	(115,849)	(27,092)	(24,569)	(144,402)	(440,944)
Principal Paid on Revenue Bonds	(451,040)					(451,040)
Interest Paid	(6,671)					(6,671)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(586,743)</u>	<u>(115,849)</u>	<u>(27,092)</u>	<u>(24,569)</u>	<u>(144,402)</u>	<u>(898,655)</u>
<b>Cash Flows from Investing Activities</b>						
Interest Received on Investments	33,316	83,769	4,380	25,502	0	146,967
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	40,714	14,432	64,447	137,827	387,702	645,122
<b>Cash and Cash Equivalents, Beginning of Year</b>	<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>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,817,618</u>	<u>\$ 4,673,210</u>	<u>\$ 264,470</u>	<u>\$ 1,510,507</u>	<u>\$ 1,337,094</u>	<u>\$ 10,602,899</u>

**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**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>
<b>Current Assets</b>						
Equity in Pooled Cash and Investments	\$ 2,817,618	\$ 4,673,210	\$ 263,180	\$ 1,510,507	\$ 1,337,094	\$ 10,601,609
Other Operating Cash			1,290			1,290
<b>Total</b>	<u>\$ 2,817,618</u>	<u>\$ 4,673,210</u>	<u>\$ 264,470</u>	<u>\$ 1,510,507</u>	<u>\$ 1,337,094</u>	<u>\$ 10,602,899</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>						
Operating Income (Loss)	\$ (42,072)	\$ (44,389)	\$ (3,281)	\$ 280,640	\$ 391,461	\$ 582,359
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	672,554	41,847	86,090	67,959	95,704	964,154
Power Costs Recovered in Advance (Returned)					327,572	327,572
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):						
Accounts Receivable and Unbilled Revenue	5,716	23,346	5,069	44,224	(14,758)	63,597
Inventories			5,078			5,078
Prepaid Expenses			(388)	(41)		(429)
Accounts Payable and Other Accrued Liabilities	(57,884)	1,541	15,717	4,112	(267,875)	(304,389)
Unearned Revenues			595			595
Accrued Compensated Absences		24,167	5,154			29,321
Other Postemployment Benefits	1,340		(26,875)			(25,535)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 579,654</u>	<u>\$ 46,512</u>	<u>\$ 87,159</u>	<u>\$ 396,894</u>	<u>\$ 532,104</u>	<u>\$ 1,642,323</u>

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Self-insurance Fund</u>	<u>Other Internal Service Fund</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,486,044	\$ 261,900	\$ 3,747,944
Other Operating Cash	29,801		29,801
Prepaid Expenses	47,674		47,674
<b>Total Current Assets</b>	<u>3,563,519</u>	<u>261,900</u>	<u>3,825,419</u>
<b>Noncurrent Assets</b>			
Capital Assets:			
Buildings and Improvements		1,610,007	1,610,007
Equipment		2,364,278	2,364,278
	<u>0</u>	<u>3,974,285</u>	<u>3,974,285</u>
(Accumulated Depreciation)		(3,099,318)	(3,099,318)
<b>Total Noncurrent Assets</b>	<u>0</u>	<u>874,967</u>	<u>874,967</u>
<b>Total Assets</b>	<u>3,563,519</u>	<u>1,136,867</u>	<u>4,700,386</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	16,947	107,688	124,635
Other Accrued Liabilities	616	125,752	126,368
Estimated Liability for Self-insured Losses	925,729		925,729
Current Portion of Long-term Debt, Compensated Absences		168,754	168,754
<b>Total Current Liabilities</b>	<u>943,292</u>	<u>402,194</u>	<u>1,345,486</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences	<u>0</u>	<u>675,017</u>	<u>675,017</u>
<b>Total Liabilities</b>	<u>943,292</u>	<u>1,077,211</u>	<u>2,020,503</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt		874,967	874,967
Unrestricted	2,620,227	(815,311)	1,804,916
<b>Total Net Assets</b>	<u>\$ 2,620,227</u>	<u>\$ 59,656</u>	<u>\$ 2,679,883</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Self-insurance Fund</u>	<u>Other Internal Service Fund</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 3,177,049	\$ 6,967,007	\$ 10,144,056
Other Revenue		940	940
<b>Total Operating Revenues</b>	<u>3,177,049</u>	<u>6,967,947</u>	<u>10,144,996</u>
<b>Operating Expenses</b>			
Personal Services	13,755	3,610,954	3,624,709
Purchased Services	60,032	857,192	917,224
Repairs and Maintenance		423,573	423,573
Depreciation		145,817	145,817
Materials and Supplies	650	299,187	299,837
Other Expenses	2,530,872	1,674,379	4,205,251
<b>(Total Operating Expenses)</b>	<u>(2,605,309)</u>	<u>(7,011,102)</u>	<u>(9,616,411)</u>
<b>Operating Income (Loss)</b>	<u>571,740</u>	<u>(43,155)</u>	<u>528,585</u>
<b>Nonoperating Income (Expense)</b>			
Investment Earnings	53,615		53,615
(Loss) on Disposal of Capital Assets		(8,970)	(8,970)
<b>Total Nonoperating Income (Expense)</b>	<u>53,615</u>	<u>(8,970)</u>	<u>44,645</u>
<b>Income (Loss) Before Transfers</b>	625,355	(52,125)	573,230
<b>Transfers in</b>	<u>0</u>	<u>21,014</u>	<u>21,014</u>
<b>Change in Net Assets</b>	625,355	(31,111)	594,244
<b>Total Net Assets, Beginning of Year</b>	<u>1,994,872</u>	<u>90,767</u>	<u>2,085,639</u>
<b>Total Net Assets, End of Year</b>	<u>\$ 2,620,227</u>	<u>\$ 59,656</u>	<u>\$ 2,679,883</u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Self-insurance Fund</b>	<b>Other Internal Service Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers and Users	\$ 3,177,049	\$ 6,967,947	\$ 10,144,996
Cash Payments to Vendors for Goods and Services	(1,110,291)	(3,294,981)	(4,405,272)
Cash Payments to Employees for Services	(13,755)	(3,707,348)	(3,721,103)
Claims Paid	(1,848,890)		(1,848,890)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>204,113</b>	<b>(34,382)</b>	<b>169,731</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Transfers in	0	21,014	21,014
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	0	(12,277)	(12,277)
<b>Cash Flows from Investing Activities</b>			
Interest Received on Investments	53,615		53,615
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>257,728</b>	<b>(25,645)</b>	<b>232,083</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,258,117</b>	<b>287,545</b>	<b>3,545,662</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,515,845</b>	<b>\$ 261,900</b>	<b>\$ 3,777,745</b>
<b><u>Included on the Accompanying Balance Sheet Under the Following Captions</u></b>			
<b>Current Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,486,044	\$ 261,900	\$ 3,747,944
Other Operating Cash	29,801		29,801
<b>Total Current Assets</b>	<b>\$ 3,515,845</b>	<b>\$ 261,900</b>	<b>\$ 3,777,745</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>			
Operating Income (Loss)	\$ 571,740	\$ (43,155)	\$ 528,585
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation		145,817	145,817
Increase in Estimated Liability for Self-insured Losses	(374,167)		(374,167)
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):			
Prepaid Expenses	(230)		(230)
Accounts Payable and Other Accrued Liabilities	6,770	(40,650)	(33,880)
Accrued Compensated Absences		(96,394)	(96,394)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 204,113</b>	<b>\$ (34,382)</b>	<b>\$ 169,731</b>

