

CITY OF JACKSONVILLE, FLORIDA

SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016



PREPARED BY THE DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

City of Jacksonville, Florida

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of JEA, which represents approximately 87%, 77%, and 86%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of Jacksonville Transportation Authority which represents approximately 5%, 10%, and 10%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of Jacksonville Port Authority, which represents approximately 8%, 12%, and 4%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the Police and Fire Rescue Pension Plan Trust Fund which represents approximately 31%, 38%, and 25%, respectively, of the assets, fund balance/net position, and revenue/additions, respectively, of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions insofar as they relate to the amounts included for JEA, Jacksonville Transportation Authority, Jacksonville Port Authority and Police and Fire Rescue Pension Plan Trust Fund, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18B to the financial statements, the City implemented the provisions of GASB Statement 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance – budget and actual (budgetary basis) – general fund, and other postemployment benefits and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of expenditures of federal awards and expenditures of state financial assistance, which are required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal awards and expenditures of state financial assistance 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain positions of laws, regulations, contracts, and grant agreements and other matters. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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* in considering the City's internal control over financial reporting and compliance.

Casey Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statements of the governmental activities the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2017. Our report includes a reference to other auditors who audited the financial statements of JEA, Jacksonville Transportation Authority, Jacksonville Port Authority, and the Police and Fire Rescue Pension Plan Trust Fund. Our report also includes an emphasis of matter paragraph relating to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cau, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Financial Highlights

- The City's General Fund operations had total revenues of \$1 billion in fiscal year 2016.
- Property tax revenues in the General Fund experienced a \$27.5 million, 5% increase. There were also increases in utility taxes, intergovernmental, charges for services, interest and miscellaneous revenues.
- JEA Contribution increased \$2.5 million in fiscal year 2016.
- Community service taxes revenues had a \$3.6 million decrease in addition to smaller decreases in local business taxes, licenses, permits & fees and fines & forfeitures.
- General Fund total increase in revenues was \$52.6 million in fiscal year 2016.
- General Fund total expenses increased by 25.2 million, 2.7% primarily due to increased spending in Fire Rescue, Public Works and Neighborhoods.
- Total governmental activities revenues increased by \$69.4 million in fiscal year 2016 a 4.6% increase over fiscal year 2015.
- Total governmental activity expenses increased \$27.1 million.

Additional information that explains these financial highlights may be found on following pages of this report.

City Highlights

Fiscal year 2016 had a number of positive outcomes. Some of the impact and improvements were as follows:

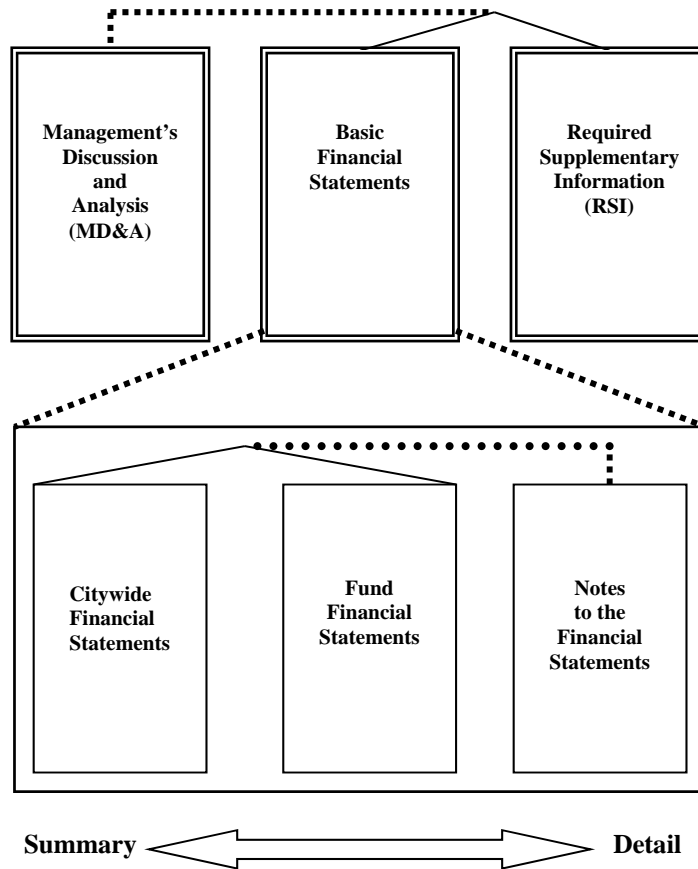
- The total fund balance for the General Fund increased by \$31.0 million for a total of \$208 million.
- Economic development highlights for fiscal year 2016 included the announcement of Amazon's first facility, which will bring more than 1,500 jobs to Jacksonville, a new Ernst & Young location and a large expansion at Maxwell House in Downtown.
- The City Continued to partner with national development company Hillwood to market and develop one of the city's biggest assets, Cecil Commerce Center.
- The City created a Community Redevelopment Area and Redevelopment Plan for three major commercial corridors within the Arlington Community – University Boulevard, and Merrill and Arlington roads. The CRA Redevelopment Plan is a result of a decade of community effort to renew Arlington.
- The average annual unemployment rate in Jacksonville dropped to 5.0%, a nine-year low.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Figure A-1

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Citywide Basic Financial Statements

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

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

Component Units are other governmental units over which the City can exercise influence and/or may be obligated to provide financial subsidy. The City of Jacksonville's component units are as follows: Jacksonville Electric Authority (JEA), Jacksonville Transportation Authority (JTA), Jacksonville Port Authority (JPA), and Jacksonville Housing Finance Authority. Separate financial statements are published by JEA, JTA, and JPA. The focus of the statements is on the primary government and the presentation allows the user to address the relationship with the Component Units.

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide basic financial statements. However, unlike the citywide basic financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the focus of governmental funds is narrower than that of the citywide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the citywide basic financial statements. This allows readers to better understand the long-term impact of the government's near-term financing decisions.

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

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

Proprietary Funds

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

The City of Jacksonville maintains two types of proprietary funds.

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

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

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

CITYWIDE FINANCIAL ANALYSIS

The net position may serve over time as a useful indicator of the government's financial position.

As of September 30, 2016, the City of Jacksonville's negative balances in overall net position are due to the \$2.4 billion unfunded pension liability. (See Table A-1).

Table A-1
Summary Statement of Net Position
(In Thousands)
as of September 30, 2016 and September 30, 2015

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Cash and Investments	\$ 992,080	\$ 939,817	\$ 82,388	\$ 76,385	1,074,468	1,016,202
Current and Other Assets	259,162	238,835	62,538	66,241	321,700	305,076
Capital Assets	2,601,584	2,658,671	523,196	482,292	3,124,780	3,140,963
Total assets	<u>3,852,826</u>	<u>3,837,323</u>	<u>668,122</u>	<u>624,918</u>	<u>4,520,948</u>	<u>\$ 4,462,241</u>
Deferred Outflow of Resources	510,943	295,424	82	208	511,025	295,632
Current Liabilities	227,378	229,953	32,262	24,841	259,640	254,794
Non-current Liabilities	2,674,665	2,745,029	375,357	381,889	3,050,022	3,126,918
Net Pension Liability	2,446,030	2,197,862	-	-	2,446,030	2,197,862
Total liabilities	<u>5,348,073</u>	<u>5,172,844</u>	<u>407,619</u>	<u>406,730</u>	<u>5,755,692</u>	<u>5,579,574</u>
Deferred Inflow of Resources	20,984	73,335	36	54	21,020	73,389
Net position						
Net investment in capital assets	895,670	882,202	205,955	163,294	1,101,625	1,045,496
Restricted for:						
Housing & human serv grants	29,826	32,947	-	-	29,826	32,947
State and federal grants	10,951	13,838	-	-	10,951	13,838
Capital projects	-	-	-	-	-	-
Other participant's equity	905	273	-	-	905	273
Permanent Fund non-expendable	123	123	-	-	123	123
Other Purposes	11,877	-	-	-	11,877	-
Unrestricted (deficit)	(1,954,640)	(2,042,815)	54,594	55,048	(1,900,046)	(1,987,767)
Total net position	<u>\$ (1,005,288)</u>	<u>\$ (1,113,432)</u>	<u>\$ 260,549</u>	<u>\$ 218,342</u>	<u>(744,739)</u>	<u>(\$ 895,090)</u>

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

Along with the unfunded pension liability the negative unrestricted net position in the governmental activities also includes non-asset related debt which is a liability of the City, issued for various capital projects that belong to other entities.

The City issued non-asset related debt:

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

On the following page, Table A-2 provides a summary comparison of the City's operations for the 2015 and 2016 fiscal year ends.

Table A-2 Statement of Activities (In Thousands) as of September 30, 2016 and September 30, 2015

	Governmental Activities		Business Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Fines & charges for services	\$ 122,727	\$ 112,394	\$ 121,367	\$ 121,297	\$ 244,094	\$ 233,691
Operating grants/contributions	56,751	59,379	-	-	56,751	59,379
Capital grants/contributions	56,066	70,271	36,928	-	92,994	70,271
General revenues:						
Property taxes	557,917	527,754	-	-	557,917	527,754
Utility service taxes	123,118	124,006	-	-	123,118	124,006
Sales and tourist taxes	201,906	194,148	15,904	14,541	217,810	208,689
Local business taxes	7,172	7,324	-	-	7,172	7,324
Intergovernmental	164,728	148,440	-	-	164,728	148,440
Franchise Fees	40,401	41,013	-	-	40,401	41,013
JEA Contribution	114,188	111,688	-	-	114,188	111,688
Earnings on Investments	26,431	9,365	2,181	1,251	28,612	10,616
Miscellaneous	40,012	36,233	15,258	19,226	55,270	55,459
Total Revenues	1,511,417	1,442,015	191,638	156,315	1,703,055	1,598,330
Expenses						
General government	164,860	148,592	-	-	164,860	148,592
Human services	123,752	108,830	-	-	123,752	108,830
Public safety	625,227	629,100	-	-	625,227	629,100
Cultural and recreational	89,053	79,883	-	-	89,053	79,883
Transportation	148,663	150,470	-	-	148,663	150,470
Economic & physical environment	152,828	159,994	-	-	152,828	159,994
Interest on long term debt	82,255	82,828	-	-	82,255	82,828
Parking system	-	-	3,496	3,496	3,496	3,496
Motor vehicle inspections	-	-	441	430	441	430
Solid Waste	-	-	71,433	70,316	71,433	70,316
Stormwater services	-	-	24,386	23,022	24,386	23,022
Mayport Ferry	-	-	2,675	2,069	2,675	2,069
EverBank Field	-	-	30,519	28,494	30,519	28,494
Veterans Memorial Arena	-	-	17,670	17,649	17,670	17,649
Baseball Stadium	-	-	4,796	4,406	4,796	4,406
Performing Arts Center	-	-	4,214	3,932	4,214	3,932
Convention Center	-	-	4,057	3,889	4,057	3,889
Equestrian Center	-	-	1,206	1,139	1,206	1,139
Ritz Theater	-	-	1,173	1,416	1,173	1,416
Total Expenses	1,386,638	1,359,697	166,066	160,258	1,552,704	1,519,955
Increases (decreases) in net position before transfers	124,779	82,318	25,572	(3,943)	150,351	78,375
Transfers	(16,635)	(15,290)	16,635	15,290	-	-
Change in net position	108,144	67,028	42,207	11,347	150,351	78,375
Net position (deficit), beginning of year	(1,113,432)	(1,180,460)	218,342	206,995	(895,090)	(973,465)
Net position (deficit), end of year	\$ (1,005,288)	\$ (1,113,432)	\$ 260,549	\$ 218,342	\$ (744,739)	\$ (895,090)

Governmental activities:

The City's governmental activities revenues increased \$69.4 million from 2015 to 2016 (see Table A-2) and consists of:

- Property tax revenues reflected a \$30.2 million increase which is a clear indication of an improving economy in Jacksonville.
- Contributions from JEA increased \$2.5 million in fiscal year 2016.
- The \$16.3 million increase in intergovernmental revenues is due to a \$2.9 million increase in the ½ cent sales tax, state shared revenues increased by \$4.7 million and a \$9.5 million increase in contribution from component unit.
- The increase of \$7.8 million in sales and tourist taxes is a result of increases in tourist development and local option taxes.
- Operating grants/contributions decreased \$2.6 million in fiscal year 2016.
- The increase of \$10.3 million in fines & charges for services is due to increases in ADP collections true up, mobility plan, and indirect cost revenues .
- The increase of \$17.1 million in earnings on investments is a result of the market performing at 2.9% in fiscal year 2016 as compared to 1.1% in fiscal year 2015. Also in fiscal year 2015 a 100% allowance of \$4.5 million for accrued interest receivable decreased interest on investments.
- The increase of \$3.8 million in miscellaneous revenues is primarily due to the close out of Cecil Commerce creating a \$2.8 decrease in fiscal year 2014. There was also an increase in the reimbursement from FDOT in fiscal year 2016.

Increases in governmental activities expenses were \$27.1 million in fiscal year 2016 due to the following:

- Public Safety expense increased by \$13.5 million primarily due to a \$5.5 increase equipment costs, \$3.5 million in vehicle costs, \$2.9 million increase in Fire Rescue's salaries-overtime, \$1.6 increase in computer costs.
- The additional payment to Police & Fire Pension of \$5 million began in fiscal year 2016 and will increase each year.
- The increase in general government is due to a \$16.2 million increase in long-term debt.
- The increase in human services of \$14.9 million is an increase in reclassification of program revenues.
- The \$9.2 increased expense in cultural and recreational is due to additional capital outlay in fiscal year 2016.
- Other increases were in utility costs of \$1.8 million and internal & personal service costs of \$2 million.

Business Type activities:

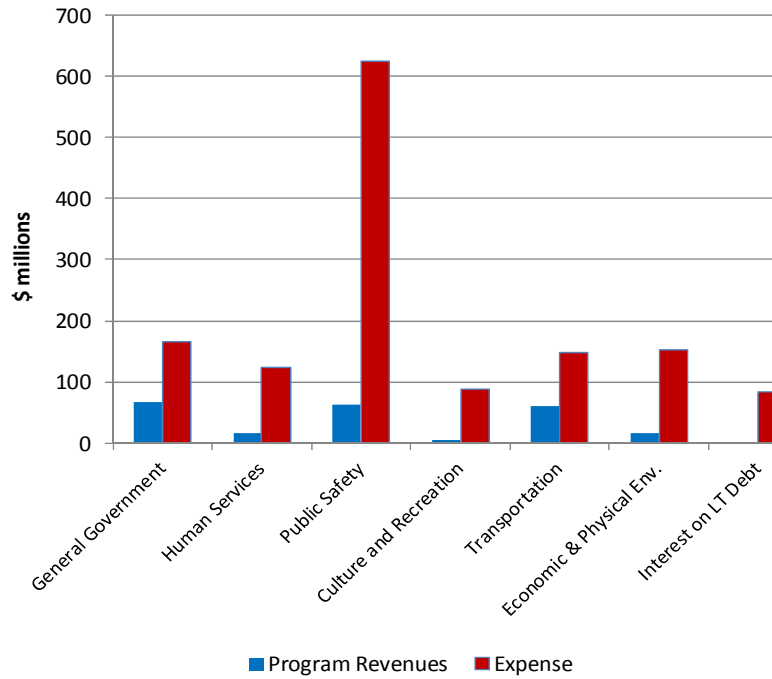
The City's business type revenues increased \$35.3 million in fiscal year 2016:

- \$15.0 million was received from JEA in accordance with the amendment to City Charter Article 21-JEA, ordinance 2015-764 in fiscal year 2016.
- An additional \$2.1 million was received from JEA in contribution toward the new Water/Wastewater System project in Stormwater.
- \$19.9 million represents the Jaguar's contribution toward improvements at EverBank Field such as the scoreboards in fiscal year 2016.

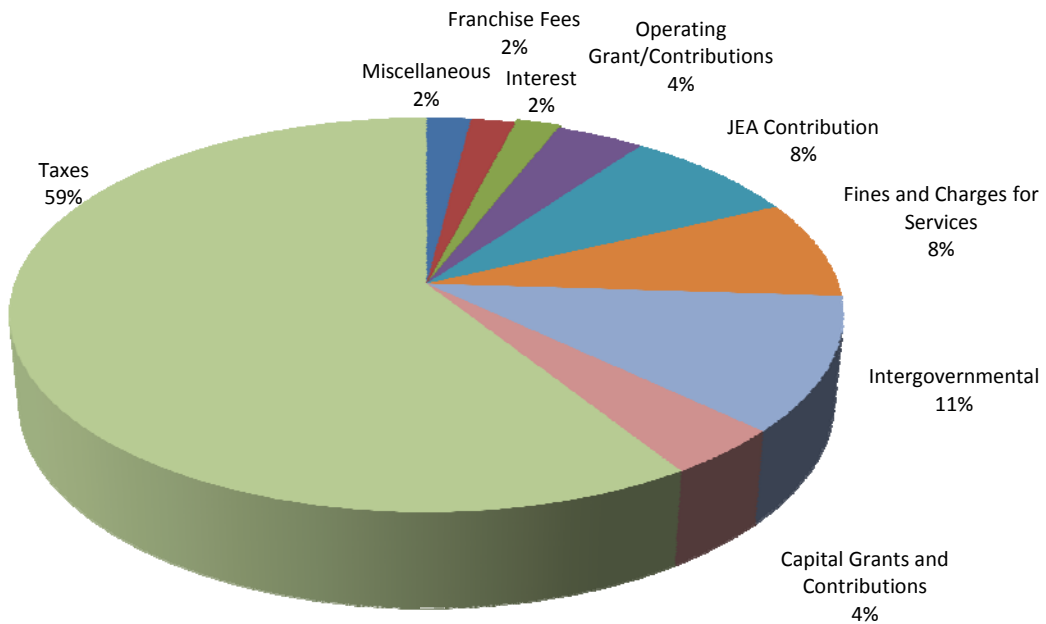
Business type activities total expenses increased \$5.8 million in fiscal year 2016:

- Solid Waste's expenditures increased \$1.1 million due to Trail Ridge Landfill construction and expansion in fiscal year 2016.
- Stormwater had a \$1.4 million increase in expenditures primarily due to an increase in payments to JEA for the agreement for Transfer of Water Quality Credits. There also was a smaller increase in worker's compensation costs.
- EverBank Field had an increase of \$2.0 million due to increases in operating costs.
- There were other smaller increases in the Baseball Stadium, Performing Arts Center and the Convention Center.

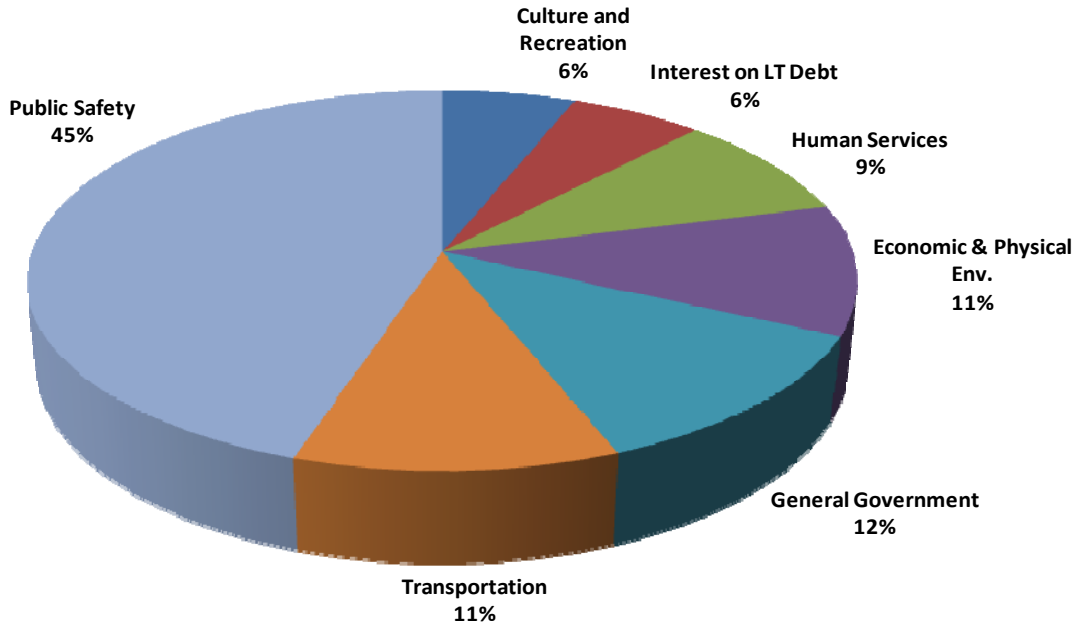
Expenses and Program Revenues - Governmental Activities



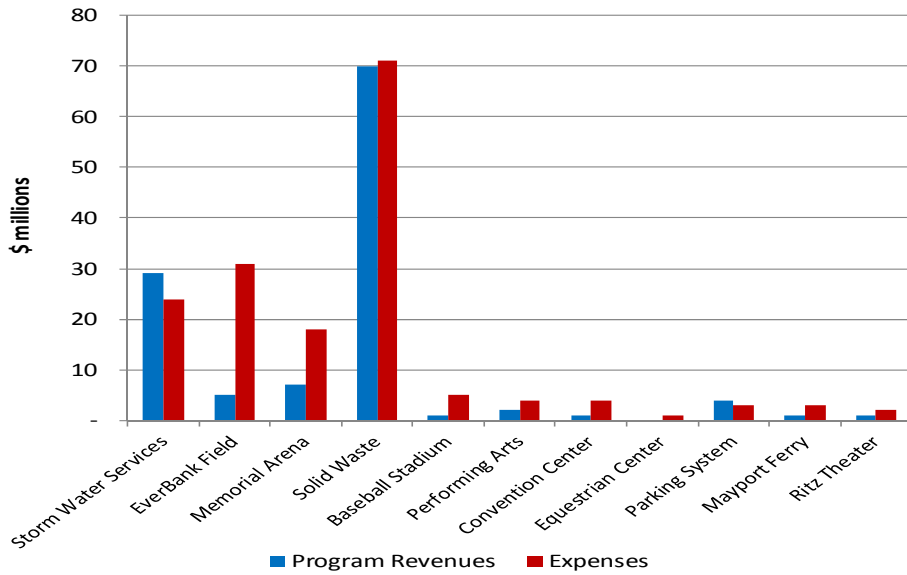
Revenues - Governmental Activities



Expenses - Governmental Activities



Expenses and Program Revenues - Business Type Activities



FINANCIAL ANALYSIS OF THE CITY GOVERNMENT'S FUNDS

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

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year 2016. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$97.3 million. The General Fund's total fund balance was \$207,983 million, with \$53.3 million committed by City Council as an emergency reserve. The City's Reserve Policy for the General Fund is covered by Section 106.107 of the City's municipal code. The policy requires that the emergency reserve shall not be used except as initiated by the Mayor through written communication to City Council, explaining the emergency, with subsequent approval by two-thirds votes of all City Council members. The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or disasters, whether man made or caused by nature. Under normal circumstances, the City would first elect to utilize the Operating Reserve before considering use of its Emergency Reserve.

Key factors affecting changes in major funds and fund balance in fiscal year 2016 operations are as follows:

General Fund:

- Property taxes account for 50.5% of the General Fund revenue and increased by \$27.5 million, 5% increase over the previous fiscal year. The millage rate for the City of Jacksonville remained the same from fiscal year 2015 to 2016 at 11.4419. Interest revenue increased \$6.4 million due to a higher return in fiscal year 2016. General Fund revenues had an overall increase of \$52.6 million and an overall increase in expenditures of \$25.2 million as compared to fiscal year 2015.

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

- Outstanding long term BJP debt principal payments increased \$5.0 million for fiscal year 2016 due to the refunding of debt in prior fiscal years that set up a more aggressive debt pay down schedule. The City redeemed a total of \$54.3 million in BJP bonds. Interest and other fiscal charges increased by \$4.6 million due to refunding activities that included the prepayment of interest costs due in the following fiscal, which will be offset by lower interest costs in FY18.

Special Bonded Debt – Obligations:

- Outstanding long term Special Obligation debt principal payments increased \$5.2 million for fiscal year 2016 due to the refunding of debt in prior fiscal years that set up a more aggressive debt pay down schedule. The City redeemed a total of \$49.9 million in Special Obligation bonds with a decrease of \$6.4 million in interest and other fiscal charges.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail. Solid Waste, Stormwater Services, EverBank Field and the Veteran's Memorial Arena are reported as major proprietary funds in fiscal year 2016.

General Fund Budgetary Highlights:

- Property taxes, utility service taxes, sales & tourist taxes, licenses, permits & fees, intergovernmental and interest were over budget \$15.7 million. Community service taxes, local business taxes, Charges for services and miscellaneous revenues were under budget a total of \$9.1 million. Total actual revenues for fiscal year 2016 were \$6.6 million over the final budget.
- Total general fund actual expenditures for fiscal year 2016 were \$78 million under final budget with \$52.5 million, more than half, related to the budgeted but unused emergency reserve.
- Fire Rescue experienced a \$2.3 million over budget due to additional needed overtime
- Additional savings were due to salary and benefit costs and departmental and non-departmental operating cost savings due to the Administration’s strong efforts toward cost reductions.
- Basic public safety costs, fire & rescue and office of the sheriff, continue to increase and account for \$623 million of expenditure budget which is 60.5% of the General Fund’s total budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Jacksonville’s investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$3.1 billion net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress (see Table A-3). The primary focus was on the sports complex improvements, road projects, and drainage projects in fiscal year 2016. The primary focus in fiscal year 2015 was the completion of the State Attorney Courthouse, Southbank River Walk improvements and continuation of road and drainage projects. Additional information on the City of Jacksonville’s capital assets can be found in the Notes to the Financial Statements, Footnote 6 of this report.

**Table A-3
Capital Assets
Net of Accumulated Depreciation
(In Thousands)
as of September 30, 2016 and September 30, 2015**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land and easements	\$ 314,094	\$ 313,735	\$ 46,907	\$ 47,517	\$ 361,001	\$ 361,252
Buildings and improvements	1,177,241	1,153,003	635,604	602,224	1,812,845	1,755,227
Furniture & Equipment	460,310	440,542	16,051	16,450	476,361	456,992
Construction and work in progress	7,074	12,984	30,693	12,258	37,767	25,242
Infrastructure	2,263,838	2,237,953	71,087	63,234	2,334,925	2,301,187
Other Assets	43,104	42,585	-	-	43,104	42,585
Less accumulated depreciation	(1,664,077)	(1,542,131)	(277,146)	(259,391)	(1,941,223)	(1,801,522)
Total	<u><u>\$ 2,601,584</u></u>	<u><u>\$ 2,658,671</u></u>	<u><u>\$ 523,196</u></u>	<u><u>\$ 482,292</u></u>	<u><u>\$ 3,124,780</u></u>	<u><u>\$ 3,140,963</u></u>

Debt Administration

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

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

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

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

At year-end, the City had \$2.7 billion in bonds and notes outstanding as shown in Table A-4. Additional information on the City of Jacksonville's long term-debt can be found in Notes to the Financial Statements, Note 8 of this report.

Table A-4
Bonds and Notes Payable
Outstanding Debt at Year End September 30, 2015
(In Thousands)

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Special Obligation Bonds	\$ 640,708	\$ 677,328	\$ -	\$ -	\$ 640,708	\$ 677,328
Special Obligation-BJP	1,137,345	1,202,745	-	-	1,137,345	1,202,745
Revenue Bonds Payable	252,864	264,671	271,198	281,400	524,062	546,071
Notes Payable	32,958	25,210	-	-	32,958	25,210
Notes Payable-BJP	36,175	41,676	-	-	36,175	41,676
Deferred Amounts						
Loss on Adv Ref	-	-	30,208	32,420	30,208	32,420
Issuance premiums	172,497	140,857	-	-	172,497	140,857
Issuance discounts	(2,216)	(2,377)	-	-	(2,216)	(2,377)
Advance Refunding	-	-	-	-	-	-
Total	\$ 2,270,331	\$ 2,350,110	\$ 301,406	\$ 313,820	\$ 2,571,737	\$ 2,663,930

New indebtedness of the City of Jacksonville consists of (in thousands):

Closing Date	Par Amount	Source	Primary Use
Dec. 2015	\$197,295,000	Transportation Revenue Bonds	Refunding
Mar. 2016	67,070,000	BJP Sales Tax Revenue Bonds	Refunding
Sep. 2016	92,215,000	Special Revenue Bonds	Refunding
Sep. 2016	58,645,000	Special Revenue Bonds	Refunding
Sep. 2016	31,708,000	Revolving Credit Facility	Project Funding

New debt was issued during the fiscal year for the purpose of refunding existing debt, funding short-term projects, and the interim funding of long-term capital projects.

In December 2015, the City issued the \$197.3 million Transportation Refunding Revenue Bonds, Series 2015, which refunded \$201.1 million of Transportation Revenue Bonds that were issued in 2007 and 2008. The refunding, completed to take advantage of lower interest rates, generated \$28.1 million, or 14.0%, in NPV savings.

In March 2016, the City issued the \$67.1 million Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2016. The proceeds were used to advance refund \$70.8 million of Better Jacksonville bonds issued in 2008. The refunding generated \$7.6 million in NPV savings.

In September 2016, the City issued Special Revenue Refunding Bonds, Series 2016A and 2016B. The 2016A bonds totaled \$92.2 million and were used to refinance \$24.8 million of designated maturity debt, \$30.5 million of Excise Tax Revenue bonds issued in 2007, \$26.7 million of Special Revenue bonds issued in 2008, and \$23.7 million of commercial paper notes that previous had been used for interim financing of capital projects. The 2016A refunding generated \$9.2 million in NPV Savings. The 2016B bonds totaled \$58.6 million and were used to refinance \$32.6 million of designated maturity debt and \$34.6 million of Special Revenue bonds issued in 2009. The 2016B refunding generated \$3.4 million in NPV savings.

Also in September 2016, the City made a draw on its Revolving Credit Facility with PNC Bank, N.A., in the amount of \$31.7 million. The draw was used to fund short-term capital projects and serve as interim funding for long-term capital projects. It is anticipated that the interim financing will be refunded with long-term debt during fiscal year 2017.

During fiscal year 2016, the City refunded or paid off a combined \$568.7 million in principal amount of bonds and notes, for a net reduction of \$121.8 million in long-term debt. The City has reduced the overall bonded indebtedness since Fiscal Year 2014 by a total of \$167.6 million from \$2.539 billion to \$2.371 billion.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Other Economic Factors:

- The unemployment rate for the City of Jacksonville is 5.0%, at the end of fiscal year 2016.
- The population of the City of Jacksonville at the end of fiscal year 2016 was 923,647.
- Jacksonville has the largest Empowerment Zone in the nation.
- Jacksonville has a major port, is home to the National Football League's (NFL) Jacksonville Jaguars, is the insurance and financial center of Florida and is the site of key U.S. Navy bases.

