# CITY OF JACKSONVILLE, FLORIDA

## SINGLE AUDIT REPORT

### FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

PREPARED BY THE DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

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# City of Jacksonville, Florida

## Single Audit Report
## For the Fiscal Year Ended September 30, 2014

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McGladrey

## Independent Auditor's Report

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, 2014, 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 88%, 77%, and 88%, 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 34%, 37%, and 25% 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 opinion, insofar as it relates to the amounts included for JEA and the Police and Fire Rescue Pension Plan Trust Fund, is 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.



Member of the RSM International network of independent accounting, tax and consulting firms.

### *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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

As discussed in note 18 B, as of October 1, 2013 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 65 and the City's pension plans adopted the provisions of GASB Statement 67. As a result of these changes in accounting principles, the beginning net position of the governmental activities, the business-type activities, the Solid Waste Disposal fund, Everbank Field, the Jacksonville Retirement System and the Police and Fire Pension fund have been restated. Our opinion is not modified with respect to this matter.

### *Other Matters*

*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 the other post employment 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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, 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 April 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McGladrey LLP

Jacksonville, Florida
April 30, 2015

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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 2014, a 9.5% increase over fiscal year 2013.
- Property tax revenues experienced a $58.4 million, 13.2% increase. This increase as well as the increases in sales/tourist taxes and earnings on investments are strong indicators of an improved economy.
- The $11.4 million increase in intergovernmental revenues is primarily due to increases in state shared revenues. Operating grants and contributions decreased $14.5 million.
- Total governmental activities revenues increased by $123.1 million in fiscal year 2014, an 8.6% increase, as compared to fiscal year 2013.
- There were decreases in general government, transportation and interest expenses, increases of $42.7 million in public safety, $6.2 million in human services and culture and recreation, and $5.4 million in economic environment.
- Total governmental activity expenses increased $29.1 million or 2.1%.

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

**City Highlights**

Fiscal year 2014 had a number of positive outcomes. Some of the impact and improvements were as follows:

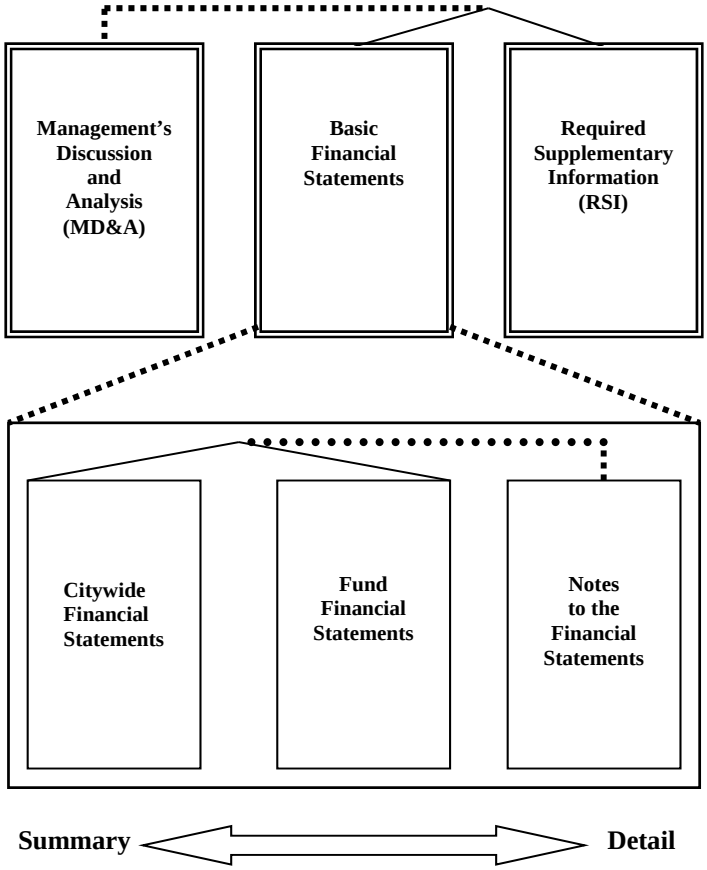
- The total fund balance for the General Fund increased by $7.1 million for a total of $182.3 million.
- Progress was made on pension reform. This process will continue into fiscal year 2015.
- The City neared completion on the improvements in the City owned EverBank Field. EverBank Field is one of Jacksonville's most important economic development assets. The improvements will make the City's National Football League stadium a world-class facility and enhance the fan experience.
- The Navy continues to invest in Jacksonville bases with a new runway being constructed at NAS Jax
- There has been a decrease in the unemployment rate, an increase in sales tax revenues and an improved economy in Jacksonville.
- General Electric will locate its subsidiary company at Cecil Field which will improve the marketability of this office park.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

**Figure A-1**

**COMPONENTS OF THE ANNUAL FINANCIAL REPORT**



## Citywide Basic Financial Statements

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

The focus of the Statement of Net 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. With the passage of ordinance 2012-212-E, Article 24 of the City Charter, Chapter 92-341, Laws of Florida, the Jacksonville Economic Development Commission (JEDC) was repealed and the Office of Economic Development was created within the Office of the Mayor. Beginning in fiscal year 2013, related JEDC financial information is presented as part of the primary government. JEDC operations were previously reported as a discretely presented component unit. The transfer of beginning fund balance is presented as a Special Item in the financial statements. With the fiscal year 2013 implementation of Governmental Accounting Standards Board (GASB) 61 – The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, the Jacksonville Aviation Authority (JAA) and Downtown Vision, Inc. (DVI) no longer meet the requirements of a component unit. 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 major types of proprietary funds.

> *Enterprise funds* are used to report the same functions presented as business-type activities in the citywide basic financial statements. The City uses enterprise funds to report separate information on operations such as the Solid Waste Disposal Fund, the EverBank Field Fund, the Veteran's Memorial Arena Fund and the Stormwater Services Fund which are all major funds. The Baseball Stadium, Performing Arts, Convention Center, Equestrian Center, Motor Vehicle Inspection, Mayport Ferry, The 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, 2014, the City of Jacksonville is able to report positive balances in overall net position (See Table A-1).

**Table A-1**
**Summary Statement of Net Position**
**(In Thousands)**
**as of September 30, 2014 and September 30, 2013**

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Cash and Investments | $ 873,309 | $ 870,665 | $ 73,267 | $ 75,536 | 946,576 | 946,201 |
| Current and Other Assets | 228,422 | 224,483 | 62,559 | 62,466 | 290,981 | 286,949 |
| Capital Assets | 2,722,103 | 2,764,758 | 482,137 | 439,340 | 3,204,240 | 3,204,098 |
| Total assets | 3,823,834 | 3,859,906 | 617,963 | 577,342 | 4,441,797 | $ 4,437,248 |
| Deferred Outflow of Resources | 13,000 | 14,915 | 239 | 359 | 13,239 | 15,274 |
| Current Liabilities | 236,187 | 227,975 | 37,998 | 17,766 | 274,185 | 245,741 |
| Non-current Liabilities | 2,789,227 | 2,893,526 | 373,137 | 376,386 | 3,162,364 | 3,269,912 |
| Total liabilities | 3,025,414 | 3,121,501 | 411,135 | 394,152 | 3,436,549 | 3,515,653 |
| Deferred Inflow of Resources | - | - | 72 | 90 | 72 | 90 |
| Net position | | | | | | |
| Net investment in capital assets | 918,659 | 895,899 | 161,999 | 128,001 | 1,080,658 | 1,023,900 |
| Restricted for: | | | | | | |
| State and Federal Grants | 47,259 | 45,025 | - | - | 47,259 | 45,025 |
| Capital Projects | - | - | - | 1,852 | - | 1,852 |
| Permanent Fund non-expendable | 123 | 123 | - | - | 123 | 123 |
| Other participant's equity | 3,248 | 2,398 | - | - | 3,248 | 2,398 |
| Unrestricted | (157,869) | (190,125) | 44,996 | 53,606 | (112,873) | (136,519) |
| Total net position | $ 811,420 | $ 753,320 | $ 206,995 | $ 183,459 | 1,018,415 | $ 936,779 |

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.

The negative unrestricted net position in the governmental activities is primarily due to 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 2013 and 2014 fiscal year ends.

**Table A-2 Statement of Activities (In Thousands) as of September 30, 2014 and September 30, 2013**

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| **Revenues:** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Program Revenues: | | | | | | |
| Fines & charges for services | $ 118,749 | $ 110,451 | $ 119,039 | $ 117,328 | $ 237,788 | $ 227,779 |
| Operating grants/contributions | 53,946 | 68,470 | - | - | 53,946 | 68,470 |
| Capital grants/contributions | 72,978 | 55,208 | - | - | 72,978 | 55,208 |
| General revenues: | | | | | | |
| Property taxes | 502,624 | 444,219 | - | - | 502,624 | 444,219 |
| Utility service taxes | 122,733 | 123,785 | - | - | 122,733 | 123,785 |
| Sales and tourist taxes | 180,964 | 172,430 | 13,394 | 12,385 | 194,358 | 184,815 |
| Local business taxes | 7,085 | 7,129 | - | - | 7,085 | 7,129 |
| Intergovernmental | 138,969 | 127,561 | - | - | 138,969 | 127,561 |
| Franchise Fees | 40,417 | 38,851 | - | - | 40,417 | 38,851 |
| JEA Contribution | 109,188 | 106,688 | - | - | 109,188 | 106,688 |
| Earnings on Investments | 21,690 | 5,884 | 2,008 | 294 | 23,698 | 6,178 |
| Miscellaneous | 55,227 | 40,627 | 16,493 | 17,081 | 71,720 | 57,708 |
| **Total Revenues** | **1,424,570** | **1,301,303** | **150,934** | **147,088** | **1,575,504** | **1,448,391** |
| **Expenses** | | | | | | |
| General government | 150,118 | 159,054 | - | - | 150,118 | 159,054 |
| Human services | 108,596 | 104,902 | - | - | 108,596 | 104,902 |
| Public safety | 619,730 | 577,021 | - | - | 619,730 | 577,021 |
| Cultural and recreational | 80,844 | 78,305 | - | - | 80,844 | 78,305 |
| Transportation | 141,928 | 147,750 | - | - | 141,928 | 147,750 |
| Economic & physical environment | 166,919 | 161,528 | - | - | 166,919 | 161,528 |
| Interest on long term debt | 87,011 | 97,531 | - | - | 87,011 | 97,531 |
| Parking system | - | - | 3,513 | 3,178 | 3,513 | 3,178 |
| Motor vehicle inspections | - | - | 464 | 494 | 464 | 494 |
| Solid Waste | - | - | 58,429 | 71,073 | 58,429 | 71,073 |
| Stormwater services | - | - | 19,796 | 19,656 | 19,796 | 19,656 |
| Mayport Ferry | - | | 2,405 | 2,767 | 2,405 | 2,767 |
| EverBank Field | - | - | 25,530 | 23,136 | 25,530 | 23,136 |
| Veterans Memorial Arena | - | - | 14,878 | 14,694 | 14,878 | 14,694 |
| Baseball Stadium | - | - | 3,216 | 3,083 | 3,216 | 3,083 |
| Performing Arts Center | - | - | 4,095 | 3,850 | 4,095 | 3,850 |
| Convention Center | - | - | 3,778 | 3,536 | 3,778 | 3,536 |
| Equestrian Center | - | - | 1,664 | 1,465 | 1,664 | 1,465 |
| Sports Complex Capital | - | - | - | 106 | - | 106 |
| Ritz Theater | - | | 954 | | 954 | |
| **Total Expenses** | **1,355,146** | **1,326,091** | **138,722** | **147,038** | **1,493,868** | **1,473,129** |
| Increases (decreases) in net position before transfers and special item | 69,424 | (24,788) | 12,212 | 50 | 81,636 | (24,738) |
| Transfers | (11,324) | (4,020) | 11,324 | 4,020 | - | - |
| Special Item-Repeal of JEDC | - | 28,970 | - | - | - | 28,970 |
| **Change in net position** | **58,100** | **162** | **23,536** | **4,070** | **81,636** | **4,232** |
| **Net position (deficit), beginning of year, as restated** | 753,320 | 753,158 | 183,459 | 179,389 | 936,779 | 932,547 |
| **Net position (deficit), end of year** | **$ 811,420** | **$ 753,320** | **$ 206,995** | **$ 183,459** | **$ 1,018,415** | **$ 936,779** |

**Governmental activities**:

The City's governmental activities revenues increased $123.1 million from 2013 to 2014 (see Table A-2) and consists of:

- Property tax revenues reflected a $58.4 million increase primarily due to the increased millage rate from 10.0353 mills to 11.4419 mills.
- The increases in sales/tourist taxes, earnings on investments as well as the property tax are clear indications of an improving economy in Jacksonville.
- Intergovernmental revenues increased $11.4 million is due to an increase in shared revenues.
- Contributions from JEA increased $2.5 million in fiscal year 2014.
- The increase of $14.2 million in miscellaneous revenues is due to a $13.5 million Shipyard settlement.
- In fiscal year 2013 a onetime $8.9 million adjustment was made to reduce ambulance billing revenues due to a review of historic collections. This represents the increase of $8.3 million in fines & charges for services in fiscal year 2014.
- The decrease in operating grant revenues of $14.5 is representative of phased out grants in ARRA, Homeland Security, Neighborhood Stabilization, CDBG and SHIP projects.
- The Jacksonville Zoo completed capital improvements to their Tiger Exhibit for $10.9 million in fiscal year 2014 which is the largest portion of the increase in capital grant revenues.

Increases in governmental activities expenses were $29.1 million in fiscal year 2014 due to the following:

- Public Safety expense increased $42.7 million primarily due to a $39.2 million increase in salaries and benefits of this increase contribution to the Police & Fire Pension Fund was $26 million, or 67.2%. .
- Interest on long term debt decreased by $10.5 million due to decreased interest rates resulting from bond refunding on outstanding debt made over the past two years.

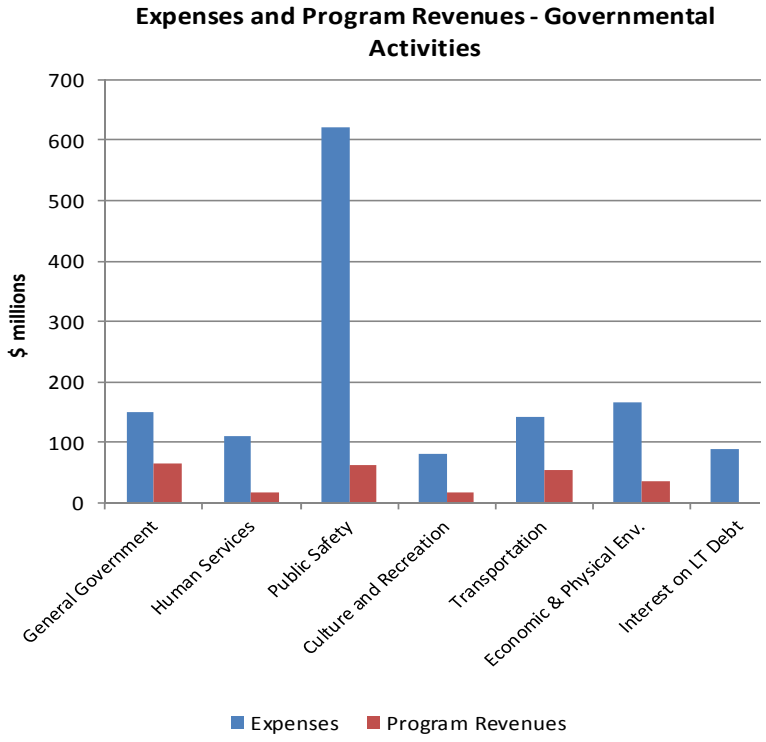
**Business Type activities**:

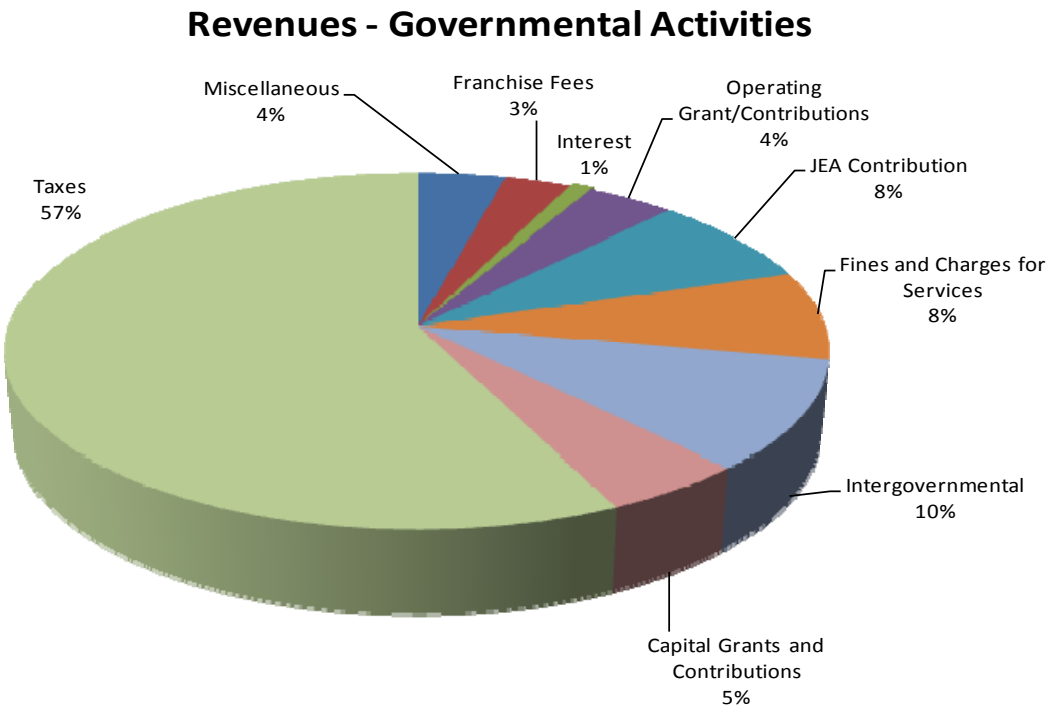
The City's business type revenues increased $3.8 million in fiscal year 2014:

- The increase of $1 million in sales and tourist taxes is an indication of an improving economy.
- Earnings on investments increased $1.7 million due to higher interest rates earned on investment portfolios during the fiscal year.
- The Ritz Theater operations were moved to business type activities in fiscal year 2014 and had revenues of $1 million.

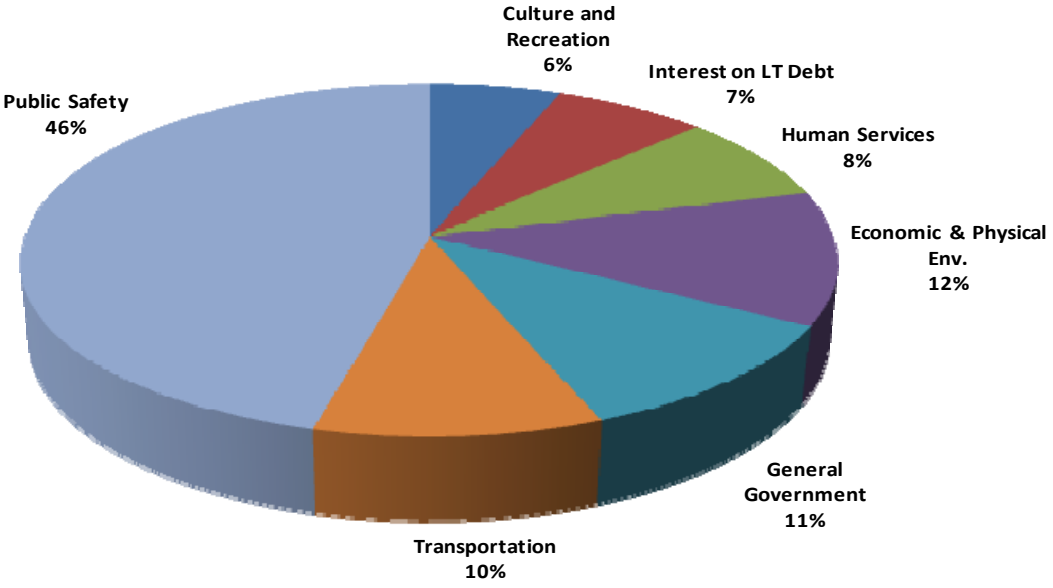
Business type activities total expenses decreased $8.3 million in fiscal year 2014:

- Solid Waste's expenditures decreased $12.6 million due to landfill closure/post-closure liability decreases in fiscal year 2014.
- EverBank Field had increased expenses of $2.4 million in addition to the major improvements. There were other smaller increases in Parking, Stormwater, Veterans Memorial Arena, Baseball Stadium, Performing Arts Center, Convention Center, and Equestrian Center.

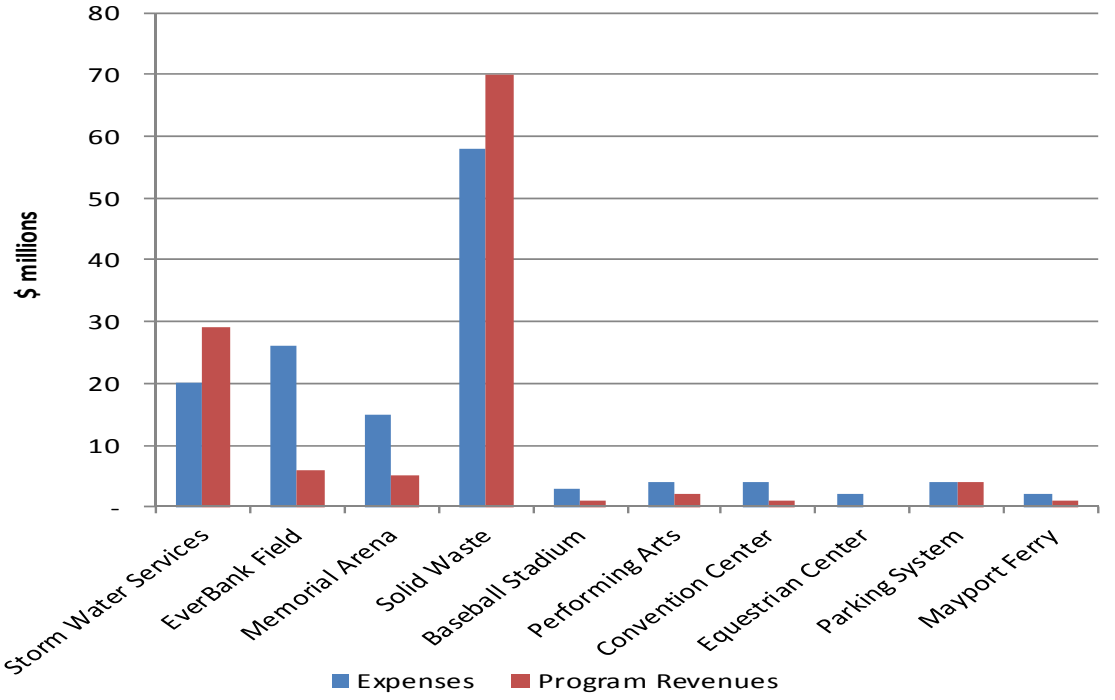

Expenses and Program Revenues - Governmental Activities
$ millions
700
600
500
400
300
200
100
0
General Government
Human Services
Public Safety
Culture and Recreation
Transportation
Economic & Physical Env.
Interest on LT Debt
Expenses
Program Revenues


Revenues - Governmental Activities
Miscellaneous 4%
Franchise Fees 3%
Interest 1%
Operating Grant/Contributions 4%
JEA Contribution 8%
Fines and Charges for Services 8%
Intergovernmental 10%
Capital Grants and Contributions 5%
Taxes 57%

## 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 2014. 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 $90.5 million. The General Fund's total fund balance was $182.3 million, with $50.2 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 2014 operations are as follows:

General Fund:

- Property taxes account for approximately 50% of the General Fund revenue and increased by $56.8 million, 13.2% increase over the previous fiscal year. Interest revenue increased $3.1 million due to a higher return in fiscal year 2014. General Fund revenues had an overall increase of $88.2 million and an overall increase in expenditures of $39.3 million as compared to fiscal year 2013.