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
**SEPTEMBER 30, 2012**  
**CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Totals</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,479,299	\$ 733,754	\$ 380,794	\$ 2,593,847
Accrued Interest	102,231	38,736	20,965	161,932
Due from Other Governments			54,785	54,785
Investments:				
Equities, Including Mutual Funds	25,190,061	9,701,426	5,246,604	40,138,091
Corporate Bonds	7,276,085	2,756,931	1,492,140	11,525,156
U.S. Government Obligations/Agencies	8,716,511	3,302,712	1,787,535	13,806,758
Total Investments	<u>41,182,657</u>	<u>15,761,069</u>	<u>8,526,279</u>	<u>65,470,005</u>
<b>Total Assets</b>	<u>42,764,187</u>	<u>16,533,559</u>	<u>8,982,823</u>	<u>68,280,569</u>
<b>Liabilities</b>				
Accounts Payable	3,367	3,358	3,357	10,082
Other Accrued Liabilities	1,149	408	268	1,825
<b>Total Liabilities</b>	<u>4,516</u>	<u>3,766</u>	<u>3,625</u>	<u>11,907</u>
<b>Net Assets</b>				
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 42,759,671</u>	<u>\$ 16,529,793</u>	<u>\$ 8,979,198</u>	<u>\$ 68,268,662</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
ALL FIDUCIARY FUNDS - PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Totals</u>
<b>Additions</b>				
Contributions:				
Employee	\$ 767,532	\$ 241,911	\$ 134,216	\$ 1,143,659
Employer	1,132,385	653,602	388,143	2,174,130
State of Florida		164,649	185,420	350,069
Total Contributions	<u>1,899,917</u>	<u>1,060,162</u>	<u>707,779</u>	<u>3,667,858</u>
Investment Income:				
Investment Earnings	6,326,706	2,389,968	1,294,144	10,010,818
(Investment Expenses)	<u>(160,399)</u>	<u>(60,948)</u>	<u>(33,013)</u>	<u>(254,360)</u>
Net Investment Income	<u>6,166,307</u>	<u>2,329,020</u>	<u>1,261,131</u>	<u>9,756,458</u>
<b>Total Additions</b>	<u>8,066,224</u>	<u>3,389,182</u>	<u>1,968,910</u>	<u>13,424,316</u>
<b>Deductions</b>				
Benefits	3,010,743	1,131,140	659,855	4,801,738
Refunds of Contributions	48,593	9,282	34,813	92,688
Administrative Expense	<u>81,578</u>	<u>54,521</u>	<u>53,911</u>	<u>190,010</u>
<b>(Total Deductions)</b>	<u>(3,140,914)</u>	<u>(1,194,943)</u>	<u>(748,579)</u>	<u>(5,084,436)</u>
<b>Change in Net Assets</b>	4,925,310	2,194,239	1,220,331	8,339,880
<b>Net Assets, Beginning of Year</b>	<u>37,834,361</u>	<u>14,335,554</u>	<u>7,758,867</u>	<u>59,928,782</u>
<b>Net Assets, End of Year</b>	<u>\$ 42,759,671</u>	<u>\$ 16,529,793</u>	<u>\$ 8,979,198</u>	<u>\$ 68,268,662</u>