Budget Highlights for fiscal 2016-2017:

- The City of Jacksonville has adopted the following priorities:
 - Partnering with businesses to create jobs and grow the local economy;
 - Revitalizing our Downtown as a vibrant destination for people to work, live and visit;
 - Supporting schools, teachers, families and the community to improve opportunities for children and young people;
 - Enhancing services for veterans and service members to make Jacksonville the most military and veteran-friendly city in America;
 - Improving our quality of life to ensure that Jacksonville is an even more inviting place for people to make their home and raise a family; and
 - Reforming city government to make it more efficient, effective and responsive.

Achieving these priorities will require fiscal discipline and innovative approaches.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**CITYWIDE FINANCIAL
STATEMENTS**

**CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET POSITION -
SEPTEMBER 30, 2016**

WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	PRIMARY GOVERNMENT		TOTALS		COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2016	2015	
ASSETS:					
Cash and investments.....	\$ 821,593	\$ 66,004	\$ 887,597	\$ 830,608	\$ 1,872,638
Cash in escrow and with fiscal agents.....	170,487	16,384	186,871	185,594	1,625
Securities lending.....	67,167	-	67,167	70,892	-
Receivables, net.....	75,756	57,607	133,363	121,429	270,692
Internal balances.....	600	(600)	-	-	-
Due from independent agencies and other governments.....	109,483	984	110,467	97,833	46,649
Inventories.....	4,182	13	4,195	5,013	122,605
Prepaid expenses and other assets.....	1,974	2,419	4,393	5,771	25,811
Prepaid expense - Landfill related costs.....	-	2,115	2,115	4,138	-
Costs to be recovered from future revenues.....	-	-	-	-	463,610
CAPITAL ASSETS:					
Land, easements, art in public places and construction in progress.....	321,168	77,600	398,768	386,494	898,753
Other capital assets, net of depreciation.....	2,280,416	445,596	2,726,012	2,754,469	5,878,481
TOTAL ASSETS.....	3,852,826	668,122	4,520,948	4,462,241	9,580,864
DEFERRED OUTFLOW OF RESOURCES:					
Pension related.....	489,825	-	489,825	288,736	159,985
Unamortized deferred loss on refunding.....	9,802	82	9,884	3,690	145,475
Accumulated decrease in fair value of hedging instrument.....	11,316	-	11,316	3,206	183,566
TOTAL DEFERRED OUTFLOW OF RESOURCES.....	510,943	82	511,025	295,632	489,026
LIABILITIES:					
Accounts payable and accrued liabilities.....	73,027	21,799	94,826	76,511	137,154
Contracts payable.....	384	242	626	558	41,254
Due to component units.....	-	-	-	43	-
Due to independent agencies and other governments.....	13,567	-	13,567	13,567	-
Deposits.....	4,260	4,518	8,778	9,035	55,135
Accrued interest payable.....	42,745	5,565	48,310	56,880	91,137
Unearned revenue.....	25,972	138	26,110	27,058	6,272
Securities lending.....	67,167	-	67,167	70,892	-
Other current liabilities.....	256	-	256	250	82,085
NONCURRENT LIABILITIES:					
Fair value of debt management instrument.....	11,316	-	11,316	3,206	182,431
Due within one year.....	173,499	15,014	188,513	171,196	198,179
Due in more than one year.....	2,489,850	360,343	2,850,193	2,952,516	5,122,229
Net pension liability.....	2,446,030	-	2,446,030	2,197,862	521,397
TOTAL LIABILITIES.....	5,348,073	407,619	5,755,692	5,579,574	6,437,273
DEFERRED INFLOW OF RESOURCES:					
Pension related.....	19,547	-	19,547	73,335	18,304
Revenue to be used for future costs.....	-	-	-	-	528,262
Unamortized deferred gain on refunding.....	1,437	36	1,473	54	-
TOTAL DEFERRED INFLOW OF RESOURCES.....	20,984	36	21,020	73,389	546,566
NET POSITION:					
Net investment in capital assets.....	895,670	205,955	1,101,625	1,045,496	2,014,391
Restricted for:					
Debt service.....	-	-	-	-	191,642
Housing and human services grants.....	29,826	-	29,826	32,947	-
Other state and federal grants.....	10,951	-	10,951	13,838	-
Capital projects.....	-	-	-	-	390,673
Other participant's equity.....	905	-	905	273	-
Permanent fund, non-expendable.....	123	-	123	123	-
Other purposes.....	11,877	-	11,877	-	54,545
Unrestricted (deficit).....	(1,954,640)	54,594	(1,900,046)	(1,987,767)	434,800
TOTAL NET POSITION.....	(\$ 1,005,288)	\$ 260,549	(\$ 744,739)	(\$ 895,090)	\$ 3,086,051

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF ACTIVITIES -
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				PRIMARY GOVERNMENT				COMPONENT UNITS
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		
							2016	2015	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government.....	\$ 164,860	\$ 57,289	\$ 6,025	\$ 2,413	\$ (99,133)		\$ (99,133)	\$ (84,488)	
Human services.....	123,752	2,092	14,985	123	(106,552)		(106,552)	(92,274)	
Public safety.....	625,227	56,426	5,898	-	(562,903)		(562,903)	(571,969)	
Culture and recreation.....	89,053	4,092	1,007	-	(83,954)		(83,954)	(74,094)	
Transportation.....	148,663	20	6,988	53,249	(88,406)		(88,406)	(77,913)	
Economic environment.....	43,292	6	15,625	-	(27,661)		(27,661)	(26,897)	
Physical environment.....	109,536	2,802	6,223	281	(100,230)		(100,230)	(107,190)	
Interest on long term debt.....	82,255	-	-	-	(82,255)		(82,255)	(82,828)	
Total governmental activities.....	<u>1,386,638</u>	<u>122,727</u>	<u>56,751</u>	<u>56,066</u>	<u>(1,151,094)</u>		<u>(1,151,094)</u>	<u>(1,117,653)</u>	
Business-type activities:									
Parking system.....	3,496	3,837	-	-	-	341	341	330	
Motor vehicle inspections.....	441	445	-	-	-	4	4	72	
Solid Waste.....	71,433	70,857	-	-	-	(576)	(576)	(667)	
Storm Water Services.....	24,386	29,090	-	17,087	-	21,791	21,791	6,065	
Mayport Ferry.....	2,675	767	-	-	-	(1,908)	(1,908)	(490)	
EverBank Field.....	30,519	4,870	-	19,841	-	(5,808)	(5,808)	(22,056)	
Veterans Memorial Arena.....	17,670	6,839	-	-	-	(10,831)	(10,831)	(11,388)	
Baseball Stadium.....	4,796	1,073	-	-	-	(3,723)	(3,723)	(3,447)	
Performing Arts.....	4,214	2,363	-	-	-	(1,851)	(1,851)	(2,042)	
Convention Center.....	4,057	1,136	-	-	-	(2,921)	(2,921)	(2,905)	
Equestrian Center.....	1,206	-	-	-	-	(1,206)	(1,206)	(1,139)	
Ritz Theater	1,173	90	-	-	-	(1,083)	(1,083)	(1,294)	
Total business-type activities.....	<u>166,066</u>	<u>121,367</u>	<u>-</u>	<u>36,928</u>	<u>-</u>	<u>(7,771)</u>	<u>(7,771)</u>	<u>(38,961)</u>	
Total primary government.....	<u>\$ 1,552,704</u>	<u>\$ 244,094</u>	<u>\$ 56,751</u>	<u>\$ 92,994</u>	<u>(1,151,094)</u>	<u>(7,771)</u>	<u>(1,158,865)</u>	<u>(1,156,614)</u>	
COMPONENT UNITS:									
Governmental activities.....	\$ 104,117	\$ -	\$ -	\$ 572					\$ (103,545)
Business-type activities.....	1,866,467	1,865,342	15,745	123,666					138,286
Total component units.....	<u>\$ 1,970,584</u>	<u>\$ 1,865,342</u>	<u>\$ 15,745</u>	<u>\$ 124,238</u>					<u>\$ 34,741</u>
General revenues:									
Property taxes.....					557,917	-	557,917	527,754	-
Utility and Communications service taxes.....					123,118	-	123,118	124,006	-
Sales and tourist taxes.....					201,906	15,904	217,810	208,689	62,768
Local business taxes.....					7,172	-	7,172	7,324	-
Intergovernmental - unrestricted.....					164,728	-	164,728	148,440	75,765
JEA Contribution.....					114,188	-	114,188	111,688	-
Unrestricted earnings on investments.....					26,431	2,181	28,612	10,616	22,435
Franchise Fees.....					40,401	-	40,401	41,013	-
Miscellaneous.....					40,012	15,258	55,270	55,459	19,067
Transfers.....					(16,635)	16,635	-	-	-
Special Item:									
JTA transfer of Ferry operation					-	-	-	-	3,634
Total general revenues, transfers, and special item.....					<u>1,259,238</u>	<u>49,978</u>	<u>1,309,216</u>	<u>1,234,989</u>	<u>183,669</u>
Change in net position.....					<u>108,144</u>	<u>42,207</u>	<u>150,351</u>	<u>78,375</u>	<u>218,410</u>
Net position, beginning of year.....					<u>(1,113,432)</u>	<u>218,342</u>	<u>(895,090)</u>	<u>(973,465)</u>	<u>2,867,641</u>
Net position, end of year.....					<u>(\$ 1,005,288)</u>	<u>\$ 260,549</u>	<u>(\$ 744,739)</u>	<u>(\$ 895,090)</u>	<u>\$ 3,086,051</u>

See accompanying notes.



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**FUND FINANCIAL
STATEMENTS**



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MAJOR GOVERNMENTAL FUNDS:

GENERAL FUND

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

DEBT SERVICE FUNDS

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

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

CITY OF JACKSONVILLE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
ASSETS:			
Equity in pooled cash and investments.....	\$ 177,266	\$ 114,620	\$ 11,422
Cash in escrow and with fiscal agents.....	186	78,680	62,348
Securities lending collateral.....	67,167	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	5,690	-	-
Mortgages.....	-	-	-
Other.....	16,795	-	-
Due from other funds.....	10,989	-	-
Due from independent agencies and other governments.....	49,383	-	-
Inventories.....	3,273	-	-
Prepaid items.....	-	-	-
TOTAL ASSETS.....	330,749	193,300	73,770
LIABILITIES:			
Accounts payable and accrued liabilities.....	\$ 31,285	\$ 139	\$ 56
Contracts payable.....	-	-	-
Due to other funds.....	-	-	-
Due to component units.....	-	-	-
Due to individuals.....	-	-	-
Bonds payable.....	-	53,240	49,866
Interest payable.....	-	25,440	12,482
Deposits.....	1,186	-	-
Unearned revenue.....	22,948	-	-
Securities lending obligations.....	67,167	-	-
Advances from other funds.....	-	-	-
TOTAL LIABILITIES.....	122,586	78,819	62,404
DEFERRED INFLOW OF RESOURCES:			
Unavailable Revenue.....	180	-	-
FUND BALANCES:			
Non Spendable:			
Non Spendable.....	3,273	-	-
Spendable:			
Restricted.....	2,287	114,481	11,366
Committed.....	93,999	-	-
Assigned.....	11,122	-	-
Unassigned.....	97,302	-	-
TOTAL FUND BALANCES.....	207,983	114,481	11,366
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....	\$ 330,749	\$ 193,300	\$ 73,770

See accompanying notes.

NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
	2016	2015
\$ 311,637	\$ 614,945	\$ 575,441
3,699	144,913	144,131
-	67,167	70,892
266	5,956	9,276
2,626	2,626	2,723
3	16,798	17,114
-	10,989	16,988
51,151	100,534	94,518
-	3,273	4,120
16	16	-
<u>369,398</u>	<u>967,217</u>	<u>\$ 935,203</u>
\$ 27,869	\$ 59,349	\$ 41,696
384	384	404
3,284	3,284	16,988
-	-	43
256	256	250
-	103,106	93,988
-	37,922	45,082
3,074	4,260	5,595
1,329	24,277	25,047
-	67,167	70,892
2,949	2,949	3,849
<u>39,145</u>	<u>302,954</u>	<u>303,834</u>
-	180	180
284	3,557	4,243
72,382	200,516	190,769
257,935	351,934	333,904
-	11,122	15,574
(348)	96,954	86,699
<u>330,253</u>	<u>664,083</u>	<u>631,189</u>
<u>\$ 369,398</u>	<u>\$ 967,217</u>	<u>\$ 935,203</u>



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City of Jacksonville, Florida
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2016
(in thousands)

Total fund balances - governmental funds \$ 664,083

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities 2,601,584
are not financial resources and therefore are not reported in the funds

Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:

Bonds and notes payable	(2,100,050)	
Unamortized bond discounts	2,216	
Unamortized bond premium	(172,497)	
Unamortized loss on advance refunding of debt	9,802	
Total bonds and notes payable	(2,260,529)	(2,260,529)

Net pension liability	(2,446,030)	
Pension related deferred inflow of resources	(19,547)	
Pension related deferred outflow of resources	489,825	
	(1,975,752)	(1,975,752)

* Certain assets, liabilities, deferred inflow of resources, and deferred outflow of resources reported in governmental activities are not financial resources and therefore are not reported in the funds:

Matured notes and bonds payable accrual at the fund level	103,106	
Compensated absences	(57,238)	
Estimated liability for self insured losses-current	(32,472)	
Estimated liability for self insured losses-long-term	(79,777)	
Other post employment benefits (OPEB) liability	(71,198)	
Accrued liability for pollution remediation	(152,333)	
Amounts due to independent agencies or other governments	(13,567)	
Amounts earned but not available	180	
Accounts payable and accrued liabilities	(116)	
Total	(303,415)	(303,415)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The Capital Assets and Long term liabilities are consolidated with the governmental funds on an entity-wide basis. This amount represents the net of Current Assets and Current Liabilities of the Internal Service Funds.

268,741

Net position of governmental activities \$ (1,005,288)

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

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
REVENUES:			
Property taxes.....	\$ 539,881	\$ -	\$ -
Utility and Communications service taxes.....	123,118	-	-
Sales and tourist taxes.....	1,130	-	-
Local business taxes.....	7,172	-	-
Licenses, permits, and fees.....	43,385	-	-
Intergovernmental.....	157,179	45,789	-
Charges for services.....	56,997	-	-
Fines and forfeitures.....	1,873	-	-
JEA contribution.....	114,188	-	-
Investment earnings.....	6,403	4,547	933
Other.....	17,995	-	-
Total Revenues.....	1,069,321	50,336	933
EXPENDITURES:			
Current:			
General government.....	117,741	-	-
Human services.....	68,137	-	-
Public safety.....	617,745	-	-
Culture and recreation.....	62,108	-	-
Transportation.....	27,417	-	-
Economic environment.....	12,002	-	-
Physical environment.....	24,710	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	54,283	49,876
Interest.....	10,339	53,813	26,435
Other.....	-	4,483	611
Total Expenditures.....	940,199	112,579	76,922
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	129,122	(62,243)	(75,989)
OTHER FINANCING SOURCES (USES):			
Long term debt issued.....	5,931	-	-
Refunding bond issued.....	-	323,010	48,134
Premium on special obligation bonds payable.....	-	41,072	-
Payment to escrow agent - refunded bonds.....	-	(355,091)	(48,134)
Transfers in.....	19,434	61,788	77,904
Transfers out.....	(122,657)	-	(1,904)
Total Other Financing Sources (Uses).....	(97,292)	70,779	76,000
NET CHANGES IN FUND BALANCES.....	31,830	8,536	11
FUND BALANCE, BEGINNING OF YEAR.....	176,999	105,945	11,355
Change in Inventory of Supplies.....	(846)	-	-
FUND BALANCES, END OF YEAR.....	\$ 207,983	\$ 114,481	\$ 11,366

NON MAJOR GOVERNMENTAL FUNDS	TOTAL	
	2016	2015
\$ 18,036	\$ 557,917	\$ 527,754
-	123,118	124,006
200,776	201,906	194,148
-	7,172	7,324
14,679	58,064	57,454
66,222	269,190	256,336
40,525	97,522	89,351
5,669	7,542	6,602
-	114,188	111,688
8,360	20,243	6,602
18,471	36,466	32,805
<u>372,738</u>	<u>1,493,328</u>	<u>1,414,070</u>
29,917	147,658	143,516
44,097	112,234	107,035
27,525	645,270	630,540
8,519	70,627	68,093
125,832	153,249	140,616
31,544	43,546	43,556
11,880	36,590	28,600
50,507	50,507	54,128
210	104,369	94,563
6	90,593	95,820
-	5,094	1,515
<u>330,037</u>	<u>1,459,737</u>	<u>1,407,982</u>
<u>42,701</u>	<u>33,591</u>	<u>6,088</u>
-	5,931	60,720
-	371,144	61,401
-	41,072	11,001
-	(403,225)	(71,915)
64,844	223,970	213,114
(114,182)	(238,743)	(230,114)
<u>(49,338)</u>	<u>149</u>	<u>44,207</u>
(6,637)	33,740	50,295
336,890	631,189	580,894
-	(846)	-
<u>\$ 330,253</u>	<u>\$ 664,083</u>	<u>\$ 631,189</u>

City of Jacksonville, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended September 30, 2016
(in thousands)

Net change in fund balances - total governmental funds: \$ 33,740

Amounts reported for governmental activities in the statement of activities are different because Certain assets and liabilities reported in governmental activities are not current financial resources or do not require the use of current financial resources.

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, certain capital assets are contributed to the City upon completion, requiring recognition of capital contributions not reported in the funds.

Capital assets acquired by use of financial resources	50,938	
Capital assets contributed by developers and other	8,355	
Current year depreciation	(134,169)	
Loss on disposition of assets	(2,861)	
	(77,737)	(77,737)

Governmental funds report certain bond transactions as sources or uses. However, in the statement of activities these transactions are reported over the life of the debt as expenses.

Amortization of bond discounts	(161)	
Recording and amortization of bond premium	(30,183)	
Amortization - loss on refunding	(979)	
	(31,323)	(31,323)

Repayment of bond principal is an expenditure in governmental funds, but the repayment results in a reduction of long-term liabilities in the statement of net position. Issuing debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Long-term debt issued	(371,144)	
Principal repayment	507,594	
	136,450	136,450

Some revenues and expenses reported in the statement of activities did not require the use of or provide current financial resources and therefore are not reported in governmental funds

Decrease in compensated absences payable	861	
Increase in other post employment benefits	(9,701)	
Decrease of accrual for pollution remediation	8,526	
Net effect of internal Debt Management fund	11,028	
Additional interest and fiscal charges	(1,050)	
Change in inventory of supplies	(846)	
Increase in accounts payable and accrued liabilities	(116)	
Increase in net pension liability	(247,969)	
Change in deferred outflow and inflow of resources related to pension	254,678	
	120,538	120,538

Internal service funds are used to charge the cost of certain activities to individual funds

The net revenue (expense) and transfers are reported with governmental activities		
Operating gain (loss)	24,800	
Investment revenue (loss)	6,188	
Interest expense	(361)	
Other non-operating revenue	2,839	
Transfers in, net	(1,863)	
	31,603	31,603

Change in Net Position - Governmental Activities \$ 108,144

See accompanying notes.

MAJOR ENTERPRISE FUNDS:

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

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

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

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

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

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

ENTERPRISE FUNDS

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2016	2015	
ASSETS:								
Equity in pooled cash and investments.....	\$ 1	\$ 617	\$ 2,343	\$ 25,165	\$ 16,541	\$ 44,667	\$ 39,998	\$ 206,648
Cash with fiscal agents.....	5,420	7,761	2,265	-	938	16,384	15,957	25,574
Receivables (net, where applicable, of allowances for uncollectibles):								
Accounts.....	30,140	1,631	1,391	23,965	478	57,605	58,192	14
Loans	-	-	-	-	-	-	-	31,945
Other.....	-	-	-	-	-	-	-	1,295
Due from other funds.....	-	967	-	-	-	967	6,257	-
Due from independent agencies and other governments.....	4	924	47	-	9	984	305	1,844
Interest and dividend receivables.....	2	-	-	-	-	2	2	-
Inventories.....	-	-	-	-	13	13	11	909
Prepaid expenses and other assets.....	-	72	2,102	-	245	2,419	3,593	1,958
Total Current Assets.....	35,567	11,972	8,148	49,130	18,224	123,041	124,315	270,187
NONCURRENT ASSETS:								
Advances to other funds.....	-	-	-	-	-	-	-	2,949
Sinking fund cash and investments.....	21,337	-	-	-	-	21,337	20,430	-
Loans receivable.....	-	-	-	-	-	-	-	267,586
Prepaid expense - Landfill related costs.....	2,115	-	-	-	-	2,115	4,138	-
Other receivables.....	-	-	-	-	-	-	-	10,680
CAPITAL ASSETS:								
Land, easements and work in progress.....	37,380	24,878	1,938	5,332	8,072	77,600	59,775	2,192
Other capital assets, net of depreciation.....	10,430	213,626	94,580	57,058	69,902	445,596	422,517	77,761
Total Noncurrent Assets.....	71,262	238,504	96,518	62,390	77,974	546,648	506,860	361,168
TOTAL ASSETS.....	106,829	250,476	104,666	111,520	96,198	669,689	631,175	631,355
DEFERRED OUTFLOW OF RESOURCES:								
Unamortized deferred loss on refunding.....	-	-	-	-	82	82	208	-

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

ENTERPRISE FUNDS

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2016	2015	
LIABILITIES:								
Accounts payable and accrued liabilities.....	\$ 11,133	\$ 2,921	\$ 2,655	\$ 2,321	\$ 2,769	\$ 21,799	\$ 15,396	\$ 13,561
Contracts payable.....	168	-	-	74	-	242	154	-
Due to other funds.....	600	-	-	-	967	1,567	6,257	-
Deposits.....	142	399	3,044	39	894	4,518	3,440	-
Accrued interest payable.....	115	2,521	2,265	-	664	5,565	5,755	4,823
Estimated liability for self-insured losses, current portion.....	-	-	-	-	-	-	-	32,472
Current portion of bonds payable.....	5,305	5,240	-	-	274	10,819	10,202	20,751
Unearned revenue.....	-	-	138	-	-	138	96	1,695
Accrued compensated absences, current portion.....	146	-	-	51	64	261	313	817
Current portion of loans payable.....	1,623	509	-	1,802	-	3,934	1,709	9,215
Total Current Liabilities.....	19,232	11,590	8,102	4,287	5,632	48,843	43,322	83,334
NONCURRENT LIABILITIES:								
Estimated liability for self-insured losses.....	-	-	-	-	-	-	-	79,777
Liability for landfill closure and post-closure care.....	32,376	-	-	-	-	32,376	43,452	-
Accrued compensated absences.....	341	-	-	118	119	578	702	1,910
Notes payable.....	-	43,410	-	-	-	43,410	43,410	32,958
Loans payable.....	15,115	6,966	-	12,372	-	34,453	19,792	17,051
Bonds payable.....	-	118,312	99,554	-	29,311	247,177	260,208	268,993
Other liabilities.....	1,009	-	-	948	392	2,349	2,101	3,433
Total Noncurrent Liabilities.....	48,841	168,688	99,554	13,438	29,822	360,343	369,665	404,122
TOTAL LIABILITIES.....	68,073	180,278	107,656	17,725	35,454	409,186	412,987	487,456
DEFERRED INFLOW OF RESOURCES:								
Unamortized deferred gain on refunding.....	-	-	-	-	36	36	54	1,437
NET POSITION:								
Net investment in capital assets.....	47,810	64,576	(3,036)	48,216	48,389	205,955	163,294	53,687
Restricted for:								
Restricted - other participant's equity.....	-	-	-	-	-	-	-	905
Unrestricted (deficit).....	(9,054)	5,622	46	45,579	12,401	54,594	55,048	87,870
TOTAL NET POSITION (DEFICIT)	\$ 38,756	\$ 70,198	(\$ 2,990)	\$ 93,795	\$ 60,790	\$ 260,549	\$ 218,342	\$ 142,462

See accompanying notes.



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CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

ENTERPRISE FUNDS								
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2016	2015	
OPERATING REVENUE:								
Sales and tourist taxes.....	\$ -	\$ 9,217	\$ -	\$ -	\$ 6,687	\$ 15,904	\$ 14,541	\$ -
Charges for services.....	70,857	4,870	6,839	29,090	9,711	121,367	121,297	273,059
Charges for services for independent authorities.....	-	-	-	-	-	-	-	7,301
Other.....	10	6,257	3,869	3	3,590	13,729	13,052	1,363
Total Operating Revenue.....	70,867	20,344	10,708	29,093	19,988	151,000	148,890	281,723
OPERATING EXPENSES:								
Personal services.....	7,506	1,827	1,711	8,022	5,058	24,124	22,993	31,249
Supplies and materials.....	3,699	70	61	312	97	4,239	610	16,496
Central services.....	3,798	200	65	2,572	762	7,397	7,583	14,042
Interdepartmental charges.....	85	800	418	22	708	2,033	2,625	-
Other services and charges.....	53,169	14,320	8,331	9,393	10,834	96,047	94,463	58,237
Depreciation and amortization.....	2,899	8,028	2,553	3,414	3,243	20,137	19,566	17,392
Court reporter services.....	-	-	-	-	-	-	-	75
Claims and losses.....	-	-	-	-	-	-	-	27,501
Insurance premiums and participant dividends.....	-	-	-	-	-	-	-	91,931
Total Operating Expenses.....	71,156	25,245	13,139	23,735	20,702	153,977	147,840	256,923
OPERATING (LOSS) INCOME.....	(289)	(4,901)	(2,431)	5,358	(714)	(2,977)	1,050	24,800
NON-OPERATING REVENUE (EXPENSES):								
Investment earnings.....	899	269	-	791	222	2,181	1,251	6,188
Interest expense.....	(277)	(5,274)	(4,531)	(651)	(1,356)	(12,089)	(12,418)	(361)
Other.....	2,513	8,179	1,515	219	(10,897)	1,529	6,174	2,839
Total Non-Operating Revenue (Expenses).....	3,135	3,174	(3,016)	359	(12,031)	(8,379)	(4,993)	8,666
INCOME (LOSS) BEFORE TRANSFERS.....	2,846	(1,727)	(5,447)	5,717	(12,745)	(11,356)	(3,943)	33,466
CAPITAL CONTRIBUTIONS.....	-	19,841	-	17,087	-	36,928	-	-
TRANSFERS:								
Transfers in.....	1,702	5,386	4,826	1,849	6,830	20,593	19,000	7,598
Transfers out.....	(539)	(980)	-	(982)	(1,457)	(3,958)	(3,710)	(9,461)
Net Transfers.....	1,163	4,406	4,826	867	5,373	16,635	15,290	(1,863)
CHANGES IN NET POSITION.....	4,009	22,520	(621)	23,671	(7,372)	42,207	11,347	31,603
NET POSITION (DEFICIT), BEGINNING OF YEAR..	34,747	47,678	(2,369)	70,124	68,162	218,342	206,995	110,859
NET POSITION (DEFICIT), END OF YEAR.....	\$ 38,756	\$ 70,198	(\$ 2,990)	\$ 93,795	\$ 60,790	\$ 260,549	\$ 218,342	\$ 142,462

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers.....	\$ 71,944	\$ 14,265	\$ 6,558
Payments to suppliers.....	(63,697)	(15,086)	(7,035)
Payments to employees	(7,542)	(1,827)	(1,711)
Internal activity-receipts from other funds.....	117	-	-
Internal activity-payments to other funds.....	-	(757)	(47)
Other cash receipts	10	6,257	3,690
Other operating cash payments.....	(2,146)	(730)	162
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	(1,314)	2,122	1,617
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds.....	1,702	5,386	4,826
Transfers to other funds.....	(539)	(980)	-
Cash received from other funds.....	600	720	-
Cash paid to other funds.....	-	(4,570)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	1,763	556	4,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets.....	(22,541)	(9,938)	(532)
Proceeds from sale of capital assets.....	2,634	13,284	897
Cash paid to fiscal agent.....	(1,058)	(124)	-
Decrease in landfill costs and other charges.....	2,023	-	-
Proceeds from long-term obligations.....	-	-	-
Contributions from JEA.....	-	-	-
Loan repayment from JEA.....	-	-	-
Proceeds from bonds payable.....	381	200	-
Payments on bonds payable.....	(5,427)	(11,728)	-
Proceeds from loans payable.....	12,369	6,226	-
Payments on loans payable.....	-	-	-
Proceeds from notes payable.....	-	-	-
Interest paid on debts.....	(386)	(5,350)	(4,531)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(12,005)	(7,430)	(4,166)
CASHFLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments.....	899	269	(25)
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	899	269	(25)
NET CHANGE IN CASH AND INVESTMENTS.....	(10,657)	(4,483)	2,252
Equity in pooled cash and investments at October 1, 2015.....	10,658	5,100	91
Equity in pooled cash and investments at September 30, 2016.....	<u>\$ 1</u>	<u>\$ 617</u>	<u>\$ 2,343</u>

STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTAL		INTERNAL SERVICE FUNDS
		2016	2015	
\$ 29,093	\$ 19,627	\$ 141,487	\$ 142,982	\$ 283,555
(12,262)	(13,271)	(111,351)	(126,091)	(153,482)
(7,946)	(5,021)	(24,047)	(22,615)	(31,224)
-	17	134	328	-
-	-	(804)	(38)	(13,840)
36	2,898	12,891	13,527	805
(22)	(724)	(3,460)	(10,293)	(66,432)
<u>8,899</u>	<u>3,526</u>	<u>14,850</u>	<u>(2,200)</u>	<u>19,382</u>
1,849	6,830	20,593	18,999	7,598
(982)	(1,457)	(3,958)	(3,710)	(9,461)
-	4,682	6,002	19,668	900
-	(802)	(5,372)	(19,668)	-
<u>867</u>	<u>9,253</u>	<u>17,265</u>	<u>15,289</u>	<u>(963)</u>
(11,659)	(13,359)	(58,029)	(40,825)	(38,572)
-	262	17,077	23,200	1,553
-	(152)	(1,334)	(2,797)	(68)
-	-	2,023	1,925	-
-	6	6	19,185	-
17,087	200	17,287	200	-
245	-	245	150	-
-	5,435	6,016	3,971	4,799
-	(346)	(17,501)	(30,770)	(646)
93	-	18,688	7,247	15,384
(1,801)	-	(1,801)	-	(1,525)
-	-	-	19,185	7,958
(651)	(1,322)	(12,240)	(12,560)	(1,581)
<u>3,314</u>	<u>(9,276)</u>	<u>(29,563)</u>	<u>(11,889)</u>	<u>(12,698)</u>
<u>791</u>	<u>183</u>	<u>2,117</u>	<u>1,214</u>	<u>6,188</u>
<u>791</u>	<u>183</u>	<u>2,117</u>	<u>1,214</u>	<u>6,188</u>
13,871	3,686	4,669	2,414	11,909
<u>11,294</u>	<u>12,855</u>	<u>39,998</u>	<u>37,584</u>	<u>194,739</u>
<u>\$ 25,165</u>	<u>\$ 16,541</u>	<u>\$ 44,667</u>	<u>\$ 39,998</u>	<u>\$ 206,648</u>