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

- Under the Interlocal Agreement, the City and JTA agreed to pledge a ½ cent sales tax and constitutional gas tax to the payment of the BJP bonds. Outstanding long term BJP debt principal payments increased $5.2 million for fiscal year 2014 due to the aggressive refunding of debt in fiscal year 2012 and 2013. The City redeemed a total of $46 million in BJP bonds with a decrease in interest and other fiscal charges of $1.4 million.

Special Bonded Debt – Obligations:

- Outstanding long term Special Obligation debt principal payments increased $1 million for fiscal year 2014 due to the aggressive refunding of debt in fiscal year 2013. The City redeemed a total of $40 million in Special Obligation bonds with a decrease of $4.6 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 2014.

**General Fund Budgetary Highlights**:

- Utility service taxes, community service taxes, local business taxes and licenses, permits and fees revenues were under budget a total of $5.4 million. Property taxes, intergovernmental, other revenues, charges for services and interest earnings were over budget $14 million. Total actual revenues for fiscal year 2014 were $8.6 million in excess of the final budget.
- Total general fund actual expenditures for fiscal year 2014 were $86.5 million under final budget with $50.4 million, more than half, related to the budgeted but unused emergency reserve.
- 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 $585.2 million of expenditure budget which takes up 60% of total budgeted revenues

## 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, 2014, amounts to $3.2 billion net of accumulated depreciation. Although there was less than $1 million increase from fiscal year 2013, there was a decrease in governmental capital assets due to the depreciation charges on the large number of completed projects. The primary reason for the increase in business type capital assets is major impact of the EverBank Field improvements in fiscal year 2014. The investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress (see Table A-3). With the primary focus on the completion of road, building and drainage projects in fiscal year 2013. The sports complex improvements, the State Attorney courthouse, road projects, and Stormwater drainage projects became the focus in fiscal year 2014. 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, 2014 and September 30, 2013**

| | Governmental Activities | | Business Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land and easements | $ 312,740 | $ 312,739 | $ 47,152 | $ 46,532 | $ 359,892 | $ 359,271 |
| Buildings and improvements | 1,096,976 | 1,080,314 | 598,535 | 565,670 | 1,695,511 | 1,645,984 |
| Furniture & Equipment | 433,575 | 423,132 | 10,397 | 8,860 | 443,972 | 431,992 |
| Construction and work in progress | 53,203 | 13,059 | 13,154 | 56 | 66,357 | 13,115 |
| Infrastructure | 2,198,259 | 2,166,939 | 53,261 | 41,596 | 2,251,520 | 2,208,535 |
| Other Assets | 42,464 | 43,051 | - | - | 42,464 | 43,051 |
| Less accumulated depreciation | (1,415,114) | (1,274,476) | (240,362) | (223,374) | (1,655,476) | (1,497,850) |
| Total | $ 2,722,103 | $ 2,764,758 | $ 482,137 | $ 439,340 | $ 3,204,240 | $ 3,204,098 |

Major capital asset project costs in fiscal year 2014 included the following (in millions):

| | 2014 | 2013 | Change |
|---|---|---|---|
| Sports Complex Improvements | $ 45.6 | $ 4.9 | $ 40.7 |
| Courthouse Projects | 22.2 | 4.9 | 17.3 |
| Road Projects | 21.5 | 17.0 | 4.5 |
| Stormwanter & Drainage Projects | 12.4 | 10.0 | 2.4 |
| Miscellaneous Projects | 9.3 | 5.6 | 3.7 |
| Park Projects | 5.8 | 4.7 | 1.1 |
| Fire Department Projects | 2.0 | 1.9 | 0.1 |
| Building Projects | 1.7 | 16.0 | (14.3) |
| Countywide Resurfacing | 0.8 | 0.9 | (0.1) |
| Total | $121.3 | $65.9 | $55.4 |

## 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, Footnote 8 of this report.

**Table A-4**
**Bonds and Notes Payable**
**Outstanding Debt at Year End September 30, 2013**
**(In Thousands)**

| | Governmental Activities | | Business Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Special Obligation Bonds | $ 719,978 | $ 754,432 | $ - | $ - | $ 719,978 | $ 754,432 |
| Special Obligation-BJP | 1,249,005 | 1,290,036 | | | 1,249,005 | 1,290,036 |
| Revenue Bonds Payable | 245,975 | 260,348 | 272,123 | 257,674 | 518,098 | 518,022 |
| Notes Payable | 4,685 | 15,080 | - | - | 4,685 | 15,080 |
| Notes Payable-BJP | 47,055 | 52,311 | - | - | 47,055 | 52,311 |
| Deferred Amounts | | | | | | |
| Loss on Adv Ref | (985) | (1,397) | 34,308 | 36,233 | 33,323 | 34,836 |
| Issuance premiums | 136,888 | 149,082 | - | - | 136,888 | 149,082 |
| Issuance discounts | (2,538) | (2,699) | - | - | (2,538) | (2,699) |
| Advance Refunding | - | - | (167) | - | (167) | - |
| **Total** | $ 2,400,063 | $ 2,517,193 | $ 306,264 | $ 293,907 | $ 2,706,327 | $ 2,811,100 |

New indebtedness of the City of Jacksonville consists of:

| Closing Date | Par Amount | Source | Primary Use |
|---|---|---|---|
| July 2014 | $ 24,225,000 | Commercial Paper | Stadium Improvements |

The only indebtedness issued during fiscal year 2014 was for the "interim financing" of improvements to EverBank Field, which hosts the NFL's Jacksonville Jaguars. It is anticipated that the interim financing will be refunded with long-term debt during calendar year 2015.

During fiscal year 2014, the City redeemed a combined $115.3 million in principal amount of bonds and notes, for a net reduction of $91.1 million in long-term debt. The City has reduced the overall bonded indebtedness over the prior three fiscal years by a total of $317 million from $2.856 billion to $2.539 billion.

The City continued to enjoy low rates on its variable rate debt. The expiring liquidity facility on the Capital Projects Revenue Bonds, Series 2008A was extended until July 18, 2016. The expiring liquidity facility on the Transportation Revenue Bonds, Series 2008A was extended until October 23, 2015.

## 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 6%, at the end of fiscal year 2014, a .8% improvement over 2013. This compares favorably to the state's average unemployment rate (5.8%) and the national average unemployment rate of 5.9% as of September, 2014.
- 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 2014-2015:

- The City of Jacksonville has adopted the following priorities:
    - Partner with Business to Grow Jobs and the local economy.
    - Make government as effective and efficient as possible.
    - Making Jacksonville the most military friendly city in America.
    - Welcoming all to the City of Jacksonville.
    - Enhance the quality of life.

  Achieving these priorities will require fiscal discipline and innovative approaches.

- The millage rate for the City of Jacksonville was increased from 10.0353 mills in 2012 to 11.4419 mills in 2013 which impacted the fiscal year 2014 revenues.

## 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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | PRIMARY GOVERNMENT | | | | |
|---|---|---|---|---|---|
| | | | TOTALS | | |
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | 2014 | 2013 | COMPONENT UNITS |
| **ASSETS:** | | | | | |
| Cash and investments | $ 745,852 | $ 57,727 | $ 803,579 | $ 782,610 | $ 1,695,741 |
| Cash in escrow and with fiscal agents | 127,457 | 15,540 | 142,997 | 163,591 | 1,790 |
| Securities lending | 56,003 | - | 56,003 | 52,559 | - |
| Receivables, net | 70,623 | 55,438 | 126,061 | 122,987 | 268,003 |
| Due from independent agencies and other governments | 93,410 | 595 | 94,005 | 93,064 | 53,150 |
| Inventories | 5,260 | 13 | 5,273 | 6,128 | 142,414 |
| Prepaid expenses and other assets | 3,126 | 450 | 3,576 | 3,668 | 116,878 |
| Prepaid expense - Landfill related costs | - | 6,063 | 6,063 | 8,543 | - |
| **CAPITAL ASSETS:** | | | | | |
| Land, easements, art in public places and construction in progress | 365,943 | 60,306 | 426,249 | 373,150 | 686,460 |
| Other capital assets, net of depreciation | 2,356,160 | 421,831 | 2,777,991 | 2,830,948 | 6,320,568 |
| **TOTAL ASSETS** | 3,823,834 | 617,963 | 4,441,797 | 4,437,248 | 9,285,004 |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | | | |
| Costs to be recovered by future revenues | - | - | - | - | 19,715 |
| Unamortized deferred loss on refunding | 985 | 239 | 1,224 | 1,756 | 174,589 |
| Accumulated decrease in fair value of hedging instrument | 12,015 | - | 12,015 | 13,518 | 106,937 |
| **TOTAL DEFERRED OUTFLOW OF RESOURCES** | 13,000 | 239 | 13,239 | 15,274 | 301,241 |
| **LIABILITIES:** | | | | | |
| Accounts payable and accrued liabilities | 68,371 | 23,493 | 91,864 | 71,808 | 147,072 |
| Contracts payable | 1,672 | 184 | 1,856 | 856 | 26,262 |
| Due to component units | 7,843 | - | 7,843 | 7,977 | - |
| Due to independent agencies and other governments | 13,567 | - | 13,567 | 13,567 | - |
| Deposits | 5,202 | 8,251 | 13,453 | 6,343 | 55,654 |
| Accrued interest payable | 55,588 | 5,934 | 61,522 | 63,640 | 97,875 |
| Unearned revenue | 27,696 | 136 | 27,832 | 28,742 | 6,791 |
| Securities lending | 56,003 | - | 56,003 | 52,563 | - |
| Other current liabilities | 245 | - | 245 | 245 | 90,705 |
| NONCURRENT LIABILITIES: | | | | | |
| Fair market value of debt management instrument | 12,015 | - | 12,015 | 13,518 | 106,937 |
| Due within one year | 151,362 | 11,773 | 163,135 | 161,291 | 268,123 |
| Due in more than one year | 2,625,850 | 361,364 | 2,987,214 | 3,095,103 | 5,702,325 |
| **TOTAL LIABILITIES** | 3,025,414 | 411,135 | 3,436,549 | 3,515,653 | 6,501,744 |
| **DEFERRED INFLOW OF RESOURCES:** | | | | | |
| Revenue to be used for future costs | - | - | - | - | 231,770 |
| Unamortized deferred gain on refunding | - | 72 | 72 | 90 | - |
| **TOTAL DEFERRED INFLOW OF RESOURCES** | - | 72 | 72 | 90 | 231,770 |
| **NET POSITION:** | | | | | |
| Net investment in capital assets | 918,659 | 161,999 | 1,080,658 | 1,023,900 | 1,437,828 |
| Restricted for: | | | | | |
| Debt service | - | - | - | - | 273,171 |
| Housing and human services grants | 33,211 | - | 33,211 | 29,596 | - |
| Other state and federal grants | 14,048 | - | 14,048 | 15,429 | - |
| Capital projects | - | - | - | 1,852 | 308,624 |
| Other participant's equity | 3,248 | - | 3,248 | 2,398 | - |
| Permanent fund, non-expendable | 123 | - | 123 | 123 | - |
| Other purposes | - | - | - | - | 46,587 |
| Unrestricted (deficit) | (157,869) | 44,996 | (112,873) | (136,519) | 786,521 |
| **TOTAL NET POSITION** | $ 811,420 | $ 206,995 | $ 1,018,415 | $ 936,779 | $ 2,852,731 |

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**
**STATEMENT OF ACTIVITIES -**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | | PROGRAM REVENUES | | | PRIMARY GOVERNMENT | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FINES AND CHARGES FOR | OPERATING GRANTS AND | CAPITAL GRANTS AND | | BUSINESS- | TOTALS | | |
| **FUNCTIONS/PROGRAMS** | **EXPENSES** | **SERVICES** | **CONTRIBUTIONS** | **CONTRIBUTIONS** | **GOVERNMENTAL ACTIVITIES** | **TYPE ACTIVITIES** | **2014** | **2013** | **COMPONENT UNITS** |
| **PRIMARY GOVERNMENT:** | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | $ 150,118 | $ 54,713 | $ 7,306 | $ 1,777 | $ (86,322) | | $ (86,322) | $ (76,496) | |
| Human services | 108,596 | 2,477 | 14,006 | - | (92,113) | | (92,113) | (88,423) | |
| Public safety | 619,730 | 55,878 | 4,695 | 33 | (559,124) | | (559,124) | (535,218) | |
| Culture and recreation | 80,844 | 3,440 | 1,151 | 11,510 | (64,743) | | (64,743) | (72,975) | |
| Transportation | 141,928 | 189 | 6,708 | 47,070 | (87,961) | | (87,961) | (99,173) | |
| Economic environment | 43,956 | 1 | 15,740 | 1 | (28,214) | | (28,214) | (25,324) | |
| Physical environment | 122,963 | 2,051 | 4,340 | 12,587 | (103,985) | | (103,985) | (96,822) | |
| Interest on long term debt | 87,011 | - | - | - | (87,011) | | (87,011) | (97,531) | |
| Total governmental activities | 1,355,146 | 118,749 | 53,946 | 72,978 | (1,109,473) | | (1,109,473) | (1,091,962) | |
| Business-type activities: | | | | | | | | | |
| Parking system | 3,513 | 3,701 | - | - | - | 188 | 188 | 309 | |
| Motor vehicle inspections | 464 | 522 | - | - | - | 58 | 58 | (60) | |
| Solid Waste | 58,429 | 69,570 | - | - | - | 11,141 | 11,141 | (2,314) | |
| Storm Water Services | 19,796 | 29,142 | - | - | - | 9,346 | 9,346 | 10,603 | |
| Mayport Ferry | 2,405 | 1,123 | - | - | - | (1,282) | (1,282) | (1,588) | |
| EverBank Field | 25,530 | 6,476 | - | - | - | (19,054) | (19,054) | (18,570) | |
| Veterans Memorial Arena | 14,878 | 4,806 | - | - | - | (10,072) | (10,072) | (9,529) | |
| Baseball Stadium | 3,216 | 455 | - | - | - | (2,761) | (2,761) | (2,705) | |
| Performing Arts | 4,095 | 1,957 | - | - | - | (2,138) | (2,138) | (1,982) | |
| Convention Center | 3,778 | 1,001 | - | - | - | (2,777) | (2,777) | (2,523) | |
| Equestrian Center | 1,664 | 233 | - | - | - | (1,431) | (1,431) | (1,245) | |
| Sports Complex Capital Maint | - | - | - | - | - | - | - | (106) | |
| Ritz Theater | 954 | 53 | - | - | - | (901) | (901) | - | |
| Total business-type activities | 138,722 | 119,039 | - | - | - | (19,683) | (19,683) | (29,710) | |
| **Total primary government** | $ 1,493,868 | $ 237,788 | $ 53,946 | $ 72,978 | (1,109,473) | (19,683) | (1,129,156) | (1,121,672) | |
| **COMPONENT UNITS:** | | | | | | | | | |
| Governmental activities | $ 73,661 | $ - | $ - | $ - | | | | | $ (73,661) |
| Business-type activities | 1,958,496 | 1,938,947 | 16,382 | 71,595 | | | | | 68,428 |
| Total component units | $ 2,032,157 | $ 1,938,947 | $ 16,382 | $ 71,595 | | | | | $ (5,233) |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | 502,624 | - | 502,624 | 444,219 | - |
| Utility service taxes | | | | | 122,733 | - | 122,733 | 123,785 | - |
| Sales and tourist taxes | | | | | 180,964 | 13,394 | 194,358 | 184,815 | 74,432 |
| Local business taxes | | | | | 7,085 | - | 7,085 | 7,129 | - |
| Intergovernmental - unrestricted | | | | | 138,969 | - | 138,969 | 127,561 | 63,449 |
| JEA Contribution | | | | | 109,188 | - | 109,188 | 106,688 | - |
| Unrestricted earnings on investments | | | | | 21,690 | 2,008 | 23,698 | 6,178 | 24,618 |
| Franchise Fees | | | | | 40,417 | - | 40,417 | 38,851 | - |
| Miscellaneous | | | | | 55,227 | 16,493 | 71,720 | 57,708 | 11,627 |
| Transfers | | | | | (11,324) | 11,324 | - | - | - |
| Special Items: | | | | | | | | | |
| Repeal of Jacksonville Economic Development Commission | | | | | - | - | - | 28,970 | |
| Total general revenues, transfers, and special items | | | | | 1,167,573 | 43,219 | 1,210,792 | 1,125,904 | 174,126 |
| Change in net position | | | | | 58,100 | 23,536 | 81,636 | 4,232 | 168,893 |
| Net position, beginning of year, as restated | | | | | 753,320 | 183,459 | 936,779 | 932,547 | 2,683,838 |
| Net position, end of year | | | | | $ 811,420 | $ 206,995 | $ 1,018,415 | $ 936,779 | $ 2,852,731 |

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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | GENERAL FUND | SPECIAL BONDED DEBT-BETTER JACKSONVILLE PLAN OBLIGATIONS | SPECIAL BONDED DEBT-OBLIGATIONS |
|---|---|---|---|
| **ASSETS:** | | | |
| Equity in pooled cash and investments | $ 147,404 | $ 113,374 | $ 28,188 |
| Cash in escrow and with fiscal agents | 188 | 56,139 | 42,696 |
| Securities lending collateral | 56,003 | - | - |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | |
| Accounts and interest | 18,742 | - | - |
| Mortgages | - | - | - |
| Other | 16,860 | - | - |
| Due from other funds | 1,921 | - | - |
| Due from independent agencies and other governments | 46,702 | - | - |
| Inventories | 4,186 | - | - |
| Prepaid items | - | - | - |
| **TOTAL ASSETS** | 292,006 | 169,513 | 70,884 |
| **LIABILITIES:** | | | |
| Accounts payable and accrued liabilities | $ 27,953 | $ 53 | $ 15 |
| Contracts payable | - | - | - |
| Due to other funds | - | - | - |
| Due to component units | - | - | - |
| Due to individuals | - | - | - |
| Bonds payable | - | 46,260 | 40,754 |
| Interest payable | - | 26,887 | 19,670 |
| Deposits | 2,400 | - | - |
| Unearned revenue | 23,172 | - | - |
| Securities lending obligations | 56,003 | - | - |
| Advances from other funds | - | - | - |
| **TOTAL LIABILITIES** | 109,528 | 73,200 | 60,439 |
| **DEFERRED INFLOW OF RESOURCES:** | | | |
| Unavailable Revenue | 180 | - | - |
| **FUND BALANCES:** | | | |
| **Non Spendable:** | | | |
| Non Spendable | 4,186 | - | - |
| **Spendable:** | | | |
| Restricted | - | 96,313 | 10,445 |
| Committed | 63,646 | - | - |
| Assigned | 23,978 | - | - |
| Unassigned | 90,488 | - | - |
| **TOTAL FUND BALANCES** | 182,298 | 96,313 | 10,445 |
| **TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES** | $ 292,006 | $ 169,513 | $ 70,884 |

See accompanying notes.

| NON MAJOR GOVERNMENTAL FUNDS | TOTALS 2014 | TOTALS 2013 |
|---|---|---|
| $ 279,930 | $ 568,896 | $ 547,752 |
| 4,686 | 103,709 | 128,844 |
| - | 56,003 | 52,559 |
| 1,163 | 19,905 | 16,480 |
| 4,680 | 4,680 | 3,769 |
| 25 | 16,885 | 17,265 |
| 13,000 | 14,921 | 5,728 |
| 45,059 | 91,761 | 90,902 |
| - | 4,186 | 4,189 |
| 2 | 2 | 179 |
| 348,545 | 880,948 | 867,667 |
| $ 22,301 | $ 50,322 | $ 51,020 |
| 1,672 | 1,672 | 765 |
| 14,921 | 14,921 | 4,862 |
| 7,843 | 7,843 | 7,977 |
| 245 | 245 | 245 |
| - | 87,014 | 80,741 |
| - | 46,557 | 46,427 |
| 2,802 | 5,202 | 3,802 |
| 2,212 | 25,384 | 25,937 |
| - | 56,003 | 52,563 |
| 4,711 | 4,711 | 5,536 |
| 56,707 | 299,874 | 279,875 |
| - | 180 | 327 |
| 225 | 4,411 | 4,414 |
| 81,929 | 188,687 | 196,855 |
| 223,732 | 287,378 | 283,562 |
| - | 23,978 | 5,516 |
| (14,048) | 76,440 | 97,118 |
| 291,838 | 580,894 | 587,465 |
| $ 348,545 | $ 880,948 | $ 867,667 |

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**City of Jacksonville, Florida**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Position**
**September 30, 2014**
**(in thousands)**

| | | |
|---|---|---|
| Total fund balances- governmental funds | | $ 580,894 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | | 2,722,103 |
| Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds: | | |
| Bonds and notes payable | (2,266,698) | |
| Unamortized bond discounts | 2,538 | |
| Unamortized bond premium | (136,888) | |
| Unamortized loss on advance refunding of debt | 985 | |
| Total bonds and notes payable | | (2,400,063) |
| * Certain assets and liabilities 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 | 87,014 | |
| Compensated absences | (59,323) | |
| Matured Interest payable | (3,562) | |
| Estimated liability for self insured losses-current | (23,838) | |
| Estimated liability for self insured losses-long-term | (79,045) | |
| Other post employment benefits (OPEB) liability | (50,039) | |
| Accrued liability for pollution remediation | (163,919) | |
| Amounts due to independent agencies or other governments | (13,567) | |
| Amounts earned but not available | 180 | |
| Total | | (306,099) |
| 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. | | 214,585 |
| Net position of governmental activities | | $ 811,420 |