**SCHEDULE OF COMBINING BALANCE SHEET  
COMMUNITY REDEVELOPMENT FUND  
SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<b>Downtown Redevelopment District</b>	<b>Southend Redevelopment District</b>	<b>Totals</b>
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 6,636,840	\$ 2,750,373	\$ 9,387,213
Assessments, Net		3,642	3,642
Deposits		1,011,070	1,011,070
<b>Total Assets</b>	<u>6,636,840</u>	<u>3,765,085</u>	<u>10,401,925</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	236,921	307	237,228
Other Accrued Liabilities	169,037	1,385	170,422
Deferred Revenue		3,642	3,642
<b>Total Liabilities</b>	<u>405,958</u>	<u>5,334</u>	<u>411,292</u>
<b>Fund Balances</b>			
Restricted for:			
Redevelopment	6,230,882	2,748,681	8,979,563
Transportation Improvements		1,011,070	1,011,070
<b>Total Fund Balances</b>	<u>6,230,882</u>	<u>3,759,751</u>	<u>9,990,633</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,636,840</u>	<u>\$ 3,765,085</u>	<u>\$ 10,401,925</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - COMMUNITY REDEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Downtown Redevelopment</u>	<u>Southend Redevelopment</u>	<u>Totals</u>
<b>Revenues</b>			
Taxes	\$ 4,620,363	\$ 2,571,313	\$ 7,191,676
Interest and Other Revenue	159,213	76,288	235,501
<b>Total Revenues</b>	<u>4,779,576</u>	<u>2,647,601</u>	<u>7,427,177</u>
<b>Expenditures</b>			
Current:			
General Government	155,662	83,021	238,683
Public Safety	348,296		348,296
Debt Service:			
Principal	927,716	726,958	1,654,674
Interest and Fees	46,451	132,792	179,243
Capital Outlay	3,560,266	171,920	3,732,186
<b>(Total Expenditures)</b>	<u>(5,038,391)</u>	<u>(1,114,691)</u>	<u>(6,153,082)</u>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<u>(258,815)</u>	<u>1,532,910</u>	<u>1,274,095</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	17,160		17,160
Transfers (out)		(41,465)	(41,465)
<b>Total Other Financing Sources (Uses)</b>	<u>17,160</u>	<u>(41,465)</u>	<u>(24,305)</u>
<b>Net Change in Fund Balances</b>	(241,655)	1,491,445	1,249,790
<b>Fund Balances, Beginning of Year</b>	<u>6,472,537</u>	<u>2,268,306</u>	<u>8,740,843</u>
<b>Fund Balances, End of Year</b>	<u>\$ 6,230,882</u>	<u>\$ 3,759,751</u>	<u>\$ 9,990,633</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, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 106,860,902	\$ 88,957,165	\$ (17,903,737)
Other	326,569	247,116	(79,453)
<b>Total Operating Revenues</b>	<u>107,187,471</u>	<u>89,204,281</u>	<u>(17,983,190)</u>
<b>Operating Expenses</b>			
Purchased Power	75,412,594	59,747,595	15,664,999
Personal Services	8,501,652	6,952,675	1,548,977
Purchased Services	1,693,236	902,338	790,898
Repairs and Maintenance	1,634,955	1,447,276	187,679
Materials and Supplies	1,024,336	830,886	193,450
Other Expenses	6,957,024	5,262,668	1,694,356
<b>(Total Operating Expenses)</b>	<u>(95,223,797)</u>	<u>(75,143,438)</u>	<u>20,080,359</u>
<b>Operating Income</b>	<u>11,963,674</u>	<u>14,060,843</u>	<u>2,097,169</u>
<b>Nonoperating Income (Expense)</b>			
Investment Earnings	369,151	611,874	242,723
Interest Expense	(1,112,938)	(1,104,642)	8,296
Intergovernmental Revenue	70,000	196,737	126,737
Connection Fees	160,000	117,847	(42,153)
Gain on Disposal of Capital Assets	53,951	136,766	82,815
Capital Outlay	(12,623,581)	(5,847,824)	6,775,757
System Removal Costs	0	(237,865)	(237,865)
Debt Service Principal	(3,370,000)	(3,370,000)	0
Capital Grant Revenue	485,000	647,701	162,701
Developer Contributions	86,000	0	(86,000)
<b>Total Nonoperating Income (Expense)</b>	<u>(15,882,417)</u>	<u>(8,849,406)</u>	<u>7,033,011</u>
<b>Income Before Operating Transfers</b>	<u>(3,918,743)</u>	<u>5,211,437</u>	<u>9,130,180</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	41,465	41,465	0
Transfers (out)	(3,530,758)	(3,553,759)	(23,001)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,489,293)</u>	<u>(3,512,294)</u>	<u>(23,001)</u>
<b>Net Income</b>	<u>\$ (7,408,036)</u>	<u>\$ 1,699,143</u>	<u>\$ 9,107,179</u>

**RECONCILIATION OF NET INCOME - FINANCIAL STATEMENT BASIS  
TO BUDGETARY BASIS  
ELECTRIC, WATER AND SEWER ENTERPRISE FUNDS ONLY  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
CITY OF JACKSONVILLE BEACH, FLORIDA**

<b>Net Income - Financial Statement Basis</b>	<u>\$ 4,113,202</u>
<b>Adjustments</b>	
Depreciation	6,948,036
Capital Outlay, Purchased	(5,847,824)
Capital Outlay, Developer Contributions	(230,845)
Removal Costs	(237,865)
Debt Service, Principal	(3,370,000)
Amortization:	
Bond Issue Costs	94,450
Bond Premium	(340,846)
Loss on Refunding	570,835
<b>(Total Adjustments)</b>	<u>(2,414,059)</u>
<b>Net Income - Budgetary Basis</b>	<u><u>\$ 1,699,143</u></u>

**SCHEDULES OF ADDITIONAL INFORMATION REQUIRED  
 UNDER UTILITY REVENUE BOND COVENANTS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011  
 CITY OF JACKSONVILLE BEACH, FLORIDA**