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands; continued)

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS).....	(\$ 289)	(\$ 4,901)	(\$ 2,431)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	2,899	8,028	2,553
Other non-operating revenue/(expenses).....	-	-	-
(Increase) decrease in assets:			
Receivables and other current assets, net.....	486	179	61
Due from independent agencies and other governments.....	117	(757)	(47)
Inventories.....	-	-	-
Other receivables.....	-	-	-
Loan receivables.....	-	-	-
Prepaid expenses and other assets.....	-	(26)	1,374
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses.....	6,481	(417)	(294)
Contracts payable.....	136	-	-
Deposits.....	(38)	71	537
Accrued interest payable.....	-	(55)	(178)
Unearned revenue.....	-	-	42
Other liabilities.....	141	-	-
Liability for landfill closure and postclosure care.....	(11,076)	-	-
Liability for self-insured losses.....	-	-	-
Accrued compensated absences.....	(171)	-	-
TOTAL ADJUSTMENTS.....	(1,025)	7,023	4,048
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	(\$ 1,314)	\$ 2,122	\$ 1,617
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Change in the fair value of investments.....	(233)	92	(27)
Capital assets transferred from governmental activities to proprietary funds of the city.....	7	19,841	-

STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTAL		INTERNAL SERVICE FUNDS
		2016	2015	
<u>\$ 5,358</u>	<u>(\$ 714)</u>	<u>(\$ 2,977)</u>	<u>\$ 1,050</u>	<u>\$ 24,800</u>
3,414	3,243	20,137	19,566	17,392
-	33	33	23	-
(824)	686	588	(2,758)	15
-	8	(679)	290	1,166
-	(2)	(2)	2	(26)
-	-	-	-	651
-	-	-	-	(19,715)
-	(173)	1,175	(3,143)	185
909	21	6,700	(7,931)	(5,857)
(48)	-	88	(30)	-
14	493	1,077	(4,815)	-
-	(93)	(326)	(160)	-
-	-	42	(40)	(220)
53	53	247	294	494
-	-	(11,076)	(4,556)	-
-	-	-	-	589
23	(29)	(177)	8	(92)
<u>3,541</u>	<u>4,240</u>	<u>17,827</u>	<u>(3,250)</u>	<u>(5,418)</u>
<u>\$ 8,899</u>	<u>\$ 3,526</u>	<u>\$ 14,850</u>	<u>(\$ 2,200)</u>	<u>\$ 19,382</u>
371	41	244	(91)	3,146
(26)	(3,636)	16,186	-	-



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FIDUCIARY FUND LEVEL STATEMENTS

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

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

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

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUND		AGENCY FUNDS	
	2016	2015	2016	2015	2016	2015
<u>ASSETS</u>						
CURRENT ASSETS:						
Equity in pooled cash and investments.....	\$ 12,646	\$ 30,421	\$ 278	\$ 271	\$ 55,346	\$ 46,607
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	4,054	5,099	-	-	-	-
Accounts.....	10,762	155	-	-	2,652	2,506
Other.....	2,349	2,059	-	-	105	11
Due from independent agencies and other governments...	5,651	4,746	-	-	-	-
Prepaid assets.....	82	114	-	-	-	-
Investments, at fair value:						
Bonds.....	691,004	689,021	-	-	-	-
Short-term investments.....	41,896	59,472	-	-	-	-
Domestic stocks.....	1,307,360	1,247,211	-	-	-	-
International stocks.....	763,536	664,826	-	-	-	-
Real estate.....	685,455	461,410	-	-	-	-
Alternative investments.....	129,188	199,560	-	-	-	-
Equity in pooled investments.....	20,151	15,096	-	-	-	-
Total investments.....	<u>3,638,590</u>	<u>3,336,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets.....	<u>3,674,134</u>	<u>3,379,190</u>	<u>278</u>	<u>271</u>	<u>58,103</u>	<u>49,124</u>
CAPITAL ASSETS						
Other capital assets, net of depreciation.....	13	26	-	-	-	-
Total Capital Assets, Net.....	<u>13</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Securities lending collateral.....	176,815	217,934	-	-	-	-
TOTAL ASSETS.....	<u>3,850,962</u>	<u>3,597,150</u>	<u>278</u>	<u>271</u>	<u>58,103</u>	<u>49,124</u>
DEFERRED OUTFLOW OF RESOURCES:						
Net differences between expected and actual investments earnings.....	112	273	-	-	-	-
<u>LIABILITIES</u>						
CURRENT LIABILITIES:						
Obligations under securities lending agreement.....	177,238	218,638	-	-	-	-
Accounts payable and accrued liabilities.....	15,607	6,852	-	-	30	65
Due to other funds.....	-	-	-	-	107	-
Due to independent agencies and other governments.....	-	-	-	-	19,520	18,013
Due to individuals.....	-	-	-	-	7,467	6,585
Deposits held in escrow.....	-	-	-	-	30,294	23,803
Miscellaneous liabilities.....	-	-	-	-	685	658
Total Current Liabilities.....	<u>192,845</u>	<u>225,490</u>	<u>-</u>	<u>-</u>	<u>58,103</u>	<u>49,124</u>
NONCURRENT LIABILITIES:						
Other post employment benefits.....	109	93	-	-	-	-
Accrued compensated absences.....	78	191	-	-	-	-
Terminal leave - group care.....	65	102	-	-	-	-
Total Noncurrent Liabilities.....	<u>252</u>	<u>386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>193,097</u>	<u>225,876</u>	<u>-</u>	<u>-</u>	<u>\$ 58,103</u>	<u>\$ 49,124</u>
NET POSITION:						
Restricted for Pensions and other purposes.....	<u>\$ 3,657,977</u>	<u>\$ 3,371,547</u>	<u>\$ 278</u>	<u>\$ 271</u>		

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST	
	2016	2015	2016	2015
<u>ADDITIONS</u>				
Contributions:				
Employer.....	\$ 262,344	\$ 255,938	\$ -	\$ -
Plan members.....	40,880	38,672	-	-
Total contributions.....	<u>303,224</u>	<u>294,610</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	10,682	10,579	-	-
Court fines & penalties.....	1,185	1,263	-	-
Miscellaneous.....	120	249	-	-
Plan transfers in/(out).....	4,156	2,647	-	8
Total other additions.....	<u>16,143</u>	<u>14,738</u>	<u>-</u>	<u>8</u>
Investment income:				
Net change in fair value of investments.....	294,846	(150,604)	-	-
Interest and other miscellaneous.....	30,267	28,717	8	18
Dividends.....	26,646	33,041	-	-
Rebate of commissions.....	80	79	-	-
Rental income.....	705	636	-	-
Total investment income	<u>352,544</u>	<u>(88,131)</u>	<u>8</u>	<u>18</u>
Less investment expense.....	(17,933)	(18,177)	-	-
Less rental expense.....	(258)	(251)	-	-
Net investment income	<u>334,353</u>	<u>(106,559)</u>	<u>8</u>	<u>18</u>
From Securities Lending Activities:				
Securities lending.....	956	1,299	-	-
Securities lending expenses				
Agent fees.....	(239)	(325)	-	-
Total securities lending activities	<u>717</u>	<u>974</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS, NET.....	<u>654,437</u>	<u>203,763</u>	<u>8</u>	<u>26</u>
<u>DEDUCTIONS</u>				
Benefit payments.....	303,352	313,961	-	-
DROP benefits.....	30,250	-	-	-
Refund of contributions.....	31,265	21,031	-	-
Administrative expenses.....	3,140	2,511	-	-
Operating expenses.....	-	-	1	4
TOTAL DEDUCTIONS.....	<u>368,007</u>	<u>337,503</u>	<u>1</u>	<u>4</u>
CHANGE IN NET POSITION.....	286,430	(133,740)	7	22
NET POSITION, BEGINNING OF YEAR.....	3,371,547	3,504,379	271	249
RESTATEMENT DUE TO				
CHANGE IN ACCOUNTING PRINCIPLE.....	-	908	-	-
NET POSITION, END OF YEAR.....	<u>\$ 3,657,977</u>	<u>\$ 3,371,547</u>	<u>\$ 278</u>	<u>\$ 271</u>

See accompanying notes.



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COMPONENT UNITS

Component Units are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's governing body with certain exceptions, and either (a) the ability to impose will by the primary government; or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on the primary government. Financial accountability may also be determined if the component unit is fiscally dependent on the City and a potential financial benefit / burden relationship exists.

MAJOR COMPONENT UNITS:

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

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

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

NON MAJOR COMPONENT UNIT:

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

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF NET POSITION -
COMPONENT UNITS (in thousands)
SEPTEMBER 30, 2016

MAJOR COMPONENT UNITS

	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE PORT AUTHORITY
ASSETS			
Cash and cash equivalents.....	\$ 596,923	\$ 32,154	\$ 38,785
Cash in escrow with fiscal agent.....	-	-	-
Investments.....	1,027,689	164,327	5,892
Due from other governmental agencies.....	-	46,649	-
Accounts and interest receivable.....	239,188	2,595	4,658
Mortgages receivable.....	-	-	-
Other receivables.....	-	-	9,916
Inventories.....	117,803	3,145	1,657
Costs to be recovered from future revenues.....	463,610	-	-
Other assets.....	23,747	2,064	-
Capital assets:			
Land, easements, and construction in progress.....	509,463	92,647	296,643
Buildings and improvements.....	-	164,927	637,437
Vehicles.....	-	114,188	-
Equipment.....	-	99,140	113,122
Utility plant in service.....	10,792,942	-	-
Less: accumulated depreciation.....	(5,427,480)	(244,174)	(371,621)
Total capital assets, net of depreciation.....	5,874,925	226,728	675,581
TOTAL ASSETS.....	8,343,885	477,662	736,489
DEFERRED OUTFLOW OF RESOURCES:			
Pension related.....	137,010	15,767	7,208
Unamortized deferred loss on refunding.....	141,780	-	3,695
Accumulated decrease in fair value of hedging instrument.....	182,928	-	638
TOTAL DEFERRED OUTFLOW OF RESOURCES	461,718	15,767	11,541
LIABILITIES			
Accounts payable and accrued liabilities.....	113,225	20,980	2,923
Contracts payable.....	39,730	-	1,524
Deposits.....	55,125	-	-
Unearned revenue.....	-	-	6,272
Interest payable.....	86,978	791	3,368
Other current liabilities.....	80,809	-	1,276
Noncurrent liabilities:			
Due within one year:			
Estimated liability for injury and damage claims.....	-	162	-
Bonds, notes payable, capital leases.....	181,525	3,975	12,241
Compensated absences.....	-	276	-
Due in more than one year:			
Estimated liability for injury and damage claims.....	-	4,000	-
Bonds, capital leases and commercial paper.....	4,608,868	111,913	182,478
Fair market value of debt management instrument.....	181,793	-	638
Compensated absences.....	-	872	-
Custodial projects - due to other governments.....	-	30,779	-
OPEB liability.....	-	417	-
Unearned revenue noncurrent.....	-	-	115,036
Net pension liability.....	493,346	14,672	13,379
Other noncurrent liabilities.....	46,331	-	21,535
TOTAL LIABILITIES.....	5,887,730	188,837	360,670
DEFERRED INFLOW OF RESOURCES:			
Revenue to be used for future costs.....	528,262	-	-
Pension related.....	12,683	3,730	1,891
TOTAL DEFERRED INFLOW OF RESOURCES	540,945	3,730	1,891
NET POSITION			
Net investment in capital assets.....	1,440,910	226,728	346,753
Restricted for:			
Capital projects.....	382,898	-	7,775
Debt service.....	172,649	-	18,993
Other purposes.....	37,440	-	2,770
Unrestricted.....	343,031	74,134	9,178
TOTAL NET POSITION	\$ 2,376,928	\$ 300,862	\$ 385,469

See accompanying notes.

**NON MAJOR
COMPONENT UNIT**

**JACKSONVILLE
HOUSING
FINANCE
AUTHORITY**

TOTAL

\$ 6,868	\$ 674,730
1,625	1,625
-	1,197,908
-	46,649
-	246,441
14,335	14,335
-	9,916
-	122,605
-	463,610
-	25,811
-	898,753
-	802,364
-	114,188
-	212,262
-	10,792,942
-	(6,043,275)
-	6,777,234
22,828	9,580,864
-	159,985
-	145,475
-	183,566
-	489,026
26	137,154
-	41,254
10	55,135
-	6,272
-	91,137
-	82,085
-	162
-	197,741
-	276
-	4,000
-	4,903,259
-	182,431
-	872
-	30,779
-	417
-	115,036
-	521,397
-	67,866
36	6,437,273
-	528,262
-	18,304
-	546,566
-	2,014,391
-	390,673
-	191,642
14,335	54,545
8,457	434,800
\$ 22,792	\$ 3,086,051

**CITY OF JACKSONVILLE, FLORIDA
 COMBINING STATEMENT OF ACTIVITIES -
 COMPONENT UNITS (in thousands)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
Jacksonville Transportation Authority.....	\$ 103,873	\$ -	\$ -	\$ 572
Jacksonville Housing Finance Authority.....	244	-	-	-
Total governmental activities.....	104,117	-	-	572
Business-type activities:				
JEA.....	1,664,312	1,782,146		53,652
Jacksonville Transportation Authority.....	129,524	24,757	10,916	36,555
Jacksonville Port Authority.....	72,631	58,439	4,829	33,459
Total business-type activities.....	1,866,467	1,865,342	15,745	123,666
Total component units.....	\$ 1,970,584	\$ 1,865,342	\$ 15,745	\$ 124,238

General Revenues:	
Sales and tourist taxes.....	
Intergovernmental - unrestricted.....	
Unrestricted earnings on investments.....	
Miscellaneous.....	
Special Item - JTA transfer of Ferry operation.....	
Total general revenues, transfers, and special items	
Change in net position.....	
Net position, beginning of year	
Net position, end of year.....	

See accompanying notes.

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL
MAJOR COMPONENT UNIT	NON MAJOR COMPONENT UNIT	MAJOR COMPONENT UNITS			GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE HOUSING FINANCE AUTHORITY	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE PORT AUTHORITY	
\$ (103,301)	\$ -	\$ -	\$ -	\$ -	\$ (103,301)
-	(244)	-	-	-	(244)
(103,301)	(244)	-	-	-	(103,545)
-	-	171,486	-	-	171,486
-	-	-	(57,296)	-	(57,296)
-	-	-	-	24,096	24,096
-	-	171,486	(57,296)	24,096	138,286
(103,301)	(244)	171,486	(57,296)	24,096	34,741
62,768	-	-	-	-	62,768
-	-	-	75,765	-	75,765
1,541	316	20,361	78	139	22,435
244	651	18,172	-	-	19,067
-	-	-	3,634	-	3,634
64,553	967	38,533	79,477	139	183,669
(38,748)	723	210,019	22,181	24,235	218,410
115,052	22,069	2,166,909	202,377	361,234	2,867,641
\$ 76,304	\$ 22,792	\$ 2,376,928	\$ 224,558	\$ 385,469	\$ 3,086,051

(continued)



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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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CITY OF JACKSONVILLE, FLORIDA
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Jacksonville, Florida (the City) conform to accounting principles generally accepted in the United States (GAAP) as applicable to governments. The following is a summary of the more significant policies. Notes 1C through 19 are note disclosures of the primary government with significant disclosures for major component units incorporated within. Additional significant component unit disclosures are presented in Note 16.

A. Basis of Presentation:

The accompanying financial statements of the City have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for units of local government.

B. Financial Reporting Entity:

The City is a consolidated city/county political entity created by Chapter 67-1320 of the Laws of Florida. When consolidation occurred on October 1, 1968, all existing municipalities, authorities and public agencies within Duval County, except for the Duval County School Board, were merged into a single new corporate and political entity also known as the City of Jacksonville. At the same time, however, the cities of Jacksonville Beach, Atlantic Beach, Neptune Beach and the Town of Baldwin elected to retain local autonomy for certain municipal purposes and were reconstituted as separate and distinct urban service districts. The consolidated city government, which is comprised of an elected City Council (19 members) and mayor, provides, under the administration of the appointed chief administrative officer, services to 923,647 residents living in an 840.1 square-mile area.

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, an entity may also meet the criteria for inclusion if the organization is fiscally dependent on the City and the potential financial benefit/burden relationship mentioned above exists.

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

The Jacksonville Public Library Board and the Downtown Investment Authority (DIA) are classified as dependent special districts. Per GASB codification section 2100, the Library Board and DIA are not considered component units as they are not legally separate organizations. Therefore, these activities are included as part of the primary government.

Blended Component Unit. There are two component units, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate funds.

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

Community redevelopment agencies (CRAs) JIA, KingSoutel Crossing, Renew Arlington, Southside, and Northbank Downtown are blended component units that are reported within the Tax Increment Districts special revenue fund. The City serves as the Board for JIA, KingSoutel Crossing, and Renew Arlington CRAs. The Downtown Investment Authority serves as the Board for Southside and Northbank Downtown. The CRAs are blended because City Council has an operational responsibility and because of the existence of a financial benefit/burden relationship. The CRAs issue a separate report that may be obtained from the City. Requests for information may be addressed to the City Comptroller, City of Jacksonville, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

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

Major Component Units

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

The JTA is empowered to construct, improve, operate and lease the Jacksonville Expressway System. The JTA is, however, fiscally dependent upon the City under Section 14 of the City Charter through approval of its budgets, which ensures strong accountability to the local constituent citizenry. Additionally, a financial burden relationship exists through the provisions of an interlocal agreement.

The JTA engages in both governmental and business-type activities and issues separate financial statements, which may be obtained from its administrative office at 121 West Forsyth Street, Suite 200, Jacksonville, Florida 32202.

Non-major Component Units

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
B. Financial Reporting Entity: (continued)

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

Related Organizations

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

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

Jointly Governed Organization

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements:

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

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

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

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

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

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

D. Fund Structure:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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

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

Debt Service Funds:

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

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

Other Non-major Governmental Funds:

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

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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

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

In addition, the City reports the following fund types:

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting:

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

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

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

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents, and Investments:

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

G. Receivables:

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

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

H. Inventories:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets:

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

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

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

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

J. Contributions:

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

K. Interfund Activity:

Interfund activity within and among the City's three fund categories (governmental, proprietary, and fiduciary) are classified as reciprocal interfund activity and nonreciprocal interfund activity.

Reciprocal interfund resources flow between funds with an expectation of repayment and are reported as interfund receivable and payables.

Nonreciprocal interfund activities are flows of assets between funds without an equivalent flow of assets in return or without a requirement for repayment and are reported as transfers in governmental funds in the other financing sources section as well as after the non-operating revenues and expenses section in proprietary funds.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Restricted Assets:

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

M. Compensated Absences:

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

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

N. Risk Financing:

Pursuant to Florida Statute 768.28 “Sovereign Immunity” the City is self-insured for general and automobile liability for state tort claims in excess of \$200,000 per person, and \$300,000 per occurrence. The City has a package excess liability policy, which provides coverage for general liability at limits of \$5 million per occurrence with a policy aggregate limit of \$5 million and \$1 million per occurrence for Automobile Liability. These limits are subject to a \$1.5 million self-insured retention for the City and all other participating entities. The City continues to purchase a miscellaneous policy for Out-of State Automobile Liability for JSO with \$1 million in coverage, without a self-insured retention, for those instances where JSO must cross state lines.

The City has an excess worker’s compensation policy with a self-insured retention of \$1.5 million per occurrence and includes unlimited statutory coverage for worker’s compensation benefits, except a \$50 million aggregate limit for communicable disease and a \$1 million limit for employer’s liability. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries as of September 30, 2016, for incurred but not yet reported claims, claims development, and unallocated loss adjustment expenses. The liability for self-insured losses is accounted for in the Self-Insurance Fund (internal service fund) that pays for claims made against the City.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Risk Financing: (continued)

Effective January 1, 2015 the City elected to move from a fully insured plan to a self-funded arrangement for its group health coverage. The City obtained stop-loss insurance with a \$550,000 specific deductible. Once a claim exceeds this threshold, the City is reimbursed for any excess expenses. The plan is funded by contributions from the City and employees. These funds reside in an internal service fund which is used exclusively for Employee Benefits. Florida statutes require a safe harbor threshold be maintained in plan reserves. See Note 12 for additional risk financing disclosure.

O. Pension Costs:

Substantially all permanent, full-time employees of the City are covered under two city sponsored defined benefit pension plans and a city sponsored defined contribution plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and fiduciary net position; the City and the Pension plans use the same basis for reporting as outlined in the notes to the Financial Statements. Employer contributions made subsequent to the measurement date and before the fiscal year end are recorded as deferred outflow of resources. Investments are reported at fair value.

P. Landfill Closure and Postclosure Care Costs:

The City recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection Agency (EPA), and GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements. For those landfills that stopped accepting solid waste prior to final implementation of the 1988 Act and EPA regulations, the total cost of municipal solid waste landfill (MSWLF) closure is recognized as a prepaid expense in the Solid Waste Disposal Enterprise Fund. The City issued bonds to pay for closure costs on closed landfills. Post-closure care costs on closed landfills are recorded as a liability based on engineer's estimates. The City Council establishes rates that are designed to recover costs and believes it is reasonable to assume that such rates, which will recover the costs, can be charged to and collected from customers. The City intends to recover these MSWLF costs through future operating revenues of the Solid Waste Disposal Enterprise Fund. Accordingly, MSWLF costs are recognized as expenses each year to match the flow of revenue and bonds principal payments, thereby reducing the deferred charge. Expenses for closure and postclosure care costs are recorded each year and the liability is adjusted to the engineer's estimate. MSWLF closure and postclosure care costs incurred for landfills accepting solid waste after final implementation of the 1988 Act and EPA regulations are recognized as an expense. A liability is recorded based upon the landfill capacity used during that year applied to the engineer's estimate of closure and postclosure care costs. (See Note 13C.)

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Long-Term Obligations:

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

Special obligation bonds, which are supported by certain pledged revenues (other than ad valorem taxes), do not constitute a debt of the City and the City is not obligated to pay the bonds except from revenues pledged for such debt payments.

Each governmental fund that has long-term liabilities, such as, compensated absences and pension liabilities are responsible for liquidating the same.

Non Asset Bonds are created when the City issues debt and either (a) constructs an asset which will become the asset of another entity (e.g. State of Florida), (b) contributes proceeds to another entity (e.g. Shands Jacksonville Hospital) to participate in a construction project, or (c) provides an economic incentive to a development or redevelopment project. Part of the Better Jacksonville Plan (BJP) referendum was to make improvements to state roads and/or interchanges with/between state roads. While these projects enhance traffic movements in and around Jacksonville, the constructed assets and the future maintenance responsibility are transferred to the Florida Department of Transportation. Additionally, under the BJP program, the City provided for non-capital expenditures, such as septic tank remediation and ash clean up, from debt proceeds, which will not result in a capital asset of the City. The City has also provided grants to Shands Jacksonville Hospital, a provider of health care for indigents, from debt proceeds. The City and/or its Community Redevelopment Authority (CRA) districts, to encourage target development, will enter into incentive agreements (including grants and loans) which are, in some instances, designed to be repaid by either the CRA's tax increment revenues and/or the developer.

R. Categories and Classification of Fund Balance:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Bond Discounts, Premiums and Issuance Costs:

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

In the city-wide financial statements and for proprietary funds, material bond discounts and/or premiums are deferred and amortized as a component of interest expense over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are expensed in the period in which they are incurred.

T. Deferred Loss on Debt Refundings:

Losses resulting from advance refundings of debt in the city-wide and proprietary fund statements are deferred and amortized, using a straight-line method, which approximates the effective interest method, over the shorter of the life of the new debt or the remaining life of the old debt. The amount deferred is reported as a component of Deferred Outflows in the accompanying financial statements and is expensed and reported as a component of interest expense.

U. Use of Estimates:

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

V. Reclassifications:

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. Additionally, amounts in the separately issued financial statements of component units have been reclassified to conform to the presentation of the primary government.

W. Summarized Comparative Information:

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2015, from which the summarized information was derived. Limited 2015 comparative information was adjusted for comparability on some of the financial statements.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Prepaids:

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

Y. Accounting Pronouncements:

In fiscal year 2016, the City adopted new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 72, Fair Value Measurement and Application.
- GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments

GASB Statement No. 72 provides guidance for determining fair value measurements for financial reporting, applying fair value for certain investments, and disclosures related to all fair value measurements. GASB Statement No. 76 addresses changes in the framework of authoritative sources of accounting principles used in financial reporting of state and local governments. The adoption of GASB 72 resulted in a restatement of beginning net position in the Police and Fire Pension Trust Fund (See Note 18B)

The Governmental Accounting Standards Board has issued statements that will become effective in 2017. The statements address:

- Certain pension issues;
- Other postemployment benefit (OPEB) plans;
- Tax abatement disclosures; and
- Blending certain component units.

The City is currently evaluating the effects that these statements will have on its 2017 financial statements.

2. BUDGETARY DATA

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

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING

A. Cash on Deposit

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

At September 30, 2016, primary government deposits in financial institutions totaled \$102.5 million. Monies on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits. All of the City’s public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, “Florida Security for Public Deposits Act”, and covered by federal depository insurance. For amounts in excess of such federal depository insurance the Act provides that all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository’s collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository’s financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor is liable for any loss thereof. Any losses to public depositories are covered by applicable deposit insurance, sales of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

B. Investments and Investment Practices

1. a. General Operating Investments

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. a. General Operating Investments (continued)

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Performance benchmarks for the Portfolio are established in the Investment Policy and performance benchmarks for each of the specific third party managers are established by the Investment Committee. The Policy defines the average duration and compliance categories for investments. Compliance category limits are stated as a percentage of the Fiscal Year 2015 normal portfolio balance of \$878 million, which is defined by ordinance as the average total portfolio balance for the proceeding twelve months.

Performance and compliance reports are prepared for the Investment Committee on a monthly basis. The City employs an independent investment custodian who takes direction from the money managers and independently settles all trades. The custodian provides performance and compliance reporting at both the portfolio level and by individual manager.

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

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. a. General Operating Investments (continued)

**Operating Fund
Compliance Guideline Characteristics
as of September 30, 2016**

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
Duration¹	2.80	NA	2.80	5.00
Liquidity	\$ 336,311,938	38.3%	42.5%	100.0%
Requirements				
USG + Agencies	\$ 269,812,903	30.7%	34.0%	100.0%
US Govt (USG)	181,390,833	20.7%	27.8%	100.0%
Constraints				
Agencies	\$ 88,422,070	10.1%	10.2%	45.0%
MBS	70,068,728	8.0%	8.1%	35.0%
Agency MBS	44,176,024	5.0%	5.0%	35.0%
Non-Agency MBS	25,892,704	2.9%	3.7%	15.0%
Asset Backed Securities	31,490,268	3.6%	3.8%	7.5%
Corporates	317,104,351	36.1%	36.1%	60.0%
Corporates > 1 Year	154,369,024	17.6%	19.4%	40.0%
Municipal Bonds	14,453,810	1.6%	1.6%	10.0%
Bond Funds	167,006,787	19.0%	38.0%	85.0%
Money Market Funds	46,178,847	5.3%	5.8%	40.0%
Certificates of Deposit	-	0.0%	0.0%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities	34,943,992	4.0%	4.0%	10.0%
Specialty Risk				
High Yield	\$ 28,219,682	3.2%	3.9%	7.5%
International	1,491,413	0.2%	0.6%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Market	1,328,775	0.2%	0.2%	7.5%
Duration > 8.5	27,431,477	3.1%	3.2%	7.5%
Normal Portfolio Balance	\$ 878,377,500			

¹Commingled Funds and Cash are excluded

b. General Operating Investments - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. b. General Operating Investments - Fair Value Measurements (continued)

**Operating Fund
Fair Value of Assets by Measurement Type
as of September 30, 2016**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	53	53	-	-
Corporate Stock - Preferred	1,641,081	-	1,641,081	-
Registered Investment Companies	130,984,217	130,984,217	-	-
U. S. Government Securities	240,866,487	180,445,560	60,420,927	-
Corporate Debt Instruments	336,509,833	-	336,509,833	-
Common/Collective Trust	114,659,834	-	-	114,659,834
**Other Investments	(27,077,459)	(47,663,657)	20,586,198	-
Total Investments	\$ 797,584,046	\$ 263,766,173	\$ 419,158,039	\$ 114,659,834

**Composed of Private Placements, Non-US Bonds, Other Short Term Bonds, and Cash/Interest/Pending trades as of 9/30/16.

The City has the following recurring fair value measurements as of September 30, 2016:

- Corporate Stock (Common) – Valued using the primary exchange closing price.
- Corporate Stock (Preferred) – Valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Registered Investment Co. – Valued at the daily closing net asset value (NAV) as reported by the fund. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)
B. Investments and Investment Practices (continued)**

2. a. Pension Plan Investments

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

**Jacksonville Retirement System
Distribution by Asset Type
9/30/2016**

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 676,426,541	\$ -	\$ -	\$ 14,225,573	\$ 690,652,114	34%
Large Cap Value	161,105,277	-	-	3,507,382	164,612,659	8%
Large Cap Growth	156,994,641	-	-	5,893,591	162,888,232	8%
Large Cap Core	181,909,904	-	-	1,175,721	183,085,625	9%
Small Cap Value	57,194,652	-	-	1,485,355	58,680,007	3%
Small Cap Growth	81,757,797	-	-	1,090,947	82,848,744	4%
Small Cap Core	37,464,270	-	-	1,072,577	38,536,847	2%
Transition Account	-	-	-	3	3	0%
Equity (International)	\$ 429,806,796	\$ -	\$ -	\$ -	\$ 429,806,796	22%
Value	206,628,826	-	-	-	206,628,826	11%
Growth	118,857,249	-	-	-	118,857,249	6%
Emerging	104,320,721	-	-	-	104,320,721	5%
Bonds	\$ -	\$ 352,125,431	\$ -	\$ 11,308,970	\$ 363,434,401	17%
Intermediate	-	218,265,905	-	11,308,867	229,574,772	10%
Aggregate	-	133,859,526	-	103	133,859,629	7%
Inflation Protected	-	-	-	-	-	0%
Cash Account	\$ -	\$ -	\$ -	\$ 11,860,488	\$ 11,860,488	1%
Other	\$ 81,071,414	\$ -	\$ 436,401,576	\$ 1,474,163	\$ 518,947,153	26%
Real Assets	81,071,414	-	436,401,576	1,474,163	518,947,153	26%
Total investments	\$ 1,187,304,751	\$ 352,125,431	\$ 436,401,576	\$ 38,869,197	\$ 2,014,700,955	100%
Less: Amount reported as receivables					(2,272,282)	
Total Investments less receivables					\$ 2,012,428,673	

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

2. a. Pension Plan Investments (continued)

**Police and Fire Pension Fund
Distribution by Asset Type
9/30/2016**

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 616,708,322	\$ -	\$ -	\$ 23,970,681	\$ 640,679,003	40%
Large Cap Value	155,228,542	-	-	16,562,573	171,791,115	11%
Large Cap Growth	166,082,401	-	-	6,932,857	173,015,258	11%
Large Cap Core	229,849,240	-	-	1,233	229,850,473	14%
Small Cap Value	-	-	-	-	-	0%
SMID Cap Growth	65,548,139	-	-	474,018	66,022,157	4%
Equity (International)	\$ 333,728,268	\$ -	\$ -	\$ 1,329	\$ 333,729,597	21%
Value	146,921,470	-	-	1,329	146,922,799	9%
Growth	97,966,173	-	-	-	97,966,173	6%
Emerging Markets	88,840,625	-	-	-	88,840,625	6%
Bonds	\$ -	\$ 327,570,192	\$ -	\$ 2,484,078	\$ 330,054,270	21%
Intermediate	-	202,340,157	-	2,482,587	204,822,744	13%
Aggregate	-	125,230,035	-	1,491	125,231,526	8%
Cash Account	\$ -	\$ -	\$ -	\$ 1,754,355	\$ 1,754,355	0%
Other	\$ -	\$ -	\$ 295,695,941	\$ 1,824,314	\$ 297,520,255	18%
Real Estate	-	-	195,943,522	-	195,943,522	12%
MLPs	-	-	99,752,419	1,824,314	101,576,733	6%
Total investments	\$ 950,436,590	\$ 327,570,192	\$ 295,695,941	\$ 30,034,757	\$ 1,603,737,480	100%

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING

B. Investments and Investment Practices (continued)

2. b. Pension Plan Investments – Fair Value Measurements

The Pension Plans categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Jacksonville Retirement System
Fair Value of Assets by Measurement Type
as of September 30, 2016**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	683,499,803	683,499,803	-	-
Corporate Stock - Preferred	383,056	383,056	-	-
Registered Investment Companies	44,884,994	44,884,994	-	-
U. S. Government Securities	96,900,264	43,300,559	53,599,705	-
Corporate Debt Instruments	118,728,085	-	118,728,085	-
Common/Collective Trust	276,907,376	-	-	276,907,376
Partnership/Joint Venture Interest	422,442,560	68,595,608	-	353,846,952
Pooled Separate Accounts	160,894,246	-	-	160,894,246
**Other Investments	210,060,571	1,764,927	1,666,818	206,628,826
Total Investments	\$ 2,014,700,955	\$ 842,428,947	\$ 173,994,608	\$ 998,277,400

**Composed of 103-12 Investments, Other Short Term Bonds, Derivatives, and Cash/Dividends/Interest/Misc. Payables/Pending Trades as of 9/30/16.