* 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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | GENERAL FUND | SPECIAL BONDED DEBT-BETTER JACKSONVILLE PLAN OBLIGATIONS | SPECIAL BONDED DEBT-OBLIGATIONS |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ 488,455 | $ - | $ - |
| Utility and Communications service taxes | 122,733 | - | - |
| Sales and tourist taxes | 1,018 | - | - |
| Local business taxes | 7,085 | - | - |
| Licenses, permits, and fees | 40,422 | - | - |
| Intergovernmental | 138,968 | 38,799 | - |
| Charges for services | 63,331 | - | - |
| Fines and forfeitures | 2,044 | - | - |
| JEA contribution | 109,188 | - | - |
| Investment earnings | 7,026 | 2,854 | 898 |
| Other | 32,649 | - | - |
| Total Revenues | 1,012,919 | 41,653 | 898 |
| **EXPENDITURES:** | | | |
| Current: | | | |
| General government | 116,064 | - | - |
| Human services | 65,215 | - | - |
| Public safety | 581,053 | - | - |
| Culture and recreation | 58,912 | - | - |
| Transportation | 23,945 | - | - |
| Economic environment | 14,162 | - | - |
| Physical environment | 20,169 | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal | - | 46,260 | 40,755 |
| Interest and fiscal charges | 9,537 | 54,503 | 34,742 |
| Other | - | 1,260 | 471 |
| Total Expenditures | 889,057 | 102,023 | 75,968 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | 123,862 | (60,370) | (75,070) |
| OTHER FINANCING SOURCES (USES): | | | |
| Long term debt issued | - | - | - |
| Refunding bond issued | - | - | - |
| Premium on special obligation bonds payable | - | - | - |
| Discount on special obligation bonds payable | - | - | - |
| Payment to escrow agent - refunded bonds | - | - | - |
| Transfers in | 5,904 | 54,470 | 73,936 |
| Transfers out | (122,679) | - | (174) |
| Total Other Financing Sources (Uses) | (116,775) | 54,470 | 73,762 |
| SPECIAL ITEM: | | | |
| Repeal of Jacksonville Economic Development Commission | - | - | - |
| **NET CHANGES IN FUND BALANCES** | 7,087 | (5,900) | (1,308) |
| FUND BALANCE, BEGINNING OF YEAR | 175,211 | 102,213 | 11,753 |
| **FUND BALANCES, END OF YEAR** | $ 182,298 | $ 96,313 | $ 10,445 |

See accompanying notes.

| NON MAJOR GOVERNMENTAL FUNDS | TOTALS 2014 | TOTALS 2013 |
|---|---|---|
| $ 14,169 | $ 502,624 | $ 444,219 |
| - | 122,733 | 123,785 |
| 179,946 | 180,964 | 172,430 |
| - | 7,085 | 7,129 |
| 12,538 | 52,960 | 49,959 |
| 65,761 | 243,528 | 241,981 |
| 37,928 | 101,259 | 95,178 |
| 2,903 | 4,947 | 4,165 |
| - | 109,188 | 106,688 |
| 7,093 | 17,871 | 6,621 |
| 15,894 | 48,543 | 36,998 |
| 336,232 | 1,391,702 | 1,289,153 |
| 27,326 | 143,390 | 152,308 |
| 40,587 | 105,802 | 102,051 |
| 23,107 | 604,160 | 570,893 |
| 6,739 | 65,651 | 63,100 |
| 109,948 | 133,893 | 133,075 |
| 28,645 | 42,807 | 47,184 |
| 6,851 | 27,020 | 18,253 |
| 87,538 | 87,538 | 78,354 |
| 1,055 | 88,070 | 81,776 |
| 142 | 98,924 | 102,032 |
| - | 1,731 | 4,294 |
| 331,938 | 1,398,986 | 1,353,320 |
| 4,294 | (7,284) | (64,167) |
| 18,044 | 18,044 | 13,603 |
| - | - | 287,888 |
| - | - | 41,542 |
| - | - | (159) |
| - | - | (324,201) |
| 63,062 | 197,372 | 183,089 |
| (91,850) | (214,703) | (187,891) |
| (10,744) | 713 | 13,871 |
| - | - | 28,970 |
| (6,450) | (6,571) | (21,326) |
| 298,288 | 587,465 | 608,791 |
| $ 291,838 | $ 580,894 | $ 587,465 |

**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, 2014**
**(in thousands)**

| | | | | |
|---|---|---|---|---|
| Net change in fund balances- total governmental funds: | | | $ | (6,571) |
| 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 | | 74,453 | | |
| Capital assets contributed by developers and other | | 22,365 | | |
| Current year depreciation | | (133,910) | | |
| Loss on disposition of assets | | (1,028) | | |
| | | | | (38,120) |
| 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) | | | |
| Amortization of bond premium | 10,159 | | | |
| Amortization - loss on refunding | (412) | | | |
| | | 9,586 | | |
| 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. | | | | |
| Principal repayment | 88,070 | | | |
| | | 88,070 | | |
| 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: | | | | |
| Increase in compensated absences payable | | (646) | | |
| Net effect in reversal of interest accrual | | 3,046 | | |
| Increase in other post employment benefits | | (7,964) | | |
| Decrease of accrual for pollution remediation | | 37 | | |
| Net effect of internal Banking fund | | 271 | | |
| Amounts earned but not available for revenue recognition at the fund level | | 180 | | |
| | | | | 92,580 |
| Internal service funds are used to charge the cost of certain activities to individual funds. The net revenue (expense) and transfers are reported with governmental activities. | | | | |
| Operating loss | | (4,835) | | |
| Investment revenue (loss) | | 3,819 | | |
| Interest expense | | (719) | | |
| Other non-operating revenue | | 5,939 | | |
| Transfers in, net | | 6,007 | | |
| | | | | 10,211 |
| Change in Net Position - Governmental Activities | | | $ | 58,100 |

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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | ENTERPRISE FUNDS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SOLID WASTE DISPOSAL | EVERBANK FIELD | VETERANS MEMORIAL ARENA | STORM-WATER SERVICES | NON MAJOR ENTERPRISE | TOTALS 2014 | TOTALS 2013 | INTERNAL SERVICE FUNDS |
| **ASSETS:** | | | | | | | | |
| Equity in pooled cash and investments | $ 13,184 | $ 1,408 | $ 4,975 | $ 16,017 | $ 2,000 | $ 37,584 | $ 40,165 | $ 176,956 |
| Cash with fiscal agents | 5,112 | 7,565 | 2,265 | - | 598 | 15,540 | 15,876 | 23,748 |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | | | | | | |
| Accounts | 30,528 | 409 | 1,428 | 22,122 | 949 | 55,436 | 54,161 | 200 |
| Loans | - | - | - | - | - | - | - | 24,690 |
| Other | - | - | - | - | - | - | - | 1,192 |
| Due from other funds | - | 3,686 | - | - | 21,255 | 24,941 | 29 | - |
| and other governments | 245 | 167 | - | - | 183 | 595 | 325 | 1,649 |
| Interest and dividend receivables | 2 | - | - | - | - | 2 | 2 | - |
| Inventories | - | - | - | - | 13 | 13 | 13 | 1,074 |
| Prepaid expenses and other assets | - | 38 | 354 | - | 58 | 450 | 288 | 3,124 |
| Total Current Assets | 49,071 | 13,273 | 9,022 | 38,139 | 25,056 | 134,561 | 110,859 | 232,633 |
| **NONCURRENT ASSETS:** | | | | | | | | |
| Advances to other funds | - | - | - | - | - | - | - | 4,711 |
| Sinking fund cash and investments | 20,143 | - | - | - | - | 20,143 | 19,495 | - |
| Loans receivable | - | - | - | - | - | - | - | 210,168 |
| Prepaid expense - Landfill related costs | 6,063 | - | - | - | - | 6,063 | 8,543 | - |
| Other receivables | - | - | - | - | - | - | - | 11,878 |
| CAPITAL ASSETS: | | | | | | | | |
| Land, easements and work in progress | 13,485 | 35,025 | 1,602 | 1,525 | 8,669 | 60,306 | 46,588 | 4,068 |
| Other capital assets, net of depreciation | 11,668 | 186,559 | 98,840 | 45,612 | 79,152 | 421,831 | 392,752 | 50,879 |
| Total Noncurrent Assets | 51,359 | 221,584 | 100,442 | 47,137 | 87,821 | 508,343 | 467,378 | 281,704 |
| **TOTAL ASSETS** | 100,430 | 234,857 | 109,464 | 85,276 | 112,877 | 642,904 | 578,237 | 514,337 |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | | | | | | |
| Unamortized deferred loss on refunding | 239 | - | - | - | - | 239 | 359 | - |

**CITY OF JACKSONVILLE, FLORIDA**
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**
**SEPTEMBER 30, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | ENTERPRISE FUNDS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SOLID WASTE DISPOSAL | EVERBANK FIELD | VETERANS MEMORIAL ARENA | STORM-WATER SERVICES | NON MAJOR ENTERPRISE | TOTALS 2014 | TOTALS 2013 | INTERNAL SERVICE FUNDS |
| **LIABILITIES:** | | | | | | | | |
| Accounts payable and accrued liabilities | $ 4,049 | $ 2,056 | $ 1,026 | $ 3,456 | $ 12,906 | $ 23,493 | $ 9,171 | $ 18,049 |
| Contracts payable | 20 | - | - | 164 | - | 184 | 91 | - |
| Due to other funds | - | 21,255 | - | - | 3,686 | 24,941 | 895 | - |
| Deposits | 167 | 176 | 7,033 | 16 | 859 | 8,251 | 2,341 | - |
| Accrued interest payable | 327 | 2,670 | 2,265 | - | 672 | 5,934 | 6,105 | 5,469 |
| Estimated liability for self-insured losses, current portion | - | - | - | - | - | - | - | 23,838 |
| Current portion of bonds payable | 4,785 | 4,895 | - | - | 13 | 9,693 | 9,776 | 18,279 |
| Unearned revenue | - | - | 136 | - | - | 136 | 58 | 2,312 |
| Accrued compensated absences, current portion | 203 | - | - | 33 | 67 | 303 | 424 | 805 |
| Current portion of notes payable | - | - | - | - | - | - | - | 3,900 |
| Current portion of loans payable | - | - | - | 1,777 | - | 1,777 | 1,549 | 4,865 |
| Total Current Liabilities | 9,551 | 31,052 | 10,460 | 5,446 | 18,203 | 74,712 | 30,410 | 77,517 |
| **NONCURRENT LIABILITIES:** | | | | | | | | |
| Estimated liability for self-insured losses | - | - | - | - | - | - | - | 79,045 |
| Liability for landfill closure and post-closure care | 48,007 | - | - | - | - | 48,007 | 61,759 | - |
| Accrued compensated absences | 473 | - | - | 76 | 158 | 707 | 989 | 1,881 |
| Notes payable | - | 24,225 | - | - | - | 24,225 | - | - |
| Loans payable | - | - | - | 14,106 | - | 14,106 | 15,883 | 12,140 |
| Bonds payable | 10,347 | 131,353 | 100,841 | - | 29,972 | 272,513 | 284,400 | 247,936 |
| Other liabilities | 701 | - | - | 827 | 278 | 1,806 | 1,606 | 2,388 |
| Total Noncurrent Liabilities | 59,528 | 155,578 | 100,841 | 15,009 | 30,408 | 361,364 | 364,637 | 343,390 |
| **TOTAL LIABILITIES** | 69,079 | 186,630 | 111,301 | 20,455 | 48,611 | 436,076 | 395,047 | 420,907 |
| **DEFERRED INFLOW OF RESOURCES:** | | | | | | | | |
| Unamortized deferred gain on refunding | - | - | - | - | 72 | 72 | 90 | - |
| **NET POSITION:** | | | | | | | | |
| Net investment in capital assets | 10,021 | 61,111 | - | 33,031 | 57,836 | 161,999 | 128,001 | 37,942 |
| Restricted for: | | | | | | | | |
| Capital | - | - | - | - | - | - | 1,852 | - |
| Restricted - other participant's equity | - | - | - | - | - | - | - | 3,248 |
| Unrestricted (deficit) | 21,569 | (12,884) | (1,837) | 31,790 | 6,358 | 44,996 | 53,606 | 52,240 |
| **TOTAL NET POSITION (DEFICIT)** | $ 31,590 | $ 48,227 | $ (1,837) | $ 64,821 | $ 64,194 | $ 206,995 | $ 183,459 | $ 93,430 |

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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | ENTERPRISE FUNDS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | SOLID WASTE DISPOSAL | EVERBANK FIELD | VETERANS MEMORIAL ARENA | STORM-WATER SERVICES | NON MAJOR ENTERPRISE | TOTALS 2014 | TOTALS 2013 | INTERNAL SERVICE FUNDS |
| **OPERATING REVENUE:** | | | | | | | | |
| Sales and tourist taxes | $ - | $ 7,892 | $ - | $ - | $ 5,502 | $ 13,394 | $ 12,385 | $ - |
| Charges for services | 69,570 | 6,476 | 4,806 | 29,142 | 9,045 | 119,039 | 117,328 | 257,628 |
| Charges for services for independent authorities | - | - | - | - | - | - | - | 12,418 |
| Other | 8 | 6,342 | 2,281 | - | 2,516 | 11,147 | 10,082 | 1,620 |
| Total Operating Revenue | 69,578 | 20,710 | 7,087 | 29,142 | 17,063 | 143,580 | 139,795 | 271,666 |
| **OPERATING EXPENSES:** | | | | | | | | |
| Personal services | 6,370 | 1,589 | 1,504 | 6,829 | 4,924 | 21,216 | 22,756 | 29,258 |
| Supplies and materials | 66 | 60 | 45 | 259 | 98 | 528 | 460 | 27,056 |
| Central services | 3,514 | 232 | 149 | 2,182 | 977 | 7,054 | 6,462 | 11,173 |
| Interdepartmental charges | 88 | 791 | 395 | 79 | 1,200 | 2,553 | 2,460 | - |
| Other services and charges | 45,462 | 11,409 | 5,723 | 7,293 | 7,677 | 77,564 | 83,759 | 60,691 |
| Depreciation and amortization | 2,274 | 6,109 | 2,524 | 2,372 | 3,832 | 17,111 | 16,978 | 19,304 |
| Court reporter services | - | - | - | - | - | - | - | 59 |
| Claims and losses | - | - | - | - | - | - | - | 24,034 |
| Insurance premiums and participant dividends | - | - | - | - | - | - | - | 104,926 |
| Total Operating Expenses | 57,774 | 20,190 | 10,340 | 19,014 | 18,708 | 126,026 | 132,875 | 276,501 |
| **OPERATING (LOSS) INCOME** | 11,804 | 520 | (3,253) | 10,128 | (1,645) | 17,554 | 6,920 | (4,835) |
| **NON-OPERATING REVENUE (EXPENSES):** | | | | | | | | |
| Investment earnings | 1,264 | 160 | - | 546 | 38 | 2,008 | 294 | 3,819 |
| Interest expense | (655) | (5,340) | (4,538) | (782) | (1,381) | (12,696) | (14,163) | (719) |
| Other | 1,409 | 745 | 934 | 375 | 1,883 | 5,346 | 6,999 | 5,939 |
| Total Non-Operating Revenue (Expenses) | 2,018 | (4,435) | (3,604) | 139 | 540 | (5,342) | (6,870) | 9,039 |
| **INCOME (LOSS) BEFORE TRANSFERS** | 13,822 | (3,915) | (6,857) | 10,267 | (1,105) | 12,212 | 50 | 4,204 |
| **TRANSFERS:** | | | | | | | | |
| Transfers in | - | 4,312 | 4,124 | 1,741 | 4,565 | 14,742 | 20,955 | 12,067 |
| Transfers out | (98) | (388) | - | (2,932) | - | (3,418) | (16,935) | (6,060) |
| Net Transfers | (98) | 3,924 | 4,124 | (1,191) | 4,565 | 11,324 | 4,020 | 6,007 |
| **CHANGES IN NET POSITION** | 13,724 | 9 | (2,733) | 9,076 | 3,460 | 23,536 | 4,070 | 10,211 |
| **NET POSITION BEGINNING OF YEAR, AS RESTATED** | 17,866 | 48,218 | 896 | 55,745 | 60,734 | $ 183,459 | 179,389 | 83,219 |
| **NET POSITION (DEFICIT), END OF YEAR** | $ 31,590 | $ 48,227 | ($ 1,837) | $ 64,821 | $ 64,194 | $ 206,995 | $ 183,459 | $ 93,430 |

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**
**COMBINING STATEMENT OF CASH FLOWS**
**MAJOR ENTERPRISE FUNDS**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | SOLID WASTE DISPOSAL | EVERBANK FIELD | VETERANS MEMORIAL ARENA |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | $ 69,796 | $ 14,766 | $ 4,237 |
| Payments to suppliers | (60,574) | (11,698) | (5,763) |
| Payments to employees | (6,161) | (1,589) | (1,504) |
| Internal activity-payments to other funds | (104) | - | - |
| Other cash receipts | 46 | 7,122 | 8,496 |
| Other operating cash payments | (2,580) | (1,501) | (395) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 423 | 7,100 | 5,071 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers from other funds | - | 4,312 | 4,124 |
| Transfers to other funds | (98) | (388) | - |
| Cash received from other funds | - | 21,239 | - |
| Cash paid to other funds | - | (3,686) | (1) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES | (98) | 21,477 | 4,123 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition and construction of capital assets | (1,397) | (43,722) | (21) |
| Proceeds from sale of capital assets | 1,530 | - | 290 |
| Cash received from (paid to) fiscal agent | (787) | (1,001) | 1,104 |
| Decrease in landfill costs and other charges | 2,596 | - | - |
| Proceeds from long-term obligations | - | - | - |
| Contributions from JPA and JTA | - | - | - |
| Loan repayment from JEA | - | - | - |
| Proceeds from capital debt | - | - | - |
| Proceeds from bonds payable | 367 | 1,919 | - |
| Payments on bonds payable | (5,021) | (7,156) | (1,083) |
| Payments on loans payable | - | - | - |
| Payments on bonds issuance cost | - | - | - |
| Proceeds from notes payable | - | 24,225 | - |
| Payments on notes payable | - | - | - |
| Principal paid on debt | - | - | - |
| Interest paid on debts | (762) | (5,379) | (4,558) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (3,474) | (31,114) | (4,268) |
| CASHFLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and dividends on investments | 1,264 | 160 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 1,264 | 160 | - |
| NET CHANGE IN CASH AND INVESTMENTS | (1,885) | (2,377) | 4,926 |
| Equity in pooled cash and investments at October 1, 2013 | 15,069 | 3,785 | 49 |
| Equity in pooled cash and investments at September 30, 2014 | $ 13,184 | $ 1,408 | $ 4,975 |

| STORM-WATER SERVICES | NON MAJOR ENTERPRISE | TOTALS 2014 | TOTALS 2013 | INTERNAL SERVICE FUNDS |
|---|---|---|---|---|
| $ 27,942 | $ 15,090 | $ 131,831 | $ 126,118 | $ 272,461 |
| (7,825) | (7,878) | (93,738) | (81,605) | (170,804) |
| (7,256) | (4,852) | (21,362) | (22,468) | (28,530) |
| - | - | (104) | (6,955) | (11,066) |
| - | 2,142 | 17,806 | 11,775 | 10,386 |
| - | (1,399) | (5,875) | (891) | (35,853) |
| $ 12,861 | $ 3,103 | $ 28,558 | 25,974 | 36,594 |
| 1,741 | 4,565 | 14,742 | 20,955 | 12,067 |
| (2,932) | - | (3,418) | (16,935) | (6,060) |
| - | 3,225 | 24,464 | 972 | 825 |
| - | (21,641) | (25,328) | (994) | - |
| (1,191) | (13,851) | 10,460 | 3,998 | 6,832 |
| (12,363) | (15,747) | (73,250) | (15,545) | (14,765) |
| - | 1,217 | 3,037 | - | 4,092 |
| - | 371 | (313) | 1,198 | (4,877) |
| - | - | 2,596 | - | - |
| - | 24,225 | 24,225 | - | - |
| - | 1,200 | 1,200 | - | - |
| 364 | - | 364 | - | - |
| - | - | - | (247) | - |
| - | 188 | 2,474 | 141,485 | 2,033 |
| (1,549) | (489) | (15,298) | (135,985) | (16,595) |
| - | - | - | - | (6,285) |
| - | - | - | (878) | - |
| - | - | 24,225 | - | - |
| - | - | - | - | (9,340) |
| - | - | - | (13,154) | - |
| (782) | (1,386) | (12,867) | (13,185) | 250 |
| (14,330) | 9,579 | (43,607) | (36,311) | (45,487) |
| 546 | 38 | 2,008 | 438 | 3,819 |
| 546 | 38 | 2,008 | 438 | 3,819 |
| (2,114) | (1,131) | (2,581) | (5,901) | 1,758 |
| 18,131 | 3,131 | 40,165 | 46,066 | 175,198 |
| $ 16,017 | $ 2,000 | $ 37,584 | $ 40,165 | $ 176,956 |

**CITY OF JACKSONVILLE, FLORIDA**
**COMBINING STATEMENT OF CASH FLOWS**
**MAJOR ENTERPRISE FUNDS**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (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) | $ 11,804 | $ 520 | ($ 3,253) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 2,274 | 6,109 | 2,524 |
| Other non-operating revenue/(expenses) | - | - | - |
| (Increase) decrease in assets: | | | - |
| Receivables and other current assets, net | 226 | 385 | (644) |
| Due from independent agencies and other governments | (87) | - | - |
| Interest and dividend receivables | - | - | - |
| Inventories | - | - | - |
| Other receivables | - | - | - |
| Loan receivables | - | - | - |
| Prepaid expenses and other assets | - | 13 | (169) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (236) | 3 | 320 |
| Contracts payable | 20 | - | - |
| Deposits | (8) | (226) | 6,012 |
| Accrued interest payable | - | 296 | 203 |
| Unearned revenue | - | - | 78 |
| Other liabilities | 128 | - | - |
| Liability for landfill closure and postclosure care | (13,752) | - | - |
| Liability for self-insured losses | - | - | - |
| Accrued compensated absences | 54 | - | - |
| TOTAL ADJUSTMENTS | (11,381) | 6,580 | 8,324 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | $ 423 | $ 7,100 | $ 5,071 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | |
| Change in the fair value of investments | 4 | 1 | (1) |
| Capital assets transferred between proprietary funds | - | 13,563 | 289 |
| Capital assets transferred from governmental activities to proprietary funds of the city | 3 | - | - |
| Disposal of capital assets | | | |
| Accrued Interest | (327) | (2,670) | (2,265) |
| Gift | - | - | - |
| Accounts payable capital assets | - | - | - |

| STORM-WATER SERVICES | NON MAJOR ENTERPRISE | TOTALS 2014 | TOTALS 2013 | INTERNAL SERVICE FUNDS |
|---|---|---|---|---|
| $ 10,128 | ($ 1,645) | $ 17,554 | $ 6,920 | $ (4,835) |
| 2,372 | 3,832 | 17,111 | 16,978 | 19,304 |
| - | 8 | 8 | 1,695 | - |
| (1,197) | (46) | (1,276) | (4,203) | (12) |
| - | (183) | (270) | (66) | 188 |
| - | - | - | - | - |
| - | - | - | - | 852 |
| - | - | - | - | 618 |
| - | - | - | - | 8,107 |
| - | (6) | (162) | (114) | 77 |
| 1,927 | 902 | 2,916 | 2,856 | 6,431 |
| 73 | - | 93 | - | |
| 6 | 126 | 5,910 | 562 | (200) |
| - | 50 | 549 | - | - |
| - | - | 78 | 22 | (108) |
| 27 | 45 | 200 | 369 | 406 |
| - | - | (13,752) | 706 | - |
| - | - | - | - | 5,443 |
| (475) | 20 | (401) | 54 | 323 |
| 2,733 | 4,748 | 11,004 | 18,859 | 41,429 |
| $ 12,861 | $ 3,103 | $ 28,558 | $ 25,779 | $ 36,594 |
| 6 | (1) | 9 | (168) | 50 |
| - | 57,278 | 71,130 | - | - |
| 11 | 32 | 46 | 71 | - |
| - | (672) | (5,934) | (6,106) | - |
| - | | - | 4,651 | - |
| - | | - | (1,349) | - |