**Utility Customers Connected and Active**

	<u>2012</u>	<u>2011</u>
<b>Electrical Customers</b>		
Jacksonville Beach	13,697	13,607
Neptune Beach	3,923	3,909
Other	15,683	15,631
<b>Total Electrical Customers</b>	<u>33,303</u>	<u>33,147</u>
<b>Water and Wastewater Customers</b>		
Water	9,711	9,642
Wastewater	9,569	9,502
<b>Total Water and Wastewater Customers</b>	<u>19,280</u>	<u>19,144</u>

**Insurance in Existence**

**Electrical Department**

Buildings, Equipment, Transformers, Regulators, Substations and Equipment	<u>\$ 68,500,054</u>	<u>\$ 49,459,946</u>
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**Water Department**

Buildings and Equipment	<u>\$ 31,005,220</u>	<u>\$ 20,018,363</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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	109
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the City's local revenue source.	114
<b>Debt Capacity Information</b> These schedules present information to help the reader assess the City's debt burden and its ability to issue additional debt in the future.	118
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.	123
<b>Operating Information</b> 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 Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
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	\$ 78,634,891
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	12,516,772
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	13,523,810
<b>Total Governmental Activities Net Assets</b>	<u>59,668,241</u>	<u>63,862,572</u>	<u>68,917,116</u>	<u>78,943,437</u>	<u>90,839,584</u>	<u>99,168,245</u>	<u>101,977,608</u>	<u>96,248,665</u>	<u>98,879,177</u>	<u>104,675,473</u>
<b>Business-type Activities</b>										
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	142,057,214
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	2,000,000
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	57,678,739
<b>Total Business-type Activities Net Assets</b>	<u>111,518,755</u>	<u>119,128,297</u>	<u>130,277,631</u>	<u>138,860,765</u>	<u>144,086,351</u>	<u>150,538,402</u>	<u>163,327,488</u>	<u>185,467,730</u>	<u>197,127,938</u>	<u>201,735,953</u>
<b>Primary Government</b>										
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	220,692,105
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	14,516,772
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	71,202,549
<b>Total Primary Government Net Assets</b>	<u>\$ 171,186,996</u>	<u>\$ 182,990,869</u>	<u>\$ 199,194,747</u>	<u>\$ 217,804,202</u>	<u>\$ 234,925,935</u>	<u>\$ 249,706,647</u>	<u>\$ 265,305,096</u>	<u>\$ 281,716,395</u>	<u>\$ 296,007,115</u>	<u>\$ 306,411,426</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
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	\$ 2,141,571
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	8,604,107
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	3,796,759
Building Inspections	497,649	542,448	535,243	808,782	564,002	582,524	554,407	448,328	459,024	427,941
Physical Environment	303,184	295,016	296,654	282,946	351,125	348,893	25,401	367,166	365,433	380,328
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	3,548,624
Economic Environment	108,574	108,575	108,574	108,574	108,574	0	0	0	0	0
Human Services	38,437	36,398	48,237	64,798	52,967	72,908	102,705	81,754	20,000	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	2,945,435
Interest on Long-term Debt	1,016,078	828,910	707,425	616,590	843,849	799,470	714,233	626,709	535,930	393,170
<b>Total Governmental Activities Expenses</b>	<b>17,185,769</b>	<b>18,515,773</b>	<b>19,059,401</b>	<b>19,908,775</b>	<b>20,967,327</b>	<b>22,112,731</b>	<b>21,961,079</b>	<b>24,842,200</b>	<b>21,980,948</b>	<b>22,257,935</b>
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	75,056,538
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	8,327,251
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	1,291,954
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	3,150,288
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	1,391,476
Leased Facilities	273,907	386,424	238,354	190,490	409,283	341,061	473,711	369,927	376,748	271,007
Natural Gas	0	0	0	0	0	0	1,323	99,804	897,732	1,187,673
<b>Total Business-type Activities Expenses</b>	<b>69,496,547</b>	<b>75,377,643</b>	<b>81,833,221</b>	<b>93,102,931</b>	<b>94,454,851</b>	<b>106,815,746</b>	<b>108,976,404</b>	<b>107,035,217</b>	<b>95,677,769</b>	<b>90,676,187</b>
<b>Total Primary Government Expenses</b>	<b>86,682,316</b>	<b>93,893,416</b>	<b>100,892,622</b>	<b>113,011,706</b>	<b>115,422,178</b>	<b>128,928,477</b>	<b>130,937,483</b>	<b>131,877,417</b>	<b>117,658,717</b>	<b>112,934,122</b>
<b>Program Revenues</b>										
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	66,802
Law Enforcement	319,105	532,788	276,969	286,226	264,479	697,090	207,411	145,164	156,311	163,486
Building Inspections	504,322	440,196	963,930	616,215	521,039	323,726	347,700	257,693	267,879	372,025
Physical Environment	72,231	66,408	42,036	36,608	52,656	40,667	52,029	23,866	14,791	8,619
Roads and Streets	4,360	4,360	5,040	5,720	3,560	3,120	25,085	129,850	229,084	217,998
Parks and Recreation	79,816	51,422	79,209	61,855	66,325	129,393	75,389	104,251	107,867	107,199
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	1,553,819
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	142,918
<b>Total Governmental Activities</b>										
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	2,632,866