The City has the following recurring fair value measurements as of September 30, 2016:

- Corporate Stock (Common) – Valued using the primary exchange close price.
- Corporate Stock (Preferred) – Valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Registered Investment Co. – Valued at the daily closing net asset value (NAV) as reported by the fund and as supplied by third party vendors to the city’s custodian. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

2. b. Pension Plan Investments – Fair Value Measurements (continued)

- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the security is held.
- Partnership/Joint Venture Interests – Underlying equity investments valued using the primary exchange close price. Underlying non-equity investments valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.
- Pooled Separate Accounts - Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

**Police and Fire Pension Fund
Fair Value of Assets by Measurement Type
as of September 30, 2016**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Short Term Investments	28,252,354	28,252,354	-	-
Commercial Mortgage Backed Securities	2,723,354	-	2,723,354	-
Corporate Bonds	79,501,458	-	79,501,458	-
Funds - Other Fixed Income	166,378,828	-	166,378,828	-
Government Bonds	15,651,951	-	15,651,951	-
Government Mortgage Backed Securities	61,891,776	-	61,891,776	-
Common Stock	710,610,284	710,610,284	-	-
Preferred Equities	1,917,416	1,917,416	-	-
International Equities	242,900,364	242,900,364	-	-
Master Limited Partnerships	97,966,173	97,966,173	-	-
Real Estate	195,943,522	-	189,585,522	6,358,000
Total Investments	\$ 1,603,737,480	\$ 1,081,646,591	\$ 515,732,889	\$ 6,358,000

Separately issued financial statements for the Police and Fire Pension Plan are available from:

Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, FL 32202

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

3. Interest Rate Risk

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

4. Credit Quality

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

Operating Portfolio		Credit Quality September 30, 2016	
		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Aaa	38%	37%	26%
Aa1-Aa3	11%	5%	39%
A1-A3	14%	19%	4%
Baa1-Baa3	18%	15%	13%
Ba1-Ba3	4%	4%	2%
Other	0%	0%	15%
Commingled	15%	20%	1%
	100%	100%	100%

Ratings definitions:

Treasury – United States Treasury Securities (Included in Aaa)

Agency – Government Agency Securities (Included in Aaa)

Aaa (AAA) – Highest Investment Grade Quality Rating

Aa1–Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating

A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating

Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating

Ba1-Ba3 (BB+ to BB-) – Highest Non-investment Grade Quality Rating

Commingled – Securities that are not applicable to Quality Ratings - they predominantly represent mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)
B. Investments and Investment Practices (continued)**

5. Custodial Credit Risk

The custodial relationship for the General Investments and Pension plans are governed by written agreements that are executed by all parties and specifies that, all securities owned and cash held by the City or its pension plans shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the Custodian, be designated as an asset of the City or its Pension Trust.

6. Foreign Currency

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

	Foreign Currency Exposure September 30, 2016					
	Operating Portfolio		Jacksonville Retirement System		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	\$ 796,099,200	99.81%	\$ 2,014,440,113	99.99%	\$ 1,603,737,480	100.00%
MEXICAN NEW PESO	1,076,938	0.14%	-	0.00%	-	0.00%
SINGAPORE DOLLAR	-	0.00%	-	0.00%	-	0.00%
BRAZIL REAL	-	0.00%	-	0.00%	-	0.00%
CANADIAN DOLLAR	-	0.00%	-	0.00%	-	0.00%
INDIAN RUPEE	245,270	0.03%	-	0.00%	-	0.00%
SWISS FRANC	-	0.00%	237,328	0.01%	-	0.00%
AUSTRIALIAN DOLLAR	162,638	0.02%	-	0.00%	-	0.00%
JAPANESE YEN	-	0.00%	11,683	0.00%	-	0.00%
EURO CURRENCY UNIT	-	0.00%	7,768	0.00%	-	0.00%
SWEDISH KRONA	-	0.00%	4,063	0.00%	-	0.00%
BRITISH POUND	-	0.00%	-	0.00%	-	0.00%
Total	<u>\$ 797,584,046</u>	<u>100.00%</u>	<u>\$ 2,014,700,955</u>	<u>100.00%</u>	<u>\$ 1,603,737,480</u>	<u>100.00%</u>

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

C. Securities Lending

The City participates in securities lending with both its Operating and Pension portfolios. The City has a contract with its custodian, The Bank of New York Mellon (the City's Operating Portfolio and the Jacksonville Retirement System) that allows the custodian, acting as agent, to lend securities held in the portfolios with the intent of generating additional interest income. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed.

The securities loaned are on a rolling daily basis and the cash collateral can be deposited and/or withdrawn from the investment on a daily basis. The weighted average duration of the collateralized loans at September 30, 2016 was 52 days for the City's Operating Portfolio and 49 days for the Jacksonville Retirement System.

The net asset value of the collateral may fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%. As of September 30, 2016, the City of Jacksonville maintained a sufficient 102.2% collateral on loaned securities. During the fiscal year ended September 30, 2016; Securities Lending net income was \$388 thousand (\$103 thousand Operating, \$285 thousand Jacksonville Retirement System).

The City reviews the custodian's securities lending operations on a monthly basis to ensure the appropriate risk/return trade-off. For accounting purposes, the Statements of Net Position and Changes in Net Position reflect the increase in assets, liabilities, interest income and expense associated with securities lending activity.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

4. ACCOUNTS, MORTGAGES, AND OTHER RECEIVABLE

The accounts, mortgages, and other receivable balances in the funds listed below, in thousands, are shown net of an allowance for doubtful accounts. No other funds had an allowance for doubtful accounts at September 30, 2016.

Fund	Accounts and Other Receivables	Allowance for Doubtful Accounts	Net Amount shown on the Balance Sheet
Major Governmental Funds:			
General Fund	\$ 98,383	\$ (75,898)	\$ 22,485
Non-Major Governmental Funds	336	(67)	269
Major Enterprise Funds:			
Solid Waste Disposal	35,633	(5,493)	30,140
EverBank Field	1,685	(54)	1,631
Veterans Memorial Arena	1,441	(50)	1,391
Stormwater	39,181	(15,216)	23,965
Non-Major Enterprise Funds	500	(22)	478
Internal Service Funds	12,011	(22)	11,989
Fiduciary Funds:			
Pension Trust Funds	17,187	(22)	17,165
Agency Funds	2,757	-	2,757
Fund	Mortgage Receivables	Allowance for Doubtful Accounts	Net Amount shown on the Balance Sheet
Non-Major Governmental Funds	\$ 9,934	\$ (7,308)	\$ 2,626

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

5. PROPERTY TAXES

A. Ad Valorem Property Taxes:

Property tax collections are governed by Chapter 197, Florida Statutes. The Duval County Tax Collector bills and collects all property taxes levied within the consolidated city/county. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively. The total millage rate levied by the City was 11.44190 for the fiscal year ended September 30, 2016.

The Florida Constitution, as amended under Article VII, Section 4, limits the increase in homestead property valuations for ad valorem tax purposes to a maximum of the lesser of (i) three percent (3%) of the assessment for the prior year, or (ii) the percent change in the Consumer Price Index for the preceding calendar year. The first tax year in which the limitations of these constitutional provisions applied was January 1, 1995. Calendar year 1995 is the base year upon which assessed just value of the homestead property is determined. For non-homesteaded property, increases are capped at 10% of the previous year's assessed value, regardless of market value changes. This process is referred to as "recapture" and was enacted into law in 2009. It does not apply to any millage levied by the School Board. (Section 193.1555 FS)

B. Property Tax Calendar:

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

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

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

6. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2016, was as follows (in thousands):

Primary Government	Beginning Balance October 1, 2015	Additions	Dispositions / Reclassifications	Ending Balance September 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 307,632	\$ 359	\$ -	\$ 307,991
Easements	6,103	-	-	6,103
Art In Public Places	784	302	-	1,086
Construction in progress	11,786	2,875	(10,414)	4,247
Furniture and equipment in work in process	414	492	(414)	492
Purchased Software work in process	-	1,249	-	1,249
Total capital assets not being depreciated	326,719	5,277	(10,828)	321,168
Capital assets being depreciated:				
Buildings	838,396	15,285	-	853,681
Improvements	314,607	9,844	(891)	323,560
Infrastructure	2,237,953	25,885	-	2,263,838
Furniture, equipment and library books	440,542	52,961	(33,193)	460,310
Internal Software	26,863	411	-	27,274
Purchased Software	15,722	283	(175)	15,830
Total capital assets being depreciated	3,874,083	104,669	(34,259)	3,944,493
Less accumulated depreciation for:				
Buildings	234,651	15,168	-	249,819
Improvements	94,977	12,295	(891)	106,381
Infrastructure	861,964	88,571	-	950,535
Furniture, equipment and library books	322,011	32,513	(28,549)	325,975
Internal Software	17,347	2,383	-	19,730
Purchased Software	11,181	631	(175)	11,637
Total accumulated depreciation	1,542,131	151,561	(29,615)	1,664,077
Total capital assets being depreciated, net	2,331,952	(46,892)	(4,644)	2,280,416
Governmental activities capital assets, net	\$ 2,658,671	(\$ 41,615)	(\$ 15,472)	\$ 2,601,584
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 46,971	\$ -	\$ (610)	\$ 46,361
Easements	546	-	-	546
Construction in progress	12,258	31,470	(13,035)	30,693
Total capital assets not being depreciated	59,775	31,470	(13,645)	77,600
Capital assets being depreciated:				
Buildings and improvements	602,224	38,050	(4,670)	635,604
Infrastructure	63,234	7,853	-	71,087
Furniture and equipment	16,450	3,459	(3,858)	16,051
Total capital assets being depreciated	681,908	49,362	(8,528)	722,742
Less accumulated depreciation for:				
Buildings and improvements	241,359	15,325	(549)	256,135
Infrastructure	10,493	3,416	-	13,909
Furniture and equipment	7,539	1,396	(1,833)	7,102
Total accumulated depreciation	259,391	20,137	(2,382)	277,146
Total capital assets being depreciated, net	422,517	29,225	(6,146)	445,596
Business-type activities capital assets, net	\$ 482,292	\$ 60,695	(\$ 19,791)	\$ 523,196

CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

6. CAPITAL ASSET ACTIVITY

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

Governmental activities:		
General government	\$	31,776
Human services		1,961
Public safety		9,254
Culture and recreation		14,242
Transportation		11,887
Economic environment		1,083
Physical environment		81,358
Total depreciation expense - governmental activities	\$	<u>151,561</u>

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

Business-type activities:		
Parking system	\$	381
Solid Waste		2,899
Stormwater services		3,414
Ever Bank Field		8,028
Veterans Memorial Arena		2,553
Baseball Stadium		765
Performing Arts		753
Convention Center		637
Equestrian Center		707
Total depreciation expense - business-type activities	\$	<u>20,137</u>

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

7. INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

Interfund Transfers (in thousands)

	TRANSFERS OUT				
	MAJOR FUNDS				
	General Fund	Solid Waste	Storm Water	EverBank Field	Special Bonded Debt
TRANSFERS IN					
MAJOR FUNDS					
General Fund	-	-	-	-	-
Solid Waste	1,702	-	-	-	-
Storm Water	1,849	-	-	-	-
EverBank Field	4,888	-	-	-	370
Veterans Memorial Arena	312	-	-	-	-
Special Bonded Debt	63,762	-	982	-	-
Special Bonded Debt-BJP	-	-	-	-	-
NON-MAJOR FUNDS					
Baseball Stadium	1,319	-	-	-	-
Performing Arts	737	-	-	-	-
Convention Center	1,124	-	-	-	-
Equestrian Center	88	539	-	-	-
Ritz Theatre	930	-	-	-	-
Mayport Ferry	900	-	-	-	-
Special Revenue	31,539	-	-	-	-
Capital Projects	6,236	-	-	980	1,534
Grant Capital Projects	4	-	-	-	-
Non Major Debt	-	-	-	-	-
Internal Service	7,267	-	-	-	-
	<u>\$122,657</u>	<u>\$ 539</u>	<u>\$ 982</u>	<u>\$ 980</u>	<u>\$ 1,904</u>

Transfers between funds are made in the normal course of operations and are for the operational support of the fund receiving the transfer. In fiscal year 2016 transfers in support of Debt Service funds were 55% of total transfers. A large portion of the transfers out of the General Fund was in support of Non-Major Governmental funds, the largest being the Jacksonville Childrens Commission. Transfers from the General Fund include support of Major Enterprise funds, Solid Waste, Storm Water and EverBank Field. Other support from the General Fund include transfers to Tax Increment in support of debt services. Non-Major Enterprise funds which include the Baseball Stadium, the Performing Arts Center, the Convention Center, the Equestrian Center and the Ritz Theatre received support from the General Fund.

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

TRANSFERS OUT							
NON-MAJOR							
Sports Complex Capital	Mayport Ferry	Public Parking	Special Revenue	Capital Projects	Grant Capital Projects	Internal Service	Total
-	972	-	9,471	1,122	-	7,869	19,434
-	-	-	-	-	-	-	1,702
-	-	-	-	-	-	-	1,849
128	-	-	-	-	-	-	5,386
-	-	-	4,514	-	-	-	4,826
-	-	-	12,055	1,105	-	-	77,904
-	-	-	60,794	-	-	994	61,788
-	-	-	1,193	-	-	-	2,512
-	-	-	-	-	-	-	737
-	-	-	-	-	-	-	1,124
-	-	-	-	-	-	-	627
-	-	-	-	-	-	-	930
-	-	-	-	-	-	-	900
-	-	357	743	573	-	-	33,212
-	-	-	21,608	3	167	318	30,846
-	-	-	700	-	-	-	704
-	-	-	82	-	-	-	82
-	-	-	-	52	-	280	7,599
\$ 128	\$ 972	\$ 357	\$ 111,160	\$ 2,855	\$ 167	\$ 9,461	\$ 252,162

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

<u>DUE FROM OTHER FUNDS</u>	<u>MAJOR ENTERPRISE NON-MAJOR ENTERPRISE FUNDS</u>				
	<u>DUE TO OTHER FUNDS</u>				
(in thousands)		<u>Solid Waste</u>	<u>Equestrian Center</u>	<u>Performing Arts</u>	<u>Ritz Theater</u>
	<u>Total</u>				
MAJOR FUNDS					
General Fund	*	\$ 10,989	\$ 600	\$ -	\$ -
EverBank Field		967	-	340	545
TOTALS		<u>\$ 11,956</u>	<u>\$ 600</u>	<u>\$ 340</u>	<u>\$ 545</u>
				<u>\$ 82</u>	

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

* \$7,105 thousand due from other funds within the General Fund represent debts from Fiduciary funds which are reclassified on the citywide statements.

ADVANCES TO OTHER FUNDS

AMOUNT

ADVANCES FROM OTHER FUNDS

(in thousands)

NON-MAJOR FUNDS:

Internal Service Funds

Self Insurance

2,949

General Projects-Loan for Redevelopment Agreement

TOTAL

\$ 2,949

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

NON-MAJOR GOVERNMENTAL FUNDS				
DUE TO OTHER FUNDS				
Better Jacksonville Plan	Community Development Block Grant	Non Major Debt Service		TOTAL
\$ 901	\$ 2,034	\$ 349		\$ 3,884
-	-	-		967
\$ 901	\$ 2,034	\$ 349		\$ 4,851

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

During fiscal year 1999, the self-insurance fund advanced \$14,000,000 to the capital projects fund for the purpose of fulfilling City obligations under a redevelopment agreement for a new 900-room hotel with substantial convention and business spaces. The total capital investment for the project was \$126.0 million. The City Council passed an ordinance to treat the funding from the self-insurance fund as a loan which will be repaid from general fund revenues commencing on May 1, 2000 in equal annual installments over 20 years, plus simple interest of 4.4%. The balance of this advance was \$2,948,592 at September 30, 2016.

In fiscal year 2003, the City passed an ordinance to enter into a redevelopment agreement with Vestcor Companies and its subsidiaries for the redevelopment of the Lynch Building as a City historic landmark. In fiscal year 2003, the City used internal self-insurance funds, in an amount of \$17,816,000, to provide permanent financing for the Lynch Building project. The self-insurance fund will be repaid on an annual basis with funds from the Northbank Downtown Tax Increment District. The terms of the repayment are a 30-year amortization, with a 20-year term at a fixed interest rate of 6% per year. Annual payments are \$1,294,313 which includes both principal and interest with a balloon payment of \$8,290,400 at the end of the 20-year period. The balance of the loan at September 30, 2016 was \$10,680,002 which is recorded in the Self Insurance Fund as other receivables noncurrent.

Vestcor will repay the City an amount of \$17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual principal and interest payments were initially scheduled for \$595,248, but were reduced to interest-only payments for the three year period beginning March 1, 2010. The deferred principal payments were added to the balloon payment. A second modification agreement (Ordinance 2014-280) allowing suspension of half of the principal payments for a period of three years from October 2013 to September 2016 was approved by Council. Deferred principal payments have been added to the balloon payment which is now \$12,125,133 due on August 1, 2023. The balance of the loan at September 30, 2016 was \$14,817,134 which is recorded in the Office of Economic Development within the General Fund.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS

A. Bonds and loans outstanding:

The bonds and loans outstanding as of September 30, 2016 are as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Coupon Rates</u>	<u>True Interest Cost⁽¹⁾</u>
Revenue Bonds Supported by General Fund:				
Excise Taxes Revenue Bonds:				
Series 2006C	23,555	11,770	5.120 - 5.220%	5.228%
Series 2007	42,245	2,725	4.000%	4.534%
Series 2009A	39,585	33,170	3.000 - 5.000%	4.399%
* Series 2009B	18,535	8,385	5.000%	3.035%
* Series 2009C (AMT)	2,275	195	4.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
Series 2001	103,725	21,405	5.500%	4.571%
Capital Project Revenue Bonds:				
* Series 2008A	67,037	55,900	Variable ⁽²⁾	N/A
* Series 2008B	67,037	55,900	1.159 - 2.900%	N/A
Special Revenue Bonds				
Series 2009C-2 (Taxable BABS)	10,995	10,995	4.240 - 4.990% (taxable)	3.111%
Series 2010A	48,000	18,746	3.250 - 5.000%	2.737%
Series 2011A	76,500	75,260	5.000 - 5.250%	4.674%
* Series 2012C	183,058	166,722	4.000 - 5.000%	2.537%
Series 2012D	11,840	8,485	4.000 - 5.000%	1.573%
Series 2012E	34,340	34,340	1.164 - 2.372% (taxable)	1.875%
Series 2013A	27,175	27,175	4.250 - 5.250%	4.885%
Series 2014	61,401	61,401	5.000%	3.284%
Series 2016A	48,134	48,134	4.000 - 5.000%	2.386%
Total Revenue Bonds Supported by General Fund	<u>\$ 865,437</u>	<u>\$ 640,708</u>		
Special Revenue (Covenant) Bonds Payable from Internal Service Operations:				
Special Revenue Bonds:				
Series 2008	\$ 54,215	\$ 10,030	4.000-5.000%	4.966%
Series 2009C-2 (taxable BABS)	26,315	26,315	4.240-4.990% (taxable)	3.111%
Series 2010A	46,945	34,143	3.250-5.000%	2.737%
Series 2010C-1	27,205	18,225	5.000%	2.763%
Series 2011A	32,380	27,080	5.000-5.250%	4.674%
Series 2012A	4,040	1,025	1.120%	1.119%
Series 2013A	26,860	25,385	4.000-5.250%	4.885%
Series 2013B	35,145	29,605	1.607-4.643% (taxable)	3.469%
Series 2014	36,975	36,975	5.000%	3.284%
Series 2016A	44,081	\$ 44,081	3.000 - 5.000%	2.386%
Total Special Revenue Bonds Payable from Internal Service Operations	<u>\$ 334,161</u>	<u>\$ 252,864</u>		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**8. LONG-TERM OBLIGATIONS (continued)
A. Bonds and loans outstanding (continued)**

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Notes Payable from Internal Service Operations:				
Amortizing Short Term Debt	\$ 17,593	\$ 17,593	Variable ⁽³⁾	N/A
Interim Short Term Debt	\$ 15,365	\$ 15,365	Variable ⁽³⁾	N/A
Total Notes Payable from Internal Service Operations	<u>\$ 32,958</u>	<u>\$ 32,958</u>		
Total bonds and notes payable from Internal Service Funds	<u>\$ 367,119</u>	<u>\$ 285,822</u>		
Revenue Bonds Supported by BJP Revenues:				
Transportation Sales Tax Revenue Bonds:				
Series 2008B	121,740	81,455	Variable ⁽⁴⁾	N/A
Series 2012A	151,660	151,660	4.000-5.000%	4.324%
Series 2012B	57,730	43,665	4.000-5.000%	3.076%
Series 2015	197,295	197,295	2.000-5.000%	3.211%
Infrastructure Sales Tax Revenue Bonds:				
Series 2008	105,470	12,135	5.000%	4.626%
Series 2011	79,220	57,355	2.375-5.000%	3.615%
* Series 2012	238,570	210,205	4.000-5.000%	3.910%
* Series 2012A	41,095	41,095	5.000%	3.773%
Series 2016	67,070	67,070	3.000 - 5.000%	2.433%
Total Revenue Bonds Supported by BJP Revenues	<u>\$ 1,059,850</u>	<u>\$ 861,935</u>		
Special Revenue (Covenant) Bonds Supported by BJP Revenues:				
Special Obligation Bonds:				
Series 2009B-1A	\$ 52,090	\$ 9,120	3.000-5.000%	4.006%
Series 2009B-1B (taxable BABs)	55,925	55,925	6.259% (taxable)	6.341%
Series 2010B	100,205	61,680	5.000%	2.282%
Series 2011B	86,600	58,475	5.000%	2.953%
Series 2013C	31,565	31,565	5.250%	2.953%
Series 2016B	<u>58,645</u>	<u>58,645</u>	2.250 - 5.000%	2.043%
Total Special Revenue Bonds Supported by BJP Revenues	<u>\$ 385,030</u>	<u>\$ 275,410</u>		
Notes Payable Supported by BJP Revenues:				
State of Florida Infrastructure Bank:				
Series 2005	\$ 40,000	\$ 17,340	2.000%	1.901%
Series 2007	<u>48,698</u>	<u>18,835</u>	2.500%	2.456%
Total Notes Payable Supported by BJP Revenues	<u>\$ 88,698</u>	<u>\$ 36,175</u>		
Total Bonds and Notes Supported by BJP Revenues	<u>\$ 1,533,578</u>	<u>\$ 1,173,520</u>		
Total Governmental Activities	<u>\$ 2,766,134</u>	<u>\$ 2,100,050</u>		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**8. LONG-TERM OBLIGATIONS (continued)
A. Bonds and loans outstanding (continued)**

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Coupon Rates</u>	<u>True Interest Cost⁽¹⁾</u>
BUSINESS-TYPE ACTIVITIES:				
Revenue Bonds Supported by Business-Type Activities:				
Excise Taxes Revenue Bonds:				
* Series 2009B	10,475	1,720	5.000%	3.035%
* Series 2009C (AMT)	21,455	3,585	4.000%	3.281%
Capital Project Revenue Bonds:				
* Series 2008A	248	195	Variable ⁽²⁾	N/A
* Series 2008B	248	195	1.159 - 2.900%	N/A
Infrastructure Sales Tax Revenue Bonds:				
* Series 2012	41,480	41,480	4.125-5.000%	3.910%
* Series 2012A	73,795	73,795	5.000%	3.773%
Capital Improvement Revenue Bonds:				
Series 2012	118,005	104,215	4.000-5.000%	2.642%
Special Obligation Bonds:				
* Series 2012C	922	818	5.000%	4.821%
* Series 2014	1,784	1,784	5.000%	3.284%
Total Revenue Bonds Supported by Business-Type Activities	<u>\$ 268,412</u>	<u>\$ 227,788</u>		
Notes Payable Supported by Business-Type Activities:				
Amortizing Short Term Debt	\$ 17,175	\$ 17,175	Variable ⁽³⁾	N/A
Interim Short Term Debt	\$ 26,235	\$ 26,235	Variable ⁽³⁾	N/A
Total Notes Payable from Internal Service Operations	<u>\$ 43,410</u>	<u>\$ 43,410</u>		
Total bonds and notes payable from Business-Type Activities	<u>\$ 311,822</u>	<u>\$ 271,198</u>		
COMPONENT UNITS:				
Bond and notes payable:				
JEA		\$ 4,651,720		
JPA		198,790		
JTA		<u>97,485</u>		
Total Component Unit bonds and notes payable		<u>\$ 4,947,995</u>		

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

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

(2) Variable Rate Debt - interest rates were 0.72% at September 30, 2016.

(3) Variable Rate Debt - interest rates ranged from 0.65% to 0.78% at September 30, 2016.

(4) Variable Rate Debt - interest rates were 0.80% at September 30, 2016.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

B. Debt Service Requirements to Maturity:

The Debt service requirements to maturity on long-term obligations at September 30, 2016 are as follows (in thousands). The amounts reported in the table below include designated maturities established by management (see discussion below), but does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8G.