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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, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | PENSION TRUST FUNDS | | PRIVATE PURPOSE TRUST FUND | | AGENCY FUNDS | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **ASSETS** | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Equity in pooled cash and investments | $ 35,676 | $ 38,631 | $ 249 | $ 248 | $ 51,121 | $ 53,126 |
| Receivables (net, where applicable, of allowances for uncollectibles): | | | | | | |
| Interest and dividends | 4,414 | 4,711 | - | - | - | - |
| Accounts | 108 | 97 | - | - | 2,470 | 2,202 |
| Other | 3,365 | 1,541 | - | - | - | - |
| Due from independent agencies and other governments | 4,427 | 5,314 | - | - | - | - |
| Prepaid assets | 64 | 66 | - | - | - | - |
| Investments, at fair value: | | | | | | |
| U.S. government obligations | 172,422 | 96,207 | - | - | - | - |
| Federal agencies | 112,667 | 150,355 | - | - | - | - |
| Municipal bonds | 853 | 1,417 | - | - | - | - |
| Domestic corporate bonds | 218,249 | 155,984 | - | - | - | - |
| Short-term investments | 44,592 | 69,322 | - | - | - | - |
| Domestic stocks | 1,223,246 | 1,332,393 | - | - | - | - |
| International stocks | 773,714 | 702,100 | - | - | - | - |
| Real estate | 382,611 | 276,232 | - | - | - | - |
| Energy market investments | 115,965 | 107,284 | - | - | - | - |
| Other fixed income | 357,012 | 200,626 | - | - | - | - |
| Alternative investments | 49,355 | 44,410 | - | - | - | - |
| Equity in pooled investments | 11,480 | 5,860 | - | - | - | - |
| Total investments | 3,462,166 | 3,142,190 | - | - | - | - |
| Total Current Assets | 3,510,220 | 3,192,550 | 249 | 248 | 53,591 | 55,328 |
| CAPITAL ASSETS | | | | | | |
| Other capital assets, net of depreciation | 38 | 47 | - | - | - | - |
| Total Capital Assets, Net | 38 | 47 | - | - | - | - |
| Securities lending collateral | 199,636 | 57,238 | - | - | - | - |
| **TOTAL ASSETS** | 3,709,894 | 3,249,835 | 249 | 248 | 53,591 | 55,328 |
| **LIABILITIES** | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Obligations under securities lending agreement | 199,639 | 57,240 | - | - | - | - |
| Accounts payable and accrued liabilities | 5,437 | 6,518 | - | - | 239 | 577 |
| Due to independent agencies and other governments | - | - | - | - | 19,246 | 15,722 |
| Due to individuals | - | - | - | - | 6,859 | 7,502 |
| Deposits held in escrow | - | - | - | - | 26,566 | 30,846 |
| Miscellaneous liabilities | - | - | - | - | 681 | 681 |
| Total Current Liabilities | 205,076 | 63,758 | - | - | 53,591 | 55,328 |
| NONCURRENT LIABILITIES: | | | | | | |
| Other post employment benefits | 77 | 62 | - | - | - | - |
| Accrued compensated absences | 188 | 129 | - | - | - | - |
| Terminal leave - group care | 174 | 272 | - | - | - | - |
| Due to participants | - | 34 | - | - | - | - |
| Total Noncurrent Liabilities | 439 | 497 | - | - | - | - |
| **TOTAL LIABILITIES** | 205,515 | 64,255 | - | - | $ 53,591 | $ 55,328 |
| **NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES** | $ 3,504,379 | $ 3,185,580 | $ 249 | $ 248 | | |

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**
**WITH COMPARATIVE TOTALS FOR 2013 (in thousands)**

| | PENSION TRUST FUNDS | | PRIVATE PURPOSE TRUST | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **ADDITIONS** | | | | |
| Contributions: | | | | |
| Employer | $ 240,805 | $ 189,917 | $ - | $ - |
| Plan members | 37,501 | 37,132 | - | - |
| Total contributions | 278,306 | 227,049 | - | - |
| Other additions: | | | | |
| State insurance contributions | 10,111 | 9,667 | - | - |
| Court fines & penalties | 1,208 | 1,114 | - | - |
| Miscellaneous | 165 | 1,295 | - | - |
| Transfers in | - | 1,102 | - | 3 |
| Total other additions | 11,484 | 13,178 | - | 3 |
| Investment income: | | | | |
| Net change in fair value of investments | 319,818 | 408,849 | - | - |
| Interest and other miscellaneous | 27,342 | 28,310 | 4 | 1 |
| Dividends | 28,118 | 28,594 | - | - |
| Rebate of commissions | 100 | 123 | - | - |
| Rental income | 530 | 1,706 | - | - |
| Total investment income | 375,908 | 467,582 | 4 | 1 |
| Less investment expense | (17,449) | (14,921) | - | - |
| Less rental expense | (258) | (321) | - | - |
| Net investment income | 358,201 | 452,340 | 4 | 1 |
| From Securities Lending Activities: | | | | |
| Securities lending | 1,028 | 428 | - | - |
| Agent fees | (237) | (107) | - | - |
| Total securities lending activities | 791 | 321 | - | - |
| **TOTAL ADDITIONS, NET** | 648,782 | 692,888 | 4 | 4 |
| **DEDUCTIONS** | | | | |
| Benefit payments | 269,674 | 252,844 | - | - |
| DROP benefits | 26,387 | 54,249 | - | - |
| Refund of contributions | 30,792 | 22,887 | - | - |
| Transfers out | - | 1,102 | - | - |
| Miscellaneous-Grant LED changeout expense | 13 | 60 | - | - |
| Administrative expenses | 3,117 | 3,227 | - | - |
| Operating expenses | - | - | 3 | 4 |
| **TOTAL DEDUCTIONS** | 329,983 | 334,369 | 3 | 4 |
| **CHANGE IN NET POSITION** | 318,799 | 358,519 | 1 | - |
| **NET POSITION, BEGINNING OF YEAR AS RESTATED** | 3,185,580 | 2,827,061 | 248 | 248 |
| **NET POSITION, END OF YEAR** | $ 3,504,379 | $ 3,185,580 | $ 249 | $ 248 |

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.

### COMPONENT UNITS THAT DO NOT ISSUE A SEPARATE REPORT:

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

**CITY OF JACKSONVILLE, FLORIDA**
**COMBINING STATEMENT OF NET POSITION -**
**COMPONENT UNITS (in thousands)**
**SEPTEMBER 30, 2014**

| | JEA | JACKSONVILLE TRANSPORTATION AUTHORITY | JACKSONVILLE PORT AUTHORITY |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 589,622 | $ 64,932 | $ 73,330 |
| Cash in escrow with fiscal agent | - | - | - |
| Investments | 929,989 | 30,225 | - |
| Due from other governmental agencies | - | 53,150 | - |
| Accounts and interest receivable | 239,100 | 679 | 4,892 |
| Mortgages receivable | - | - | - |
| Other receivables | - | - | 10,959 |
| Inventories | 136,889 | 3,950 | 1,575 |
| Other assets | 27,884 | 11,513 | - |
| Custodial Assets - Construction projects | - | 77,481 | - |
| Capital assets: | | | |
| Land, easements, and construction in progress | 335,195 | 63,327 | 287,938 |
| Buildings and improvements | - | 151,098 | 530,608 |
| Vehicles | - | 93,942 | - |
| Equipment | - | 85,954 | 114,391 |
| Utility plant in service | 10,491,842 | - | - |
| Less: accumulated depreciation | (4,607,417) | (211,203) | (328,647) |
| Total capital assets, net of depreciation | 6,219,620 | 183,118 | 604,290 |
| **TOTAL ASSETS** | 8,143,104 | 425,048 | 695,046 |
| | | | - |
| **DEFERRED OUTFLOW OF RESOURCES:** | | | |
| Costs to be recovered by future revenues | 19,715 | - | - |
| Unamortized deferred loss on refundings | 168,593 | - | 5,996 |
| Accumulated decrease in fair value of hedging instrument | 105,615 | - | 1,322 |
| **TOTAL DEFERRED OUTFLOW OF RESOURCES** | 293,923 | - | 7,318 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 133,634 | 9,957 | 3,461 |
| Contracts payable | 22,604 | - | 3,658 |
| Deposits | 55,644 | - | - |
| Unearned revenue | - | 552 | 6,239 |
| Interest payable | 94,307 | - | 3,568 |
| Other current liabilities | 89,220 | - | 1,485 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Estimated liability for injury and damage claims | - | 940 | - |
| Bonds, notes payable, capital leases | 256,630 | - | 10,267 |
| Compensated absences | - | 284 | - |
| Due in more than one year: | | | |
| Estimated liability for injury and damage claims | - | 3,309 | - |
| Bonds, capital leases and commercial paper | 5,207,141 | - | 206,838 |
| Fair market value of debt management instrument | 105,615 | - | 1,322 |
| Compensated absences | - | 738 | - |
| Custodial projects - due to other governments | - | 97,147 | - |
| OPEB liability | - | 399 | - |
| Unearned revenue noncurrent | - | - | 112,728 |
| Other noncurrent liabilities | 44,456 | 784 | 28,737 |
| **TOTAL LIABILITIES** | 6,009,251 | 114,110 | 378,303 |
| **DEFERRED INFLOW OF RESOURCES:** | | | |
| Revenue to be used for future costs | 231,770 | - | - |
| **NET POSITION** | | | |
| Net investment in capital assets | 976,490 | 183,118 | 278,220 |
| Restricted for: | | | |
| Capital projects | 308,624 | - | - |
| Debt service | 254,993 | - | 18,178 |
| Other purposes | 43,882 | - | 2,705 |
| Unrestricted | 612,017 | 127,820 | 24,958 |
| **TOTAL NET POSITION** | $ 2,196,006 | $ 310,938 | $ 324,061 |

See accompanying notes.

| JACKSONVILLE HOUSING FINANCE AUTHORITY | TOTAL |
|---|---|
| $ 7,643 | $ 735,527 |
| 1,790 | 1,790 |
| - | 960,214 |
| - | 53,150 |
| - | 244,671 |
| 12,373 | 12,373 |
| - | 10,959 |
| - | 142,414 |
| - | 39,397 |
| - | 77,481 |
| - | 686,460 |
| - | 681,706 |
| - | 93,942 |
| - | 200,345 |
| - | 10,491,842 |
| - | (5,147,267) |
| - | 7,007,028 |
| 21,806 | 9,285,004 |
| - | 19,715 |
| - | 174,589 |
| - | 106,937 |
| - | 301,241 |
| 20 | 147,072 |
| - | 26,262 |
| 10 | 55,654 |
| - | 6,791 |
| - | 97,875 |
| - | 90,705 |
| - | 940 |
| - | 266,897 |
| 2 | 286 |
| - | 3,309 |
| - | 5,413,979 |
| - | 106,937 |
| 33 | 771 |
| - | 97,147 |
| 15 | 414 |
| - | 112,728 |
| - | 73,977 |
| 80 | 6,501,744 |
| - | 231,770 |
| - | 1,437,828 |
| - | 308,624 |
| - | 273,171 |
| - | 46,587 |
| 21,726 | 786,521 |
| $ 21,726 | $ 2,852,731 |

**CITY OF JACKSONVILLE, FLORIDA**
**COMBINING STATEMENT OF ACTIVITIES -**
**COMPONENT UNITS (in thousands)**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

| | | PROGRAM REVENUES | | | GOVERNMENTAL ACTIVITIES | |
|---|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | EXPENSES | FINES AND CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | JACKSONVILLE TRANSPORTATION AUTHORITY | JACKSONVILLE HOUSING FINANCE AUTHORITY |
| Governmental activities: | | | | | | |
| Jacksonville Transportation Authority | $ 73,124 | $ - | $ - | | $ (73,124) | $ - |
| Jacksonville Housing Finance Authority | 537 | - | - | - | - | (537) |
| Total governmental activities | 73,661 | - | - | - | (73,124) | (537) |
| Business-type activities: | | | | | | |
| JEA | 1,779,744 | 1,861,881 | | 38,845 | - | - |
| Jacksonville Transportation Authority | 111,484 | 23,875 | 10,485 | 15,835 | - | - |
| Jacksonville Port Authority | 67,268 | 53,191 | 5,897 | 16,915 | - | - |
| Total business-type activities | 1,958,496 | 1,938,947 | 16,382 | 71,595 | - | - |
| Total component units | $ 2,032,157 | $ 1,938,947 | $ 16,382 | $ 71,595 | (73,124) | (537) |
| General Revenues: | | | | | | |
| Sales and tourist taxes | | | | | 74,432 | - |
| Intergovernmental - unrestricted | | | | | - | - |
| Unrestricted earnings on investments | | | | | 74 | 199 |
| Miscellaneous | | | | | 112 | 341 |
| Total general revenues | | | | | 74,618 | 540 |
| Change in net position | | | | | 1,494 | 3 |
| Net position, beginning of year, as restated | | | | | 118,945 | 21,723 |
| Net position, end of year | | | | | $ 120,439 | $ 21,726 |

See accompanying notes.

| BUSINESS-TYPE ACTIVITIES | | | TOTAL |
|---|---|---|---|
| JEA | JACKSONVILLE TRANSPORTATION AUTHORITY | JACKSONVILLE PORT AUTHORITY | GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES |
| $ - | $ - | $ - | $ (73,124) |
| - | - | - | (537) |
| | | - | |
| | | - | (73,661) |
| 120,982 | - | - | 120,982 |
| - | (61,289) | - | (61,289) |
| - | - | 8,735 | 8,735 |
| 120,982 | (61,289) | 8,735 | 68,428 |
| 120,982 | (61,289) | 8,735 | (5,233) |
| - | - | - | 74,432 |
| - | 63,449 | - | 63,449 |
| 24,113 | 116 | 116 | 24,618 |
| 11,174 | - | - | 11,627 |
| 35,287 | 63,565 | 116 | 174,126 |
| 156,269 | 2,276 | 8,851 | 168,893 |
| 2,039,737 | 188,223 | 315,210 | 2,683,838 |
| $ 2,196,006 | $ 190,499 | $ 324,061 | $ 2,852,731 |

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**CITY OF JACKSONVILLE, FLORIDA**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**


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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Jacksonville, Florida (the City) conform to accounting principles generally accepted in the United States (GAAP) as applicable to governments. The following is a summary of the more significant policies. Notes 1C. through 19 are note disclosures of the primary government with significant disclosures for major component units incorporated within. Additional significant component unit disclosures are presented in Note 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 890,066 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.

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

The **Jacksonville Police and Fire Pension Board of Trustees**, created under Article 22 of the City Charter, provides 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.

**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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Financial Reporting Entity:** (continued)

**Major Component Units**

**JEA** (formerly known as the Jacksonville Electric Authority) was created by Chapter 67-1569 of the Laws of Florida to own, manage, and operate an electric utility system and a water and sewer utility system in 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 engineer of the Florida Department of Transportation.

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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Financial Reporting Entity:** (continued)

**Component Units that do not issue a separate report**

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

**Non-major Component Units**

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Financial Reporting Entity:** (continued)

**Related Organizations**

The **Jacksonville Housing Authority** (JHA) is governed by a seven member board, whose members are appointed by the mayor and confirmed by City Council. However, the City does not have the ability to impose its will on JHA. The City cannot remove appointed members 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 15 member board, with five members being non-voting.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. Basic Financial Statements:

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

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

The citywide statement of net 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:

**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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Fund Structure:** (continued)

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

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

In addition, the City reports the following fund types:

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

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

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

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

**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.

## 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.

## 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 that 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.

## 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 estimated fair market value on the date received. Generally, capital assets costing $1,000 or more and having a useful life of more than one year are capitalized. Infrastructure is capitalized based on the accumulated amounts charged to specific capital projects on an annual basis. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are reported in the applicable governmental or business-type column in the citywide financial statements, and in the Proprietary Fund Level Statements.

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.

## 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 an excess liability policy that provides coverage for general liability at limits of $5 million per occurrence with a policy aggregate limit of $5 million, except $1 million per occurrence for Automobile Liability (Effective 10/1/2013). These limits are subject to a $1.5 million self-insured retention for the City and all other participating entities. The excess policy includes statutory coverage for worker’s compensation benefits including a $50 million aggregate limit for communicable disease and employer’s liability with $1 million in the aggregate with a self-insured retention per occurrence of $1.25 million with a $500,000 otherwise recoverable (aggregate/corridor deductible) excess of $1.5 million. The City continues to purchase a miscellaneous policy for Out-of State Automobile Liability for JSO with $1 million in coverage and without a self-insured retention. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries at September 30, 2014, for incurred but not yet reported claims, claims development, and unallocated loss adjustment expenses. The liability for self-insured losses is accounted for in the Self-Insurance Fund (internal service fund) that pays for claims made against the City.

### O. Pension Costs:

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### P. Landfill Closure and Postclosure Care Costs:

The City recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection Agency (EPA), and GASB Statement No. 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 deferred charge 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.)

### 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 that 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Q. Long-Term Obligations:** (continued)

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) that 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.

**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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### U. Use of Estimates:

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

### V. Reclassifications:

Certain 2013 amounts have been reclassified to conform to the 2014 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, 2013, from which the summarized information was derived. Limited 2013 comparative information was adjusted for comparability on some of the financial statements.

### 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 2014, the City adopted new statements of financial accounting standards issued by the GASB:

- Statement No. 65, Items Previously Reported as Assets and Liabilities
- Statement No. 67, Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25

Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of GASB 65 resulted in a restatement in beginning net position. (See Note 18B).

Statement No. 67 provides additional note disclosure and schedule requirements for Pension Plans, reported as Pension Trust Funds, which are included in Note 9 and related Requires Supplemental Schedule section of the report. The adoption of GASB 67 resulted in a restatement in beginning net position of the Police and Fire Pension Fund. (See Note 18B)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Y. Accounting Pronouncements: (continued)

Significant Unadopted Standards

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, was issued June 2012. The Statement is intended to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement will be effective for the City beginning with fiscal year ending September 30, 2015. The adoption of this statement will require the City to record a liability at the government-wide level and in its proprietary funds for the unfunded portion of its pension plans which are discussed in Note 9 and for the City's portion of any unfunded obligation of the Florida Retirement System. The full effect of this change has not yet been determined.

## 2. BUDGETARY DATA

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

## 3. CASH, INVESTMENTS AND SECURITIES LENDING

### A. Cash on Deposit

The City maintains a cash and investment pool that is available for use by all funds except for monies legally restricted to separate administration (i.e., pension plan custodians and deferred compensation plan administrators). The "Equity in pooled 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.

**CASH and INVESTMENTS**

| September 30, 2014 | *(in thousands)* |
|---|---|
| Primary Government: | |
| Cash and Cash Equivalents | $133,000 |
| Cash in escrow and with fiscal agents | 142,997 |
| Investments - Primary Government | 670,579 |
| Primary Government Total: | 946,576 |
| Pension and Agency Funds: | |
| Cash and Cash Equivalents | |
| Pension Trust Funds | 35,676 |
| Private Purpose Trust Funds | 249 |
| Agency Funds | 51,121 |
| Investments - Pensions | 3,466,580 |
| Pension and Agency Total: | 3,553,626 |
| Component Units: | |
| Cash and Cash Equivalents | 735,527 |
| Cash in escrow and with fiscal agents | 1,790 |
| Investments - Component Units | 960,214 |
| Component Unit Total: | 1,697,531 |
| Total Cash and Investments: | $6,197,733 |
| Investments Schedules: | |
| Operating Portfolio | $1,630,793 |
| (includes interest and dividends receiveble) | |
| Pension Portfolio | 3,466,580 |
| (includes interest and dividends receiveble) | |
| Sub-total: | 5,097,373 |
| Other Cash/Investments: | |
| Cash | 323,148 |
| Cash with Fiscal Agent | 144,787 |
| Restricted Funds | 632,425 |
| Sub-total: | 1,100,360 |
| Total Cash and Investments: | $6,197,733 |

## 3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

### A. Cash on Deposit (continued)

#### 1. Custodial Credit Risk

As of September 30, 2014, primary government deposits in financial institutions totaled $122.2 million. Monies on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", and covered by federal depository insurance. For amounts in excess of such federal depository insurance the Act provides that all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor is liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sales of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

### B. Investments and Investment Practices

#### 1. General Operating Investments

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

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 2013-14 Normal Portfolio Balance of $849 million, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months.