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program Revenues (Concluded)</b>										
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	\$ 79,918,545
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	9,285,736
Stormwater	1,148,760	1,189,009	1,204,030	1,160,866	1,187,770	1,223,464	1,242,265	1,242,265	1,232,483	1,249,882
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	3,116,899
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	1,388,195
Leased Facilities	463,317	416,999	539,337	515,700	415,581	494,476	498,717	541,785	570,920	551,647
Natural Gas	0	0	0	0	0	0	0	89,255	1,114,296	1,579,134
Operating Grants and Contributions	0	840,039	16,829	0	0	299,832	(265,331)	306,715	0	196,737
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	996,393
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	98,283,168
<b>Total Primary Government Program Revenues</b>	<b>83,309,930</b>	<b>90,406,759</b>	<b>99,208,641</b>	<b>108,885,591</b>	<b>106,587,390</b>	<b>118,896,003</b>	<b>122,929,965</b>	<b>125,247,196</b>	<b>108,968,484</b>	<b>100,916,034</b>
<b>Net (Expense) Revenue</b>										
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)	(19,625,069)
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	7,606,981
<b>Total Primary Government Net Expense</b>	<b>(3,372,386)</b>	<b>(3,486,657)</b>	<b>(1,683,981)</b>	<b>(4,126,115)</b>	<b>(8,834,788)</b>	<b>(10,032,474)</b>	<b>(8,007,518)</b>	<b>(6,630,221)</b>	<b>(8,690,233)</b>	<b>(12,018,088)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
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	14,412,386
Franchise Taxes	5,280	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	997,077
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	1,221,709
Convention Development Tax	194,597	197,166	198,762	203,508	179,442	235,080	208,957	220,694	221,509	224,402
Fuel Taxes	788,221	794,717	804,025	839,717	806,961	783,579	725,730	747,903	742,603	708,396
Other Taxes	0	0	0	0	0	0	0	273,107	252,578	611,181
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	2,537,879
Other Intergovernmental Revenues	50,068	32,287	38,051	31,653	39,876	38,334	33,964	35,033	33,681	33,504
Interest	495,916	442,608	937,211	1,687,137	2,820,596	1,811,187	1,030,966	663,193	373,674	656,852
Miscellaneous	295,742	(90,241)	18,856	1,837	26,747	225,061	4,736	21,916	185,037	254,892
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)	3,757,807
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	25,421,365
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	758,841
Miscellaneous	51,746	84,896	18,804	21,817	42,409	25,156	(19,165)	0	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	(3,757,807)
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	(2,998,966)
<b>Total Primary Government</b>	<b>15,020,323</b>	<b>15,290,530</b>	<b>17,887,859</b>	<b>22,735,570</b>	<b>25,956,521</b>	<b>24,813,186</b>	<b>23,447,128</b>	<b>23,041,520</b>	<b>22,980,953</b>	<b>22,422,399</b>
<b>Change in Net Assets</b>										
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	5,796,296
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	4,608,015
<b>Total Primary Government</b>	<b>\$ 11,647,937</b>	<b>\$ 11,803,873</b>	<b>\$ 16,203,878</b>	<b>\$ 18,609,455</b>	<b>\$ 17,121,733</b>	<b>\$ 14,780,712</b>	<b>\$ 15,439,610</b>	<b>\$ 16,411,299</b>	<b>\$ 14,290,720</b>	<b>\$ 10,404,311</b>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Pre- GASB 54:										
Reserved	\$ 282,542	\$ 181,612	\$ 291,479	\$ 231,530	\$ 116,148	\$ 190,292	\$ 140,701	\$ 114,442	\$ 0	\$ 0
Unreserved	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	0
Post- GASB 54:										
Nonspendable	0	0	0	0	0	0	0	0	18,000	41,640
Committed	0	0	0	0	0	0	0	0	4,529,922	4,447,636
Assigned	0	0	0	0	0	0	0	0	3,723,744	4,607,248
<b>Total General Fund</b>	<b>\$ 6,275,255</b>	<b>\$ 6,616,435</b>	<b>\$ 6,306,196</b>	<b>\$ 6,715,576</b>	<b>\$ 6,768,562</b>	<b>\$ 7,457,210</b>	<b>\$ 8,020,158</b>	<b>\$ 8,372,963</b>	<b>\$ 8,271,666</b>	<b>\$ 9,096,524</b>
<b>All Other Governmental Funds</b>										
Pre- GASB 54:										
Reserved	\$ 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	\$ 0
Unreserved, Reported in:										
Special Revenue Funds	235,784	207,110	355,838	525,474	315,996	538,436	313,426	808,007	0	0
Debt Service Funds	569,730	657,157	403,867	86,105	99,026	50,777	50,146	54,227	0	0
Capital Projects Fund	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	0
Post- GASB 54:										
Restricted	0	0	0	0	0	0	0	0	14,163,932	15,417,977
Committed	0	0	0	0	0	0	0	0	12,756	6,548
Assigned	0	0	0	0	0	0	0	0	5,850,337	4,737,290
<b>Total All Other Governmental Funds</b>	<b>\$ 13,656,940</b>	<b>\$ 11,811,610</b>	<b>\$ 14,247,269</b>	<b>\$ 16,192,972</b>	<b>\$ 27,600,919</b>	<b>\$ 26,140,694</b>	<b>\$ 23,259,056</b>	<b>\$ 20,616,434</b>	<b>\$ 20,027,025</b>	<b>\$ 20,161,815</b>