Fiscal Year Ending September 30	Bonds and Notes Payable from Governmental Activities				Bonds Payable from Business-type Activities		Principal and Interest- Primary Government	Component Units	
	Supported by General Revenues and Internal Service Funds		Supported by BJP Revenues		Enterprise Funds			Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest			
2017	\$ 64,990	\$ 35,397	\$ 58,867	\$ 50,646	\$ 10,819	\$ 11,188	\$ 231,907	\$ 196,821	\$98,214
2018	\$ 73,603	35,052	\$ 48,661	\$ 49,735	\$ 6,692	11,215	224,957	213,774	\$175,315
2019	\$ 72,884	32,305	\$ 55,767	\$ 47,445	\$ 7,996	11,207	227,604	209,418	\$166,784
2020	\$ 59,324	30,521	\$ 58,706	\$ 44,897	\$ 8,006	11,121	212,575	218,144	\$157,634
2021	\$ 58,454	28,302	\$ 63,102	\$ 42,153	\$ 8,323	10,976	211,310	219,189	\$148,228
2022-2026	\$ 211,527	110,956	\$ 348,022	\$ 164,211	\$ 61,231	48,491	944,438	955,550	\$621,244
2027-2031	\$ 192,962	65,840	\$ 442,250	\$ 70,236	\$ 156,255	25,031	952,574	1,014,126	\$442,241
2032-2036	\$ 143,226	23,653	\$ 83,555	\$ 6,726	\$ 10,071	1,096	268,327	1,018,613	\$271,247
2037-2041	\$ 43,570	6,642	\$ 14,590	\$ 515	\$ 1,805	32	67,154	778,930	\$95,759
2042-2046	\$ 5,990	139	\$ -	\$ -	\$ -	-	6,129	120,430	\$9,173
Totals	\$ 926,530	\$ 368,807	\$ 1,173,520	\$ 476,564	\$ 271,198	\$ 130,357	\$ 3,346,975	\$ 4,944,995	\$ 2,185,839

The City’s Covenant Bond program allows for the issuance of debt which has both a stated maturity date and a designated maturity date. The stated maturity date is the initial maturity as the bond was sold, whereas the designated maturity date reflects the City’s intended maturity after a series of rolls/refundings. At each stated maturity the City can retire the maturing amount in whole or in part, or refund the maturing bonds as a part of its annual capital borrowing into another stated maturity, variable rate debt, or fixed rate debt amortized to maturity as determined by then market conditions. There can be no assurance that the stated debt maturities can be revised in accordance with management’s intended plan.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**8. LONG-TERM OBLIGATIONS (continued)
B. Debt Service Requirements to Maturity: (continued)**

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

Fiscal Year Ending September 30	by Stated Maturity			
	Supported by General Revenue and Internal Service Funds	Supported by BJP Revenues		Total All Programs
	Series 2010A	Series 2010B	Series 2011B	
2017	\$ -	\$ -	\$ -	\$ -
2018	6,200	7,715	10,175	24,090
2019	6,160	7,715	10,175	24,050
2020	-	7,715	10,175	17,890
2021	-	7,715	10,175	17,890
Total by Series	\$ 12,360	\$ 30,860	\$ 40,700	\$ 83,920

Fiscal Year Ending September 30	by Designated Maturity			
	Supported by General Revenue and Internal Service Funds	Supported by BJP Revenues		Total All Programs
	Series 2010A	Series 2010B	Series 2011B	
2022	\$ -	\$ 7,705	\$ 6,130	\$ 13,835
2023	-	7,710	6,375	14,085
2024	-	7,710	6,630	14,340
2025	-	7,710	6,895	14,605
2026	3,125	25	7,170	10,320
2027	3,280	-	7,460	10,740
2028	3,440	-	40	3,480
2029	2,515	-	-	2,515
Total by Series	\$ 12,360	\$ 30,860	\$ 40,700	\$ 83,920

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities:

Changes in long-term liabilities for the fiscal year ended September 30, 2016 are as follows (in thousands):

	Balance September 30, 2015	Additions	Reductions	Balance September 30, 2016	Due within one year
Governmental Activities:					
Debt activity supported by general revenues:					
Revenue bonds	\$ 677,328	\$ 48,134	\$ 84,754	\$ 640,708	\$ 44,240
Notes payable	210	-	210	-	-
Debt activity- general revenues	<u>677,538</u>	<u>48,134</u>	<u>84,964</u>	<u>640,708</u>	<u>44,240</u>
Bonds/notes payable - Debt Management Fund					
Special revenue (covenant) bonds	264,671	44,081	55,888	252,864	20,750
Notes payable	25,000	31,708	23,750	32,958	-
Debt activity - internal service funds	<u>289,671</u>	<u>75,789</u>	<u>79,638</u>	<u>285,822</u>	<u>20,750</u>
Debt activity - general revenues and internal service	<u>967,209</u>	<u>123,923</u>	<u>164,602</u>	<u>926,530</u>	<u>64,990</u>
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	914,550	264,365	316,980	861,935	48,660
Special revenue (covenant) bonds - BJP	288,195	58,645	71,430	275,410	4,580
Notes payable - BJP	41,676	-	5,501	36,175	5,627
Debt activity - BJP	<u>1,244,421</u>	<u>323,010</u>	<u>393,911</u>	<u>1,173,520</u>	<u>58,867</u>
Total governmental activities	<u>2,211,630</u>	<u>446,933</u>	<u>558,513</u>	<u>2,100,050</u>	<u>123,857</u>
Other related debt amounts:					
Issuance premiums	140,857	44,932	13,292	172,497	-
Issuance discounts	<u>(2,377)</u>	-	<u>(161)</u>	<u>(2,216)</u>	-
Total other related debt amounts	<u>138,480</u>	<u>44,932</u>	<u>13,131</u>	<u>170,281</u>	-
Fair value of debt management instrument	3,206	8,110	-	11,316	-
Accrued Compensated Absences	58,191	34,228	35,181	57,238	17,170
Estimated Liability for Self-Insured Losses	111,660	31,079	30,490	112,249	32,472
Pollution Remediation	160,859	3,000	11,526	152,333	-
Other Post - Employment Benefits	61,003	10,195	-	71,198	-
Net Pension liability	<u>2,197,862</u>	<u>477,491</u>	<u>229,323</u>	<u>2,446,030</u>	-
Governmental activity long-term obligations	<u>\$ 4,939,685</u>	<u>\$ 1,055,968</u>	<u>\$ 878,164</u>	<u>\$ 5,120,695</u>	<u>\$ 173,499</u>

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**8. LONG-TERM OBLIGATIONS (continued)
C. Changes in Long-Term Liabilities: (continued)**

	Balance September 30, 2015	Additions	Reductions	Balance September 30, 2016	Due within one year
Business-Type Activities:					
Revenue Bonds	\$ 281,400	\$ -	\$ 10,202	\$ 271,198	\$ 10,819
Less: Unamortized Discount/Premium	32,420	-	2,212	30,208	-
Total Revenue Bonds, less Unamortized Discount/Premium	313,820	-	12,414	301,406	10,819
Accrued Compensated Absences	1,015	625	801	839	261
Liability for Landfill Closure and Post Closure Care Picketville Waste Site	43,249	-	11,014	32,235	-
Other Post - Employment Benefits	203	-	62	141	-
Loans payable - Debt Management Fund	2,101	248	-	2,349	-
Business-type activity long-term obligations	<u>\$ 381,889</u>	<u>\$ 19,892</u>	<u>\$ 26,424</u>	<u>\$ 375,357</u>	<u>\$ 15,014</u>
* Component Unit Activities:					
Bonds and notes payable:					
JEA	\$ 4,836,220	\$ 3,000	\$ 187,500	\$ 4,651,720	\$ 181,525
JPA	221,391	-	22,601	198,790	12,241
JTA	97,485	-	-	97,485	3,055
Line of credit - JPA	19,575	-	10,900	8,675	-
Component unit activity long-term obligations	<u>\$ 5,174,671</u>	<u>\$ 3,000</u>	<u>\$ 221,001</u>	<u>\$ 4,956,670</u>	<u>\$ 196,821</u>

* Component unit long-term liabilities presented above focuses primarily on bonds and notes payable. Detailed debt presentations are available in each major component unit's separately issued financial report. See Note 8M for contact information.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

D. Reconciliation of debt issued to financial reporting classifications:

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

Bond Series	Original Amount Issued	Outstanding debt reported in		Total Amount Outstanding
		Governmental Activities	Business-type Activities	
Excise Tax Revenue Bonds:				
Series 2009B	29,010	8,385	1,720	10,105
Series 2009C	23,730	195	3,585	3,780
Capital Projects Revenue Bonds:				
Series 2008A	67,285	55,900	195	56,095
Series 2008B	67,285	55,900	195	56,095
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2012	280,050	210,205	41,480	251,685
Series 2012A	114,890	41,095	73,795	114,890
Special Revenue Bonds:				
Series 2012C	183,980	166,722	818	167,540
Series 2014	100,160	98,376	1,784	100,160
Amortizing Short Term Debt	34,768	17,593	17,175	34,768
Interim Short Term Debt	41,600	15,365	26,235	41,600

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues:

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

	<u>Range of remaining term</u>	<u>Approximate future principal and interest</u>	<u>Current year revenue received</u>	<u>Current year principal and interest</u>	<u>Principal and interest as % of revenue</u>
Excise Taxes:	2017 - 2035	\$ 80,670,605	\$ 125,398,958	\$ 15,278,660	12.2%
Local Government 1/2 Cent Sales Tax:	2019	23,212,713	89,911,717	7,751,375	8.6%
JEA Charter Revenues (Capital Project Bonds):	2035	144,593,006	114,187,538	6,353,324	5.6%
Better Jacksonville Transportation Sales Tax:	2023 - 2038	688,607,082	91,697,208	46,342,432	50.5%
Better Jacksonville Infrastructure Sales Tax:	2019 - 2031	716,795,233	80,290,229	46,099,843	57.4%
with SIB Loans:	2019 - 2031	755,978,732	80,290,229	52,544,143	65.4%
Sports Facilities Capital Improvement Revenues:	2031	146,394,725	21,992,622	10,177,050	46.3%

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

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

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

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

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

F. New Indebtedness Issued:

On December 30, 2015, the City closed on the sale of \$197.3 million Transportation Refunding Revenue Bonds, Series 2015. The 2015 bonds have a true interest cost of 3.21% and an average coupon rate of 3.89% with a mandatory sinking schedule beginning October 1, 2016, and a maturity date of October 1, 2037. The proceeds of the 2015 bonds were used to refund all of the City's Transportation Revenue Bonds, Series 2007 (\$73.7 million) and Series 2008A (\$127.4 million). The issuance provided net proceeds of \$211.4 million, which is inclusive of underwriter's discount and cost of issuance totaling \$3.2 million. As a result of the refunding, aggregate debt service payments over the remaining life of the 2007 bonds and 2008A bonds, together, were reduced by \$28.5 million, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$28.1 million, or 13.98%.

On March 24, 2016, the City closed on the sale of \$67.1 million Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2016. The 2016 bonds have a true interest cost of 2.43% and an average coupon rate of 4.10% with a mandatory sinking schedule beginning October 1, 2019, and a maturity date of October 1, 2030. The proceeds of the 2016 bonds were used to advance refund a portion of the City's Better Jacksonville Sales Tax Revenue Bonds, Series 2008 (\$70.8 million). The issuance provided net proceeds of \$76.3 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.7 million. As a result of the refunding, aggregate debt service payments over the remaining life of the 2008 bonds were reduced by \$11.0 million, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$7.6 million, or 10.78%.

On September 15, 2016, the City closed on the sale of \$92.2 million Special Revenue Refunding Bonds, Series 2016A. The 2016A bonds have a true interest cost of 2.39% and an average coupon rate of 4.67% with a mandatory sinking schedule beginning October 1, 2017, and a maturity date of October 1, 2040. The proceeds of the 2016A bonds were used to refund a portion of the City's Special Revenue Bonds, Series 2009C-1 (\$7.3 million), Special Revenue Bonds, Series 2010A (\$11.2 million), and Special Revenue Refunding Bonds, Series 2012B (\$6.3 million) issued as Designated Maturity Debt; a portion of the City's Excise Taxes Revenue Bonds, Series 2007 (\$30.5 million); a portion of the City's Special Revenue Bonds, Series 2008 (\$26.7 million); and commercial paper notes (\$23.7 million). The issuance provided net proceeds of \$110.5 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.5 million. As a result of the refunding, aggregate debt service payments over the remaining life of the refunded bonds were reduced by \$10.7 million, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$9.2 million, or 16.1%.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

F. New Indebtedness Issued: (continued)

On September 15, 2016, the City closed on the sale of \$58.6 million Special Revenue Refunding Bonds, Series 2016B. The 2016B bonds have a true interest cost of 2.04% and an average coupon rate of 4.85% with a mandatory sinking schedule beginning October 1, 2020, and a maturity date of October 1, 2030. The proceeds of the 2016B bonds were used to refund a portion of the City's Special Revenue Bonds, Series 2009B-1 (\$34.6 million); and a portion of the City's Special Revenue Bonds, Series 2010B (\$15.4 million) and Special Revenue Refunding Bonds, Series 2011B (\$17.2 million) issued as Designated Maturity Debt. The issuance provided net proceeds of \$72.2 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.3 million. As a result of the refunding, aggregate debt service payments over the remaining life of the refunded bonds were reduced by \$3.8 million, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$3.4 million, or 9.9%.

On September 29, 2016, the City made a draw on its Revolving Credit Facility with PNC Bank, N.A., in the amount of \$31.7 million for the purposes of funding short-term projects and interim funding for long-term projects. The outstanding principal of draws on the Revolving Credit Facility bear interest at a fluctuating rate of 70% of the LIBOR Monthly Floating Rate, plus 0.28%.

G. Demand Bonds Issued by the City:

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

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

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

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with the Bank of America (the Bank) dated July 1, 2008 and expiring July 15, 2018.

Terms of Take Out - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds (\$52,060,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2016, there were no advances outstanding or bank bonds held under this Agreement.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

H. Non-Asset Debt:

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

<u>Debt Type</u>	<u>Entity or Purpose</u>	<u>Amount</u>
<u>Special Revenue Bonds</u>		
Special Revenue Refunding Bonds, Series 2012C	Shands Jacksonville Medical Center	38,601
Special Revenue Refunding Bonds, Taxable Series 2012E	Jacksonville Port Authority	34,340
Total Special Revenue Bonds		<u>\$ 72,941</u>
<u>Better Jacksonville Plan (BJP) Transportation Bonds</u>		
Special Revenue Bonds, Series 2009B-1	Jacksonville Transportation Authority (JTA) road projects	2,021
Special Revenue Bonds, Series 2010B	Jacksonville Transportation Authority (JTA) road projects	10,124
Special Revenue Bonds, Series 2011B	Jacksonville Transportation Authority (JTA) road projects	15,905
Revenue Refunding Bonds, Series 2012B	Jacksonville Transportation Authority (JTA) road projects	43,665
Revenue Refunding Bonds, Series 2015	Jacksonville Transportation Authority (JTA) road projects	46,005
Total Better Jacksonville Plan (BJP) Transportation Bonds		<u>\$ 117,720</u>
<u>BJP State Infrastructure Bank Loan</u>		
Loan #1	JTA road projects - BJP	17,340
Loan #2	JTA road projects - BJP	18,835
Total BJP State Infrastructure Bank Loan		<u>\$ 36,175</u>
<u>Other Bond Issues</u>		
Various	Misc. projects - BJP	43,099
Various	Misc. projects - other	33,083
Total Other Bond Issues		<u>\$ 76,182</u>
<u>Debt Management Fund Financed Projects</u>		
Various	Misc. projects - other	\$ 71,020
GRAND TOTAL		<u>\$ 374,038</u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

I. Defeased Debt:

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

As of September 30, 2016, the City had legally defeased the following bond maturities (in thousands):

Issue	Refunded by	Principal Balance at September 30, 2016	Investment Balance with Escrow Agent at September 30, 2016 (a)
Sales Tax Revenue Bonds, Series Series 1996 (RCR)	Cash Refunded on October 10, 2002	\$ 11,170	\$ 11,540
Transportation Revenue Bonds, Series 2007	Transportation Revenue Refunding Bonds, Series 2015	73,730	78,550
BJP Sales Tax Revenue Bonds Series 2008	BJP Sales Tax Revenue Refunding Bonds, Series 2016	77,085	78,395
Excise Tax Revenue Bonds Series 2007	Special Revenue Refunding Bonds, Series 2016A	30,535	32,801
Special Revenue Bonds, Series 2008	Special Revenue Refunding Bonds, Series 2016A	26,655	28,633
Special Revenue Bonds, Series 2009C-1	Special Revenue Refunding Bonds, Series 2016A	7,345	7,890
Special Revenue Bonds, Series 2010A	Special Revenue Refunding Bonds, Series 2016A	11,150	11,977
Special Revenue Bonds, Series 2009B-1A	Special Revenue Refunding Bonds, Series 2016B	34,595	37,933
Special Revenue Bonds, Series 2010B	Special Revenue Refunding Bonds, Series 2016B	15,410	16,897
Special Revenue Bonds, Series 2011B	Special Revenue Refunding Bonds, Series 2016B	17,175	18,832

(a) Source: Escrow Agent's Records (unaudited)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt:

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

The City computed the actual synthetic rate for both swaps as a blended unit for the year ended September 30, 2016, by adding the net swap payments to the variable rate interest paid and dividing by the combined notional amounts. It was determined that the actual synthetic rate for the swap agreement dated January 23, 2003 (the “2003 Swap”) and the swap agreement dated August 23, 2004 (the “2004 Swap”), fell within 90 to 111 percent of the corresponding average swap fixed rate. Using the synthetic instrument method as detailed in GASB 53, the combined 2003 Swap and 2004 Swap are deemed an effective hedging instrument of the single hedged debt instrument and hedge accounting is applied.

The swap agreements require the City to post cash collateral when the negative market value of the swap exceeds \$25 million equal to the residual exposure. A lower credit rating will also increase the amount of collateral required. The table below summarizes the key elements of the swaps as of September 30, 2016. The fair values were obtained by the counter-parties’ mark-to-market reports submitted to the City.

	2003 Swap (SIFMA Index)	2004 Swap (67% LIBOR)
	Transportation Revenue Refunding	Transportation Revenue Refunding
Bond Series	Bonds, Series 2008B ⁽¹⁾	Bonds, Series 2008B ⁽¹⁾
Counterparty (Rating)	Wells Fargo (Aa2)	Wells Fargo (Aa2)
Effective Date	July 1, 2003	September 30, 2004
Maturity Date	October 1, 2020	October 1, 2027
Notional Amount Outstanding	\$26,070,000	\$54,075,000
Variable Rate Received ⁽²⁾	0.190%	0.246%
Fixed Rate Paid	4.010%	3.455%
Change in Fair Value - Current Year	\$1,040,767	\$29,153
Underlying Fair Value at Fiscal Year End	(\$2,164,729)	(\$9,151,537)
Net Swap Interest	(\$995,832)	(\$1,735,513)

(1) On May 14, 2008, the Series 2008B bonds refunded the Series 2003 Transportation Revenue Bonds and Series 2004A Transportation Revenue Bonds. The 2008B bonds were issued as uninsured variable rate demand bonds, which were remarketed every 7 days. On October 23, 2012, the 2008B bonds were converted to a new Index Rate mode bearing interest at the rate of 67% of LIBOR plus an applicable spread.
(2) Weighted average of rates throughout the fiscal year.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Credit Risk - As of September 30, 2016, the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreements) because each swap had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the City would then be exposed to credit risk in the amount of the swap's fair value.

Basis Risk - Basis risk is the exposure of the issuer to the difference between the floating rate paid on a variable rate bond and the floating rate received from the swap counterparty. This may occur when the floating rate on the bonds is based on a different index than that is used under the swap agreement. This basis mismatch may result in a revenue shortfall when the variable rate payment received from the swap counterparty is less than the variable rate payment due on the bonds.

As of September 30, 2016, the City has two floating-to-fixed rate swaps outstanding. The 2003 Swap agreement provides that the City receive a variable rate payment based on the SIFMA index. The 2004 Swap agreement provides that the City receive a variable rate payment of 67% of the one month LIBOR rate. On October 1, 2012, the City's outstanding bonds related to the two swaps were converted to a variable Index Rate mode based on 67% of the one month LIBOR rate plus a spread. Therefore, the City is exposed to basis risk on the 2003 Swap. The City is currently not exposed to basis risk on the 2004 Swap.

Market Risk - As of September 30, 2016, the swaps expose the City to market risk (the risk of loss due to the pricing of the swap under the current economic environment) because each swap currently has a negative fair value. If the swaps were to be terminated under the current economic conditions, the City would be liable to the counterparty for a make-whole payment in the amount equal to the negative fair value.

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CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Using rates as of September 30, 2016, and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the City's hedged variable rate bonds.

Fiscal Year Ending 9/30	Variable-Rate Bonds			Swap Interest Payments			Total Bonds and Swaps
	Principal	Interest	Total	Fixed Pay	Var. Received	Net Pay	
2017	\$ 8,915	\$ 543	\$ 9,458	\$ 2,587	\$ 271	\$ 2,316	\$ 11,774
2018	8,990	484	9,474	2,248	233	2,015	11,489
2019	9,285	424	9,709	1,896	194	1,702	11,411
2020	9,310	362	9,672	1,549	156	1,393	11,065
2021	9,730	300	10,030	1,189	115	1,074	11,104
2022-2026	24,080	866	24,946	3,557	346	3,211	28,157
2027-2031	11,145	112	11,257	190	18	172	11,429
	<u>\$81,455</u>	<u>\$3,091</u>	<u>\$84,546</u>	<u>\$13,216</u>	<u>\$1,333</u>	<u>\$11,883</u>	<u>\$96,429</u>

The above chart is based upon actual rates as of September 30, 2016. The bond and swap rates as of fiscal year end were as follows:

City of Jacksonville \$121,740,000 Transportation Revenue Bonds, Series 2008B:

The 35-day Index Rate reset was 0.667%

The BMA rate for swap receipts was 3.636%

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

K. Conduit Debt:

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

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

As of September 30, 2016, the City had \$180,834,843 IDB's and PAB's total principal outstanding. From time to time, certain issues of such conduit debt may be in default or under investigation as to tax-exempt status of interest on such debt, however, this has no effect on the City's financial position.

As of September 30, 2016, the City had a total of \$74,396,367 in conduit debt consisting of Jacksonville Housing Finance Authority, formerly Duval County Housing Finance Authority Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was \$2,495,000. The amount of Multi-Family Housing Bonds outstanding was \$71,901,367. Refunding of previous issues make up \$1,185,000 of the total amount outstanding.

As of September 30, 2016, additional conduit debt includes \$998,932,800 Jacksonville Health Facilities Authority Bonds outstanding.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

8. LONG-TERM OBLIGATIONS (continued)

L. Interest Expense:

Total interest expense for the fiscal year ended September 30, 2016 was \$82.3 million for governmental activities and \$12.1 million for business-type activities.

M. Component Unit Long-Term Debt:

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

JEA
21 West Church Street
Jacksonville, Florida 32202

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

JTA
121 West Forsyth Street, Suite 200
Jacksonville, Florida 32202

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS

The City's pension plans adopted GASB Statement No. 67, Financial reporting for Pension Plans – an amendment of GASB Statement No. 25, Financial reporting for Pension Plans required for fiscal periods beginning after June 15, 2013 in fiscal year 2014. This Statement modifies financial reporting by state and local government pension plans that present pension trust funds. The City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 required for fiscal periods beginning after June 15, 2014, in fiscal year 2015. This Statement modifies accounting and financial reporting by state and local governments for pensions. Accordingly, disclosures required for the City's pension plans are presented in accordance with GASB Statement No. 67, and disclosures required for employers regarding pension plans are presented in accordance with GASB Statement No. 68 as modified by GASB Statement No. 71.

1. Summary of Significant Accounting Policies

- a) **Basis of Accounting** – The City's pension trust financial statements are prepared using the accrual basis of accounting. Contributions, benefit payments and refunds are recognized when due and payable in accordance with the terms of each plan. The Florida Constitution and the Division of Retirement requires plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll or in dollars. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards.
- b) **Method Used to Value Investments** – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers. Investments are managed by third party money managers while cash and securities are generally held by the City's independent custodian. The City receives a monthly reconciliation of any material differences in pricing by the custodian and manager.

2. Plan Description

- a) **Plan Administration** - The City sponsors two public employee retirement systems (PERS) administered by separate pension boards of trustees that provide retirement, death and disability benefits: the City of Jacksonville Retirement System (JRS) and the Police and Fire Pension Plan. The JRS arises out of Chapter 16 of the City Charter, Chapter 120 of Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes. The City Council is responsible for establishing or amending the pension plan provisions. The Police and Fire Plan (PFPP) is administered independently by a five-member board. Substantially all employees of the City participate in one of these two plans with less than 1% of City employees participating in the State of Florida Retirement System.

The JRS is a multiple employer cost sharing, contributory defined benefit pension plan with a defined contribution alternative. JRS includes both the General Employees Retirement Plan (GERP) and the Corrections Officers Retirement Plan (CORP). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GERP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS (continued)

2. Plan Description (continued)

a) Plan Administration (continued)

All full-time employees of the City, JEA (Jacksonville Electric Authority), JHA (Jacksonville Housing Authority) and NFTPO (North Florida Transportation Planning Authority) are eligible to participate in GERP upon employment.

All certified corrections officers employed by the City are eligible to participate in the CORP upon employment. There are no separately issued financial statements for the City of Jacksonville Retirement System.

b) The Jacksonville Retirement System is administered by a nine (9) member Board of Trustees. The Board is comprised of the following officers:

- i. The Chief Administrative Officer of the City or designee;
- ii. The Chief Financial Officer or designee;
- iii. The Chief Human Resources Officer;
- iv. The Chairperson of the General Employees' Pension Advisory Committee;
- v. The Chairperson of the Corrections Officers' Advisory Committee;
- vi. A GERP retiree chosen by the Retired Employees' Association;
- vii. A retired corrections officer chosen by the Corrections Officers' Advisory Committee.
- viii. Two citizens appointed by the City Council with professional experience in finance, investments, economics, pension management, pension administration and/or accounting.

The General Employees' Advisory Committee consists of seven (7) members. Six (6) members are elected from among the active contributing participants of the GERP and one (1) member is a retiree elected by the Retired Employees Association. Committee members are elected in even years for a two (2) year term. The Advisory Committee performs all fact finding duties for retirement benefit applications, recommends approval or denial of benefits and reviews all applications to participate in the GERP to the Board of Trustees.

The Corrections Officers Advisory Committee consists of five (5) members who must be active contributing members of the CORP. Committee members are elected in even years for a two (2) year term. The Advisory Committee performs all fact finding duties for retirement benefit applications, recommends approval or denial of benefits and all applications to participate in the CORP to the Board of Trustees.

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

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS (continued)

4. Plan Membership

Pension plan membership consisted of the following:

Pension Membership

	Jacksonville Retirement System		
	General	Corrections	Police
	Employee	Officers	and Fire
	Pension Plan	Pension Plan	Pension Plan
	As of 10/1/2015	As of 10/1/2015	As of 10/1/2015
Membership:			
Retirees and beneficiaries currently receiving benefits	4,976	215	2,294
Deferred retirement Option (DROP) participants	-	113	541
Terminated employees vested, not yet receiving benefits	65	1	71
Active employment plan members	4,817	651	2,202
Total plan membership	9,858	980	5,108

5. Plan Benefits Provided:

- a) **General Employee Retirement Plan** is open to employees of the City of Jacksonville- other than police officers and firefighters, JEA (Jacksonville Electric Authority), JHA (Jacksonville Housing Authority) and NFTPO (North Florida Transportation Planning Authority). Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in the Retirement System is mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following:
- i. Completing thirty (30) years of credited service, regardless of age;
 - ii. Attaining age fifty-five (55) with twenty (20) years of credited service; or
 - iii. Attaining age sixty-five (65) with five (5) years of credited service.
 - iv. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of two and one-half (2.5) percent of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of eighty (80) percent of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member’s actual retirement and will continue until death.

Each member and survivor is entitled to a cost of living adjustment (“COLA”). The COLA consists of a three (3) percent increase of the retiree’s or survivor’s pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars (\$150) per month.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS (continued)

5. Plan Benefits Provided (continued)

- b) **The Corrections Officers' Retirement Plan** is open solely to corrections officer employees of the City. Participation in the Retirement System is mandatory for all full time corrections officers of the City who otherwise meet the requirements for participation. Members of the Corrections Officers' Retirement Plan are eligible to retire with a full pension benefit upon achieving one of the following:
- i. completing twenty (20) years of service, regardless of age; or
 - ii. attaining age sixty-five (65) with five (5) years of service.
 - iii. There is no mandatory retirement age.

Upon reaching one of the above described conditions required for a time service retirement. A member's time service retirement benefit is calculated as follows:

- i. The first twenty (20) years of credited service are multiplied by three (3) percent of final monthly compensation, up to a maximum of sixty (60) percent of final monthly compensation.
- ii. For service time beyond twenty (20) years of credited service, the number of years and months in excess of twenty (20) years is multiplied by two (2) percent of final monthly compensation, up to a maximum of twenty (20) percent of final monthly compensation.

A member's time service retirement benefit may not exceed eighty (80) percent of final monthly compensation. A time service retirement is payable on a bi-weekly basis and will continue until death.

Each member and survivor is entitled to a cost of living adjustment ("COLA"). The COLA consists of a three (3) percent annual increase of the retiree's or survivor's pension benefits, which compounds annually. In addition, there is a supplemental benefit equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars (\$150) per month.

The Deferred Retirement Option Program ("DROP") is a program in which a member defers receipt of normal retirement benefits while continuing employment with the City. If a member elects to participate in the DROP, they must terminate their employment with the City of Jacksonville and retire from service no later than the end of the DROP participation period previously designated. Upon the effective date of participating in the DROP, a member's years of service and final monthly compensation become frozen for purposes of determining pension benefits. Additional service beyond the date of DROP participation no longer accrues any additional benefits under the Retirement System.

The deferred monthly retirement benefits accrue in the Corrections Officers' Pension Plan on behalf of the member, plus interest compounded monthly, for the time of DROP participation. The interest paid on the DROP balance accrues at the same rate as the investment portfolio held by the Retirement System. In addition, the Corrections Officers Pension Plan will deduct two (2) percent from base pay and any service raise of DROP participants as their member contributions instead of the normal eight (8) percent deduction.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS (continued)

5. Plan Benefits Provided (continued)

b) The Corrections Officers' Retirement Plan (continued) -

Upon termination of employment, the member will receive the total DROP benefits and begin to receive the previously determined normal retirement benefits. The money that accumulates during DROP participation may be distributed in accordance with the criteria set forth in Municipal Code Section 120. The balance of the DROP benefits held in trust for DROP Participants totaled \$14.7 million as of September 30, 2016.

c) The Police and Fire Pension plan provides retirement, disability and death benefits. Retirement benefits are calculated as 3 percent of the employee's final 2-year average salary times the employee's years of service up to 20 years and 2 percent thereafter (80 percent maximum benefit). Employees with 5 or more years of continuous service are eligible to retire at 20 years from the date of employment. Benefits are increased 3 percent annually after retirement.

Employees are eligible for non-duty related death and disability benefits after 10 years of service and for duty-related death and disability benefits upon hire. Terminated vested employees have the option to withdraw their contributions, while non-vested terminated employees must withdraw their contributions.

Benefits were modified in 2015, impacting both existing employees and new hires. Changes included phased in employee contribution rate increases to 10% of payroll from 7% for all employees, an accrual rate reduction from 3% to 2.5%, lengthened service time requirement to 30 years from 20, COLA guarantee removed and linked to CPI, the guaranteed 8.4% interest rate on DROP accounts for existing employees removed and linked to actual plan return, and for new employees the DROP eligibility is removed. For a full breakdown of the new benefit package please see City Ordinance Code Section 121, Part 2.

For a full description of benefits provided by PFPF, refer to the separately issued financial statements for the Police and Fire Pension Plan that are available from the Police and Fire Pension Fund, located at One West Adams Street, Suite 100, Jacksonville, FL 32202.

d) Florida Retirement System

Plan Description - The City also participates in the Florida Retirement System (FRS), a multiple-employer cost-sharing retirement system which covers less than 1% of the City's full-time employees. FRS is a defined-benefit contributory retirement plan, administered by the State of Florida, Division of Retirement. The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after they have met one of the following; (1) after 30 years of service regardless of age; (2) six years of service and age 62; or (3) 25 years special risk service (age 55 if not continuous). Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death and disability benefits. Benefits are established by state statutes.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**9. A. PENSION PLANS (continued)
 5. Plan Benefits Provided (continued)
 d) Florida Retirement System (continued) -**

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make actuarially determined contributions at the rates in effect at September 30, 2016, of 7.52% for regular members, 22.57% for special risk members, 42.47% for elected county officials, 21.77% for senior management, and 12.99% for DROP Plan members.

For a full description of benefits and historical trend information showing the System’s progress in accumulating sufficient assets to pay benefits when due is presented in the System’s June 30, 2016 annual financial report. The report may be obtained from the State of Florida, Department of Management Services, Division of Retirement P.O. Box 9000, Tallahassee, Florida 32315-9000. -11

6. Contributions - The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City’s actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes.