## 3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

### B. Investments and Investment Practices (continued)

#### 1. General Operating Investments (continued)

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

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

**Operating Fund**
**Compliance Guideline Characteristics**
**as of September 30, 2014**

| | Sector Guideline Exposures | | | |
|---|---|---|---|---|
| | | % of Normal Portfolio Balance | | |
| | | | Maximum | |
| Compliance Guideline | Exposure to Specific Guideline | Year end Exposure % | During Year | By Policy |
| **Duration**[1] | 2.50 | NA | 2.50 | 5.00 |
| **Liquidity** | $ 268,569,839 | 31.6% | 46.5% | 100.0% |
| **Requirements** | | | | |
| USG + Agencies | $ 211,143,695 | 24.9% | 29.4% | 100.0% |
| US Govt (USG) | 154,002,991 | 18.1% | 18.2% | 100.0% |
| **Constraints** | | | | |
| Agencies | $ 57,140,704 | 6.7% | 11.5% | 45.0% |
| MBS | 43,400,352 | 5.1% | 9.0% | 35.0% |
| Agency MBS | 10,987,645 | 1.3% | 5.3% | 35.0% |
| Non-Agency MBS | 32,412,707 | 3.8% | 3.9% | 15.0% |
| Asset Backed Securities | 32,363,456 | 3.8% | 3.5% | 7.5% |
| Corporates | 273,851,250 | 32.3% | 35.5% | 60.0% |
| Corporates > 1 Year | 141,470,700 | 16.7% | 19.1% | 40.0% |
| Municipal Bonds | 9,137,150 | 1.1% | 1.0% | 10.0% |
| Bond Funds | 121,919,739 | 14.4% | 31.2% | 85.0% |
| Money Market Funds | 42,109,206 | 5.0% | 7.0% | 40.0% |
| Certificates of Deposit | - | 0.0% | 0.0% | 20.0% |
| Repurchase agreements | - | 0.0% | 0.0% | 20.0% |
| Rule 144a Securities | 34,088,916 | 4.0% | 4.6% | 10.0% |
| **Specialty Risk** | | | | |
| High Yield | $ 33,188,078 | 3.9% | 4.2% | 7.5% |
| International | 3,412,097 | 0.4% | 0.8% | 7.5% |
| International (non-hedged) | - | 0.0% | 0.0% | 5.0% |
| Emerging Market | 1,832,461 | 0.2% | 0.2% | 7.5% |
| Duration > 8.5 | 25,564,912 | 3.0% | 3.1% | 7.5% |
| Normal Portfolio Balance | $ 849,000,000 | | | |

[1]Commingled Funds and Cash are excluded

## 3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

### B. Investments and Investment Practices (continued)

#### 2. Pension Plan Investments

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

**Jacksonville Retirement System**
**Distribution by Asset Type**
**9/30/2014**

| | Equities | Bonds | Other | Cash | Total | Percentage |
|---|---|---|---|---|---|---|
| Equity (Domestic) | $ 765,811,027 | $ - | $ - | $ 13,201,224 | $ 779,012,251 | 39% |
| Large Cap Value | 185,115,091 | - | - | 3,373,938 | 188,489,029 | 9% |
| Large Cap Growth | 185,168,606 | - | - | 4,892,424 | 190,061,030 | 10% |
| Large Cap Core | 211,876,884 | - | - | 1,263,602 | 213,140,486 | 11% |
| Small Cap Value | 49,826,032 | - | - | 755,312 | 50,581,344 | 3% |
| Small Cap Growth | 88,246,334 | - | - | 1,804,057 | 90,050,391 | 4% |
| Small Cap Core | 45,578,080 | - | - | 1,111,891 | 46,689,971 | 2% |
| Transition Account | - | - | - | 490 | 490 | 0% |
| Equity (International) | $ 428,143,499 | $ - | $ - | $ - | $ 428,143,499 | 23% |
| Value | 201,139,514 | - | - | - | 201,139,514 | 11% |
| Growth | 114,729,046 | - | - | - | 114,729,046 | 6% |
| Emerging | 112,274,939 | - | - | - | 112,274,939 | 6% |
| Bonds | $ - | $ 384,404,863 | $ - | $ 10,609,129 | $ 395,013,992 | 19% |
| Intermediate | - | 203,940,050 | - | 10,556,113 | 214,496,163 | 10% |
| Aggregate | - | 137,436,026 | - | 102 | 137,436,128 | 7% |
| Inflation Protected | | 43,028,787 | | 52,914 | 43,081,701 | 2% |
| Cash Account | $ - | $ - | | 5,494,108 | $ 5,494,108 | 0% |
| Other | $ 117,608,634 | $ - | $ 260,739,006 | $ 1,884,845 | $ 380,232,485 | 19% |
| Real Assets | 117,608,634 | - | 260,739,006 | 1,884,845 | 380,232,485 | 19% |
| Total investments | $ 1,311,563,160 | $ 384,404,863 | $ 260,739,006 | $ 31,189,796 | $ 1,987,896,825 | 100% |
| Less: Amount reported as receivables | | | | | (2,822,873) | |
| Total Investments less receivables | | | | | $ 1,985,073,952 | |

# 3. CASH, INVESTMENTS AND SECURITIES LENDING

## B. Investments and Investment Practices (continued)

### 2. Pension Plan Investments (continued)

**Police and Fire Pension Fund**
**Distribution by Asset Type**
**9/30/2014**

| | Equities | Bonds | Other | Cash | Total | Percentage |
|---|---|---|---|---|---|---|
| Equity (Domestic) | $ 568,574,854 | $ - | $ - | $ 6,737,122 | $ 575,311,976 | 39% |
| Large Cap Value | 148,618,617 | - | - | 1,158,007 | $ 149,776,624 | 10% |
| Large Cap Growth | 146,606,939 | - | - | 3,746,537 | $ 150,353,476 | 10% |
| Large Cap Core | 96,318,113 | - | - | - | $ 96,318,113 | 7% |
| Small Cap Value | 100,769,352 | - | - | 64,903 | $ 100,834,255 | 7% |
| SMID Cap Growth | 76,261,833 | - | - | 1,767,675 | $ 78,029,508 | 5% |
| Equity (International) | $ 303,916,242 | $ - | $ - | $ 114 | $ 303,916,356 | 20% |
| Value | 122,532,893 | - | - | 114 | $ 122,533,007 | 8% |
| Growth | 94,555,112 | - | - | - | $ 94,555,112 | 6% |
| Emerging Markets | 86,828,237 | - | - | - | $ 86,828,237 | 6% |
| Bonds | $ - | $ 311,931,613 | $ - | $ 456,373 | $ 312,387,986 | 21% |
| Intermediate | | 67,738,807 | - | (98,460) | $ 67,640,347 | 5% |
| Aggregate | | 244,192,806 | - | 554,833 | $ 244,747,639 | 16% |
| Cash Account | $ - | $ - | $ - | $ 7,344,512 | $ 7,344,512 | 1% |
| Other | $ - | $ - | $ 270,623,989 | $ 2,659,895 | $ 273,283,884 | 19% |
| Real Estate | - | - | 154,659,253 | - | $ 154,659,253 | 11% |
| MLPs | - | - | 115,964,736 | $ 2,659,895 | $ 118,624,631 | 8% |
| Total investments | $ 872,491,096 | $ 311,931,613 | $ 270,623,989 | $ 17,198,016 | $ 1,472,244,714 | 100% |
| Less: Amount reported as receivables | | | | | (1,591,014) | |
| Total Investments less receivables | | | | | $ 1,470,653,700 | |

### 3. Interest Rate Risk

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

## 3. CASH, INVESTMENTS AND SECURITIES LENDING

### B. Investments and Investment Practices (continued)

#### 4. Credit Quality

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

Credit Quality
September 30, 2014

| Operating Portfolio | | General Employee Pension Plan | Police and Fire Pension Fund |
|---|---|---|---|
| Quality Breakdown | Portfolio (%) | Portfolio (%) | Portfolio (%) |
| Aaa | 40% | 42% | 56% |
| Aa1-Aa3 | 3% | 3% | 2% |
| A1-A3 | 12% | 16% | 13% |
| Baa1-Baa3 | 21% | 17% | 14% |
| Ba1-Ba3 | 5% | 3% | 8% |
| Other | 0% | 0% | 7% |
| Commingled | 19% | 19% | 0% |
| | 100% | 100% | 100% |

Ratings definitions:
Treasury – United States Treasury Securities
Agency – Government Agency Securities
Aaa (AAA) – Highest Investment Grade Quality Rating
Aa1–Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating
A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating
Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating
Ba1-Ba3 (BB+ to BB-) – Highest Non-investment Grade Quality Rating
Commingled – Securities that are not applicable to Quality Ratings - they represent predominantly mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

#### 5. Custodial Credit Risk

The custodial relationship for 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 Pension Trust funds.

## 3. CASH, INVESTMENTS AND SECURITIES LENDING

### B. Investments and Investment Practices (continued)

#### 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, 2014

| | Operating Portfolio | | Jacksonville Retirement System | | Police and Fire Pension Fund | |
|---|---|---|---|---|---|---|
| | Exposure | Percentage | Exposure | Percentage | Exposure | Percentage |
| U.S. DOLLAR | $ 685,444,996 | 99.50% | $ 1,989,327,645 | 99.99% | $ 1,470,539,352 | 99.99% |
| MEXICAN NEW PESO | 1,218,825 | 0.18% | - | 0.00% | | 0.00% |
| SINGAPORE DOLLAR | 925,075 | 0.13% | - | 0.00% | | 0.00% |
| BRAZIL REAL | 451,592 | 0.07% | - | 0.00% | | 0.00% |
| CANADIAN DOLLAR | 297,379 | 0.04% | - | 0.00% | | 0.00% |
| INDIAN RUPEE | 270,907 | 0.04% | - | 0.00% | | 0.00% |
| SWISS FRANC | - | 0.00% | 240,780 | 0.01% | 96,170 | 0.01% |
| AUSTRIALIAN DOLLAR | 198,652 | 0.03% | - | 0.00% | | 0.00% |
| JAPANESE YEN | - | 0.00% | 10,785 | 0.00% | 5,794 | 0.00% |
| EURO CURRENCY UNIT | 41,272 | 0.01% | 8,732 | 0.00% | | 0.00% |
| SWEDISH KRONA | - | 0.00% | 4,829 | 0.00% | | 0.00% |
| BRITISH POUND | - | 0.00% | - | 0.00% | 98 | 0.00% |
| Total | $ 688,848,698 | 100.00% | $ 1,989,592,771 | 100.00% | $ 1,470,641,414 | 100.00% |

### C. Securities Lending

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

## 3. CASH, INVESTMENTS AND SECURITIES LENDING

### C. Securities Lending (continued)

The securities loaned are on a rolling daily basis and the cash collateral can be deposited and/or withdrawn from the investment on a daily basis. The weighted average duration of the collateralized loans at September 30, 2014 was 66 days for the City's Operating Portfolio and 114 days for the Jacksonville Retirement System.

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

The transaction establishes a rebate interest rate (assuming cash collateral), which is due back to the broker/dealer upon return of the security. The cash is then invested short-term and the City and the custodian share in the incremental return available above the rebated interest rate. The short-term fixed income instruments can be invested in high quality, dollar-denominated fixed income instruments, with a policy dollar-weighted, average maturity limit of less than thirty days. The City, as a program participant, assumes the risk that (a) the overnight investment will not equal or exceed the rebate interest rate; (b) the overnight investment will experience a loss in fair value (i.e., principal); and (c) the collateral will not be sufficient if the borrower fails to return the security back to the lending bank. As noted above, cash collateral is invested in short-term income instruments. When non-cash collateral is provided the collateral must be obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The City cannot pledge or sell these obligations in the absence of a default by the borrower. The net asset value of the collateral may fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%. As of September 30, 2014, the City of Jacksonville maintained a sufficient 102.6% collateral on loaned securities. During the fiscal year ended September 30, 2014; Securities Lending net income was $471 thousand ($62 thousand Operating, $409 thousand Jacksonville Retirement System).

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

## 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, 2014.

| Fund | Accounts and Other Receivables | Allowance for Doubtful Accounts | Net Amount Shown on Balance Sheet |
|---|---|---|---|
| Major Governmental Funds: | | | |
| General Fund | $ 114,871 | $ (79,269) | $ 35,602 |
| Non-Major Governmental Funds | 1,253 | (65) | 1,188 |
| Major Enterprise Funds: | | | |
| Solid Waste Disposal | 36,066 | (5,538) | 30,528 |
| EverBank Field | 497 | (88) | 409 |
| Veterans Memorial Arena | 1,499 | (71) | 1,428 |
| Stormwater | 36,693 | (14,571) | 22,122 |
| Non-Major Enterprise Funds | 976 | (27) | 949 |
| Fiduciary Funds: | | | |
| Pension Trust Funds | 7,887 | - | 7,887 |
| Agency Funds | 2,470 | - | 2,470 |

| Fund | Mortgage Receivable | Allowance for Doubtful Accounts | Net Amount Shown on Balance Sheet |
|---|---|---|---|
| Non-Major Governmental Funds | $ 11,868 | $ (7,188) | $ 4,680 |

(The remainder of this page is intentionally left blank)

## 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, 2014.

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.

### B. Property Tax Calendar:

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

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

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## 6. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

**Primary Government**

| | Beginning Balance October 1, 2013 | Additions | Dispositions/ Reclassifications | Ending Balance September 30, 2014 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 307,602 | $ 1 | $ - | $ 307,603 |
| Easements | 5,137 | - | - | 5,137 |
| Art In Public Places | 764 | - | - | 764 |
| Construction in progress | 12,335 | 40,236 | (3,997) | 48,574 |
| Furniture and equipment in work in process | 724 | 3,865 | (724) | 3,865 |
| Purchased Software work in process | - | - | - | - |
| Software Development Work In Process | - | | - | - |
| Total capital assets not being depreciated | 326,562 | 44,102 | (4,721) | 365,943 |
| Capital assets being depreciated: | | | | |
| Buildings | 796,053 | 13,534 | (777) | 808,810 |
| Improvements | 284,261 | 4,905 | (1,000) | 288,166 |
| Infrastructure | 2,166,939 | 31,320 | - | 2,198,259 |
| Furniture, equipment and library books | 423,132 | 22,501 | (12,058) | 433,575 |
| Internal Software | 26,863 | - | - | 26,863 |
| Purchased Software | 15,424 | 177 | - | 15,601 |
| Total assets being depreciated | 3,712,672 | 72,437 | (13,835) | 3,771,274 |
| Less accumulated depreciation for: | | | | |
| Buildings | 203,744 | 15,644 | (176) | 219,212 |
| Improvements | 72,812 | 12,077 | (1,000) | 83,889 |
| Infrastructure | 685,048 | 88,458 | - | 773,506 |
| Furniture, equipment and library books | 291,096 | 33,661 | (11,402) | 313,355 |
| Internal Software | 14,037 | 2,687 | - | 16,724 |
| Purchased Software | 7,739 | 689 | - | 8,428 |
| Total accumulated depreciation | 1,274,476 | 153,216 | (12,578) | 1,415,114 |
| Total capital assets being depreciated, net | 2,438,196 | (80,779) | (1,257) | 2,356,160 |
| Governmental activities capital assets, net | $ 2,764,758 | $ (36,677) | $ (5,978) | $ 2,722,103 |

| **Business-type activities:** | Beginning Balance October 1, 2013 | Additions | Dispositions/ Reclassifications | Ending Balance September 30, 2014 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 45,986 | $ 620 | $ - | $ 46,606 |
| Easements | 546 | - | - | 546 |
| Construction in progress | 56 | 13,154 | (56) | 13,154 |
| Total capital assets not being depreciated | 46,588 | 13,774 | (56) | 60,306 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 565,670 | 32,865 | - | 598,535 |
| Infrastructure | 41,596 | 11,665 | - | 53,261 |
| Furniture and equipment | 8,860 | 1,669 | (132) | 10,397 |
| Total assets being depreciated | 616,126 | 46,199 | (132) | 662,193 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 212,057 | 13,938 | - | 225,995 |
| Infrastructure | 5,167 | 2,372 | - | 7,539 |
| Furniture and equipment | 6,150 | 801 | (123) | 6,828 |
| Total accumulated depreciation | 223,374 | 17,111 | (123) | 240,362 |
| Total capital assets being depreciated, net | 392,752 | 29,088 | (9) | 421,831 |
| Business-type activities capital assets, net | $ 439,340 | $ 42,862 | $ (65) | $ 482,137 |

## 6. CAPITAL ASSET ACTIVITY

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

| | | |
|---|---|---|
| **Governmental activities:** | | |
| General government | $ | 34,078 |
| Human services | | 2,003 |
| Public Safety | | 10,062 |
| Culture and recreation | | 14,119 |
| Transportation | | 10,600 |
| Economic environment | | 60 |
| Physical environment | | 82,294 |
| Total depreciation expense - governmental activities | $ | 153,216 |

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

| | | |
|---|---|---|
| **Business-type activities:** | | |
| Parking system | $ | 402 |
| Solid Waste | | 2,274 |
| Mayport Ferry | | 625 |
| Stormwater Services | | 2,372 |
| EverBank Field | | 6,109 |
| Veterans Memorial Arena | | 2,524 |
| Baseball Stadium | | 706 |
| Performing Arts | | 753 |
| Convention Center | | 637 |
| Equestrian Center | | 709 |
| Total depreciation expense - business-type activities | $ | 17,111 |

## 7 INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

A summary of interfund balances follows. (in thousands)

| | TRANSFERS OUT | | | | |
|---|---|---|---|---|---|
| | MAJOR FUNDS | | | | |
| | General Fund | Solid Waste | Storm Water | Special Bonded Debt | EverBank Field |
| **TRANSFERS IN** | | | | | |
| MAJOR FUNDS | | | | | |
| General Fund | $ - | $ - | $ - | $ - | $ - |
| Storm Water | 1,741 | - | - | - | - |
| EverBank Field | 4,312 | - | - | - | - |
| Veterans Memorial Arena | - | - | - | - | - |
| Special Bonded Debt | 59,375 | - | 2,932 | - | - |
| Special Bonded Debt-BJP | - | - | - | - | - |
| NON-MAJOR FUNDS | | | | | |
| Baseball Stadium | 281 | - | - | - | - |
| Performing Arts | 570 | - | - | - | - |
| Convention Center | 1,005 | - | - | - | - |
| Equestrian Center | 320 | 98 | - | - | - |
| Ritz Theatre | 752 | - | - | - | - |
| Mayport Ferry | 450 | - | - | - | - |
| Special Revenue | 31,123 | - | - | - | - |
| General Capital Projects | 21,291 | - | - | - | 388 |
| Grant Capital Projects | 188 | - | - | - | - |
| Non Major Debt | - | - | - | - | - |
| Internal Service | 1,271 | - | - | 174 | - |
| | $122,679 | $98 | $2,932 | $174 | $388 |

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 2014 transfers in support of Debt Service funds were 58% of total transfers. A large portion of the transfers out of the General Fund was in support of Non-Major Governmental funds including the Jacksonville Childrens Commission, Community Service Grants and Cecil Field Commerce Center. Transfers from the General Fund include support of Major Enterprise funds, Storm Water and EverBank Field. Other support from the General Fund include transfers to Tax Increment in support of debt service and transfers for Capital Improvement Projects. Non-Major Enterprise funds which include the Baseball Stadium, the Performing Arts Center, the Convention Center, the Equestrian Center, the Ritz Theatre and the Mayport Ferry also received support from the General Fund.

**TRANSFERS OUT**

| NON-MAJOR FUNDS | | | | |
|---|---|---|---|---|
| Special Revenue | General Capital Project | Grant Capital Projects | Internal Service | Total |
| $ 2,527 | $309 | $688 | $2,380 | $ 5,904 |
| - | - | - | - | 1,741 |
| - | - | - | - | 4,312 |
| 4,124 | - | - | - | 4,124 |
| 11,629 | - | - | - | 73,936 |
| 54,470 | - | - | - | 54,470 |
| 1,089 | - | - | - | 1,370 |
| - | - | - | - | 570 |
| - | - | - | - | 1,005 |
| - | - | - | - | 418 |
| - | - | - | - | 752 |
| - | - | - | - | 450 |
| 75 | 102 | - | - | 31,300 |
| 9,027 | - | - | - | 30,706 |
| (38) | - | - | - | 150 |
| 906 | - | - | - | 906 |
| 51 | 6,891 | - | 3,680 | 12,067 |
| $83,860 | $7,302 | $688 | $6,060 | $224,181 |

(continued)

## 7 INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS (continued

A summary of interfund balances follows. (in thousands)

| DUE FROM OTHER FUNDS | | MAJOR ENTERPRISE | NON-MAJOR GOVERNMENTAL FUNDS | |
|---|---|---|---|---|
| | | DUE TO OTHER FUNDS | | |
| | Total | EverBank Field | Better Jacksonville Plan | Community Development Block Grant |
| **MAJOR FUNDS:** | | | | |
| General Fund | $ 1,921 | $ - | $ 900 | $ 968 |
| Better Jacksonville Plan Trust | 13,000 | - | 13,000 | - |
| Ever Bank Field | 3,686 | - | - | - |
| **NON MAJOR FUNDS:** | | | | |
| Sports Complex Capital | 21,255 | 21,255 | - | - |
| **TOTAL** | **$ 39,862** | **$ 21,255** | **$ 13,900** | **$ 968** |

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

| ADVANCES TO OTHER FUNDS | AMOUNT | ADVANCES FROM OTHER FUNDS |
|---|---|---|
| **NON-MAJOR FUNDS:** | | |
| **Internal Service Funds** | | |
| Self Insurance | 4,711 | General Projects-Loan for Redevelopment Agreement |
| **TOTAL** | **$ 4,711** | |

| NON MAJOR GOVERNMENTAL | NON-MAJOR ENTERPRISE FUNDS | | | | |
|---|---|---|---|---|---|
| | DUE TO OTHER FUNDS (continued) | | | | |
| American Recovery & Reinvestment | Sports Complex Capital | Equestrian Center | Performing Arts | | **Total Due To** |
| $ 53 | $ - | $ - | $ - | | $ 1,921 |
| - | - | - | - | | 13,000 |
| - | 2,983 | 401 | 302 | | 3,686 |
| - | - | - | - | | 21,255 |
| **$ 53** | **$ 2,983** | **$ 401** | **$ 302** | | **$ 39,862** |

(continued)

## 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 $4,710,896 at September 30, 2014.

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, 2014 was $11,878,149 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 $12,159,285 due on July 1, 2023. The balance of the loan at September 30, 2014 was $15,183,503 which is recorded in the Office of Economic Development within the General Fund.