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

	<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>	<u>2012</u>
<b>Revenues</b>										
Taxes	\$ 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	\$ 18,192,431
Licenses and Permits	755,304	692,010	1,275,226	894,925	671,728	608,246	618,240	229,564	261,309	367,855
Intergovernmental	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	3,719,817
Charges for Services	223,930	157,606	164,856	433,984	227,186	257,255	181,526	289,680	763,837	696,313
Fines and Forfeitures	445,140	669,729	446,998	422,586	452,653	743,505	298,613	510,579	234,427	701,853
Interest and Other Revenue	790,463	740,564	1,238,508	2,003,352	2,943,256	2,058,022	1,227,435	836,043	479,251	891,669
<b>Total Revenues</b>	<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>	<u>24,569,938</u>
<b>Expenditures</b>										
Current:										
General Government	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	2,141,672
Public Safety	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	12,397,347
Physical Environment	9,825	23	26	4,840	24,986	12,435	25,401	507,257	21,756	36,651
Roads and Streets	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	2,640,093
Human Services	38,437	36,398	48,237	64,798	52,967	72,908	102,705	81,754	20,000	20,000
Parks and Recreation	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	2,436,193
Debt Service:										
Principal	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	2,484,674
Interest	1,016,078	828,910	707,425	616,590	843,849	799,470	714,236	626,709	535,930	393,170
Capital Outlay	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	4,797,283
Grants and Aid	0	0	0	0	0	0	0	0	0	0
<b>(Total Expenditures)</b>	<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>	<u>(27,347,083)</u>
<b>(Deficiency) of Revenues</b>										
<b>(Under) Expenditures</b>	<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>	<u>(2,777,145)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from Borrowing	14,339,456	6,685,096	0	0	10,000,000	0	0	0	0	6,495,000
Principal - Current Refundings	(14,339,456)	(6,685,096)	0	0	0	0	0	0	0	(6,495,000)
Transfers in	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	5,730,018
Transfers (out)	(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)	(1,993,225)
<b>Total Other Financing Sources (Uses)</b>	<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>	<u>3,736,793</u>
<b>Net Change in Fund Balance</b>	<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>	<u>\$ 959,648</u>
<b>Debt Service as a % of Noncapital Expenditures*</b>	16.9%	16.6%	16.0%	15.3%	21.2%	14.5%	14.7%	14.4%	14.9%	13.0%

\* 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				
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%
2012	2,466,653,081	61,937,314	2,528,590,395	909,443,385	3,438,033,780	4.0947	73.55%

**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)**

<b>Fiscal Year</b> <b>September 30,</b>	<b>Direct Rates (1)</b>	<b>Overlapping Rates</b>			<b>Duval</b> <b>County</b>	<b>Total</b> <b>Millage Rate</b>
	<b>City of</b> <b>Jacksonville Beach</b>	<b>Florida Inland</b> <b>Navigation</b>	<b>Water Management</b> <b>District</b>	<b>School District</b>		
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
2012	4.0947	0.0345	0.3313	7.5530	6.7446	18.7581

**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 2012 and Nine Years Ago**

	2012			2003		
	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	\$ 21,939,280	1	0.89%			
Ocean Park Partnership Ltd.	17,122,710	2	0.69%	\$ 9,787,484	5	0.70%
Pablo Plaza	15,010,000	3	0.61%	10,201,269	4	0.73%
South Beach Regional Shopping Center	14,601,800	4	0.59%	12,184,926	3	0.87%
Courtyard Marriot	14,111,587	5	0.57%			
Beach Marine	11,503,800	6	0.47%	8,571,563	7	0.61%
Hampton Inn Oceanfront	9,936,214	7	0.40%			
Gordon Bank	9,479,300	8	0.38%			
Adventure Landing Amusement Park	9,443,258	9	0.38%			
Target	9,070,759	10	0.37%			
South Beach Parkway Shopping Center	8,862,800	11	0.36%	8,060,114	8	0.57%
Home Depot	8,271,145	12	0.34%			
Beach Plaza	7,366,500	13	0.30%			
Beaches Baptist Hospital Medical Center	7,175,770	14	0.29%	25,185,660	2	1.80%
Third Street Village	6,725,700	15	0.27%			
Tides at Marsh Landing				28,887,394	1	2.06%
Comfort Inn				9,275,626	6	0.66%
Days Inn Oceanfront				7,464,740	9	0.53%
<b>Total</b>	<u>\$ 170,620,623</u>		<u>6.91%</u>	<u>\$ 119,618,776</u>		<u>8.53%</u>
<b>Total Assessed Real Property Valuation from Schedule 5</b>	<u>\$ 2,466,653,081</u>			<u>\$ 1,402,984,312</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>
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%
2012	7,693,856	7,008,399	91.09%	54,150	7,062,549	91.79%

**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				
	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
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
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
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
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
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
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
2009	8,983,595	0	8,395,000	17,378,595	1.9649%	25,807,035	779	18,007,965	1,874	1,314,165
2010	7,151,554	0	7,660,000	14,811,554	1.6398%	23,972,300	723	16,727,700	1,735	888,967
2011	5,256,399	0	6,890,000	12,146,399	N/A	20,956,620	632	14,623,380	1,517	451,040
2012	3,601,725	0	6,060,000	9,661,725	N/A	18,971,690	570	13,238,310	1,363	0

**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 9 (Concluded)**

**City of Jacksonville Beach, Florida**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

Fiscal Year	Business-type Activities (Concluded)				Total Debt	Percentage of Personal Income (2)	Total Debt Per Capita (2)
	Outstanding Debt Per Stormwater Customer (1)	Sales Tax Bonds	Outstanding Debt Per Round of Golf	Total Business-type			
2003	387	\$ 208,290	\$3.55	\$ 64,416,790	\$ 87,489,826	0.35%	\$ 4,137
2004	333	184,825	3.07	61,551,728	82,379,575	0.31%	3,824
2005	297	160,668	2.56	58,435,556	76,917,778	0.27%	3,572
2006	259	135,798	2.17	55,252,816	71,310,134	0.23%	3,310
2007	222	0	0	51,877,835	74,074,683	0.23%	3,329
2008	180	0	0	48,547,070	68,396,989	0.20%	3,007
2009	137	0	0	45,129,165	62,507,760	0.19%	2,752
2010	92	0	0	41,588,967	56,400,521	0.17%	2,444
2011	47	0	0	36,031,040	48,177,439	N/A	2,247
2012	0	0	0	32,210,000	41,871,725	N/A	1,937