**PENSION CONTRIBUTIONS
 (in thousands)**

	Jacksonville Retirement System		
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
Required Employee Contribution Rate	8%	8%	8%/10%
Employee Contributions for Fiscal Year Ended 2016	\$22,770	\$2,410	\$12,567
Required Employer Contribution Rate	33.50%	68.64%	109.92%
Employer Contributions for Fiscal Year Ended 2016	\$85,773	\$18,864	\$154,540
Pension base covered payroll for Fiscal Year 2015	\$254,034	\$28,091	\$132,735

7. Pension Investments
 a) **Investment Policy** - The purpose of the City of Jacksonville Retirement System Board and the Police and Fire Pension Board is to administer long-term benefits to the Plans’ participants and their beneficiaries. It is the Board’s intention that the investment policies be sufficiently specific to be meaningful but adequately flexible to be practical. The investment objective is to preserve the purchasing power of assets and earn a reasonable real rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns. After a thorough review of the expected risk and return of various asset mixes, the Boards of Trustees have established the following target asset allocations for all assets of the City of Jacksonville Retirement System and Police and Fire Pension Fund as indicated in the table below:

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**9. A. PENSION PLANS (continued)
7. Pension Investments (continued)
a) Investment Policy (continued)**

Asset Class	Jacksonville Retirement System Target	Police & Fire Pension Fund Target
Domestic equity	35.0%	35.0%
International equity	20.0%	20.0%
Fixed Income	19.0%	22.5%
Real estate/Real assets*	25.0%	15.0%
MLPs/Energy	0.0%	7.5%
Cash	1.0%	0.0%
Total	100%	100%

*JRS classifies MLPs/Energy as Real estate/Real assets

There were no changes in the investment policy in the current year. There are no individual investments in JRS or PFPF Systems that exceed 5% of plan assets at September 30, 2016.

b) **Rate of Return** – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2016 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.45% for the Jacksonville Retirement System and 10.00% for the Police and Fire Pension Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (net of investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocations as of October 1, 2015 are summarized below:

Asset Class	Jacksonville Retirement System Long-Term Expected Real Rate of Return	Police & Fire Pension Fund Long-Term Expected Real Rate of Return
Domestic equity	6.34%	5.40%
International equity	7.04%	5.50%
Fixed Income	1.34%	1.30%
Real estate/Real assets*	4.14%	4.50%
MLPs/Energy	-	5.50%
Cash	0.74%	1.40%

*JRS classifies MLPs/Energy as Real estate/Real assets

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. A. PENSION PLANS (continued)

8. Pension Plans: Net Pension Liability

a) The components of the net pension liability as of September 30, 2016 were as follows:

	Net Pension Liability		
	<i>(in millions)</i>		
	Jacksonville Retirement System		
	General Employee Pension Plan	Corrections Officers Pension Plan	Police and Fire Pension Plan
Net Pension Liability (in millions): 10/01/2015			
Total pension liability	\$ 2,717	\$ 340	\$ 3,142
Plan fiduciary net position	<u>\$ 1,740</u>	<u>\$ 167</u>	<u>\$ 1,354</u>
Net pension liability	\$ 977	\$ 173	\$ 1,788
Net position as a % of total pension liability	64.03%	49.05%	43.10%

Actuarial Methods and Assumptions:

Date of last actuarial valuation	October 1, 2015	October 1, 2015	October 1, 2015
Experience period	Oct 2007 - Sep 2014	Oct 2007 - Sep 2014	Oct 2011 - Sep 2015
Inflation	2.75%	2.75%	2.50%
Salary increases (Long-Term Payroll Inflation)	2.75%	2.75%	3.50%
Investment Rate of Return	7.50%	7.50%	7.00%
Discount Rate	7.50%	7.50%	7.00%
Mortality Tables in use	RP-2015	RP-2015	RP-2014

b) **Discount Rate:** The projection of cash flows used to determine the discount rate assumed plan member contributions are made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions the Plans' fiduciary net positions are projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plans' investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

c) **Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liabilities of the Plans, calculated using the discount rate and what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Net Pension Liability					
	<i>(in millions)</i>					
	General Employee pension plan		Corrections Officers pension plan		Police and Fire pension Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	1,291	6.50%	221	6.00%	2,189
Current Rate	7.50%	977	7.50%	173	7.00%	1,788
1% Increase	8.50%	715	8.50%	133	8.00%	1,526

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. B. PENSION LIABILITY, EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

1. Pension Liability

At the year ending September 30, 2016 the City of Jacksonville recorded a total Pension Liability of \$2,446 million. The pension plans providing the information and liability balances are reported below:

	Changes in Net pension Liability <i>(in thousands)</i>			
	General Employees Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters Pension Plan	Florida Retirement System
Changes in Net Pension Liability				
Beginning Total Pension Liability FY 2016	\$ 1,330,589	\$ 321,906	\$ 3,012,591	\$ 51,869
Service Cost	19,628	7,261	46,663	629
Interest	94,785	23,652	210,943	3,483
Change of benefit term	-	-	(28,685)	9
Differences in actuarial experience	(2,334)	1,699	24,831	245
Change of assumption	(8,802)	(1,243)	24,514	369
Change in Porportionate Share	(25,156)	-	-	(533)
Benefit payments and refund of contributions	(83,255)	(13,081)	(148,628)	(3,070)
Net Change in total pension liability	(5,134)	18,288	129,638	1,132
Ending Total Pension Liability FY 2016	<u>\$ 1,325,455</u>	<u>\$ 340,194</u>	<u>\$ 3,142,229</u>	<u>\$ 53,001</u>
Changes in Plan Fiduciary Net Position				
Beginning Plan fiduciary net position FY 2016	\$ 901,547	\$ 163,571	\$ 1,389,595	\$ 46,853
Contributions - employer	39,878	17,832	154,665	737
Contributions - employee	10,192	2,466	12,061	203
Net investment income	(19,271)	(3,849)	(62,885)	140
Chapter funds and other income	-	-	11,826	-
Benefit payments and refund of contributions	(83,255)	(13,081)	(148,628)	(3,070)
Administrative expense	(372)	(73)	(2,228)	(5)
Net Change in Plan fiduciary net position	(52,828)	3,295	(35,189)	(1,995)
Ending Plan fiduciary net position FY 2016	<u>\$ 848,719</u>	<u>\$ 166,866</u>	<u>\$ 1,354,406</u>	<u>\$ 44,858</u>
Net Pension Liability	<u>\$ 476,736</u>	<u>\$ 173,328</u>	<u>\$ 1,787,823</u>	<u>\$ 8,143</u>

Notes to Schedule:

Benefit changes: There have been no changes in benefit provisions since GASB 67 implementation.

Change of Assumptions: Based on the Society of Actuaries' most recently published analysis and guidance on projected national mortality improvements, the mortality improvement scale was changed from MP2014 to MP2015

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. B. PENSION LIABILITY, EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

2. Pension Expense

For the year ended September 30, 2016 the City recognized pension expense is \$208.7 million. The City reported pension expense, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expense

(in thousands)

	Actuarial Pension Expense	Deferred Outflow Contribution Amortization	Reclass of Current Year Contributions to Deferred Outflow	Pension Expense as reported for Fiscal Year 2016
General Employee Pension Plan	\$ 54,802	\$ 73	\$ (40,423)	\$ 54,875
Corrections Officers Pension Plan	20,910	112	(18,864)	21,022
Police & Firefighters Pension Plan	131,562	(102)	(156,131)	131,460
Florida State Retirement System	1,441	-	(198)	1,245
Total Pension Expense	\$ 208,715	\$ 83	\$ (215,616)	\$ 208,602

3. Contributions -

Contributions of \$215.6 million were reported as deferred outflows of resources related to pensions resulting from City of Jacksonville contributions subsequent to the September 30, 2015 measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017.

Current Year Employer Contributions

(in thousands)

	General Employees Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters Pension plan	Florida State Retirement System
Fiscal Year ended 9/30/2016	40,423	18,864	156,131	198

4. Deferred Outflow/Inflow Amortization

Other amounts reported as deferred outflows of resources and deferred inflows of resources are illustrated below.

Deferred Outflows and (Inflows) of resources

(in thousands)

	General Employees Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters Pension plan	Florida State Retirement System
Differences in expected and actual experience	\$ (3,435)	\$ 5,716	\$ 19,070	\$ 482
Changes in assumptions	22,673	6,624	18,827	584
Difference in projected and actual investment earnings	49,879	10,690	127,502	1,861
Changes in proportion	(6,570)	-	-	760
Total	\$ 62,547	\$ 23,030	\$ 165,399	\$ 3,687

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

9. B. PENSION LIABILITY, EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)
4. Deferred Outflow/Inflow Amortization (continued)

Deferred Outflows/(Inflows) Amortization for future years

(in thousands)

	General Employees Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters Pension plan	Florida State Retirement System
September 30, 2017	\$ 16,565	\$ 4,926	\$ 43,325	\$ 561
September 30, 2018	16,565	4,926	43,325	\$ 561
September 30, 2019	16,565	4,926	43,325	\$ 1,287
September 30, 2020	13,391	5,732	35,424	\$ 937
September 30, 2021	-	2,455	-	\$ 286
Thereafter	-	65	-	55
Total	\$ 63,086	\$ 23,030	\$ 165,399	\$ 3,687

C. DEFINED CONTRIBUTION PLAN

The City has, by ordinance a Defined Contribution (DC) plan within the Jacksonville Retirement System for General Employee participants of the City of Jacksonville, Jacksonville Electric Authority and the Jacksonville Housing Authority, as an alternative to the Defined Benefit (DB) plan. Both employer and employee contributions to the DC plan stated as a percentage of pay were 7.7% and totaled \$3.2 and \$3.1 million for the 2015-16 fiscal year. Employer contributions totaling \$2.6 million were transferred in to the DC plan for participants that converted from DB to DC. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation.

D. UNFUNDED PENSION LIABILITY

The City recorded its unfunded pension liability in the City-wide Governmental Activities financial statements. There was not an allocation of this liability to the proprietary funds/Business-type Activities or fiduciary funds as there is not an expectation that those type funds/activities will be paying or raising rates to pay for the unfunded liability.

Police and Fire Pension and Corrections Pension are governmental fund activities so their entries are recorded in the City-wide Governmental Activities financial statements as well.

Mayor Curry and his Administration worked with the state to allow the City to extend a sales tax to pay down the unfunded liability, which passed both the House and Senate and Governor Scott signed. The citizens of the City passed the referendum during fiscal year 2016, upon completing the remaining steps required to enact the sales tax, which includes completion of closing the existing plans to new hires and adopting a local ordinance. This influx of funding would be recorded in the general fund and flow up to the City-wide Governmental Activities financial statements.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description: The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance contract plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801 and therefore has an implicit rate subsidy benefit for the retirees' participation. As of the valuation date, the Plan had approximately 7,063 active participants and 1,110 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

Funding Policy: To date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is currently applicable; however, there is an implicit cost discussed below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums. Plan members contributed \$5.5 million in premiums for fiscal year 2016, representing 35.2% of the total fiscal year 2016 OPEB cost.

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

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

The City has elected to calculate the ARC and related information using the Entry Age Normal Salary Based Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Annual requirements include a 3% general inflation rate assumption, a 4.0% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 8% at September 30, 2016 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2022 of 4.5%. The projected salary increase assumption is 3.5% per year.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

The actuarial accrued liability (AAL) was determined as of September 30, 2016, based on the above assumptions and cost method, and applied to member data current at September 30, 2016. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2016, with an AAL calculated to be \$164.2 million, which is unfunded (or 0% funded). The annual covered payroll is \$347 million, resulting in an unfunded AAL of 47.2%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on September 30, 2016. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

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

Plan Obligation: (in thousands)	2016
Annual Required City Contribution (ARC)	\$ 15,608
Interest on Plan Obligation	2,532
Adjustment to ARC	(2,260)
Annual Plan Retiree Cost	\$ 15,880
Contributions Made	(5,509)
Change in Plan Obligation	10,371
Plan Obligation Beginning of Year	63,290
Plan Obligation End of Year	<u>\$ 73,661</u>

At fiscal year-end 2016, the City accrued \$71.1 million in the Governmental Activities Statement of Net Position, \$2.3 million in the Business-Type Activities Statement of Net Position.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding years are as follows: (in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	13,278	35.3%	52,016
9/30/2015	14,818	25.0%	63,290
9/30/2016	15,608	34.7%	73,661

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

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

11. DEFERRED COMPENSATION PROGRAM

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

12. RISK FINANCING

A. Public Liability and Workers Compensation:

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omission, injuries to employees and natural disasters. The Risk Management Division (“Division”) administers the self-insured public liability (general liability and automobile liability) and workers’ compensation coverages (the “Program”). The Program covers the activities of the City general government and the JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority (“Members”).

Jacksonville’s City Ordinance, Chapter 128, establishes the Program’s self-insurance fund. The Program is a combination of self-insurance, coupled with certain layers of excess coverage to mitigate aberrant and substantial unexpected losses.

The City does transfer some risk through the purchase of insurance for other exposures. The City purchases Watercraft, Wharfingers Liability, Out of State Automobile Liability, Aviation, Crime, Property and other certain General Liability policies (Rails to Trails, Power Lines Easement, Riverwalk, and Voting Precincts) to transfer risk. These policies are subject to sublimits, policy aggregates (where applicable) terms, conditions and exclusions as noted in the policies. Coverages are applicable to specific entities listed as named insureds. The attached schedule indicates the major categories of coverage transferred to insurers.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

Coverage's	Limits Occurrence and Aggregate	Retentions/Deductibles
Excess Casualty Package -		
General Liability	\$ 5,000,000	\$ 1,500,000 ⁽¹⁾
Automobile Liability	\$ 1,000,000	\$ 1,500,000 ⁽¹⁾
Workers' Compensation Benefits	Statutory	\$ 1,250,000 ⁽¹⁾
Worker's Compensation Employers' Liability	\$ 1,000,000	\$ 1,250,000 ⁽¹⁾
Worker's Compensation Communicable Disease (Coverage a & b)	\$ 50,000,000	\$ 1,250,000 ⁽¹⁾
Property (Real & Personal Property) -	\$ 400,000,000	\$ 100,000 ⁽²⁾
Property Terrorism (includes a Bodily Injury \$10,000,000 Sublimit)	\$ 100,000,000	\$ 100,000
Boiler and Machinery	\$ 100,000,000	\$ 50,000
Fine Arts - Scheduled Value	\$ 2,733,150	\$ 1,000
Employee Fidelity	\$ 5,000,000	\$ 75,000 ⁽³⁾
Aircraft Liability (P&I)	\$ 20,000,000	\$ -
Aircraft Physical Damage (Schedule Value)	\$ 6,733,734	Various/Per Schedule ⁽⁴⁾
Watercraft (P&I)	\$ 10,000,000	\$ 2,000
Watercraft Physical Damage (Scheduled Value)	\$ 8,908,870	Various/Per Schedule ⁽⁵⁾
Wharfingers Liability	\$ 5,000,000	\$ 1,000
Out of State Automobile Liability	\$ 1,000,000	\$ -
Rails to Trail General Liability	\$ 3,000,000	\$ 1,000
Power Lines Easement General Liability	\$ 2,000,000	\$ 500
Riverwalk General Liability	\$ 5,000,000	\$ 5,000
Voting Precincts General Liability	\$ 1,000,000	\$ 500

(1) The Self-Insurance Program is comprised of two policies: A stand alone Excess Workers' Compensation policy from New York Marine and General Liability, which includes a retention of \$1.5 million, and a Casualty Package provided by Lloyds of London Brit Program, which includes General Liability, Law Enforcement Liability, Public Officials/Employment Liability, Automobile Liability and a Workers' Compensation Buffer Layer of \$250,000. The Self-Insurance Program covers the City government and its Members(JEA, JPA, JHA and JAA).

(2) The property policy deductible for named windstorm losses is equal to 5% of the total insured values and applied separately to Building(s) and their associated Contents subject to a minimum deductible of \$250,000 and maximum of \$25 million per occurrence. The policy also has \$25,000 deductibles that apply to Jacksonville Port Authority Equipment Floater, Fine Arts (Excess over other collected insurance) and Property in Transit and Electronic Data Program Equipment and Media. The policy includes Service Interruption coverage with a 24 hours waiting period.

(3) Crime coverage affords a \$5 million Employee Theft/ Faithful Performance except \$3 million each for Forgery or Alteration. Inside the Premises (Theft of Money and Securities), Inside Premises (Robbery or Safe Burglary of Other Property), Outside the Premises, Computer Fraud, Funds Transfer Fraud and Money Orders and Counterfeit Money. Employee Theft Deductible (as applicable) is \$75,000 except all others with a \$25,000 deductible applicable a per loss or occurrence basis.

(4) Aircraft physical damage deductibles are: (1) for aircrafts not in motion, \$1,000 for rotor wings and \$250 fixed wings; (2) for aircraft in motion, 5% of the hull scheduled value, not to exceed \$25,000 for rotor wings and \$1,000 fixed wings.

(5) Watercraft physical damage deductibles is 1% of the hull scheduled value or \$250 per occurrence for trailers.

(6) In the past three (3) years, none of the listed commercial policies have incurred a loss that resulted in a settlement amount in excess of the policy limit.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

Annually, as of September 30, the Program has a third party actuary review the claim history for all open claim years. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims and claim development) for each year's claim experience and the probable loss fund cost for the new fiscal year. The City uses in-house defense counsel for General and Automobile Liability and outside defense counsel for Workers' Compensation. The City's Self-Insurance Program liability is established at the expected confidence level on a four percent (4%) discounted basis in the amount of \$99,623,000 for General Liability, Automobile Liability and Workers' Compensation. Actuarial also projects \$8,382,000 of unallocated loss adjustment expenses on a four percent (4%) discounted basis at the expected confidence level.

The probable loss fund estimate is used to budget the self-insurance fund for general liability, automobile liability, and workers' compensation. As an internal service fund, charges are billed to the various funds and component units of the City. If an adjustment is necessary to increase the reported fund liability to reflect the actuary's estimated ultimate claim payment, then the self-insurance fund will either draw upon its accumulated net assets and/or initiate a year-end billing to the City itself and component units of the City.

The City's practice of cash funding the projected ultimate claims payment is intended to temporarily accumulate net assets, which can be used to meet changes in estimates over time. Projected ultimate claims payment experience is as of the end of each fiscal year, even though some payments may not be made until a later date.

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2016, the City has a Surplus in the Self-Insurance fund of \$4,000 (in thousands) and an operating reserve in the amount of \$2,890 (in thousands) for a combined net position surplus of \$6,890 (in thousands). In the Supplemental Section of the City's Comprehensive Annual Financial Report, is a trend information schedule for general/auto liability and workers' compensation, entitled "Schedule of Self-Insurance Ten Year Claims Development Information," which reflects the claims paid and liability projection development of each of the most recent ten years as of September 30, 2016.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

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

SELF-INSURANCE FUND						
CHANGES IN AGGREGATE CLAIMS LIABILITIES HISTORY (Including ULAE)						
FOR THE YEARS ENDING SEPTEMBER 30						
(in thousands)						
	General/Auto Liability		Workers' Compensation		Totals	
	2016	2015	2016	2015	2016	2015
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$18,118	\$12,630	\$89,343	\$90,253	\$107,461	\$102,883
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	4,288	3,754	9,838	9,373	14,126	13,127
Increases (decreases) in provision for insured events of prior fiscal years	3,448	9,355	13,460	14,463	16,908	23,818
Total incurred claims and claim adjustment expenses	7,736	13,109	23,298	23,836	31,034	36,945
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,725	1,744	4,799	4,236	6,524	5,980
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	6,997	5,877	16,968	20,510	23,965	26,387
Total Payments	8,722	7,621	21,767	24,746	30,489	32,367
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$17,132	\$18,118	\$90,874	\$89,343	\$108,006	\$107,461

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

SELF-INSURANCE FUND						
CURRENT AND NONCURRENT CLAIMS LIABILITIES (Including ULAE)						
FOR THE YEARS ENDING SEPTEMBER 30						
(in thousands)						
	General/Auto Liability		Workers' Compensation		Totals	
	2016	2015	2016	2015	2016	2015
Current Liability:						
Estimated Liability for self-insured losses	\$ 9,062	\$ 7,135	\$ 19,166	\$ 16,574	\$ 28,228	\$ 23,709
Noncurrent liability:						
Estimated Liability for self-insured losses	8,070	10,983	71,707	72,769	79,777	83,752
Total Liability	\$ 17,132	\$ 18,118	\$ 90,873	\$ 89,343	\$ 108,005	\$ 107,461

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**12. RISK FINANCING (continued)
 B. Self-Insured Health Plan:**

Effective January 1, 2015 the City elected to move from a fully insured plan to a self-funded arrangement for its group health coverage. The primary driver of this decision was the prohibitive cost of commercial health insurance. The City utilizes Florida Blue as the third party administrator which provides claims adjudication services, provider network contracting and maintenance, and other valuable services. Florida Blue pays claims as they are incurred and bills the City monthly. In order to better manage the risk, the City has contracted for stop-loss insurance with a \$550,000 specific deductible. Once a claim exceeds this threshold, the City is reimbursed for any excess expenses.

The plan is funded by contributions from the City and employees. These funds reside in an internal service fund which is used exclusively for Employee Benefits. The beginning balance of this fund as of January 1, 2015 was \$6,479,716. The City received a pro-share settlement from Florida Blue of \$1,547,615. This was the result of superior claims performance that the City experienced in CY2013 and CY2014 as a fully insured health plan.

Incurred but not reported (IBNR) claims were estimated at \$4,200,000 and are recorded as a liability on the Statement of Net Position. Changes in the reported liability since January 1, 2015 resulted from the following:

Fiscal year Ended:	Beginning Balance	Claims and Changes in Estimates	Claim & Expense Payments	Ending Balance
2015	\$ -	\$57,548,858	\$53,350,353	\$4,198,505
2016	\$4,198,505	\$74,926,958	\$74,881,598	\$4,243,865

As of September 30, 2016 the operating gain was \$21,841,117. The Florida state statutes require a safe harbor threshold to be maintained in plan reserves. This threshold for FY2016 is \$11,780,076 and the City has plan reserves of \$28,320,834.

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**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES

A. Compliance with Finance Related Legal and Contractual Provisions:

In the opinion of management, the City has no violations of finance related legal and contractual provisions.

B. Fund Deficits:

The following individual funds had a fund deficit at September 30, 2016, (in thousands):

Governmental Funds	<u>Net Position</u>
Other Non-Bonded Debt Obligations	(\$348)

The Other Non-Bonded Debt Obligations fund net position deficit is due to the final payment on development loans in August 2015 for which escrowed funds were being held by Housing and Urban Development that have been released by HUD and the funds have been received by City of Jacksonville Housing. The deficit is expected to be eliminated through the transfer of these funds to reimburse the debt service fund for the debt payments in fiscal year 2017.

Enterprise Funds	<u>Net Position</u>
Veterans Memorial Arena	(\$2,990)
Ritz Theatre	(\$136)

The Veterans Memorial Arena and Ritz Theatre fund incurred expenditures in excess of revenues during the fiscal year that will be funded by future operations and additional debt service transfers for Arena asset financing.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES
C. Landfill Closure and Postclosure Care Costs:**

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

MSWLF costs, for open landfills, are recognized in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs. A liability of the Solid Waste Disposal Enterprise Fund is recorded based upon landfill capacity used at fiscal year-end and a current operating expense of the Fund in the fiscal year in which the MSWLF costs are recovered through earned, operating revenue. Expenses for closure and long-term care costs are funded from future operating revenues of the Solid Waste Disposal fund and bond proceeds. As noted in Note 1. P, the application of SFAS No. 71 resulted in certain costs being capitalized and amortized to later periods. The City obtained bond proceeds to support closure and long-term care cost for North and East landfills and Picketville Waste Site. At September 30, 2016 the prepaid balance of the capitalized cost is \$2.1 million, which during the year the City amortized \$2 million.

Active Landfill – Trail Ridge

The closure and long-term liability for Trail Ridge as of September 30, 2016 is \$30.7 million which represents a decrease of \$9.4 million compared to the preceding year. This decrease resulted from adjustments for inflation and current annual closure and long-term care cost estimates. The percentage of landfill capacity used is estimated to be 70%, with an estimated life of 34.75 years.

Inactive Landfills – North and East

North and East landfills closed October 1999 and April 1992, respectively. The long-term liability for North as of September 30, 2016 is \$1.5 million for 2 years. When compared to the preceding year, the liability balances decreased \$2 million in aggregate, due to adjustments for current annual closure cost estimates and costs paid for performing and monitoring closure work.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**13. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES
C. Landfill Closure and Long-term Care Costs: (continued)**

Annually, the City is required by Chapter 62-701.630 of the Florida Administrative Code, to accumulate resources for payment of closure and long-term care cost. The City is in compliance with these requirements. As of September 30, 2016 \$16,670,720, which includes \$895,098 for accelerated payments, have been accumulated for payment of closure and long-term care cost (see summary below). Accelerated payments are payments in excess of the required financial assurance balances that are held in reserves for contingencies and are used to offset future operational cost.

	<u>Trail Ridge</u>	<u>North</u>	<u>Total</u>
Current cost of closure	\$ 14,463,911	\$ -	\$ 14,463,911
Annual cost of long-term care	-	1,300,011	1,300,011
Accelerate funds above state minimum	<u>895,098</u>	<u>-</u>	<u>895,098</u>
Total balance in escrow account	\$ 15,359,009	\$ 1,300,011	\$ 16,659,020

14. LESSOR OPERATING LEASE

A. Jacksonville Jaguars, LLC. - The City entered into a lease dated September 7, 1993, pursuant to which the City leases EverBank Field, a City owned stadium, and adjacent practice facilities to the Jacksonville Jaguars, Inc. (Jaguars) for a period of 30 years from the first National Football League (NFL) regular season play in 1995; Amendment 5, executed September 6, 2002, extends the lease an additional five years. The City uses the Everbank Field enterprise fund to record the stadium, practice facilities, other related capital assets, and all the related revenues and expenses from use of the stadium and practice facilities under this lease agreement.

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**14. LESSOR OPERATING LEASE (continued)
A. Jacksonville Jaguars, LLC. (continued)**

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

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

The lease generally permits the City to retain revenues from City events at the stadium, with some exceptions. Amendments 8 and 12 outline provisions for advertising revenue generated from electronic signage for different stadium functions. The City is required to provide electricity, water and sewer services for the stadium at its expense. The City must maintain the stadium and all leasehold improvements. Per Amendment 8, the City agreed to provide \$1,000,000 for additional electronic signs. The City is required to pay for game day personnel, excluding concessions, on the days of Jaguar games. Amendment 8 gives the Jaguars the responsibility to provide concessions to all events within the concessions area. The Jaguars retain all net revenues from concessions and similar sales on NFL game days. The lease obligates the Jaguars to maintain its franchise at the stadium in Jacksonville and to not relocate unless it pays the City certain guaranteed amounts.

Amendment 9 outlines a revenue sharing agreement for the stadium naming rights and provides the parameters for the marketing of the stadium name. Also, Amendment 9 details additional advertising rights and allows for certain fixed signage at the stadium. However, the subsequent naming rights agreement with EverBank eliminated the City participation in revenue generated from the stadium naming rights.

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

Amendment 12 outlines provisions of various improvements to the stadium, including new video boards, renovations and improvements to the North End Zone (NEZ), and stadium Wi-Fi improvements. Total project improvements cost over \$60 million, with the City financing approximately \$44 million. Amendment 13 clarifies or modifies miscellaneous provisions of the lease, and outlines certain rights of the City and Jaguars with regards to the electric signage included in the improvements of Amendment 12.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, LLC. (continued)

Amendment 14 outlines provisions of various improvements, including stadium club and south end zone improvements, and the addition of a covered field football practice facility and outdoor amphitheater. Total project improvements cost over \$90 million, with the City financing approximately \$45 million.

A summary of scheduled lease payments is as follows:

<u>Year</u>	<u>Payment</u>
2017	4,749,626
2018	4,734,719
2019	4,718,763
2020	4,701,756
2021	3,883,700
2022 - 2026	22,679,207
2027 - 2030	23,152,586

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

The Base Rental associated with the startup of operations and the initial capital costs for transforming the stadium to an NFL stadium has deferred rents for the first five years and then scheduled rent increases throughout the term of the lease, Amendment #8 in FY2005 providing rental credits of \$2,866,666 in FY2006, FY2007, and FY2008, which reduced the rental payment in each of those years. Paragraph 6 of GASB #13 states that “Sometimes an operating lease with scheduled rent increases contains payment requirements in a particular year or years that are artificially low when viewed in the context of earlier or later payment requirements.” This occurred with the base rental of the Jaguars contract. Paragraph 6 guidance states that the operating lease transactions should be measured utilizing one of two measures, with Paragraph 6a being “The operating lease transactions may be measured on a straight-line basis over the lease term.” The City has recorded a deferred rent receivable of \$9,661,859 due to the application of GASB #13 based on the difference in the actual rent paid and the calculated straight line rent.

In analyzing the lease, there are two conditions that could affect the collection of the deferred rent receivables. The lease has been modified multiple times since the original agreement, providing for rent reduction as noted in amendment #8. Based on this history of amending the lease, there is uncertainty and a potential for other rental reductions or deferments which could put the collection of the deferred rent receivables at risk. Additionally, the lease has several paragraphs concerning early termination of the contract and provides the City of Jacksonville reasonable liquidated damages in the circumstance of the Jaguars leaving the City. This termination provision, in effect, makes the rental collection subject to a year by year basis. The City has an offsetting allowance for the entire \$9,661,859 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**14. LESSOR OPERATING LEASE (continued)
 A. Jacksonville Jaguars, LLC. (continued)**

A summary of the leased asset value is as follows:

Cost of leased assets	344,289,000
Accumulated depreciation	(107,325,000)
Carrying value of leased assets	\$ 236,964,000

B. Shands Jacksonville:

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

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation:

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

The City self-insures itself through general liability and workers compensation programs for most claims asserted against the City. For all amounts that are probable of loss the City records an estimated liability in the Self Insurance internal service fund. For amounts where it is not possible at the present time to estimate the ultimate outcome or liability, if any, to the City for the proceedings no accrual is recorded. It is the City’s opinion that the ultimate liability in these litigation matters, if any, that have not been accrued, is not expected to have a material adverse effect on the City’s financial position.

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

B. Grants and Contracts:

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

C. Self-Insurance:

Through the City's Risk Management Division, the City maintains an insurance and self-insurance program (See Note 12). Under the laws of the State of Florida, the city has sovereign immunity for state tort claims in excess of \$200,000 per person and \$300,000 per occurrence. The City retains coverage on all other types of major exposures including real and tangible property. The self-insured programs of the City, which are included in the Self-Insurance Internal Service Fund, are funded on a dollar-for-dollar basis determined actuarially for the estimated losses for claim development and incurred but not reported claims, and unallocated loss adjustment expenses. Claims are reserved on ultimate probable cost basis.

D. Pollution Remediation:

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)
D. Pollution Remediation: (continued)**

The City recorded a pollution remediation liability as of September 30, 2016 of approximately \$152.3 million (See Note 8. C for schedule) using the expected cash flow technique. Under this technique, the City estimated a reasonable range of potential outlays and multiplied those outlays by their probability of occurring. However, this liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts. The following paragraphs provide further details on the more significant sites.