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# 8. LONG-TERM OBLIGATIONS

## A. Bonds and loans outstanding:

The bonds and loans outstanding as of September 30, 2014 are as follows (in thousands):

| GOVERNMENTAL ACTIVITIES: | Amount Issued | Amount Outstanding | Remaining Coupon Rates | True Interest Cost [1] |
|---|---|---|---|---|
| **Revenue Bonds Supported by General Fund:** | | | | |
| Excise Taxes Revenue Bonds: | | | | |
| Series 1993 | $ 43,605 | $ 2,551 | 6.300% | 6.292% |
| * Series 2005A | 42,820 | 40,090 | 3.750-5.000% | 4.685% |
| Series 2006A | 36,540 | 32,285 | 3.750-5.000% | 4.559% |
| Series 2006B (AMT) | 9,255 | 4,040 | 4.000% | 4.169% |
| Series 2006C | 23,555 | 16,830 | 5.060-5.220% | 5.228% |
| Series 2007 | 42,245 | 35,780 | 4.000-5.000% | 4.534% |
| Series 2009A | 39,585 | 35,435 | 3.000-5.000% | 4.399% |
| * Series 2009B | 18,535 | 12,030 | 5.000% | 3.035% |
| * Series 2009C (ATM) | 2,275 | 710 | 4.000-5.000% | 3.281% |
| Local Government Sales Tax Revenue Bonds: | | | | |
| Series 2001 | 103,725 | 37,885 | 5.500% | 4.571% |
| Capital Project Revenue Bonds: | | | | |
| * Series 2008A | 67,037 | 59,362 | Variable, assumed 3.50%. Actual rate 0.06% (7-day). | N/A |
| * Series 2008B | 67,037 | 59,362 | 2.890% | N/A |
| Special Revenue Bonds | | | | |
| Series 2009C-1 | 30,170 | 10,055 | 5.000-5.250% | 2.509% |
| Series 2009C-2 (Taxable BABS) | 10,995 | 10,995 | 4.240-4.990% (taxable) | 3.111% |
| Series 2010A | 48,000 | 29,482 | 3.250-5.000% | 2.737% |
| Series 2011A | 76,500 | 76,500 | 5.000-5.250% | 4.674% |
| Series 2012B | 2,850 | 2,848 | 1.120% | 1.119% |
| * Series 2012C | 183,058 | 181,533 | 5.000% | 2.537% |
| Series 2012D | 11,840 | 10,690 | 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% |
| Total Revenue Bonds Supported by General Fund | $ 921,142 | $ 719,978 | | |
| **Notes Payable Supported by General Fund:** | | | | |
| U.S. Government Guaranteed: | | | | |
| Series 2010 (Hilton Hotel) | $ 2,850 | $ 300 | 2.200% (taxable) | N/A |
| Series 2010 (La Villa) | 1,700 | 260 | 2.200-2.660% (taxable) | N/A |
| Series 2010 (Armor Holdings) | 775 | 160 | 2.200-2.660% (taxable) | N/A |
| Series 2010 (Hampton Inns) | 550 | 65 | 2.200% (taxable) | N/A |
| Total Notes Payable Supported by General Fund | $ 5,875 | $ 785 | | |
| Total Bonds and Notes Supported by General Fund | $ 927,017 | $ 720,763 | | |

## 8. LONG-TERM OBLIGATIONS (continued)

### A. Bonds and loans outstanding (continued)

| | Amount Issued | Amount Outstanding | Remaining Coupon Rates | True Interest Cost [1] |
|---|---|---|---|---|
| **Special Revenue (Covenant) Bonds Payable from Internal Service Operations:** | | | | |
| Special Revenue Bonds ($163,215 authorized but unissued): | | | | |
| Series 2008 | $ 54,215 | $ 42,745 | 3.750-5.625% | 4.966% |
| Series 2009C-1 | 40,160 | 12,130 | 5.000-5.250% | 2.509% |
| Series 2009C-2 (taxable BABs) | 26,315 | 26,315 | 4.240-4.990% (taxable) | 3.111% |
| Series 2010A | 46,945 | 42,058 | 3.250-5.000% | 2.737% |
| Series 2010C-1 | 27,205 | 24,355 | 5.000% | 2.763% |
| Series 2011A | 32,380 | 29,855 | 5.000-5.250% | 4.674% |
| Series 2012A | 4,040 | 3,045 | 1.120% | 1.119% |
| Series 2012B | 3,470 | 3,467 | 1.120% | 1.119% |
| Series 2013A | 26,860 | 26,860 | 2.000-5.250% | 4.885% |
| Series 2013B | 35,145 | 35,145 | 0.540-4.643% (taxable) | 3.469% |
| Total Special Revenue Bonds Payable from Internal Service Operations | $ 296,735 | $ 245,975 | | |
| **Notes Payable from Internal Service Operations:** | | | | |
| Commercial Paper Notes | $ 137,125 | $ 3,900 | Variable, assumed 5.02%. Actual rate 0.09% (various). | N/A |
| Total bonds and notes payable from Internal Service Funds | $ 433,860 | $ 249,875 | | |
| **Revenue Bonds Supported by BJP Revenues:** | | | | |
| Transportation Sales Tax Revenue Bonds: | | | | |
| Series 2007 | $ 100,675 | $ 81,480 | 4.750-5.000% | 4.745% |
| Series 2008A | 154,535 | 150,485 | Variable, assumed 3.33% Actual rate 0.05% (7-day) | N/A |
| Series 2008B | 121,740 | 93,105 | Variable, assumed 4.19% Actual rate 0.72% (35-day + spread) | N/A |
| Series 2012A | 151,660 | 151,660 | 4.000-5.000% | 4.324% |
| Series 2012B | 57,730 | 48,055 | 3.000-5.000% | 3.076% |
| Infrastructure Sales Tax Revenue Bonds: | | | | |
| Series 2008 | 105,470 | 90,130 | 4.000-5.000% | 4.626% |
| Series 2011 | 79,220 | 68,615 | 2.375-5.000% | 3.615% |
| * Series 2012 | 238,570 | 233,135 | 3.000-5.000% | 3.910% |
| * Series 2012A | 41,095 | 41,095 | 5.000% | 3.773% |
| Total Revenue Bonds Supported by BJP Revenues | $ 1,050,695 | $ 957,760 | | |
| **Special Revenue (Covenant) Bonds Supported by BJP Revenues:** | | | | |
| Special Obligation Bonds: | | | | |
| Series 2009B-1A | $ 52,090 | $ 47,715 | 3.000-5.000% | 4.006% |
| Series 2009B-1B (taxable BABs) | 55,925 | 55,925 | 6.259% (taxable) | 6.341% |
| Series 2010B | 100,205 | 77,090 | 5.000% | 2.282% |
| Series 2011B | 86,600 | 78,950 | 4.000-5.000% | 2.953% |
| Series 2013C | 31,565 | 31,565 | 5.250% | 2.953% |
| Total Special Revenue Bonds Supported by BJP Revenues | $ 326,385 | $ 291,245 | | |

## 8. LONG-TERM OBLIGATIONS (continued)

### A. Bonds and loans outstanding (continued)

| | Amount Issued | Amount Outstanding | Remaining Coupon Rates | True Interest Cost (1) |
|---|---|---|---|---|
| **Notes Payable Supported by BJP Revenues:** | | | | |
| State of Florida Infrastructure Bank: | | | | |
| Series 2005 | $ 40,000 | $ 21,417 | 2.000% | 1.901% |
| Series 2007 | 48,698 | 25,638 | 2.500% | 2.456% |
| Total Notes Payable Supported by BJP Revenues | $ 88,698 | $ 47,055 | | |
| Total Bonds and Notes Supported by BJP Revenues | $ 1,465,778 | $ 1,296,060 | | |
| Total Governmental Activities | $ 2,826,655 | $ 2,266,698 | | |
| **BUSINESS-TYPE ACTIVITIES:** | | | | |
| **Revenue Bonds Supported by Business-Type Activities:** | | | | |
| Excise Taxes Revenue Bonds: | | | | |
| * Series 2005A | $ 2,000 | $ 2,000 | 4.250-5.000% | 4.685% |
| * Series 2009B | 10,475 | 4,930 | 5.000% | 3.035% |
| * Series 2009C (AMT) | 21,455 | 10,205 | 4.000% | 3.281% |
| Capital Project Revenue Bonds: | | | | |
| * Series 2008A | 248 | 208 | Variable, assumed 3.50% Actual rate 0.06% (7-day) | N/A |
| * Series 2008B | 248 | 208 | 2.890% | 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 | 114,150 | 3.000-5.000% | 2.642% |
| Special Obligation Bonds: | | | | |
| * Series 2012C | 922 | 922 | 5.000% | 4.821% |
| **Notes Payable Supported by Business-Type Activities:** | | | | |
| Commercial Paper Notes | 24,225 | 24,225 | Variable, assumed 5.02%. Actual rate 0.09% (various). | N/A |
| Total bonds and notes payable from Business-Type Activities | $ 292,853 | $ 272,123 | | |
| **COMPONENT UNITS (Note 8M):** | | | | |
| Bond and notes payable: | | | | |
| JEA | | $ 5,266,674 | | |
| JPA | | 227,832 | | |
| Total Component Unit bonds and notes payable | | $ 5,494,506 | | |

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

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

## 8. LONG-TERM OBLIGATIONS (continued)

### B. Debt Service Requirements to Maturity:

The Debt service requirements to maturity on long-term obligations at September 30, 2014 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: Supported by General Revenues and Internal Service Funds | | Bonds and Notes Payable from Governmental Activities: Supported by BJP Revenues | | Bonds Payable from Business-type Activities: Enterprise Funds | | Principal and Interest-Primary Government | Component Units | |
|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | | Principal | Interest |
| 2015 | $ 57,367 | $ 45,032 | $ 51,640 | $ 57,908 | $ 9,693 | $ 12,915 | $ 234,555 | $ 265,813 | $ 102,724 |
| 2016 | 60,256 | 42,715 | 54,799 | 55,798 | 10,202 | 12,550 | 236,320 | 197,491 | 196,622 |
| 2017 | 65,655 | 36,201 | 60,202 | 53,309 | 11,804 | 12,112 | 239,283 | 193,209 | 190,140 |
| 2018 | 68,663 | 32,383 | 48,271 | 51,134 | 6,747 | 11,692 | 218,890 | 199,817 | 199,089 |
| 2019 | 68,624 | 30,606 | 55,372 | 48,800 | 7,071 | 11,375 | 221,848 | 204,861 | 174,723 |
| 2020-2024 | 232,124 | 119,187 | 317,311 | 201,884 | 39,031 | 51,718 | 961,255 | 1,037,857 | 709,926 |
| 2025-2029 | 176,293 | 76,082 | 415,995 | 114,581 | 98,802 | 35,933 | 917,686 | 1,027,098 | 531,924 |
| 2030-2034 | 171,132 | 34,993 | 264,660 | 24,008 | 85,022 | 5,876 | 585,691 | 980,868 | 373,690 |
| 2035-2039 | 49,809 | 9,883 | 27,810 | 2,866 | 1,331 | 780 | 92,479 | 948,932 | 207,830 |
| 2040-2044 | 20,715 | 1,427 | - | - | 1,650 | 408 | 24,200 | 325,305 | 30,003 |
| 2045-2049 | - | - | - | - | 770 | 39 | 809 | 10,820 | 670 |
| Totals | $ 970,638 | $ 428,509 | $ 1,296,060 | $ 610,288 | $ 272,123 | $ 155,398 | $ 3,733,016 | $ 5,392,071 | $ 2,717,341 |

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.

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 2009C | Series 2010A | Series 2012B | Total | Series 2010B | Series 2011B | Total | |
| 2015 | - | - | | - | - | - | - | - |
| 2016 | $ 7,345 | $ 4,950 | | $ 12,295 | $ 7,705 | $ 7,000 | $ 14,705 | $ 27,000 |
| 2017 | | 6,200 | $ 6,295 | 12,495 | 7,705 | 10,175 | 17,880 | 30,375 |
| 2018 | | 6,200 | | 6,200 | 7,715 | 10,175 | 17,890 | 24,090 |
| 2019 | | 6,160 | | 6,160 | 7,715 | 10,175 | 17,890 | 24,050 |
| 2020 | | | | - | 7,715 | 10,175 | 17,890 | 17,890 |
| 2021 | | | | - | 7,715 | 10,175 | 17,890 | 17,890 |
| Total by Series | $ 7,345 | $ 23,510 | $ 6,295 | $ 37,150 | $ 46,270 | $ 57,875 | $ 104,145 | $ 141,295 |

## 8. LONG-TERM OBLIGATIONS (continued)

### B. Debt Service Requirements to Maturity: (continued)

| Fiscal Year Ending September 30 | by Designated Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Supported by General Revenue and Internal Service Funds | | | | Supported by BJP Revenues | | | Total |
| | Series 2009C | Series 2010A | Series 2012B | Total | Series 2010B | Series 2011B | Total | All Programs |
| 2022 | - | | $ 2,065 | $ 2,065 | $ 7,705 | $ 6,130 | $ 13,835 | $ 15,900 |
| 2023 | - | | 2,165 | 2,165 | 7,710 | 6,375 | 14,085 | 16,250 |
| 2024 | $ 205 | | 2,065 | 2,270 | 7,710 | 6,630 | 14,340 | 16,610 |
| 2025 | 2,385 | | | 2,385 | 7,710 | 6,895 | 14,605 | 16,990 |
| 2026 | 2,510 | $ 3,125 | | 5,635 | 7,710 | 7,170 | 14,880 | 20,515 |
| 2027 | 2,245 | 3,280 | | 5,525 | 7,710 | 7,460 | 15,170 | 20,695 |
| 2028 | - | 3,440 | | 3,440 | 15 | 7,755 | 7,770 | 11,210 |
| 2029 | - | 3,615 | | 3,615 | - | 8,070 | 8,070 | 11,685 |
| 2030 | - | 3,800 | | 3,800 | - | 1,390 | 1,390 | 5,190 |
| 2031 | - | 1,820 | | 1,820 | | | - | 1,820 |
| 2032 | - | 1,910 | | 1,910 | | | - | 1,910 |
| 2033 | - | 2,005 | | 2,005 | | | - | 2,005 |
| 2034 | - | 515 | | 515 | | | - | 515 |
| Total by Series | $ 7,345 | $ 23,510 | $ 6,295 | $ 37,150 | $ 46,270 | $ 57,875 | $ 104,145 | $ 141,295 |

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## 8. LONG-TERM OBLIGATIONS (continued)

### C. Changes in Long-Term Liabilities:

Changes in long-term liabilities for the fiscal year ended September 30, 2014 are as follows (in thousands):

| | Balance October 1, 2013 | Additions | Reductions | Balance September 30, 2014 | Due within one year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Debt activity supported by general revenues: | | | | | |
| Revenue bonds | $ 754,432 | $ - | $ 34,454 | $ 719,978 | $ 35,375 |
| Notes payable | 1,840 | - | 1,055 | 785 | 575 |
| Debt activity- general revenues | $ 756,272 | $ - | $ 35,509 | $ 720,763 | $ 35,950 |
| Bonds/notes payable - Banking Fund | | | | | |
| Special revenue (covenant) bonds | $ 260,348 | $ - | $ 14,373 | $ 245,975 | $ 18,279 |
| Notes payable | 13,240 | - | 9,340 | 3,900 | 3,900 |
| Debt activity - internal service funds | 273,588 | - | 23,713 | 249,875 | 22,179 |
| Debt activity - general revenues and internal service | $ 1,029,860 | $ - | $ 59,222 | $ 970,638 | $ 58,129 |
| Debt activity supported by BJP revenue: | | | | | |
| Revenue bonds - BJP | $ 996,266 | $ - | $ 38,506 | $ 957,760 | $ 43,210 |
| Special revenue (covenant) bonds - BJP | 293,770 | - | 2,525 | 291,245 | 3,050 |
| Notes payable - BJP | 52,311 | - | 5,256 | 47,055 | 5,379 |
| Debt activity - BJP | 1,342,347 | - | 46,287 | 1,296,060 | 51,639 |
| Total governmental activities | $ 2,372,207 | $ - | $ 105,509 | $ 2,266,698 | $ 109,768 |
| Other related debt amounts: | | | | | |
| Issuance premiums | $ 149,081 | $ - | $ 12,193 | $ 136,888 | $ 0 |
| Issuance discounts | (2,699) | - | (161) | (2,538) | - |
| Total other related debt amounts | $ 146,382 | $ - | $ 12,032 | $ 134,350 | $ 0 |
| Accrued Compensated Absences | 58,354 | 34,303 | 33,334 | 59,323 | 17,756 |
| Estimated Liability for Self-Insured Losses | 97,435 | 103,106 | 97,658 | 102,883 | 23,838 |
| Pollution Remediation | 163,956 | - | 37 | 163,919 | - |
| Other Post - Employment Benefits | 41,669 | 8,370 | - | 50,039 | - |
| Miscellaneous long-term obligations | 5 | - | 5 | - | - |
| Governmental activity long-term obligations | $ 2,880,008 | $ 145,779 | $ 248,575 | $ 2,777,212 | $ 151,362 |

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## 8. LONG-TERM OBLIGATIONS (continued)

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

| | Balance October 1, 2013 | Additions | Reductions | Balance September 30, 2014 | Due within one year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Revenue Bonds | $ 257,674 | $ 24,225 | $ 9,776 | 272,123 | $ 9,693 |
| Less: Unamortized Discount/Premium | 36,502 | | 2,194 | 34,308 | |
| Total Revenue Bonds, less Unamortized Discount/Premium | $ 294,176 | $ 24,225 | $ 11,970 | $ 306,431 | $ 9,693 |
| Accrued Compensated Absences | 1,413 | 598 | 1,001 | 1,010 | 303 |
| Liability for Landfill Closure and Post Closure Care | 61,426 | - | 13,690 | 47,736 | - |
| Picketville Waste Site | 333 | - | 62 | 271 | - |
| Other Post - Employment Benefits | 1,606 | 200 | - | 1,806 | - |
| Loans payable - Banking Fund | 17,432 | - | 1,549 | 15,883 | 1,777 |
| Business-type activity long-term obligations | $ 376,386 | $ 25,023 | $ 28,272 | $ 373,137 | $ 11,773 |
| **Component Unit Activities:** | | | | | |
| Bonds and notes payable: | | | | | |
| JEA | $ 5,635,989 | $ 813,295 | $ 1,182,610 | $ 5,266,674 | $ 256,630 |
| JPA | 216,270 | 25,000 | 13,438 | 227,832 | 10,267 |
| Other long-term obligations | 19,938 | 303 | 1,960 | 18,281 | 326 |
| Component unit activity long-term obligations | $ 5,872,197 | $ 838,598 | $ 1,198,008 | $ 5,512,787 | $ 267,223 |

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## 8. LONG-TERM OBLIGATIONS (continued)

### D. Reconciliation of debt issued to financial reporting classifications:

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

| Bond Series | Original Amount Issued | Outstanding debt reported in | | Total Amount Outstanding |
|---|---|---|---|---|
| | | Governmental Activities | Business-type Activities | |
| Excise Tax Revenue Bonds: | | | | |
| Series 2005A | $ 44,820 | $ 40,090 | $ 2,000 | $ 42,090 |
| Series 2009B | 29,010 | 12,030 | 4,930 | 16,960 |
| Series 2009C | 23,730 | 710 | 10,205 | 10,915 |
| Capital Projects Revenue Bonds: | | | | |
| Series 2008A | 67,285 | 59,362 | 208 | 59,570 |
| Series 2008B | 67,285 | 59,362 | 208 | 59,570 |
| BJP Infrastructure Sales Tax Revenue Bonds: | | | | |
| Series 2012 | 280,050 | 233,135 | 41,480 | 274,615 |
| Series 2012A | 114,890 | 41,095 | 73,795 | 114,890 |
| Special Revenue Bonds: | | | | |
| Series 2012C | 183,980 | 181,533 | 922 | 182,455 |
| Commercial Paper | 161,350 | 3,900 | 24,225 | 28,125 |

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## 8. LONG-TERM OBLIGATIONS (continued)

### E. Pledged Revenues:

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

| | Range of remaining term | Approximate future principal and interest | Current year revenue received | Current year principal and interest | Principal and interest as % of revenue |
|---|---|---|---|---|---|
| **Excise Taxes:** | 2015 - 2034 | $291,234,799 | $124,430,126 | $29,423,705 | 23.65% |
| **Local Government 1/2 Cent Sales Tax:** | 2018 | $42,852,739 | $81,240,214 | $11,881,613 | 14.63% |
| **JEA Charter Revenues (Capital Project Bonds):** | 2034 | $164,965,560 | $109,187,538 | $7,116,191 | 6.52% |
| **(Better Jacksonville) Transportation Sales Tax:** | 2022 - 2037 | $788,848,111 | $82,718,849 | $44,979,156 | 54.38% |
| **Better Jacksonville (Infrastructure) Sales Tax:** | 2021 - 2030 | $821,418,456 | $71,929,782 | $46,871,093 | 65.16% |
| **with SIB Loans:** | 2021 - 2030 | $873,495,155 | $71,929,782 | $53,319,893 | 74.13% |
| **Sports Facilities Capital Improvement Revenues:** | 2030 | $166,713,650 | $20,180,742 | $10,161,475 | 50.35% |

**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.

**8. LONG-TERM OBLIGATIONS** (continued)

**F. New Indebtedness Issued:**

On July 21, 2014, the City closed on the sale of $24,225,000 Commercial Paper Notes, Series A, with a coupon at fiscal year end of 0.09% with a maturity date of December 1, 2014. The issuance provided net proceeds of $23,933,060 after payment of cost of issuance totaling $291,940.

**G. Demand Bonds Issued by the City:**

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

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

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

***Liquidity Agreement Terms*** - Liquidity for the Bonds is provided by a Standby Bond Purchase Agreement (the Agreement) with JPMorgan Chase Bank (the Bank) dated April 1, 2008 and expiring July 18, 2016.

***Terms of Take Out*** - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If the Bonds were to be purchased by the Bank, then the City would be required to amortize the balance of the Bonds ($127,360,000 as of the current termination date) over 12 equal quarterly installments beginning 180 days after the date of purchase.

As of September 30, 2014, there were no advances outstanding or bank bonds held under this Agreement.

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

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

***Liquidity Agreement Terms*** - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with the Bank of America (the Bank) dated July 1, 2008 and expiring July 15, 2016.

***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 ($56,095,000 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, 2014, there were no advances outstanding or bank bonds held under this Agreement.

## 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):

| | | | |
|---|---|---|---|
| Series 1993 | Jacksonville Port Authority | $ | 2,551 |
| Series SR 2012C bonds | Shands Jacksonville Medical Center | | 39,725 |
| Series SR 2012E bonds | Jacksonville Port Authority | | 34,340 |
| Better Jacksonville Plan (BJP) Transportation Bonds | | | |
| Series 2007 | Jacksonville Transportation Authority (JTA) road projects | | 50,387 |
| Special Revenue Bonds, Series 2009B-1 | Jacksonville Transportation Authority (JTA) road projects | | 2,310 |
| Special Revenue Bonds, Series 2010B | Jacksonville Transportation Authority (JTA) road projects | | 11,811 |
| Special Revenue Bonds, Series 2011B | Jacksonville Transportation Authority (JTA) road projects | | 17,894 |
| Revenue Refunding Bonds, Series 2012B | Jacksonville Transportation Authority (JTA) road projects | | 48,055 |
| BJP State Infrastructure Bank Loan | | | |
| Loan #1 | JTA road projects - BJP | | 21,417 |
| Loan #2 | JTA road projects - BJP | | 25,638 |
| | Other Bond Issues | | |
| Various | Misc. projects - BJP | | 61,547 |
| Various | Misc. projects – other | | 42,792 |
| | Banking Fund Financed Projects | | |
| Various | Misc. projects – other | | 62,951 |
| TOTAL | | $ | 421,418 |

## 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, 2014, the City had legally defeased the following bond maturities (in thousands):

| Issue | Refunded by | Principal Balance at September 30, 2014 | Investment Balance with Escrow Agent at September 30, 2014 (a) |
|---|---|---|---|
| Sales Tax Revenue Bonds, Series Series 1996 (RCR) | Cash Refunded on October 10, 2002 | $14,535 | $14,884 |
| Special Revenue Bonds, Series 2009C | Special Revenue Refunding Bonds, Series 2013A | $13,750 | $14,384 |
| Special Revenue Bonds, Series 2010A | Special Revenue Refunding Bonds, Series 2013A | $10,840 | $11,368 |
| Special Revenue Bonds, Series 2010B | Special Revenue Refunding Bonds, Series 2013C | $15,410 | $16,169 |
| Special Revenue Bonds, Series 2011B | Special Revenue Refunding Bonds, Series 2013C | $7,000 | $7,514 |

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

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## 8. LONG-TERM OBLIGATIONS (continued)

### J. Derivative Instrument Payments and Hedged Debt:

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

The City computed the actual synthetic rate for both swaps for the year ended September 30, 2014 by adding the net swap payments to the variable rate interest paid and dividing by the notional amount and determined that the actual synthetic rate fell within 90 to 111 percent of the swap fixed rate. Using the synthetic instrument method as detailed in GASB 53, the swap is deemed an effective hedging instrument and hedge accounting is applied. As a result the accumulated change in fair value of the hedging instrument is included in governmental activities as a deferred outflow of resources and offsets the fair value of the swap liability.

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, 2014. The fair values were obtained by the counter-parties' mark-to-market reports submitted to the City.

| | SIFMA Index | 67% LIBOR |
|---|---|---|
| Bond Series | Transportation Revenue Refunding Bonds, Series 2008B (1) | Transportation Revenue Refunding Bonds, Series 2008B (1) |
| Counterparty (Rating) | Wells Fargo (Aa3) | Wells Fargo (Aa3) |
| Effective Date | July 1, 2003 | September 30, 2004 |
| Maturity Date | October 1, 2020 | October 1, 2027 |
| Notional Amount Outstanding | $30,950,000 | $61,000,000 |
| Variable Rate Received (2) | 0.058% | 0.107% |
| Fixed Rate Paid | 4.010% | 3.455% |
| Change in Fair Value - Current Year | $911,227 | $591,323 |
| Underlying Fair Value at Fiscal Year End | ($3,589,716) | ($8,425,422) |
| Net Swap Interest | ($1,223,236) | ($2,042,305) |

(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. The 2008B bonds will not maintain liquidity support during the Index Rate mode period (initially three years).
(2) Weighted average of rates throughout the fiscal year.