**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
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
2012	3,601,725	0.55%	0	0	6,060,000	280	9,661,725

**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, 2012**  
**(Dollars in Thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Percentage (2)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes</b>			
Duval County School Board	\$ 0		<u>\$ 0</u>
Subtotal, Overlapping Debt			0
<b>City of Jacksonville Beach, Direct Debt</b>			<u>9,661,725</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 9,661,725</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	
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	1,465,407	3.40	1,232,483	(620,922)	611,561	437,928	13,306	1.36
2012	89,204,281	(75,143,438)	14,060,843	3,370,000	1,126,637	3.13	1,249,882	(619,400)	630,482	451,040	6,671	1.38

(1) Excludes depreciation expense.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Duval County Unemployment Rate (2)</b>	<b>Duval County Total Personal Income (thousands) (3)</b>	<b>Duval County Per Capita Income (3)</b>
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%	33,872,506	39,140
2011	21,441	10.3%	N/A	N/A
2012	21,615	9.3%	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**

<b>Employer</b>	<b>2012</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
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 2003 is not available.

## **OPERATING INFORMATION**

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

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Government	16	16	16	16	17	18	16	16	15	14
Finance	27	28	28	28	32	32	32	33	33	33
Planning and Development	11	11	11	11	11	11	9	9	8	8
Electric	76	76	81	82	82	85	86	76	76	78
Central Services	13	13	12	11	6	4	4	4	4	4
Public Works	65	65	65	65	65	66	65	65	65	65
Human Resources	7	7	7	7	7	7	7	7	7	8
Parks and Recreation**	57	58	59	56	55	55	57	100	100	99
Grounds and Maintenance	27	25	25	25	24	24	22	20	9	8
Golf Course	18	19	19	19	19	19	19	19	27	26
Police	109	109	110	110	114	98	95	95	94	95
Fire Fighters	31	31	31	31	32	32	32	31	31	31
<b>Total</b>	<b>457</b>	<b>458</b>	<b>464</b>	<b>461</b>	<b>464</b>	<b>451</b>	<b>444</b>	<b>475</b>	<b>469</b>	<b>469</b>

**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**

<b><u>Function/Program</u></b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Police</b>										
Physical Arrests	3,156	2,960	3,336	2,490	2,436	2,429	1,986	1,665	1,192	1,573
Parking Violations	3,382	4,526	4,803	3,636	2,127	1,955	2,456	2,726	3,085	3,267
Law Violations	10,024	9,279	11,547	9,174	8,408	7,620	6,362	6,898	3,520	2,292
<b>Fire</b>										
Emergency Incidents	2,865	2,994	2,994	2,876	3,034	3,196	2,975	2,947	3,161	3,063
Inspections (Total)	954	1,865	1,917	2,154	1,684	1,890	2,719	2,648	2,169	2,275
<b>Other Public Works</b>										
Street Resurfacing (Miles)	17.4	14.0	30.6	0.0	0.0	2.9	4.0	1.2	4.9	8.1
<b>Electric</b>										
Number of Active Electric Customers	31,532	31,887	32,023	32,773	33,038	32,976	31,351	32,996	33,147	33,303
Average Residential Monthly										
Consumption in Kilowatt Hours	1,479	1,442	1,442	1,486	1,353	1,304	1,301	1,395	1,368	1,232
<b>Water</b>										
Number of Active Water Customers	9,344	9,547	9,433	9,806	9,756	9,709	9,585	9,610	9,642	9,711
Average Residential Monthly										
Consumption in Gallons	5,130	4,900	4,700	4,620	4,743	4,267	4,245	4,373	4,530	4,029
<b>Wastewater</b>										
Number of Active Wastewater Customers	9,171	9,351	9,244	9,598	9,583	9,557	9,436	9,472	9,502	9,569
Storm Mains Cleaned (ft.)	28,000	43,800	40,788	26,839	35,623	28,408	65,550	73,670	36,297	33,010