Whitehouse Waste Oil Pits Superfund Site

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

The USEPA estimates \$20 million site costs, with the City paying approximately \$2 million over the life of the project (which includes a 30 year operations and maintenance period). Site work was substantially complete in October 2006 when operations and maintenance work began. The PRPs have more than \$1.9 million on deposit to fund operations and maintenance; however until USEPA officially declares the remedial action complete, the prospect for additional work remains. In January 2008, the City met with adjacent property owners to negotiate the purchase of additional private property to account for the location of the remedial berm. Negotiations are ongoing, with the estimated additional purchase within the limits of the remaining funds contributed by PRPs. The City and other PRPs settled with the USEPA which had sought reimbursement of its cost of a removal action in 1995, regarding the Bill Johns Waste Oil Site.

The City's liability is based on contracting with the waste oil service to empty used oil collection points operated under a recycling grant from the State. Florida Department of Environmental Protection (FDEP) has submitted a demand to the PRPs to assess the site further to determine the extent of contamination that may remain after the removal action. The liability to FDEP is being assessed, but the site may be eligible for the state-funded cleanup program, relieving the City of any financial exposure. Because of the uncertainty of this event, no accrual has been recorded.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

Ash Sites

The City has identified four sites that were used for incinerator ash waste. The common practice during the 1950s and 1960s was to incinerate garbage and then mix the residual ash waste with other soil and use it as fill dirt. The City and the USEPA signed an agreement in 1999 to develop a plan to remediate the four sites. In order to make the sites and surrounding areas safe from a variety of residual pollutants, the City has proposed to the EPA a plan to clean up the areas by removing the top two feet of soil, placing a barrier, and then replacing the topsoil with untainted dirt. The project is estimated to take several years to complete once started and a cost estimate of \$34.3 million has been accrued based on the City's estimate used in its five year capital project plan. As of September 30, 2016, the Ash Sites accumulated approximately \$170.4 million of expenditures.

Other Sites

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

These projects, which are estimated to take several years to complete once started, have an estimated cost of \$57.5 million, which has been accrued by the City and included in the City's five year capital projects plan. Various other remediation sites exist within the City and \$60.5 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

The liability for *Picketville Waste Dump Site* at September 30, 2016, of \$141 thousand is based on the most recent estimate by the Federal Government of the City's allocated share of the clean-up and long term care cost of the site under a Participation Agreement and Consent Decree with the USEPA. The City was identified as a responsible party, sharing 65% of the total clean-up costs.

E. Garage Development Agreement:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

F. Construction and other significant Commitments:

At September 30, 2016, the City had significant commitments for the following projects (in thousands):

General Government	
Fleet Management Mobile Equipment	6,290
ERP-Financial/Resource Management	1,365
Jax Beach Pier-Decking Replacement	793
ADA Compliance Public Works Projects	1,431
Liberty St./Coastline Dr. parking Decks	16,500
Physical Environment	
Environmental Compliance	2,369
Drainage Systems	952
Transportation	
New World Ave/Extension to Chaffe Rd	2,997
Chaffee Road	1,368
Imeson Park BLVD/BTW Busch Dr/Zoo PKWY	737
Culture & Recreation	
Pottsburg Creek Dredge	841
Everbank-Club, Amphitheatre, Practice Facility	11,322
Total	<u>\$ 46,965</u>

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

G. Encumbrance Commitments:

At September 30, 2016, the City had encumbrance commitments in the Governmental Funds as follows: (in thousands)

<u>MAJOR FUNDS</u>	
General Fund	11,033
Total Major Funds	<u>\$ 11,033</u>
<u>NON-MAJOR FUNDS</u>	
Concurrency Management	6,778
Air Pollution Control and Monitoring	1
Tourism Development	1,336
Clerk of the Court	16
Transportation Fund	270
Budgeted General Government	1,994
Public Safety	134
Emergency 9-1-1	221
Tax Increment Districts	265
Jacksonville Children's Commission	2,538
Community Development Block Grant	1,456
Maintenance, Parks and Recreation	3,126
Other Federal, State and Local Grants	5,416
Housing and Neighborhoods	3,850
State Housing Initiative Partnership	1,077
Non Budgeted General Government	1,660
General Projects	35,499
* Better Jacksonville Plan Construction Project	594
Bond Projects	3,225
Grant Projects	4,163
River City Renaissance Project	3
Total Non-Major Funds	<u>73,622</u>
TOTAL ENCUMBRANCES	<u>\$ 84,655</u>

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

The encumbrances are recorded within fund balance based on the source of funds as restricted, committed, or assigned as appropriate.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

16. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE

During fiscal year 2016, the City had financial transactions with its discretely presented component units classified as follows for financial reporting purposes:

A. JEA:

Contribution - On October 1, 1968, the City turned its electrical department over to the newly created JEA. Additionally, on June 1, 1997, the JEA assumed the operation and all related assets and liabilities of the water and sewer system from the City. The JEA is required by the City Charter to contribute annually to the General Fund of the City an amount not to exceed 5.513 mills per kilowatt per hour sold and at a rate of 2.149 mills per cubic feet of water sold. For the fiscal year ended September 30, 2016 these contributions total \$114,187,538. Such contributions to the City's General Fund are for the use of the public right-of-way in connection with its electric distribution system and its water sewer distribution and collection system and are based on calculations contained within section 21.07 of the City Charter.

Franchise Fees - Effective April 1, 2008, the City enacted a 3% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2016, the City received from JEA \$28,812,166 and \$10,390,799 of its electric and water and sewer funds.

B. Jacksonville Transportation Authority (JTA) :

Local Option One-Half Cent Sales Tax - On August 11, 1989, Jacksonville citizens voted for the removal of all tolls from county/city bridges and certain roads and replaced the revenue with a local option one-half cent sales tax that provides a permanent funding source for the construction and maintenance of the City's roads and bridges; the operation and maintenance of the bus system and the refinancing of existing bonds issued for the construction of such bridges and roads. All collections from the one-half cent sales tax are statutorily required to be remitted to the JTA. Accordingly, the City remitted all collections from the one-half cent sales tax to the JTA in the amount of \$83 million in fiscal year 2016. Such collection and payment by the City of this local option one-half cent sales tax is recorded in the Transportation Special Revenue fund as revenue and a transportation expenditure in the equal amount. The JTA reports the transfer from the City as sales tax revenue.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

B. Jacksonville Transportation Authority (JTA): (continued)

Any funds available above debt service would be collected in a pay-as-you-go fund to assist with the payment of program expenditures. In addition, the City made available revenues from the Local Option Gas Tax for the operation of the JTA's Mass Transit Division.

Beginning September 1, 2016, a new interlocal agreement between the City and JTA went into effect. The Sales Tax and Constitutional Gas Tax continue to be pledged for the program's debt service. Any Sales Tax revenues available above debt service are returned to JTA and may be used for certain transportation-related purposes as defined by the agreement. Revenues from the Constitutional Gas Tax are to be used for debt service only if the Sales Tax revenues are insufficient. Any Constitutional Gas Tax revenues available above debt service are split equally between the City and JTA. In addition, the new interlocal agreement provides that five-sixths of the Local Option Gas Tax be made available to JTA for the development, construction, operation and/or maintenance of certain roadway projects managed by JTA as identified in the agreement's exhibits.

JTA has recorded an inter-governmental receivable and the City has recorded a long-term inter-governmental payable to JTA in the amount of \$13.5 million to be paid out of Sales Tax collections prior to the end of the program agreement.

C. Jacksonville Port Authority (JPA):

Interlocal Agreement - In connection with a major port and marine facilities capital improvement project (the "Project"), the City and the JPA entered into an Interlocal Agreement upon the issuance of \$43,605,140 Excise Taxes Revenue Bonds, Series 1993 (the "1993 Bonds"). Subsequent to this transaction, the parties entered into an Amended and Restated Interlocal Agreement in conjunction with the issuance of \$57,150,000 Excise Taxes Revenue Bonds, Series 1996B (the "1996B Bonds"). The 1996B Bonds were refunded by the Excise Taxes Revenue Refunding Bonds, Series 2001A (the "2001A Bonds"). The 1993 Bonds were partially refunded by the Excise Taxes Revenue Refunding and Improvement Bonds, Series 2003C (the "2003C Bonds"). The 2003C Bonds were partially refunded by the Special Revenue Refunding Bonds, Series 2012E (the "2012E" Bonds, and together with the 1993 Bonds, 2001A Bonds and 2003C Bonds, the "Bonds").

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

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

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

The Amended and Restated Interlocal Agreement provides for the allocation of three sources of revenue (collectively referred to as the “Pledged Revenues”) by the City to the JPA. The first source of revenue relates to the allocation of half of the increased revenues in the Telecommunications Tax, which is 85% of the Communication Services Tax (the “Authority Allocation No. 1”). The second source of revenue relates to the amount calculated by multiplying one quarter (.25) mills by the gross kilowatt hours (as defined in Article 21 of the City Charter) sold by JEA during the twelve month period ending May 31 of the prior fiscal year (the “Authority Allocation No. 2”).

The third source of revenues relates to the \$800,000 annual contribution remitted by the City to the JPA as described in Section 5(a) of the JPA act. Such Pledged Revenues are to be applied by the City to the payment of debt service on the Bonds for such fiscal year prior to being paid to the JPA.

For the fiscal year ended September 30, 2016, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was \$4.6 million with a total of \$4.9 million being distributed to JPA.

In previous years, the City expended \$43.1 million on the Project from proceeds of the 1993 Bonds for the benefit of the JPA under the Amended and Restated Interlocal Agreement, which completed the 1993 Bond Program. In previous years, the City expended \$64 million on the Project from proceeds (inclusive of investment earnings) of the 1996B Bonds for the benefit of the JPA under the Interlocal Agreement. The City accounted for these expenditures in the Capital Projects Funds. The City does not capitalize these capital outlay expenditures. The capital assets related to these projects are owned by JPA and these amounts are noted earlier as Non-Asset Debt of the City in Note 8H.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

17. SUBSEQUENT EVENTS

Hurricane Matthew, a Category 2 storm which tracked parallel along the coast of Florida on October 7, 2016, caused extensive damage to the City of Jacksonville and Duval County owned and operated territories. Sites damaged by the storm include: public parks, roads, bridges, piers, docks, buildings and beaches. The current estimate of costs associated with Hurricane Matthew is in excess of \$50 million. The estimate of costs includes funds to fix the damaged sites as well as costs associated to the removal of debris, emergency protective services, and compensation paid to City employees that conducted activities directly associated to the Hurricane. The City of Jacksonville intends to seek recovery of its hurricane costs through the Federal Management Agency (FEMA) for those costs not covered by insurance.

Hurricane Matthew also caused extensive damage within the JEA service territory. Damages were primarily to the transmissions and distribution systems, with estimated losses totaling \$35,000,000. JEA intends to seek recovery through the Federal Emergency Management (FEMA) for costs not covered by insurance, less an estimated withdrawal from JEA's self-insurance fund of 3,300,000.

The City continues to progress toward comprehensive and sustainable pension reform, which includes closing the current Defined Benefit (DB) Pension plans to new employees with all future employees being placed in a Defined Contribution plan. The state has passed into law a dedicated Pension Liability Surtax which will assist the City in meeting its long term pension obligations without continuing to burden the general fund to the same degree as would otherwise exist. As required by the new state law, a local referendum was held which passed by a large majority. As of the time of submission, the City is nearing completion of achieving agreements with all of its bargaining units to close the plans to new hires and increase contributions to 10% for existing employees remaining in the DB plan as also required under the law to benefit from the surtax. The final step in the process will be an enacting ordinance which lays out the new benefits and the manner in which the City will carry out the implementation of the surtax.

In connection with a bill that the Jacksonville City Council passed on March 15, 2017, the City is relieved of a long standing \$13,567,000 liability for roadway projects that the Jacksonville Transportation Authority (JTA) built during road construction associated with the Better Jacksonville Plan. The reduction of the liability will be recorded in FY2017.

JEA's Board approved an electric rate restructuring, effective December 1, 2016. Changes include a 4.4% base rate increase, an additional economic stimulus rider for new commercial or industrial customers to locate within the JEA service area, a fuel rate decrease, the release of excess reserve funds to pay down debt, and the authorization to refund bonds to implement an accelerated principal payment schedule.

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**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

18. NET POSITION:

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - is intended to reflect the portion of net position that is associated with capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position – are assets that have third-party (statutory, bond covenant or granting agency) limitations on their use externally imposed by creditors or imposed by law through constitutional provision or enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position – have no third party limitation on their use, and consists of all net position that do not meet the definition of the other two components, and any net deficits that exist.

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

A. Additional Disclosure:

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

Governmental Unrestricted Net Position (per statement – page 22)	\$ (1,954,640)
Impact of Better Jacksonville Plan’s (BJP) bond financed capital expenditures incurred by component units and other entities.	196,994
Economic Incentives to be repaid by TIF revenue and/or Developer	21,131
Governmental - Unrestricted NetPosition (adjusted for dedicated revenue funded portions)	<u><u>\$ (1,736,515)</u></u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

18. NET POSITION: (continued)

A. Additional Disclosure: (continued)

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

B. Restatement due to a change in accounting principle:

With the fiscal year 2016 implementation of GASB Statement No. 72, Fair Value Measurement and Application, recognition and measurement changes were applied which resulted in a restatement of the Police and Fire Pension Plan Trust Fund net position. The total adjustment to net position is as follows:

(in thousands)	2015 Pension Trust Funds
	<u> </u>
Net change in fair value of investments	\$ 1,330
Net position, beginning as previously reported	3,504,379
Restatement	<u>908</u>
Beginning net position as restated	\$ 3,505,287
 Total Adjustment to net position due to a change in accounting principle	 \$ 2,238

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**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

19. FUND BALANCE DISCLOSURE:

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

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

Spendable Fund Balance

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, City Council, through the issuance of an ordinance. Commitments may only be changed through the same type of formal action that created the commitment.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned through the following: 1) The Director of Finance is authorized by City Council to assign amounts for a specific purpose. (2) The City Council has authorized the Director of Finance, in coordination with the Council Auditor, to recapture excess fund balance that isn't restricted or committed and transfer the excess to the General Fund – General Service District. Excess fund balance that is not recaptured is classified as assigned by the Director of Finance to be used for the purpose of the subfund.
- Unassigned - includes residual positive fund balance within the General Fund that has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted or committed for those specific purposes.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

19. FUND BALANCE DISCLOSURE: (continued)

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

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

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

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CITY OF JACKSONVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

19. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION (in thousands)

	MAJOR FUNDS		
	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
FUND BALANCES:			
Non Spendable:			
Imprest cash and cash in escrow	\$ -	\$ -	\$ -
Inventories	3,273	-	-
Other	-	-	-
Spendable:			
Restricted for:			
Debt Service Reserved by Debt Covenants	-	114,481	11,366
Park Projects	-	-	-
Physical Environment	-	-	-
Conservation and Resource Management	-	-	-
Transportation Projects	-	-	-
Human Services	-	-	-
Drainage System Projects	-	-	-
Housing and Urban Development	-	-	-
Building	-	-	-
Public Safety	-	-	-
Industry Development	-	-	-
Other	2,287	-	-
Committed to:			
City Council Emergency Use	53,253	-	-
Drainage Projects	-	-	-
Park Projects	2,556	-	-
Planning Projects	9,371	-	-
Physical Environment	-	-	-
Conservation and Resource Management	-	-	-
Transportation Projects	-	-	-
Emergency and Disaster Relief	-	-	-
Court Projects and Operations	-	-	-
Public Safety	20,230	-	-
Industry Development	336	-	-
Other	8,253	-	-
Assigned to:			
Parks Projects	698	-	-
Planning Projects	2,558	-	-
Public Safety	5,522	-	-
Industry Development	92	-	-
Other	2,252	-	-
Unassigned	97,302	-	-
Total Fund Balances	\$ 207,983	\$ 114,481	\$ 11,366

(Continued)

NON MAJOR GOVERNMENTAL FUNDS	TOTAL ALL FUNDS	
	2016	2015
\$ 161	\$ 161	\$ -
-	3,273	4,120
123	123	123
-	125,847	117,300
6,711	6,711	7,018
2,349	2,349	652
2,021	2,021	7,665
8,629	8,629	10,017
12,727	12,727	15,430
-	-	1,208
17,099	17,099	17,517
7,106	7,106	11,240
694	694	-
10,901	10,901	1,634
4,145	6,432	1,088
-	53,253	49,919
3,686	3,686	3,024
17,313	19,869	22,443
2,075	11,446	3,301
10,813	10,813	36,302
24,881	24,881	22,644
107,499	107,499	98,759
7,790	7,790	7,675
2,642	2,642	2,870
19,981	40,211	29,301
6,780	7,116	33,224
54,475	62,728	24,442
-	698	847
-	2,558	1,987
-	5,522	10,333
-	92	877
-	2,252	1,530
(348)	96,954	86,699
<u>\$ 330,253</u>	<u>\$ 664,083</u>	<u>\$ 631,189</u>



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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF JACKSONVILLE, FLORIDA
GENERAL FUND REQUIRED SUPPLEMENTAL INFO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS (in thousands)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	GENERAL FUND						VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	ENCUMBRANCES	BUDGETARY ACTUAL		
	ORIGINAL	FINAL					
REVENUE:							
Property taxes.....	\$ 535,273	\$ 535,273	\$ 539,881	\$ -	\$ 539,881	\$ 4,608	
Utility service taxes.....	85,829	85,829	90,513	-	90,513	4,684	
Community service taxes.....	35,285	35,285	32,605	-	32,605	(2,680)	
Sales and tourist taxes.....	1,051	1,051	1,130	-	1,130	79	
Local business tax.....	7,317	7,317	7,172	-	7,172	(145)	
Licenses, permits and fees.....	42,356	42,356	43,385	-	43,385	1,029	
Intergovernmental.....	152,222	152,487	157,179	-	157,179	4,692	
Charges for services.....	57,362	57,381	56,997	-	56,997	(384)	
Fines and forfeitures.....	1,990	1,990	1,873	-	1,873	(117)	
JEA contribution.....	114,188	114,188	114,188	-	114,188	-	
Interest.....	5,849	5,849	6,403	-	6,403	554	
Other.....	22,668	23,760	17,995	-	17,995	(5,765)	
Total Revenue.....	1,061,390	1,062,766	1,069,321	-	1,069,321	6,555	
EXPENDITURES AND ENCUMBRANCES:							
City Council.....	9,376	9,430	8,980	252	9,232	198	
Clerk of the Courts.....	3,894	3,891	3,733	1	3,734	157	
Courts.....	4,188	4,278	4,240	18	4,258	20	
Downtown Investment Authority.....	2,088	2,073	1,134	81	1,215	858	
Employee Services.....	5,394	5,389	5,042	342	5,384	5	
Finance.....	7,567	9,248	8,789	60	8,849	399	
Fire/Rescue.....	216,540	216,359	218,331	336	218,667	(2,308)	
General Counsel.....	297	786	738	-	738	48	
Health Administrator.....	775	775	771	-	771	4	
Inspector General.....	811	811	623	6	629	182	
Intra-Governmental Services.....	5,759	3,007	2,489	482	2,971	36	
Jacksonville Children's Commission.....	1,593	2,250	1,547	633	2,180	70	
Jacksonville Human Rights Commission.....	600	599	589	2	591	8	
Mayor.....	4,384	4,505	4,204	10	4,214	291	
Mayor's Boards and Commissions.....	464	470	468	2	470	-	
Medical Examiner.....	3,929	3,923	3,624	66	3,690	233	
Military Affairs, Vet & Disabled Svcs....	1,097	1,125	1,122	2	1,124	1	
Office of Economic Development.....	11,642	12,082	2,243	77	2,320	9,762	
Office of Ethics.....	231	262	245	2	247	15	
Parks & Recreation.....	43,497	40,447	38,956	853	39,809	638	
Property Appraiser.....	10,435	10,435	10,148	124	10,272	163	
Public Defender.....	1,815	1,840	1,833	-	1,833	7	
Planning and Development.....	5,789	5,661	4,888	616	5,504	157	
Public Libraries.....	31,829	32,025	31,180	195	31,375	650	
Public Works.....	42,485	42,981	41,621	887	42,508	473	
Regulatory Compliance.....	16,707	18,966	17,056	563	17,619	1,347	
Sports & Entertainment.....	3,753	3,808	3,730	19	3,749	59	
State Attorney.....	1,615	1,663	1,661	1	1,662	1	
Supervisor of Elections.....	7,147	7,145	6,195	392	6,587	558	
Office of the Sheriff.....	407,008	406,748	393,902	4,432	398,334	8,414	
Tax Collector.....	16,909	17,808	16,040	357	16,397	1,411	
Federal Program Reserve.....	266	234	-	-	-	234	
Contribution to Shands-Jacksonville.....	26,276	26,276	26,276	-	26,276	-	
Cash Carryover Reserves.....	52,475	52,475	-	-	-	52,475	
Jacksonville Misc. Citywide Activities.....	84,050	79,321	77,801	222	78,023	1,298	
Total Expenditures.....	1,032,685	1,029,096	940,199	11,033	951,232	77,864	
EXCESS OF REVENUE OVER (UNDER)							
EXPENDITURES.....	28,705	33,670	129,122	(11,033)	118,089	84,419	
OTHER FINANCING SOURCES (USES):							
Long Term Debt Issued.....	470	5,606	5,931	-	5,931	325	
Transfers in.....	11,669	12,422	19,434	-	19,434	7,012	
Transfers out.....	(118,082)	(125,654)	(122,657)	-	(122,657)	2,997	
Total Other Financing Sources (Uses).....	(105,943)	(107,626)	(97,292)	-	(97,292)	10,334	
EXCESS (DEFICIENCY) OF REVENUES							
OVER (UNDER) EXPENDITURES	(77,238)	(73,956)	31,830	(11,033)	20,797	94,753	
FUND BALANCES - BEGINNING.....	176,998	176,998	176,999	-	176,999	-	
Change in Inventory of Supplies.....	-	-	(846)	-	(846)	-	
FUND BALANCES - ENDING.....	99,760	103,042	207,983	(11,033)	196,950	-	

CITY OF JACKSONVILLE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

1. BUDGETARY DATA

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

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

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

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

The City presents a Budgetary Comparison Schedule as Required Supplementary Information for the General Fund and each major special revenue fund with a legally adopted budget. For the Fiscal Year 2016, no special revenue funds met the criteria to be reported as a major fund. The City has opted to make this presentation in the format and classifications of the budget document. These schedules report actual expenditures using generally accepted accounting principles as well as expenditures on the budgetary basis, which include amounts encumbered for future spending.

B. The City adopts annual budgets for the General Fund, certain Special Revenue Funds, and Proprietary Funds. The City reports Budgetary Comparisons for its General Fund and Major Special Revenue Funds in the Required Supplementary Information section of the report. None of these funds had an excess of expenditures over appropriations for the year ended September 30, 2016. Proprietary Fund budgets are adopted for management control purposes. The City is not required to include Budgetary Comparisons for Proprietary Funds in this report. Project or program budgets, which may not coincide with the City's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds and Capital Project Funds. Budgets are not formally adopted for Debt Service Funds as internal spending controls are set by compliance with bond covenants. The Special Revenue Funds which are not annually budgeted include the following: Public Safety, Community Development Block Grant, Job Training Partnership Act Grant, Maintenance Parks and Recreation, Metropolitan Planning Organization, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing and Neighborhoods, State Housing Initiative Partnership, Non-Budgeted General Government, Clerk of Court, and American Recovery & Reinvestment Act.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

1. BUDGETARY DATA (continued)

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

- (1) The budget is adopted by ordinance which sets the legal level of control at the fund level by department.
- (2) The City adopted more stringent administrative policies that control expenditures at the major category (Personal Services, Operating Expense, Capital Outlay, Debt Service) level within divisions within individual funds.
- (3) The City, additionally, adopted a Municipal Ordinance Code Policy that provides transfer authority to the mayor, without City Council approval, within an individual fund if the total transferred funds for a specific purpose, project or issue is under \$500,000 during the fiscal year. These transfers are reported to the Finance Committee on a quarterly basis.

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

In certain instances the City may supplement the appropriations in a fund due to unexpected high levels of receipts or under estimates of carry forward balances. Supplemental appropriations to the Fiscal Year 2016 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

<u>Plan Year Ending September 30</u>	<u>Actuarially Determined Contributions</u>	<u>City Cash Contributions</u>	<u>Contribution Deficiency/ (Excess)**</u>	<u>Covered Employee Payroll*</u>	<u>Actual Contribution as a % of Covered Payroll</u>
General Employees Retirement Plan					
2007	29,297	29,581	(284)	248,887	11.89%
2008	29,371	29,488	(117)	262,345	11.24%
2009	29,374	29,530	(156)	276,257	10.69%
2010	38,612	40,551	(1,939)	322,531	12.57%
2011	39,124	39,378	(254)	314,054	12.54%
2012	57,498	49,899	7,599	283,021	17.63%
2013	66,660	55,386	11,274	265,405	20.87%
2014	81,531	71,000	10,531	262,369	27.06%
2015	86,069	81,751	4,318	254,035	32.18%
2016	94,526	84,898	9,628	255,717	33.20%
Corrections Officers Retirement Plan					
2007	1,830	2,482	(652)	27,083	9.16%
2008	4,329	4,350	(21)	26,334	16.52%
2009	5,268	5,247	21	27,661	18.97%
2010	9,097	9,491	(394)	32,329	29.36%
2011	8,885	9,711	(826)	31,832	30.51%
2012	11,861	9,066	2,795	28,944	31.32%
2013	12,885	10,742	2,143	27,871	38.54%
2014	14,884	13,522	1,362	27,374	49.40%
2015	17,618	17,832	(214)	28,091	63.48%
2016	18,864	18,864	-	27,484	68.64%

*Pensionable payroll as of the valuation measurement date 10/1.

**The City contributed the percentage of payroll represented by the actuarially determined contributions in the corresponding actuarial valuation. Actual dollar contributions may be more or less than the actuarially determined contributions due to actual payroll being different than projected payroll.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

	2015		2014	
	General Employees' Retirement Plan	Corrections Officers' Retirement Plan	General Employees' Retirement Plan	Corrections Officers' Retirement Plan
Total pension liability				
Service cost	\$ 40,238	\$ 7,261	\$ 36,950	\$ 6,680
Interest	194,312	23,652	189,064	21,997
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(4,785)	1,699	(5,356)	5,963
Changes of assumptions	(18,044)	(1,243)	101,525	10,765
Benefit payents, including refunds of contributions	(170,674)	(13,081)	(171,127)	(14,676)
Net change in total pension liability	\$ 41,047	\$ 18,288	\$ 151,056	\$ 30,729
Total pension liability - beginning balance	2,676,164	321,906	2,525,107	291,177
Total pension liability - ending balance (a)	\$ 2,717,211	\$ 340,194	\$ 2,676,163	\$ 321,906
Plan fiduciary net position				
Contributions - employer	\$ 81,751	\$ 17,832	\$ 71,000	\$ 13,522
Contributions - employee	20,893	2,466	20,961	2,253
Net investment income	(39,506)	(3,849)	194,864	15,468
Benefit payments including refunds of contributions	(170,674)	(13,081)	(171,127)	(14,677)
Administrative expense	(762)	(73)	(828)	(65)
Other	-	-	-	-
Net change in plan fiduciary net position	\$ (108,298)	\$ 3,295	\$ 114,870	\$ 16,501
Plan fiduciary net position - beginning balance	1,848,189	163,571	1,733,319	147,070
Plan fiduciary net position - ending balance (b)	\$ 1,739,891	\$ 166,866	\$ 1,848,189	\$ 163,571
Net pension liability - ending balance (a) - (b)	\$ 977,320	\$ 173,328	\$ 827,974	\$ 158,335
Plan fiduciary net position as a % of total pension liability	64.03%	49.05%	69.06%	50.81%
Covered employee payroll (in thousands)	\$ 254,034	\$ 28,091	\$ 262,369	\$ 27,374
Net pension liability as % of covered employee payroll	384.72%	617.02%	315.58%	578.42%

Benefit Changes: There have been no benefit provision changes since implementation of GASB 67 in FY 2014.

Change of Assumptions: Based on the Society of Actuaries' most recently published analysis and guidance on projected national mortality improvements, the mortality improvement scale was changed from MP2014 to MP2015.

(in thousands)

	2013		2012	
	General Employees' Retirement Plan	Corrections Officers' Retirement Plan	General Employees' Retirement Plan	Corrections Officers' Retirement Plan
Total pension liability				
Service cost	\$ 39,627	\$ 6,904		
Interest	183,151	20,476		
Changes of benefit terms	-	-		
Differences between expected and actual experience	22,318	5,777		
Changes of assumptions	-	-		
Benefit payments, including refunds of contributions	(166,460)	(12,369)		
Net change in total pension liability	\$ 78,636	\$ 20,788		
Total pension liability - beginning balance	2,446,471	270,389		
Total pension liability - ending balance (a)	\$2,525,107	\$ 291,177		
Plan fiduciary net position				
Contributions - employer	\$ 55,386	\$ 10,742		
Contributions - employee	21,878	2,525		
Net investment income	264,541	18,466		
Benefit payments including refunds of contributions	(166,460)	(12,369)		
Administrative expense	(671)	(50)		
Other	-	392		
Net change in plan fiduciary net position	\$ 174,674	\$ 19,706		
Plan fiduciary net position - beginning balance	1,558,645	127,364		
Plan fiduciary net position - ending balance (b)	\$1,733,319	\$ 147,070		
Net pension liability - ending balance (a) - (b)	\$ 791,788	\$ 144,107		
Plan fiduciary net position as a % of total pension liability	68.64%	50.51%		
Covered employee payroll (in thousands)	\$ 265,405	\$ 27,871		
Net pension liability as % of covered employee payroll	298.33%	517.05%		

Note: Prior Year Information Unavailable

Benefit Changes: There have been no benefit provision changes since implementation of GASB 67 in FY 2014.