Credit Risk - As of September 30, 2014, 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.

## 8. LONG-TERM OBLIGATIONS (continued)

### J. Derivative Instrument Payments and Hedged Debt (continued)

**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, 2014, the City has two floating-to-fixed rate swaps outstanding. The agreement dated January 23, 2003 (the "2003 Swap") provides that the City receive a variable rate payment based on the SIFMA index. The agreement dated August 23, 2004 (the "2004 Swap") 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, 2014, the swaps expose the City to market risk (the risk of loss due to the pricing of the swap under the current economic environment) because each swap currently has a negative fair value. If the swaps were to be terminated under the current economic conditions, the City would be liable to the counterparty for a make-whole payment in the amount equal to the negative fair value.

Using rates as of September 30, 2014 and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the City's hedged variable rate bonds.

| Fiscal Year | Variable-Rate Bonds | | | Swap Interest Payments | | | Total Bonds |
|---|---|---|---|---|---|---|---|
| Ending 9/30 | Principal | Interest | Total | Fixed Pay | Var. Received | Net Pay | and Swaps |
| 2015 | $ 5,695 | $ 674 | $ 6,369 | $ 3,136 | $ 72 | $ 3,064 | $ 9,433 |
| 2016 | 5,955 | 632 | 6,587 | 2,914 | 68 | 2,846 | 9,433 |
| 2017 | 8,915 | 589 | 9,504 | 2,587 | 62 | 2,525 | 12,029 |
| 2018 | 8,990 | 525 | 9,515 | 2,248 | 55 | 2,193 | 11,708 |
| 2019 | 9,285 | 460 | 9,745 | 1,896 | 49 | 1,847 | 11,592 |
| 2020-2024 | 32,945 | 1,384 | 34,329 | 5,373 | 159 | 5,214 | 39,543 |
| 2025-2029 | 21,320 | 394 | 21,714 | 1,112 | 34 | 1,078 | 22,792 |
| 2030-2034 | - | - | - | - | - | - | - |
| | $93,105 | $4,658 | $97,763 | $19,266 | $499 | $18,767 | $116,530 |

The above chart is based upon actual rates as of September 30, 2014. The bond and swap rates as of fical year end were as follows:

City of Jacksonville $47,775,000 Transportation Revenue Bonds, Series 2003 (refunded by the Series 2008B bonds):
The 35-day Index Rate reset was 0.724%
The BMA rate for swap receipts was 0.041%

City of Jacksonville $80,275,000 Transportation Revenue Refunding Bonds, Series 2004A (refunded by the Series 2008B bonds):
The 35-day Index Rate reset was 0.724%
The 67% of LIBOR rate for swap receipts was 0.104%

## 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, 2014, the City had $232,138,649 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, 2014, the City had a total of $77,445,000 in conduit debt consisting of Jacksonville Housing Finance Authority (JHOFA), formerly Duval County Housing Finance Authority (DCHFA), Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was $6,565,000. The amount of Multi-Family Housing Bonds outstanding was $70,890,000. Refunding of previous issues make up $23,695,000 of the total amount outstanding.

As of September 30, 2014, additional conduit debt includes $992,105,068 Jacksonville Health Facilities Authority (JHFA) Bonds outstanding.

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## 8. LONG-TERM OBLIGATIONS (continued)

### L. Interest Expense:

Total interest expense for the fiscal year ended September 30, 2014 was $89.2 million for governmental activities and $12.7 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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## 9. 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 2014. This Statement modifies financial reporting by state and local government pension plans that present pension trust funds. The City plans to adopt GASB Statement No. 68, Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27, required for fiscal periods beginning after June 15, 2014, in fiscal 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. 27.

### A. Summary of Significant Accounting Policies

(1) **Basis of Accounting –** The City's pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution benefit payments and refunds are recognized when due and payable in accordance with the terms of each plan. The Florida Constitution 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.

(2) **Method Used to Value Investments –** Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals or estimates of fair value as provided by third party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third party fund managers. Investments are managed by third party money managers while cash and securities are 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.

### B. Plan Description

(1) **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 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 single employer, 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. All full-time City employees, the employees of JEA, JHA and the employees of TPO are eligible to participate in the GERP upon employment.

**9. PENSION PLANS (continued)**

**B. Plan Description (continued)**

(1) **Plan Administration (continued)**

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.

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

1. The Chief Administrative Officer of the City or designee;
2. The Chief Financial Officer or designee;
3. The Chief Human Resources Officer;
4. The Chairperson of the General Employees' Pension Advisory Committee;
5. The Chairperson of the Corrections Officers' Advisory Committee;
6. A GERP retiree chosen by the Retired Employees' Association;
7. A retired corrections officer chosen from the Corrections Officers' Advisory Committee
8. 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.

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

## 9. PENSION PLANS (continued)

### B. Plan Description (continued)

(3) **Plan Membership –** Pension plan membership consisted of the following:

| | Jacksonville Retirement System | | |
|---|---|---|---|
| | General Employee Pension Plan | Corrections Officers Pension Plan | Police and Fire Pension Plan |
| **Membership:** | As of 10/1/2013 | As of 10/1/2013 | As of 10/1/2013 |
| Retirees and beneficiaries currently receiving benefits | 4,896 | 148 | 2,123 |
| Deferred Retirement Option (DROP) participants | NA | 126 | 542 |
| Terminated employees vested, not yet receiving benefits | 78 | 1 | 60 |
| Active employment plan members: | | | |
| Vested | 3,339 | 328 | 1,852 |
| Non-vested | 1,800 | 303 | 298 |
| Total plan membership | 10,113 | 906 | 4,875 |

(4) **Plan Benefits Provided -** The GERP is open to employees of the JEA, JHA (Jacksonville Housing Authority), TPO (North Florida Transportation Planning Authority), and City of Jacksonville, other than police officers and firefighters. 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:

(a) Completing thirty (30) years of credited service, regardless of age;
(b) Attaining age fifty-five (55) with twenty (20) years of credited service; or
(c) Attaining age sixty-five (65) with five (5) years of credited service.
(d) 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.

## 9. PENSION PLANS (continued)

### B. Plan Description (continued)

#### (4) Plan Benefits Provided (continued) -

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:

(e) completing twenty (20) years of service, regardless of age; or
(f) attaining age sixty-five (65) with five (5) years of service.
(g) 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:

(h) 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.
(i) 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 supplement. The supplement 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.

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. Upon electing to participate in the DROP, a member must submit forms prescribed by the Board including (1) a written election to participate in the DROP; and (2) a selection of DROP participation and retirement dates. If you elect to participate in the DROP, you must terminate your employment with the City of Jacksonville and retire from service no later than the end of the DROP participation period you designate. 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.

## 9. PENSION PLANS (continued)

### B. Plan Description (continued)

(5) **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% | 7% |
| Employee Contributions for Fiscal Year Ended 2014 | $20,961 | $2,253 | $11,584 |
| Required Employer Contribution Rate | 28.21% | 49.93% | 110.85% |
| Employee Contributions for Fiscal Year Ended 2014 | $70,754 | $12,779 | $150,520 |
| Pension base covered payroll for Fiscal Year 2013 | $265,405 | $27,871 | $134,521 |

### C. Pension Investments

(1) **Investment Policy -** The purpose of the City of Jacksonville Retirement System Board and the Police and Fire Pension Board is to provide 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:

| Asset Class | Jacksonville Retirement System Target | Police & Fire Pension Fund Target |
|---|---|---|
| Domestic equity | 35% | 35% |
| International equity | 20% | 20% |
| Fixed Income | 19% | 22% |
| Real estate | 25% | 15% |
| MLPs/Energy | | 8% |
| Cash | 1% | 0% |
| Total | 100% | 100% |

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, 2014.

## 9. PENSION PLANS (continued)

### C. Pension Investments (continued)

(2) **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, 2014 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.52% for the Jacksonville Retirement System and 10.73% 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, 2013 are summarized below:

| | Jacksonville Retirement System | Police & Fire Pension Fund |
|---|---|---|
| Asset Class | Long-Term Expected Real Rate of Return | Long-Term Expected Real Rate of Return |
| Domestic equity | 6.45% | 5.40% |
| International equity | 6.95% | 5.50% |
| Fixed Income | 1.65% | 1.30% |
| Real estate | 4.25% | 4.50% |
| MLPs/Energy | | 5.50% |
| Cash | 0.85% | 1.40% |

### D. City of Jacksonville Retirement System: Financial Information

(1) **The Statement of Fiduciary Net Position** – Jacksonville Retirement System – for the year ended September 30, 2014 is as follows (in thousands):

| | |
|---|---|
| **ASSETS** | |
| Equity in cash and investments | $ 30,547 |
| Receivables | 6,042 |
| Investments, at fair value | 1,985,157 |
| Capital assets, net of depreciation | 9 |
| Securities Lending Collateral | 74,569 |
| **TOTAL ASSETS** | 2,096,324 |
| **LIABILITIES** | |
| Obligations Under Securities Lending Agreement | 74,572 |
| Accounts payable and accrued liabilities | 1,990 |
| Accrued Compensated Absences | 21 |
| **TOTAL LIABILITIES** | 76,583 |
| **NET POSITION HELD IN TRUST FOR PENSION BENEFITS** | $ 2,019,741 |

**9. PENSION PLANS (continued)**

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

(2) **The Statement of Changes in Fiduciary Net Position** – Jacksonville Retirement System for the year ended September 30, 2014 is as follows (in thousands):

| | |
|---|---|
| **ADDITIONS** | |
| Contributions: | |
| Employer | $ 84,371 |
| Plan Member | 24,109 |
| Total contributions | $ 108,480 |
| Other additions | 337 |
| Investment income | 210,721 |
| Securities Lending | 409 |
| **TOTAL ADDITIONS** | 319,947 |
| **DEDUCTIONS** | |
| Benefits payments | 158,250 |
| Refunds of contributions | 27,904 |
| Administrative expenses | 893 |
| **TOTAL DEDUCTIONS** | 187,047 |
| Net change in net position | 132,900 |
| **NET POSITION, BEGINNING OF YEAR, AS RESTATED** | 1,886,841 |
| **NET POSITION, END OF YEAR** | $ 2,019,741 |

The above summarized information excludes the defined contribution plan which is addressed in section H. of this note.

(3) **DROP Benefits** - 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 deduction from base pay and service raise of DROP participants as their member contributions instead of the normal eight (8) percent deduction. 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 four different manners: (1) the DROP account may be distributed by lump sum, in which all accrued DROP benefits are paid directly to the DROP participant; (2) the DROP benefits may be distributed by direct rollover, in which all DROP benefits are paid to the custodian of an eligible retirement plan as defined in Section 402(c)(8)(B) of the Internal Revenue Code; (3) the DROP benefits may be distributed in a partial lump sum, in which only a portion of the accrued DROP benefits are distributed, with the remaining amount rolled over to a qualified plan; (4) or by monthly distribution paid in bi-weekly amounts, but not to exceed 90 days following actual retirement . The balance of the DROP benefits held in trust for the DROP Participants totaled $14,849,657 as of September 30, 2014.

## 9. PENSION PLANS (continued)

### E. City of Jacksonville Retirement System: Net Pension Liability

(1) **Net Pension Liability:** The components of the net pension liability of the City as of September 30, 2014 were as follows:

**Net Pension Liability**

| | Jacksonville Retirement System | | |
|---|---|---|---|
| | General Employee Pension Plan | Corrections Officers Pension Plan | Police and Fire Pension Plan |
| **Net Pension Liability (in millions):** | | | |
| Total pension liability | $ 2,525 | $ 291 | $ 2,876 |
| Plan fiduciary net position | $ 1,848 | $ 163 | $ 1,473 |
| Net pension liability | $ 677 | $ 128 | $ 1,403 |
| Net position as a % of total pension liability | 73.19% | 55.98% | 51.22% |
| **Actuarial Methods and Assumptions:** | | | |
| Date of last actuarial valuation | October 1, 2013 | October 1, 2013 | October 1, 2013 |
| Experience period | Oct 2007 - Sep 2012 | Oct 2007 - Sep 2012 | Oct 2006 - Sep 2011 |
| Inflation | 3.0% | 3.0% | 2.5% |
| Salary increases (Long-Term Payroll Inflation) | 3.0% | 3.0% | 4.0% |
| Investment Rate of Return | 7.75% | 7.75% | 7.00% |
| Discount Rate | 7.75% | 7.75% | 7.00% |
| Mortality Tables in use | RP-2000 | RP-2000 | RP-2000 |

(2) **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.

(3) **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**
***(in millions)***

| | Discount Rate | General Employee pension plan | Discount Rate | Corrections Officers pension plan | Discount Rate | Police and Fire pension Plan |
|---|---|---|---|---|---|---|
| 1% Decrease | 6.75% | 961 | 6.75% | 168 | 6.00% | 1,870 |
| Current Rate | 7.75% | 677 | 7.75% | 128 | 7.00% | 1,403 |
| 1% Increase | 8.75% | 437 | 8.75% | 96 | 8.00% | 1,021 |

## 9. PENSION PLANS (continued)

### F. Trend Information and Plan Overviews:

(1) Trend information gives an indication of whether the actuarial value of plan assets is increasing or decreasing, including the funding progress, over time in relation to the actuarial accrued liability for benefits. Historical trend information for all three plans, on a year-by-year basis, is included in the accompanying Required Supplemental Information. The annual pension costs for the fiscal year ended September 30, 2014 were $96.5 and $149.1 million for JRS and PFPF respectively. Trend information for each of the City's three plans is as follows:

**EMPLOYER CONTRIBUTIONS**
**(in thousands)**

| Year-end Date | Annual Pension Cost | Percentage Contributed * | Net Pension Obligation (Asset) |
|---|---|---|---|
| **General Employees Pension Plan** | | | |
| 9/30/2012 | 57,471 | 87% | 5,198 |
| 9/30/2013 | 66,730 | 83% | 16,536 |
| 9/30/2014 | 81,567 | 87% | 27,103 |
| **Corrections Officers Pension Plan** | | | |
| 9/30/2012 | 11,847 | 76% | 1,706 |
| 9/30/2013 | 12,910 | 83% | 3,872 |
| 9/30/2014 | 14,939 | 91% | 18,797 |
| **Police and Fire Pension Plan** | | | |
| 9/30/2012 | 90,278 | 100% | - |
| 9/30/2013 | 122,020 | 100% | - |
| 9/30/2014 | 149,159 | 100% | |

* The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll. For Fiscal Years 2012, 2013 and 2014 the City made 100% of the required contribution as a percentage of actual payroll for both General Employees and Corrections Officers Pension Plans.

**FUNDING PROGRESS**
(in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Annual Covered Payroll | Unfunded Actuarial Liability as % of Covered Payroll |
|---|---|---|---|---|---|---|
| **General Employees Pension Plan** | | | | | | |
| 10/1/2013 | 1,565,291 | 2,512,635 | 947,344 | 62.30% | 265,405 | 356.9% |
| **Corrections Officers Pension Plan** | | | | | | |
| 10/1/2013 | 120,947 | 271,074 | 150,127 | 44.62% | 27,871 | 538.6% |
| **Police and Fire Pension Plan** | | | | | | |
| 10/1/2013 | 1,228,131 | 2,876,606 | 1,648,475 | 42.69% | 130,972 | 1258.6% |

**Net Pension Obligation and Annual Pension Cost**

| **(Dollar amounts in thousands)** | **General Employees Pension Plan** | **Corrections Officers Pension Plan** |
|---|---|---|
| Annual required contribution (ARC) | 81,351 | 14,885 |
| Interest on net pension obligation | 1,364 | 319 |
| Adjustment to ARC | (1,148) | (265) |
| Annual pension cost | 81,567 | 14,939 |
| Contributions made | (71,000) | (13,522) |
| Increase in net pension obligation (asset) | 10,567 | 1,417 |
| Net pension obligation (asset) beginning of year | 16,536 | 3,872 |
| Net pension obligation end of year | 27,103 | 5,289 |

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

## 9. PENSION PLANS (continued)

### G. Police and Fire Pension Plan

(1) Net Position available for benefits are designated pursuant to an agreement between the Police and Fire Pension Plan Board of Trustees and the City effective April 1, 2000, and codified at section 121.306, Jacksonville City Code, include two actuarially computed components, the City Budget Stabilization Account (CBSA) and the Enhanced Benefit Account (EBA). The CBSA, which has a balance of $45.9 million as of September 30, 2014, was established for the purpose of cushioning actuarial losses in the base benefits fund and giving the City greater flexibility in its funding of the Plan. The EBA, which has a balance of $33.2 million as of September 30, 2014, was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements. The base benefits fund consists of the remaining assets pledged to provide fund benefits.

(2) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of $10.1 million pursuant to Chapters 175 and 185, Florida Statutes. Such remittances, which are reported as State insurance contributions in the Statement of Changes in Fiduciary Net Position, are generally earmarked for the purpose of offsetting City contribution requirements and providing for enhanced benefits to public safety pension plans throughout the State of Florida. The remittances received by the Plan are governed by State law, City Code and the Restated Agreement between the Plan and the City.

### H. Defined Contribution Plan

The City has, by ordinance a Defined Contribution (DC) plan within the Jacksonville Retirement System for GEPP participants as an employee choice alternative to the DB plans. Both employer and employee contributions to the DC plan stated as a percentage of pay were 7.7% and totaled $1.8 and $1.8 million for the 2013-14 fiscal year. Employer contributions totaling $4.1 million were transferred in to the DC plan for participants that converted to DC from DB. 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. Net transfers from participants to the DC plan from the DB plan totaled $4 million.

**9. PENSION PLANS** (continued)

**I. Florida Retirement System**

(1) Plan Description - The City also participates in the Florida Retirement System (FRS), a multiple-employer cost-sharing retirement system which covers less than 1% of the City's full-time employees. FRS is a defined-benefit contributory retirement plan, administered by the State of Florida, Division of Retirement. The City payroll for employees covered by FRS was $2.8 million during the fiscal year; the City's total payroll for all employees was $423.1 million.

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

(2) A. Employer Contributions – For the fiscal years ended September 30, 2014, 2013, and 2012, the City contributed $735,000, $411,000, and $321,000 respectively, to the System for covered employees. For the Fiscal year ended September 30, 2014, the contributions represented less than 1% of the System's total contributions required by all participating employers of 3.0 billion (unaudited). Contributions in fiscal years 2013 and 2012 were also less than 1% of the total contributions required by all participating employers, which amount to approximately $2.4 and $2.3 billion per year (unaudited).

B. Employee Contributions: Effective July 1, 2011 the Senate Bill 2100 – Pension Reform was passed, requiring a 3% Employee Contribution for all Plans except DROP. Total employee contributions from October, 1, 2013 to September 30, 2014 were $67,653.

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

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make actuarially determined contributions at the rates in effect at September 30, 2014, of 7.37% for regular members, 19.82% for special risk members, 43.24% for elected county officials, 21.14% for senior management, and 12.28% for DROP Plan members.

(3) Trend Information - Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2014 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.

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

Plan Description: The City provides retirees with the option to purchase health insurance from the City's single employer, experience-rated health insurance contract plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801 and therefore has an implicit rate subsidy benefit for the retirees' participation. As of the valuation date, the Plan had approximately 6,993 active participants and 1,213 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

Funding Policy: To date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is currently applicable; however, there is an implicit cost discussed below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums. Plan members contributed $4.7 million in premiums for fiscal year 2014, representing 35.3% of the total fiscal year 2014 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 post-employment 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 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 7% at September 30, 2014 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2018 of 5.0%. The projected salary increase assumption is 4% per year.

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

The actuarial accrued liability (AAL) was determined as of September 30, 2014, based on the above assumptions and cost method, and applied to member data current at September 30, 2014. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2014, with an AAL calculated to be $131 million, which is unfunded (or 0% funded). The annual covered payroll is $340 million, resulting in an unfunded AAL of 38.5%. 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, 2014. 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) | | 2014 |
|---|---|---|
| Annual Required City Contribution (ARC) | $ | 12,982 |
| Interest on Plan Obligation | | 1,954 |
| Adjustment to ARC | | (1,658) |
| Annual Plan Retiree Cost | $ | 13,278 |
| Contributions Made | | (4,691) |
| Change in Plan Obligation | | 8,587 |
| Plan Obligation Beginning of Year | | 43,429 |
| Plan Obligation End of Year | $ | 52,016 |

At fiscal year-end 2014, the City accrued $50 million in the Governmental Activities Statement of Net Position, $1.8 million in the Business-Type Activities Statement of Net Position, $15,000 in the Jacksonville Housing Finance Authority (JHFA), discretely presented component unit.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding years are as follows: (in thousands)

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 9/30/2012 | 10,856 | 44.9% | 34,266 |
| 9/30/2013 | 13,238 | 30.8% | 43,429 |
| 9/30/2014 | 13,278 | 35.3% | 52,016 |

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

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

## 11. DEFERRED COMPENSATION PROGRAM

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

## 12. RISK FINANCING

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

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

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

## 12. RISK FINANCING (continued)

Major Categories of Policies purchased to Transfer Risk (unaudited)

| Coverages | Limits Occurrence and Aggregate | Retentions/Deductibles | |
|---|---|---|---|
| General Liability (City, JEA, JPA, JHA and JAA) - Casualty Package | $ 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) |
| Workers' Compensation Aircraft - $1,000,000 Anyone Life (Coverage a & b) | $ 5,000,000 | $ 1,250,000 | |
| 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 | |
| Employee Fidelity | $ 5,000,000 | $ 75,000 | (3) |
| Aircraft Liability | $ 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 | $ 8,908,870 | Various/Per Schedule | (4) |
| Wharfingers Liability | $ 5,000,000 | $ 1,000 | |
| Fine Arts - Scheduled Value | $ 2,708,950 | $1,000/2% Named Windstorm | |
| 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) Starr Insurance Company discontinued their Florida Municipal Package and issued non-renewal notices to all insureds. Starr Municipal Package included General Liability, Police Professional and Worker's Compensation Coverage. Effective 10/1/2013, the City afforded coverage through Lloyd's of London Brit program. The Casualty Package includes, but is not limited to, General Liability, Law Enforcement Liability, Public Officials/Employment Liability, Automobile and a Workers' Compensation Buffer Layer. N.Y. Marine and General Liability is providing Excess Worker's Compensation Coverage which includes a retention of $1.5 million with a $500,000 Otherwise Recoverable/Corridor Deductible excess of $1.5 million per occurrence.