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

<u>Function/Program</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>	<u>2012</u>
<b>Police</b>										
Stations (Including Satellite Stations)	2	2	2	2	2	2	2	2	2	2
Patrol Units	45	51	53	53	53	54	51	51	73	73
<b>Fire Stations</b>	1	1	2	2	2	2	2	2	2	2
<b>Other Public Works</b>										
Paved Roads (Miles)	76.9	76.9	76.9	85.0	87.1	88.0	88.1	88.9	88.9	88.9
Streetlights	5,636	5,659	5,700	5,701	5,198	5,262	5,229	5,376	5,385	5,433
<b>Water</b>										
Water Mains (Miles)	105	105	105	108	108	108	108	109	110	109
Production Wells	6	6	6	6	6	6	6	6	6	6
Fire Hydrants	729	779	815	833	840	842	849	859	858	858
<b>Wastewater</b>										
Sanitary Sewer Mains (Gravity) in Miles	83	83	83	83	84	84	84	85	85	85
Sanitary Sewer Mains (Force) in Miles	16	16	16	16	16	17	16	16	18	18
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Lift Stations	34	34	34	35	36	36	38	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
<b>Parks and Recreation</b>										
Acreage	80	80	80	80	84	84	84	84	84	86
Parks	12	12	12	12	10	10	10	10	10	11
Golf Course	1	1	1	1	1	1	1	1	1	1
Tennis Courts	8	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, 2012  
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)
<b>Federal Awards</b>							
<b>U.S. Department of Housing and Urban Development Passed Through City of Jacksonville</b>							
Community Development Block Grant	14.218	3177-87	\$ 195,321	\$ 0	\$ 153,873	\$ 171,485	\$ 17,612
<b>U.S. Department of Justice</b>							
Direct Programs:							
Bulletproof Vest Partnership Program	16.607	2009BUBX09047072	4,915	0	1,803	1,803	0
Bulletproof Vest Partnership Program	16.607	2011BUBX11059466	12,372	0	331	331	0
<i>Subtotal Expenditures - CFDA No. 16.607</i>			<u>17,287</u>	<u>0</u>	<u>2,134</u>	<u>2,134</u>	<u>0</u>
Indirect Programs:							
U.S. Department of Justice Passed Through Florida Department of Law Enforcement							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-JAGC-DUVA-3-C4-067	53,093	0	52,867	53,093	226
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-JAGC-DUVA-2-C4-091	43,455	0	43,455	43,455	0
<i>Subtotal Expenditures - CFDA No. 16.738</i>			<u>96,548</u>	<u>0</u>	<u>96,322</u>	<u>96,548</u>	<u>226</u>
<b>Total U.S. Department of Justice</b>			<u>113,835</u>	<u>0</u>	<u>98,456</u>	<u>98,682</u>	<u>226</u>
<b>U.S. Environmental Protection Agency</b>							
Direct Program:							
Congressionally Mandated Projects	66.202	XP-95469611-0	485,000	0	148,422	148,422	0
<b>U.S. Department of Energy Passed Through City of Jacksonville</b>							
Energy Efficiency and Conservation Block Grant (ARRA)	81.128	DE-EE0000777	151,350	0	151,350	151,350	0
<b>U.S. Department of Homeland Security</b>							
Direct Program:							
Assistance to Firefighters Grant	97.044	EMW-2008-FP-00470	8,370	0	1,929	1,929	0
<b>Total Federal Awards</b>			<u>\$ 953,876</u>	<u>\$ 0</u>	<u>\$ 554,030</u>	<u>\$ 571,868</u>	<u>\$ 17,838</u>
<b>State Financial Assistance</b>							
<b>Florida Department of Environmental Protection Passed Through St. Johns River Water Management District</b>							
State-wide Surface Water Restoration and Wastewater Project	37.039	SK946AA	\$ 7,000,000	\$ (186,870)	\$ 464,813	\$ 277,943	0
<b>Florida Department of Transportation</b>							
Direct Program:							
State Highway Project Reimbursement	55.023	430923-1-58-01	40,000	0	40,000	40,000	0
<b>Total State Financial Assistance</b>			<u>\$ 7,040,000</u>	<u>\$ (186,870)</u>	<u>\$ 504,813</u>	<u>\$ 317,943</u>	<u>\$ 0</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
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 OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

The City's reporting entity is defined in Note 1 to the City's basic financial statements for the year ended September 30, 2012. 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, 2012  
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 2011 - 2012 Grant No. 3177-87 - \$195,321**

<u>Expenditures</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Spent in Current Year with Prior Year Awards</u>	<u>Carry Forward</u>
<b>CAPE</b>				
Salaries	\$ 46,082	\$ 43,337	\$ 0	\$ 2,745
Benefits	16,747	16,177	0	570
<b>Total CAPE</b>	<u>62,829</u>	<u>59,514</u>	<u>0</u>	<u>3,315</u>
<b>CARVER</b>				
Salaries	91,538	75,102	25,560	46,436
Benefits	20,954	16,869	13,138	4,085
<b>Total CARVER</b>	<u>112,492</u>	<u>91,971</u>	<u>38,698</u>	<u>50,521</u>
<b>Utility Assistance</b>	<u>20,000</u>	<u>20,000</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u>\$ 195,321</u>	<u>\$ 171,485</u>	<u>\$ 38,698</u>	<u>\$ 53,836</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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*, that could have a direct and material effect on the City's major federal program for the year ended September 30, 2012. The City's major federal program is 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 its major federal programs 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 and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

**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. 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 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, 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.

**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  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
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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 ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Concluded)**

**Internal Control Over Compliance (Concluded)**

*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 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 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 28, 2013  
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**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, 2012.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors' 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 program are reported in the independent auditors' report on compliance with requirements that could have a direct and material effect on each major federal program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal program 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 required to be disclosed under OMB Circular A-133 for the City of Jacksonville Beach, Florida.
7. The program tested as a major federal program was:
  - **Federal Program**
    - U.S. Department of Energy, Passed Through the City of Jacksonville
      - ▶ Energy Efficiency and Conservation Block Grant (ARRA)  
CFDA No. 81.128
8. The threshold for distinguishing Type A and Type B federal programs was \$300,000.
9. The City of Jacksonville Beach, Florida, did qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

**PART B - FINDINGS - FINANCIAL STATEMENTS**

There were no current year findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(Concluded)**

**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. No corrective action plan is required because there were no current year findings requiring correction under the Federal Single Audit Act.

# GOVERNMENTAL AUDITING SECTION

**GOVERNMENTAL AUDITING SECTION**

**INDEPENDENT AUDITORS' 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2013. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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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  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
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The Honorable Mayor and Members of the City Council  
City of Jacksonville Beach  
Jacksonville Beach, Florida

**INDEPENDENT AUDITORS' 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 28, 2013.

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 28, 2013  
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, 2012, and have issued our report thereon dated January 28, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditors' 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*, independent auditors' report on compliance with requirements that could have a direct and material effect on each major federal program and on internal control over compliance in accordance with OMB Circular A-133, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated January 28, 2013, 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, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- 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 28, 2013  
Gainesville, Florida