Changes of Assumptions: In 2014, the assumed investment return was lowered from 7.75% to 7.50%

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN – LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

(Net of Investment Expense)

Fiscal Year Ended September 30	City of Jacksonville Retirement System
2016	9.45%
2015	-2.15%
2014	11.52%
2013	17.06%

*Prior Years data unavailable

**CITY OF JACKSONVILLE, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF JACKSONVILLE RETIREMENT SYSTEM
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL EMPLOYEES RETIREMENT PLAN**

As of September 30, 2016

Valuation date	October 1, 2015
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll, using 1.14% annual increases*
Remaining amortization period	All new bases are amortized over 30 years. Effective period of 24 years remaining as of October 1, 2015
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provisions contain a 3.00% COLA.
Mortality:	
<i>Pre-retirement</i>	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
<i>Healthy annuitants</i>	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
<i>Disabled annuitants</i>	RP-2014 Disabled Retiree Mortality Table, set forward four years, projected generationally with Scale MP-2015

*¹The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 1.14% was used for amortization purposes in the October 1, 2015 valuation.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CORRECTIONS OFFICERS RETIREMENT PLAN**

As of September 30, 2016

Valuation date	October 1, 2015
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll, using 0.68% annual increases *
Remaining amortization period	All new bases are amortized over 30 years. Effective period of 23 years remaining as of October 1, 2015
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provisions contain a 3.00% COLA.
Mortality:	
Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Healthy annuitants	RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Disabled annuitants	RP-2014 Disabled Retiree Mortality Table, set forward four years, projected generationally with Scale MP-2015

* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 0.68% was used for amortization purposes in the October 1, 2015 valuation.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
NET PENSION LIABILITY – LAST 10 FISCAL YEARS

CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

(in thousands)

	2015	2014	2013
City's proportional share percentage	48.78%	49.72%	
City's proportion of Net pension liability	476,737	411,669	Prior year information
City's covered employee payroll	121,601	128,869	is unavailable
Citys Net pension liability as percentage of covered employee payroll	392.05%	319.45%	
Plan fiduciary net position as a % of total pension liability	64.03%	69.06%	

FLORIDA STATE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

(in thousands)

	2016	2015	2014	2013
City's proportional share percentage	0.022%	0.029%		
City's proportion of Net pension liability	8,143	5,015	Prior year information	
City's covered employee payroll	2,072	2,175	is unavailable	
Citys Net pension liability as percentage of covered employee payroll	393.00%	230.60%		
Plan fiduciary net position as a % of total pension liability	84.88%	92.00%		

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – FOR LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

FYE	Actuarially required City contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess) *	Covered employee payroll	Contribution as a percentage of covered employee payroll
2016	\$ 154,540	\$ 154,540	\$ -	\$ 135,600	113.97%
2015	153,604	153,936	(332)	132,735	115.97%
2014	142,433	149,159	(6,726)	134,521	110.88%
2013	99,997	122,580	(22,583)	130,972	93.59%
2012	73,729	70,599	3,130	133,611	52.84%
2011	77,065	75,903	1,162	148,968	50.95%
2010	77,182	82,197	(5,015)	158,047	52.01%
2009	50,564	50,235	329	155,558	32.29%
2008	48,807	48,364	443	148,277	32.62%
2007	39,850	44,208	(4,358)	143,006	30.91%

* Contribution deficiency (excess) is assigned to the City Budget Stabilization Account

Valuation date: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods used to determine contribution rates:

Actuarial cost method:	Individual entry age
Amortization method:	Constant percentage of payroll increasing 3.25% annually; Closed 21 years
Remaining amortization period:	21 Years
Asset valuation method:	Market Value
Inflation:	2.5%
Salary increases:	3.5%, including inflation
Investment rate of return:	7.0%, including inflation Cost of living adjustments:
Cost of living adjustments:	3.0%, compounded annually
Mortality Table in use:	RP-2014, Blue Collar, ages set forward 2 years for mails and 1 year for females with MP-2014 Improvement Scale, generational, separated by sex.
Age differences for spouses:	Females are assumed to be 3 years younger than males
Percent married:	Assume 75% of active employees are married, use tax reported status for inactives

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER – FOR LAST 10 FISCAL YEARS
POLICE AND FIRE PENSION FUND – SENIOR STAFF VOLUNTARY RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

Plan Year Ending Sept., 30	Annual Required City Contribution	Employer Contributions	Contribution Deficiency/ (excess)*	Covered employee payroll	Contribution as a % of covered payroll
2016	-	-	-	-	N/A
2015	-	-	-	307	0.00%
2014	28	7	21	298	2.41%
2013	28	248	(220)	290	85.59%
2012	523	117	406	355	33.09%
2011	142	101	41	484	20.87%
2010	135	247	(112)	506	48.90%
2009	219	183	36	508	36.10%

(prior years information is unavailable)

* No contribution amount was required because the Plan was 100% funded last fiscal year

NOTES:

Valuation date: Actuarially determined contribution rates are calculated as of October 1, each year prior to the end of the fiscal year in which contributions are reported.

Methods used to determine contribution rates:

Actuarial cost method: Individual entry age
Amortization method: Aggregate method
Asset valuation method: Market Value
Inflation: 2.5%
Investment rate of return: 7.0%, including inflation
Cost of living adjustments: 3.00%
Mortality Table in use: Postretirement: RP-2014 Blue Collar Annuitant
Postretirement: RP-2014 Disabled Annuitant
All tables are set forward 2 years for males and 1 year for females, use
MP-2014 Improvement Scale, 2D generational, separate by sex.
Age differences for spouses: Females are assumed to be 3 years younger than males
Percent married: 100%

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

	2015	2014	2013	2012*	2011
Total pension liability					
Service Cost (BOY)	\$46,663	\$47,915	\$46,109	\$47,570	
Interest on total pension liability	210,943	203,577	195,520	190,344	
Changes in Benefit Terms	(28,685)	-	-	-	Prior years information is unavailable
Experience deviations including buybacks	24,831	22,671	(4,676)	(12,513)	
Changes of assumptions	24,514	-	5,333	227,333	
Benefit payments, including refunds of member contributions	(148,628)	(138,179)	(128,656)	(116,955)	
Net change in total pension liability	129,638	135,984	113,630	335,779	
Total pension liability -- beginning	3,012,591	2,876,606	2,762,977	2,427,198	
Total pension liability -- ending(a)	\$3,142,229	\$3,012,591	\$2,876,606	\$2,762,977	
Fiduciary net position Contributions--employer					
Contributions--employer	153,015	148,277	121,822	69,829	
Contributions--member	10,470	10,068	9,683	11,204	
Buybacks and transfers--employer	1,650	2,243	-	2,814	Prior years information is unavailable
Buybacks and transfers--member	1,592	1,516	1,071	407	
Net investment income	(63,531)	146,951	169,202	181,653	
Securities Lending	647	382	-	-	
Benefit payments, including refunds of member contributions	(148,628)	(138,179)	(128,656)	(116,955)	
Administrative expense	(2,228)	(2,224)	(2,506)	(2,352)	
Chapter 175/185	10,578	10,110	9,667	9,276	
Court Fines	921	881	758	770	
Other	327	142	1,187	55	
Net change in fiduciary net position	(35,189)	180,167	182,229	156,702	
Fiduciary net position -- beginning	1,473,097	1,292,930	1,110,737	954,036	
Fiduciary net position -- ending	1,437,908	1,473,097	1,292,966	1,110,737	
less Reserve Accounts and Sr. Staff Assets	(83,502)	(83,349)	(64,835)	(31,831)	
Total fiduciary net position -- ending(b)	1,354,406	1,389,748	1,228,131	1,078,907	
City's fiduciary net pension liability--ending(a)-(b)	1,787,823	1,622,843	1,648,475	1,684,070	
Fiduciary net position as a percentage of the total pension liability	42.68%	46.13%	42.69%	39.05%	
Covered-employee payroll	\$132,735.24	\$134,521.22	\$130,972	\$133,611	
City's fiduciary net pension liability as a percentage of covered- employee payroll	1356.94%	1206.38%	1258.65%	1260.42%	

*Prior years information is unavailable

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
POLICE AND FIRE PENSION FUND - SENIOR STAFF VOLUNTARY RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(in thousands)

	2016	2015	2014
Total pension liability			
Service Cost (BOY)	\$ -	\$ (57)	
Interest on total pension liability	298	282	
Changes in Benefit Terms	89	-	Prior year
Experience deviations including buybacks	27	-	is unavailable
Changes of assumptions	149	154	
Benefit payments, including refunds of member contributions	(286)	(109)	
Net change in total pension liability	278	270	
Total pension liability -- beginning	4,406	4,136	
Total pension liability -- ending(a)	4,684	4,406	
Fiduciary net position Contributions--employer			
Contributions--employer	-	-	
Contributions--member	-	22	
Net investment income	386	(167)	
Benefit payments, including refunds of member contributions	(286)	(109)	
Other	-	-	
Net change in fiduciary net position	100	(254)	
Fiduciary net position -- beginning	4,002	4,257	
Fiduciary net position -- ending (b)	4,102	4,002	
Net Pension Liability -- ending (a) - (b)	582	404	
Fiduciary net position as a percentage of the total pension liability	87.57%	90.83%	
Covered-employee payroll	\$0.00	\$0.00	
City's fiduciary net pension liability as a percentage of covered- employee payroll	N/A	N/A	

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN – LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

(Net of Investment Expense)

<u>FYE</u>	<u>%</u>
2016	10.00%
2015	-3.95%
2014	10.73%
2013	14.29%
2012	18.25%
2011	0.64%
2010	8.45%
2009	1.70%
2008	-13.07%
2007	15.05%

**CITY OF JACKSONVILLE, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
 SEPTEMBER 30, 2016**

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
10/1/2013	\$129,127	\$ -	\$131,003	0.00%	\$339,933	38.5%
10/1/2014	\$152,769	\$ -	\$152,769	0.00%	\$347,160	44.0%
10/1/2015	\$164,181	\$ -	\$164,181	0.00%	\$347,611	47.2%

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

The actuarial liability for FY 2016 increased 3.2% from the expected amount of \$148 million (projected from FY 2013) to \$164 million, mostly due to an increased discount rate of 4% and an updated mortality table.



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Single Audit

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF AGRICULTURE</u>				
Summer Food Service Program for Children	10.559	04-0851	\$ 1,028,852	\$ -
Child and Adult Care Food Program	10.558	A1109	<u>2,740,650</u>	<u>-</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 3,769,502</u>	<u>\$ -</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
Community Development Block Grant Grants/Entitlement	14.218	**	\$ 5,997,278	\$ 2,267,098
Community Development Block Grant Neighborhood Stabilization	14.218	**	<u>548,938</u>	<u>533,774</u>
Total Community Development Block Grant			<u>6,546,216</u>	<u>2,800,872</u>
Emergency Shelter Grants Program	14.231	**	469,576	454,390
Housing Opportunities for Persons with Aids	14.241	**	2,421,842	2,319,278
Home Investment Partnership Program	14.239	**	1,843,820	1,246,268
Fair Housing Assistance Program-State & Local	14.401	**	<u>88,251</u>	<u>-</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 11,369,705</u>	<u>\$ 6,820,808</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF JUSTICE</u>				
DIRECT PROGRAMS:				
Supervised Visitation, Safe Havens	16.527	2011-CW-AX-K013	\$ 72,842	\$ -
End Violence Against Women with Disabilities	16.529	2015-FW-AX-K002	33,276	-
Drug Court Discretionary Grant Program	16.585	2012-DC-BX-0065	192,263	-
Drug Court Discretionary Grant Program	16.585	2013-VV-BX-0049	<u>108,963</u>	-
Total Drug Court Discretionary Grant Program			<u>301,226</u>	-
State Criminal Alien Assistance Program	16.606	2015-H1072-FL-AP	10,205	-
Public Safety and Community Policing Grant	16.710	2014ULWX0036	765,928	-
Edward J. Byrne Memorial Justice Assistance	16.738	2013DJBX1083	53,567	-
Edward J. Byrne Memorial Justice Assistance	16.738	2014-DJ-BX-0960	128,711	-
Edward J. Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-0299	191,761	-
Edward J. Byrne Memorial Justice Assistance	16.738	JAGC-DUVA-6-R3-019	5,236	-
Edward J. Byrne Memorial Justice Assistance	16.738	JAGC-DUVA-6-R3-019	<u>94,026</u>	-
Total Edward J. Byrne Memorial Justice Assistance			<u>473,301</u>	-
P. Coverdell Forensic Science	16.742	2014-CD-BX-0054	610	-
P. Coverdell Forensic Science	16.742	2014-CD-BX-0054	<u>2,780</u>	-
Total P. Coverdell Forensic Science			<u>3,390</u>	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	V129-14243	115,061	-
Crime Victim Assistance	16.575	V259-15311	<u>6,559</u>	-
Total Crime Victim Assistance			<u>121,620</u>	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT:				
Edward Byrne Memorial Competitive Grant	16.751	2016-PREA-DUVAL-1V2-001	<u>10,400</u>	-
TOTAL DEPARTMENT OF JUSTICE			<u>\$ 1,792,188</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF LABOR</u>				
Homeless Veteran's Reintegration Project	17.805	HV23296-12-60-5-12	\$ 183,913	\$ -
TOTAL DEPARTMENT OF LABOR			<u>\$ 183,913</u>	<u>\$ -</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
Highway Planning & Construction-Timucuan	20.205	AJ130	\$ 336,466	\$ -
Highway Planning & Construction - HOGAN CREEK GREENWAY	20.205	**	83,824	-
Highway Planning & Construction - Landfill Aqu-Compressed	20.205	**	306,798	-
Highway Planning & Construction-MS4 Permit	20.205	AC415	511,163	-
Highway Planning & Construction - FED LAND ACCESS PROGRAM - FERRY	20.205	**	450,000	-
Highway Planning & Construction - Pedestrian & Bicycle Safety	20.205	BDV25	<u>38,993</u>	<u>-</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 1,727,244</u>	<u>\$ -</u>
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination - State & Local Fair Employment	30.002	**	\$ 38,300	\$ -
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u>\$ 38,300</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	00402515	\$ 505,667	\$ -
Special Purpose Activities Relating to the Clean Air Act	66.034	96495915	41,019	-
Special Purpose Activities Relating to the Clean Air Act	66.034	96495915	<u>44,431</u>	<u>-</u>
Total Special Purpose Activities Relating to the Clean Air Act			<u>85,450</u>	<u>-</u>
Brownfield Assessment & Cleanup	66.818	BF-00D32815	<u>38,154</u>	<u>-</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 629,271</u>	<u>\$ -</u>
<u>DEPARTMENT OF EDUCATION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Center	84.287	DCPS	\$ 448,581	\$ 419,870
Twenty-First Century Community Learning Center	84.287	DCPS	<u>337,616</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 786,197</u>	<u>\$ 419,870</u>
<u>ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE				
Help America Vote Act Requirement Payments	90.401	5H79TI023850-03	\$ 135,295	\$ -
TOTAL ELECTION ASSISTANCE COMMISSION			<u>\$ 135,295</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
Comprehensive Community Mental Health Services	93.104	1U79SM062446-01	\$ 430,855	\$ 430,855
SAMHS Projects of Regional & National Significance	93.243	5H79TI023850-03	32,385	-
SAMHS Projects of Regional & National Significance	93.243	5H79TI025921-02	340,107	-
SAMHS Projects of Regional & National Significance	93.243	5U79SM05993905	187,396	174,629
SAMHS Projects of Regional & National Significance	93.243	5U79SM05993905	1,175,741	1,137,694
SAMHS Projects of Regional & National Significance	93.243	2014DCBX0072	134,397	-
SAMHS Projects of Regional & National Significance	93.243	5H79TI024146-01	<u>23,372</u>	<u>-</u>
Total SAMHS Projects of Regional & National Significance			<u>1,893,398</u>	<u>1,312,323</u>
Low Income Home Energy Assistance	93.568	P016CJ	62,614	-
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,881,087	2,729,556
HIV Emergency Relief Project Grants	93.914	H89HA00039	<u>3,227,446</u>	<u>2,988,642</u>
Total HIV Emergency Relief Project Grants			<u>6,108,533</u>	<u>5,718,198</u>
PASSED THROUGH STATE DEPARTMENT OF HEALTH AND REHABILITATION:				
Child Support Enforcement- Service of Process	93.563	CSS16	67,162	-
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement	93.563	COC16	652,863	-
Child Support Enforcement- Writ of Attachments	93.563	CSS16	<u>60,892</u>	<u>-</u>
Total Child Support Enforcement			<u>\$ 780,917</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</u>				
PASSED THROUGH STATE OF FLORIDA , DEPARTMENT OF CHILDREN & FAMILIES:				
Temporary Assistance for Needy Families-Ounce	93.558	HF152002	\$ 608,660	\$ 372,924
Temporary Assistance for Needy Families-Ounce	93.558	HF152002	<u>176,896</u>	<u>106,607</u>
Total Temporary Assistance for Needy Families-Ounce			<u>785,556</u>	<u>479,531</u>
Promoting Safe and Stable Families	93.556	HF152002	13,298	8,014
Adoption Assistance	93.659	HF152002	538	324
Social Services Grants	93.667	HF152002	<u>461</u>	<u>278</u>
Total Needy Families Cluster			<u>799,853</u>	<u>488,147</u>
Social Program for the Aging-Title III, Part B	93.044	A015CJ	9,362	-
Social Program for the Aging-Title III, Part B	93.044	A016CJ	<u>344,218</u>	<u>-</u>
Total Social Program for the Aging-Title III, Part B			<u>353,580</u>	<u>-</u>
Social Program for the Aging-Title III, Part C	93.045	A015CJ	3,802	-
Social Program for the Aging-Title III, Part C	93.045	A016CJ	<u>531,095</u>	<u>-</u>
Total Social Program for the Aging-Title III, Part C			<u>534,897</u>	<u>-</u>
Nutrition Services Incentive Program	93.053	U015CJ	37,195	-
Nutrition Services Incentive Program	93.053	U016CJ	<u>95,306</u>	<u>-</u>
Total Nutrition Services Incentive Program			<u>132,501</u>	<u>-</u>
Total Aging Cluster			<u>1,020,978</u>	<u>-</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 11,097,148</u>	<u>\$ 7,949,523</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	13SRSFL009	\$ 39,699	\$ -
Retired & Senior Volunteer Program	94.002	16SRSFL003	<u>23,097</u>	<u>-</u>
Total Retired & Senior Volunteer			<u>62,796</u>	<u>-</u>
Foster Grandparents				
Foster Grandparent Program	94.011	15SFSFL003	40,632	-
Foster Grandparent Program	94.011	15SFSFL003	<u>344,565</u>	<u>-</u>
Total Foster Grandparents			<u>385,197</u>	<u>-</u>
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	U016CJ	<u>1,967</u>	<u>-</u>
Total Foster Grandparents / Senior Companion Cluster			<u>387,164</u>	<u>-</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			<u>\$ 449,960</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Port Security Grant Program	97.056	EMW-2014-PU00591	\$ 196,358	\$ -
Port Security Grant Program	97.056	EMW-2015-PU-00435	46,936	-
Total Port Security Grant Program			<u>243,294</u>	<u>-</u>
Homeland Security Biowatch Program	97.091	DHS-15-OHA-091	205,448	-
Homeland Security Biowatch Program	97.091	DHS-16-OHA-091	60,468	-
Total Homeland Security Biowatch Program			<u>265,916</u>	<u>-</u>
PASSED THROUGH DIVISION OF EMERGENCY MANAGEMENT:				
Flood Mitigation Assistance	97.029	15FMJ2-04-26-02471	128,071	-
Flood Mitigation Assistance	97.029	15FM-J2-0426-02-470	318,932	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	1,728	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	174,320	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	213,714	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	537	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	189,906	-
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	140,462	-
Total Flood Mitigation Assistance			<u>1,167,670</u>	<u>-</u>
Hazard Mitigation Grants	97.039	11HM3EQ42602017	32,776	-
Hazard Mitigation Grants	97.039	10HM-88-0426-02-020	82,020	-
Total Hazard Mitigation Grants			<u>\$ 114,796</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HOMELAND SECURITY (continued)</u>				
Emergency Management Performance Grants	97.042	16BG-83-0426-01-0115	\$ 106,090	\$ -
Emergency Management Performance Grants	97.042	17BG-83-0426-01-022	57	-
Emergency Management Performance Grants	97.042	16FG-5A-0426-01-082	<u>194,772</u>	-
Total Emergency Management Performance Grants			<u>300,919</u>	-
Homeland Security Grant Program	97.067	15DS-P4-0426-01-451	13,017	-
Homeland Security Grant Program	97.067	15DSP4042601484	19,112	-
Homeland Security Grant Program	97.067	16DS-T9-0426-01-414	96,190	-
Homeland Security Grant Program	97.067	EMW-2014-PU00591	3,000	-
Homeland Security Grant Program	97.067	16-DS-P4-04-26-02-173	137,357	-
Homeland Security Grant Program	97.067	EMW-2015-SS-00083-S01	<u>8,820</u>	-
Total Homeland Security Grant Program			<u>277,496</u>	-
Staffing for Adequate Fire and Emergency Response	97.083	EMW2013FH00592	1,387,476	
Severe Loss Repetitive Program	97.110	SRL-PJ-04-FL-2009-003	<u>179,883</u>	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 3,937,450</u>	\$ -
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 35,916,173</u>	<u>\$ 15,190,201</u>

** not available

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2016**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>EXECUTIVE OFFICE OF GOVERNOR</u>				
DIRECT PROGRAMS:				
Military Base Protection	31.044	DIG 13/09	\$ 154,349	\$ -
FL Hazardous Material Program	52.023	16CP-11-04-26-02-204	13,032	-
Florida Forever Act	52.002	**	83,823	-
Florida Forever Act	52.002	**	<u>129,268</u>	<u>-</u>
Total Florida Forever Act			<u>213,091</u>	<u>-</u>
TOTAL EXECUTIVE OFFICE OF GOVERNOR			<u>\$ 380,472</u>	<u>\$ -</u>
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
DIRECT PROGRAMS:				
Beach Erosion Control Program	37.003	**	\$ 2,000,000	\$ -
Petroleum Contamination Site Cleanup (Task 9)	37.024	S0481	284,768	-
Petroleum Contamination Site Cleanup (Task 9)	37.024	S0481	<u>809,418</u>	<u>-</u>
Total Petroleum Contamination Site Cleanup (Task 9)			<u>1,094,186</u>	<u>-</u>
Statewide Surface Water Restoration	37.039	24903	<u>100,000</u>	<u>-</u>
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>\$ 3,194,186</u>	<u>\$ -</u>
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES</u>				
DIRECT PROGRAMS:				
Mosquito control	42.003	13071	<u>\$ 43,009</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			<u>\$ 43,009</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2016**

<u>STATE AGENCY</u>	<u>CSFA NUMBER</u>	<u>CONTRACT/ GRANT NUMBER</u>	<u>EXPENDITURES</u>	<u>TRANSFER TO SUB RECIPIENT</u>
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u>				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	12ST22	\$ 146,210	\$ -
State Aid to Libraries	45.030	13ST22	519,138	-
State Aid to Libraries	45.030	14ST24	<u>813,575</u>	<u>-</u>
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE			<u>\$ 1,478,923</u>	<u>\$ -</u>
<u>DEPARTMENT OF ECONOMIC OPPORTUNITY</u>				
DIRECT PROGRAMS:				
Military Base Protection	40.014	S0066	\$ 41,229	\$ -
Military Base Protection	40.014	S0039	<u>86,910</u>	<u>-</u>
TOTAL DEPARTMENT OF ECONOMIC OPPORTUNITY			<u>\$ 128,139</u>	<u>\$ -</u>
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	40.901	HFC01	<u>\$ 5,093,626</u>	<u>\$ -</u>
TOTAL FLORIDA HOUSING FINANCE CORPORATION			<u>\$ 5,093,626</u>	<u>\$ -</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
DIRECT PROGRAMS:				
Florida Highway Beautification Council	55.003	**	\$ 14,225	\$ -
County Incentive Grant Program-Hammond Blvd	55.008	**	<u>1,113,875</u>	<u>-</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 1,128,100</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2016**

<u>STATE AGENCY</u>	<u>CSFA NUMBER</u>	<u>CONTRACT/ GRANT NUMBER</u>	<u>EXPENDITURES</u>	<u>TRANSFER TO SUB RECIPIENT</u>
<u>DEPARTMENT OF HEALTH</u>				
DIRECT PROGRAMS:				
County Grant Awards	64.005	C2016	\$ 91,486	\$ -
TOTAL DEPARTMENT OF HEALTH			<u>\$ 91,486</u>	<u>\$ -</u>
<u>DEPARTMENT OF ELDER AFFAIRS</u>				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families	65.006	R015CJ	\$ 80,560	\$ -
Respite for Elders Living in Everyday Families	65.006	R016CJ	<u>36,099</u>	<u>-</u>
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			<u>\$ 116,659</u>	<u>\$ -</u>
<u>DEPARTMENT OF CHILDREN AND FAMILIES</u>				
DIRECT PROGRAMS:				
Public Safety Mental Health & Sub Abuse	60.115	LHZ43	\$ 227,504	\$ -
Public Safety Mental Health & Sub Abuse	60.115	LHZ43	<u>134,739</u>	<u>-</u>
TOTAL DEPARTMENT OF CHILDREN AND FAMILIES			<u>\$ 362,243</u>	<u>\$ -</u>
<u>DEPARTMENT OF LAW ENFORCEMENT</u>				
DIRECT PROGRAMS:				
Criminal Justice Training	71.001	D0058	\$ 189,409	\$ -
TOTAL DEPARTMENT OF LAW ENFORCEMENT			<u>\$ 189,409</u>	<u>\$ -</u>
<u>DEPARTMENT OF MANAGEMENT SERVICES</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System	72.001	**	\$ 507,976	\$ -
TOTAL DEPARTMENT OF MANAGEMENT SERVICES			<u>\$ 507,976</u>	<u>\$ -</u>

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

CITY OF JACKSONVILLE, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR YEAR ENDED SEPTEMBER 30, 2016

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF REVENUE</u>				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise	73.016	**	\$ 2,000,004	\$ -
TOTAL DEPARTMENT OF REVENUE			<u>\$ 2,000,004</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 14,714,232</u>	<u>\$ -</u>

** not available

City of Jacksonville, Florida
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the fiscal year end September 30, 2016

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance includes certain federal and state grant activity of the City of Jacksonville, Florida (the "City") for the year ended September 30, 2016. The schedules do not include the federal and state grant activity of the City's discretely presented component units the JEA, Jacksonville Port Authority, and the Jacksonville Transportation Authority, which received approximately \$0, \$33.5 million, and \$41.4 million, respectively. Federal and state grant activity for the discretely presented component units is reported on separately. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2. Basis of Accounting

The schedules are presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in these schedules is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.500, Rules of the Auditor General. Therefore, some amounts presented in these schedules may differ from amounts presented, or use in the preparation of, the basic financial statements.

Note 3. Program Clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the federal programs with CFDA numbers 93.044, 93.045 and 93.053 are part of the Aging Cluster, and 94.011 and 94.016 are part of the Foster Grandparent/Senior Companion Cluster.

Note 4. U.S. Department of Housing & Urban Development Section 108 Loan Guarantee Program

The City participates in the U.S. Department of Housing and Urban Development ("HUD") Section 108 Loan Guarantee Program. These notes are guaranteed under Section 108 of Title 1 of the Housing and Urban Development Act of 1974 and a pledge of certain future Community Development Block Grant revenues. The Section 108 Loan Guarantee Program is considered federal financial assistance. The City paid off the notes as of September 30, 2016.

Note 5. Indirect Cost

The City has not elected to use the 10% de minimis indirect cost rate.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Jacksonville, Florida's (the "City") compliance with the types of compliance requirements described in the Office of Management and Budget ("OMB") *Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state financial assistance projects for the year ended September 30, 2016. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

The City's basic financial statements include the operations of JEA, Jacksonville Transportation Authority, Jacksonville Port Authority, and the Police and Fire Rescue Pension Plan Trust Fund, for which any federal or state grant activity is not included in the schedules of federal awards and state financial assistance. Our audit, described below, did not include the operations of Jacksonville Transportation Authority, and Jacksonville Port Authority which received federal awards and state financial assistance of approximately \$43.0 million, and \$33.5 million, respectively, because the component units engaged other auditors to perform an audit in accordance with the OMB Uniform Guidance and Section 215.97 Florida Statutes.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its Federal awards and State projects applicable to its Federal programs and State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

requirements referred to above could have a direct and material effect on a major federal program or state project occurred. An audit involves 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 on compliance for each major federal program and each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017

Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2016

Part I – Summary of Auditor’s Results

- 1. The auditor’s report on the basic financial statements was unmodified.
2. The audit did not report significant deficiencies or disclose material weaknesses in internal control over financial reporting.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit did not report significant deficiencies or disclose material weaknesses in internal control over the major federal programs and major state projects.
5. The auditor’s report on compliance for the major federal programs and major state projects was unmodified.
6. The audit did not disclose findings relative to the major federal programs and major state projects.
7. The City’s major programs/projects were:

Table with 2 columns: Program Name and ID Number (CFDA No. or CSFA No.). Rows include Federal Programs (Child and Adult Care Food Program, Home Investment Partnerships Program, Substance Abuse & Mental Health Services Projects, Flood Mitigation Assistance) and State Projects (Local Government Cleanup Contracting, State Housing Initiatives Partnership, Wireless 911 Emergency Telephone System Rural County Grant Program, County Incentive Grant Program, Beach Management Funding Assistance Program).

- 8. A threshold of \$1,077,589 was used to distinguish between Type A and Type B programs for federal programs and \$441,427 was used for state projects.
9. The City qualified as a low-risk auditee as that term is defined in the Uniform Guidance.

**Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2016**

Part II – Financial Statement Findings

No matters are reportable.

Part III – Findings and Questioned Costs – Federal Programs

No matters are reportable.

Part IV – Findings and Questioned Costs – State Projects

No matters are reportable.

City of Jacksonville, Florida

**Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2015**

There were no audit findings relative to federal programs or state projects reported in the auditor's report for the year ended September 30, 2015.

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL

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

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2017. Our report on the basic financial statements included reference to the reports of other auditors. This management letter does not include the findings and recommendations of the other auditors that are reported on separately by those auditors.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Our report includes a reference to other auditors who audited the financial statements of JEA, Jacksonville Transportation Authority, and Jacksonville Port Authority, discrete component units of the City and the Police and Fire Rescue Pension Plan Trust Fund.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control over Compliance in Accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General of the State of Florida; Schedule of Findings and Questioned Costs; and Independent Accountant's Reports on examinations conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 27, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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 audit report. In that regard, there are no uncorrected prior audit findings. This procedure does not include any matters that were reported on by other auditors identified above.

Official Title and Legal Authority

Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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 review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2, 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)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Jacksonville's (the "City") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year to September 30, 2016. Management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the year to September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
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INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTIONS 365.172(10) AND 365.173(2)(d), FLORIDA STATUTES

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

We have examined the City of Jacksonville’s (the City) compliance with the requirements of Section 365.172(10), Florida Statutes, *Authorized Expenditures of E911 Fee*, and Section 365.173(2)(d), Florida Statutes, *Distribution and Use of (E911) Funds*, during the year to September 30, 2016. Management of the City is responsible for the City’s compliance with the specified requirements. Our responsibility is to express an opinion on the City’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City’s compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the year to September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTIONS 28.35 AND 28.36, FLORIDA STATUTES

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

We have examined the office of the City of Jacksonville, Florida Clerk of Court's (the "Office") compliance with the requirements of Section 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*, and Section 28.36, Florida Statutes, *Budget Procedure*, during the year to September 30, 2016. Management of the Office is responsible for the Office's compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Office's compliance with specified requirements.

In our opinion, the Office complied, in all material respects, with the aforementioned requirements during the year to September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 61.181, FLORIDA STATUTES

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

We have examined the office of the City of Jacksonville, Florida Clerk of Court's (the "Office") compliance with the requirements of Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support, Payments; Fees*, during the year to September 30, 2016. Management of the Office is responsible for the Office's compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Office's compliance with specified requirements.

In our opinion, the Office complied, in all material respects, with the aforementioned requirements during the year to September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 27, 2017



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