(2) The property policy deductible for named windstorm losses is equal to 5% of total values of the locations involved in the occurrence, Named Storm (applying once to each combined Wind and Flood loss from the same Named Storm) subject to a minimum deductible of $500,000 and maximum of $25 million per occurrence, inclusive of the maximum deductible apply to Duval County Unified Courthouse $5 million, Jacksonville Municipal Stadium $5 million, Times Union Center for the Performing Arts $3.5 million, Main Library $3.5 million, Jacksonville Veterans Memorial Arena $2.5 million and Ed Ball Building $2.5 million. The affected locations individual maximum deductibles are inclusive of the $25 million Named Storm deductible. 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 Deductibles (as applicable) is $75,000 except all other with a $25,000 deductible applicable a per loss or occurrence basis.

(4) Aircraft physical damage deductibles are for aircrafts not in motion or in motion: (1) $1,000 is for rotor wings not in motion and $250 fixed wings; 5% of hull not to exceed $25,000 value for rotor wings in motion and $1,000 fixed wings (varies per schedule). Watercraft physical damage deductibles are in the range of $100 to $55,000. These deductibles are based upon the vessel value.

## 12. RISK FINANCING (continued)

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

Annually, as of September 30, the Program has a third party actuary review of the claim history for all open claim years. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims and claim development) for each year's claim experience and the probable loss fund cost for the New Year. The City's Self-Insurance Program liability is established at the expected confidence level on a 3% discounted basis in the amount of $95,168,000 for General and Automobile Liability, and Workers' Compensation. Actuarial ULAE projections of $7,715,000 on a 3% discounted basis at the expected confidence level of 55% are not included.

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. 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, 2014, the City has available excess revenues in the Self-Insurance fund of $3,222 (in thousands) and an operating reserve in the amount of $305 (in thousands) for a combined net position of $3,527 (in thousands).

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## 12. RISK FINANCING (continued)

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

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

| | General/Auto Liability | | Workers' Compensation | | Totals | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Unpaid claims and claims adjustment expenses at beginning of fiscal year | $12,430 | $11,280 | $85,005 | $85,867 | $97,435 | $97,147 |
| Incurred claims and claim adjustment expenses: | | | | | | |
| Provisions for insured events of the current fiscal year | 5,127 | 3,843 | 9,945 | 9,376 | 15,072 | 13,219 |
| Increases (decreases) in provision for insured events of prior fiscal years | 1,118 | 2,422 | 15,402 | 9,847 | 16,520 | 12,269 |
| Total incurred claims and claim adjustment expenses | 6,245 | 6,265 | 25,347 | 19,223 | 31,592 | 25,488 |
| Payments: | | | | | | |
| Claims and claim adjustment expenses attributable to insured events of current fiscal year | 1,776 | 1,443 | 4,256 | 3,762 | 6,032 | 5,205 |
| Claims and claim adjustment expenses attributable to insured events of prior fiscal year | 4,269 | 3,672 | 15,843 | 16,323 | 20,112 | 19,995 |
| Total Payments | 6,045 | 5,115 | 20,099 | 20,085 | 26,144 | 25,200 |
| Total unpaid claims and claim adjustment expenses at end of fiscal year | $12,630 | $12,430 | $90,253 | $85,005 | $102,883 | $97,435 |

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 NONCURENT CLAIMS LIABILITIES (Including ULAE)**
**FOR THE YEARS ENDING SEPTEMBER 30**
**(in thousands)**

| | General/Auto Liability | | Workers' Compensation | | Totals | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current Liability: | | | | | | |
| Estimated Liability for self-insured | $ 6,775 | $ 6,972 | $ 17,063 | $ 18,246 | $ 23,838 | $ 25,218 |
| Noncurrent liability: | | | | | | |
| Estimated Liability for self-insured | 5,855 | 5,458 | 73,190 | 66,759 | 79,045 | 72,217 |
| Total Liability | $ 12,630 | $ 12,430 | $ 90,253 | $ 85,005 | $ 102,883 | $ 97,435 |

## 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, 2014, (in thousands):

| | Net Position |
|---|---|
| Capital Project Funds | |
| Better Jacksonville Plan | ($14,048) |

The Better Jacksonville Plan has experienced a shortfall of dedicated Sales Tax Revenue collections due to the economic downturn and subsequent slow recovery. Expenditures exceeded anticipated revenues in the short term. The deficit is expected to be eliminated through improving Sales Tax collections in the near future.

| | |
|---|---|
| Enterprise Funds | |
| Veterans Memorial Arena | ($1,837) |

The Veterans Memorial Arena 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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## 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, 2014 the deferred balance of the capitalized cost is $6.1 million, which during the year the City amortized $2.5 million.

**Active Landfill – Trail Ridge**

The closure and long-term liability for Trail Ridge as of September 30, 2014 is $43.5 million which represents a decrease of $12.4 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 80%, with an estimated remaining life of 30 years.

**Inactive Landfills – North and East**

North and East landfills closed October 1999 and April 1992, respectively. The long-term liability for North and East as of September 30, 2014 is $3.8 million for 4 years and $408 thousand for 1 year, respectively. When compared to the preceding year, the liability balances decreased $1.3 million in aggregate, due to adjustments for current annual closure cost estimates and costs paid for performing and monitoring closure work.

## 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, 2014 $25,805,159, which includes $1,010,243 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.

| | Trail Ridge | North | East | Total |
|---|---|---|---|---|
| Current cost of closure | $ 23,430,770 | $ - | $ - | $ 23,430,770 |
| Annual cost of long-term care | - | 955,681 | 408,465 | 1,364,146 |
| Accelerate funds above state minimum | 1,010,243 | - | - | 1,010,243 |
| Total balance in escrow account | 24,441,013 | $ 955,681 | 408,465 | 25,805,159 |

## 14. LESSOR OPERATING LEASE

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

## 14. LESSOR OPERATING LEASE (continued)

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

Amendment 9 outlines a revenue sharing agreement for the stadium naming rights and provides the parameters for the marketing of the stadium name. 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.

## 14. LESSOR OPERATING LEASE (continued)

### A. Jacksonville Jaguars, Inc. (continued)

A summary of scheduled lease payments is as follows:

| Year | Payment |
|---|---|
| 2015 | 3,960,040 |
| 2016 | 4,768,677 |
| 2017 | 4,749,626 |
| 2018 | 4,734,719 |
| 2019 | 4,718,763 |
| 2020 - 2024 | 20,242,264 |
| 2025 - 2029 | 31,100,431 |
| 2030 | 3,074,554 |

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 $10,860,721 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 twelve 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 $10,860,721 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

## 14. LESSOR OPERATING LEASE (continued)

### 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.

### 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.

## 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

### C. Self-Insurance:

Through the City's Risk Management Division, the City maintains an insurance and self-insurance program (See Note 12). The Division administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the city general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and Jacksonville Aviation Authority under the City's Ordinance Code Chapter 128. The City purchases commercial insurance for workers' compensation claims with a $1.25 million self-insured retention, a $250 thousand buffer and a $500 thousand aggregate corridor deductible for claims in excess of $1.5 million. The buffer and corridor allow for a lower City exposure despite marketplace demands for the City to have a self-insured retention much higher than $1.25 million. Under the laws of the State of Florida, the City has sovereign immunity for state tort claims in excess of $200,000 per person, and $300,000 per occurrence. The City retains coverage on all other types of insurance including real and tangible property. The self-insured programs of the City, which are included in the Self-Insurance Internal Service Fund, are funded on a dollar-for-dollar basis determined actuarially for the estimated losses for claim development and incurred but not reported claims, and unallocated loss adjustment expenses. Claims are 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.

The City recorded a pollution remediation liability as of September 30, 2014 of approximately $164 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.

## 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

### D. Pollution Remediation: (continued)

*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.

*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 $75.4 million has been accrued based on the City's estimate used in its five year capital project plan.

## 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

### D. Pollution Remediation: (continued)

*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 $50.2 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 $36 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, 2014, of $0.3 million is based on the most recent estimate by the Federal Government of the City's allocated share of the clean-up and long term care cost of the site under a Participation Agreement and Consent Decree with the USEPA. The City was identified as a responsible party, sharing 65% of the total clean-up costs.

### E. Garage Development Agreement:

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

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**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)**

**F. Construction and other significant Commitments:** At September 30, 2014, the City had significant commitments for the following projects (in thousands):

| | |
|---|---|
| General Government | |
| Southbank Riverwalk | 4,291 |
| State Attorney's Office | 4,217 |
| Miscellaneous Construction | 3,321 |
| LaVilla Brooklyn Project | 2,663 |
| Replacement Vehicles | 2,174 |
| Professional Services | 1,820 |
| Environmental Cleanup | 607 |
| Water Street Parking Garage | 511 |
| Public Safety | |
| Security Guard Services | 1,933 |
| Physical Environment | |
| Ash Site Remediation | 15,193 |
| Drainage | 6,316 |
| Contractual Services | 1,057 |
| Professional Services | 905 |
| Trailridge Landfill | 748 |
| Stormwater | 665 |
| Miscellaneous | 623 |
| Transportation | |
| Public Works Road Projects | 1,657 |
| Resurfacing | 3,593 |
| Southbank Riverwalk | 1,202 |
| Patton Park | 1,000 |
| Timicuan Bike Trail | 803 |
| Economic Environment | |
| Bay/Hogan Garage | 3,500 |
| Miscellaneous | 608 |
| Edward Waters College | 550 |
| Pinnacle Project | 722 |
| Professional Services | 611 |
| Southbank Riverwalk | 1,929 |
| Human Services | |
| Subsidies & Contributions to private organizations | 5,805 |
| Contractual Services | 819 |
| Culture/Recreation | |
| Contractual Services | 761 |
| Everbank Field End Zone | 678 |
| Parks | 3,216 |
| | **$ 74,498** |

## 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

### G. Encumbrance Commitments:

At September 30, 2014, the City had encumbrance commitments in the Governmental Funds as follows: (in thousands)

| | | |
|---|---|---|
| **MAJOR FUNDS** | | |
| General Fund | $ | 12,638 |
| Total Major Funds | | 12,638 |
| **NON-MAJOR FUNDS** | | |
| Concurrency Management | | 1,374 |
| Air Pollution Control and Monitoring | | - |
| Tourism Development | | 837 |
| Clerk of the Court | | 38 |
| Transportation Fund | | 54 |
| Budgeted General Government | | 2,226 |
| Public Safety | | 48 |
| Emergency 9-1-1 | | 326 |
| Tax Increment Districts | | 750 |
| Jacksonville Children's Commission | | 4,433 |
| American Recovery & Reinvestment Act | | 170 |
| Community Development Block Grant | | 2,281 |
| Maintenance, Parks and Recreation | | 110 |
| Other Federal, State and Local Grants | | 4,339 |
| Housing and Neighborhoods | | 502 |
| State Housing Initiative Partnership | | 836 |
| Non Budgeted General Government | | 922 |
| General Projects | | 31,478 |
| Better Jacksonville Plan Construction Project | | 5,717 |
| Bond Projects | | 4,985 |
| Grant Projects | | 2,645 |
| River City Renaissance Project | | 141 |
| Total Non-Major Funds | | 64,212 |
| **TOTAL ENCUMBRANCES** | **$** | **76,850** |

*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.

## 16. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE

During fiscal year 2014, 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, 2014 these contributions total $109,187,538. 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, 2014, the City received from JEA $29,264,768 and $9,753,252 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 $74.3 million in fiscal year 2014. 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 continues in effect until all of the bonds have been duly paid in full or defeased in accordance with their terms. The City and JTA agreed to pledge the Sales Tax and the Constitutional Gas Tax for the payment of bonds issued to implement the program.

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

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

Monies available above debt service would be collected in a pay-as-you-go fund to assist with the payment of program expenditures. The City is making available the Local Option Gas Tax for the operation of the JTA's Mass Transit Division. In relation to the Road, Bridge and Drainage Capital Improvement Work Program, projects completed by JTA were to be funded by Sales Tax revenues, 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.

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").

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

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

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, 2014, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was $5.56 million with a total of $6.08 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.

## 17. SUBSEQUENT EVENTS

On November 19, 2014, the City closed on the issuance of its Special Revenue Bonds, Series 2014 (the “2014 Bonds”). The 2014 Bonds currently refunded the Excise Taxes Revenue Bonds, Series 2005A and partially refunded prior bonds for economic savings, as well as provided financing for $43 million in city-wide capital projects.

Also on November 19, 2014, the City closed on its Commercial Paper Notes, Series A to fund $19.2 million in stadium improvements at EverBank Field. The issuance of commercial paper was the final tranche of financing related to the approved stadium improvements.

During November 2014, JEA replaced two standby bond purchase agreements relating to Variable Rate Electric System Subordinated Revenue Bonds, 2000 Series A and 2000 Series F-1 with stated expiration dates of November 15, 2017 and June 25, 2018.

## 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) | $ | (158,049) |
| Impact of Better Jacksonville Plan's (BJP) bond financed capital expenditures incurred by component units and other entities. | | 239,059 |
| Economic Incentives to be repaid by TIF revenue and/or Developer | | 27,480 |
| Governmental - Unrestricted NetPosition (adjusted for dedicated revenue funded portions) | $ | 108,490 |

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-assets debt) more truly reflect the General Government's available (although partially tentatively targeted) portion of net position.

**18. NET POSITION: (continued)**

**B. Restatement due to a change in accounting principle:**

With the fiscal year 2014 implementation of Governmental Accounting Standards Board (GASB) Statement 65 – Items Previously Reported as Assets and Liabilities, debt issue costs that were previously amortized over the life of the underlying debt, were expensed in total, and resulted in a restatement of beginning net position due to a change in accounting principle in the financial statements which resulted in these costs being expensed when incurred.

| Net Position (in thousands) | Total Governmental Activities | Total Business Type Activities |
|---|---|---|
| Net position, beginning as previously reported | 776,835 | 184,454 |
| Restatement | (23,515) | (995) |
| Net position, beginning as restated | $ 753,320 | $ 183,459 |

| Net Position (in thousands) | Business Type Activities Individual Funds restated | |
|---|---|---|
| | Solid Waste Disposal | Everbank Field |
| Net position, beginning as previously reported | 17,982 | 49,097 |
| Restatement | (116) | (879) |
| Net position, beginning as restated | $ 17,866 | $ 48,218 |

With the fiscal year 2014 implementation of Governmental Accounting Standards Board (GASB) Statement 67 – Financial Reporting for Pension Plans – an amendment of GASB No. 25, the removal of the Deferred Retirement Option Program (DROP) liability resulted in a restatement of beginning net position due to a change in accounting principle in the fiduciary funds financial statements.

| Net Position (in thousands) | Pension Trust Funds | | |
|---|---|---|---|
| | Jacksonville Retirement System | Police and Fire | Total |
| Net position, beginning as previously reported | 1,877,733 | 1,045,531 | 2,923,264 |
| Restatement | 14,917 | 247,399 | 262,316 |
| Net position, beginning as restated | $ 1,892,650 | $1,292,930 | $ 3,185,580 |

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

## 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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## 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:** | | | |
| Inventories | 4,186 | - | - |
| Other | - | - | - |
| **Spendable:** | | | |
| **Restricted for:** | | | |
| Debt Service Reserved by Debt Covenants | - | 96,313 | 10,445 |
| Park Projects | - | - | - |
| Physical Environment | - | - | - |
| Conservation and Resource Management | - | - | - |
| Transportation Projects | - | - | - |
| Human Services | - | - | - |
| Regional Stormwater Facilities | - | - | - |
| Drainage System Projects | - | - | - |
| Housing and Urban Development | - | - | - |
| Building | - | - | - |
| Public Safety | - | - | - |
| Industry Development | - | - | - |
| Other Infrastructure and Development | - | - | - |
| Other | - | - | - |
| **Committed to:** | | | |
| City Council Emergency Use | 49,219 | - | - |
| Drainage Projects | - | - | - |
| Park Projects | 2,061 | - | - |
| Planning Projects | 2,794 | - | - |
| Physical Environment | - | - | - |
| Conservation and Resource Management | - | - | - |
| Transportation Projects | - | - | - |
| Emergency and Disaster Relief | - | - | - |
| Court Projects and Operations | - | - | - |
| Public Safety | 6,234 | - | - |
| Industry Development | 1,893 | - | - |
| Other | 1,445 | - | - |
| **Assigned to:** | | | |
| Assigned | - | - | - |
| Debt Service | - | - | - |
| Transportation Projects | - | - | - |
| Parks Projects | 3,426 | - | - |
| Planning Projects | 4,643 | - | - |
| Public Safety | 10,361 | - | - |
| Industry Development | 3,147 | - | - |
| Housing and Urban Development | - | - | - |
| Other | 2,401 | - | - |
| **Unassigned** | 90,488 | - | - |
| Total Fund Balances | $ 182,298 | $ 96,313 | $ 10,445 |

(Continued)

| NON MAJOR GOVERNMENTAL FUNDS | TOTAL ALL FUNDS 2014 | TOTAL ALL FUNDS 2013 |
|---|---|---|
| - | 4,186 | 4,189 |
| 225 | 225 | 225 |
| - | 106,758 | 112,301 |
| 11,596 | 11,596 | 20,246 |
| 640 | 640 | - |
| 7,501 | 7,501 | 7,275 |
| 2,535 | 2,535 | 641 |
| 15,899 | 15,899 | 14,503 |
| - | - | 4,511 |
| 14,711 | 14,711 | 11,470 |
| 17,312 | 17,312 | 15,093 |
| 4,636 | 4,636 | 5,018 |
| 181 | 181 | 259 |
| 4,786 | 4,786 | 3,897 |
| 1,681 | 1,681 | 1,052 |
| 451 | 451 | 589 |
| - | 49,219 | 48,214 |
| 2,710 | 2,710 | 2,283 |
| 12,537 | 14,598 | 19,124 |
| 2,118 | 4,912 | 4,576 |
| 15,456 | 15,456 | 20,265 |
| 21,701 | 21,701 | 21,497 |
| 112,955 | 112,955 | 99,887 |
| 7,614 | 7,614 | 7,335 |
| 2,687 | 2,687 | 2,241 |
| 16,417 | 22,651 | 25,927 |
| 13,136 | 15,029 | 11,728 |
| 16,401 | 17,846 | 20,485 |
| - | | |
| - | - | 1,860 |
| - | - | 121 |
| - | 3,426 | 231 |
| - | 4,643 | 481 |
| - | 10,361 | 1,957 |
| - | 3,147 | - |
| - | - | 866 |
| - | 2,401 | - |
| (14,048) | 76,440 | 97,118 |
| $ 291,838 | $ 580,894 | $ 587,465 |

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# REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF JACKSONVILLE, FLORIDA**
**GENERAL FUND REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**
**FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS (in thousands)**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

| | GENERAL FUND | | | | | |
|---|---|---|---|---|---|---|
| | BUDGETED AMOUNTS | | | | | VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE) |
| | ORIGINAL | FINAL | ACTUAL | ENCUMBRANCES | BUDGETARY ACTUAL | |
| **REVENUE:** | | | | | | |
| Property taxes | $ 487,581 | $ 487,581 | $ 488,455 | $ - | $ 488,455 | $ 874 |
| Utility service taxes | 89,224 | 89,224 | 86,813 | - | 86,813 | (2,411) |
| Community service taxes | 37,307 | 37,307 | 35,920 | - | 35,920 | (1,387) |
| Sales and tourist taxes | 1,009 | 1,009 | 1,018 | - | 1,018 | 9 |
| Local business tax | 7,506 | 7,506 | 7,085 | - | 7,085 | (421) |
| Licenses, permits and fees | 41,494 | 41,494 | 40,422 | - | 40,422 | (1,072) |
| Intergovernmental | 134,892 | 134,892 | 138,968 | - | 138,968 | 4,076 |
| Charges for services | 58,622 | 58,952 | 63,331 | - | 63,331 | 4,379 |
| Fines and forfeitures | 1,875 | 1,875 | 2,044 | - | 2,044 | 169 |
| JEA contribution | 109,188 | 109,188 | 109,188 | - | 109,188 | - |
| Investment earnings | 3,270 | 3,272 | 7,026 | - | 7,026 | 3,754 |
| Other | 18,340 | 32,047 | 32,649 | - | 32,649 | 602 |
| Total Revenue | 990,308 | 1,004,347 | 1,012,919 | - | 1,012,919 | 8,572 |
| **EXPENDITURES AND ENCUMBRANCES:** | | | | | | |
| City Council | 8,947 | 8,958 | 8,765 | 192 | 8,957 | 1 |
| Clerk of the Courts | 3,820 | 3,820 | 3,448 | 145 | 3,593 | 227 |
| Courts | 4,266 | 4,266 | 4,244 | 4 | 4,248 | 18 |
| Downtown Investment Authority | 1,428 | 1,428 | 964 | 47 | 1,011 | 417 |
| Employee Services | 6,115 | 6,352 | 5,954 | 246 | 6,200 | 152 |
| Finance | 6,727 | 7,047 | 7,028 | 19 | 7,047 | - |
| Fire/Rescue | 196,712 | 197,061 | 196,546 | 515 | 197,061 | - |
| General Counsel | 206 | 204 | 186 | - | 186 | 18 |
| Health Administrator | 1,351 | 1,351 | 1,350 | - | 1,350 | 1 |
| Intra-Governmental Services | 4,664 | 5,316 | 4,875 | 277 | 5,152 | 164 |
| Jacksonville Children's Commission | 1,231 | 1,103 | 1,010 | 7 | 1,017 | 86 |
| Jacksonville Human Rights Commission | 908 | 908 | 900 | 3 | 903 | 5 |
| Mayor | 3,797 | 4,575 | 4,539 | 25 | 4,564 | 11 |
| Mayor's Boards and Commissions | 386 | 419 | 417 | 2 | 419 | - |
| Medical Examiner | 3,519 | 3,519 | 3,377 | 36 | 3,413 | 106 |
| Military Affairs, Vet & Disabled Svcs | 1,371 | 1,236 | 1,206 | 1 | 1,207 | 29 |
| Office of Economic Development | 23,202 | 22,093 | 7,460 | 1,674 | 9,134 | 12,959 |
| Office of Ethics | 173 | 234 | 182 | 52 | 234 | - |
| Parks & Recreation | 26,517 | 27,517 | 25,495 | 1,339 | 26,834 | 683 |
| Property Appraiser | 9,145 | 9,145 | 8,857 | 15 | 8,872 | 273 |
| Public Defender | 1,711 | 379 | 373 | - | 373 | 6 |
| Planning and Development | 6,104 | 6,379 | 5,869 | 510 | 6,379 | - |
| Public Libraries | 33,649 | 33,638 | 32,966 | 72 | 33,038 | 600 |
| Public Works | 36,722 | 39,162 | 37,805 | 922 | 38,727 | 435 |
| Regulatory Compliance | 15,714 | 15,746 | 14,470 | 708 | 15,178 | 568 |
| Special Services | 16,168 | 10,424 | 9,862 | 555 | 10,417 | 7 |
| State Attorney | 1,758 | 1,758 | 1,758 | - | 1,758 | - |
| Supervisor of Elections | 5,713 | 6,228 | 5,057 | 130 | 5,187 | 1,041 |
| Office of the Sheriff | 395,075 | 388,173 | 379,103 | 4,674 | 383,777 | 4,396 |
| Tax Collector | 15,995 | 15,995 | 14,680 | 330 | 15,010 | 985 |
| Federal Program Reserve | 266 | 212 | - | - | - | 212 |
| Contribution to Shands-Jacksonville | 26,276 | 26,276 | 26,276 | - | 26,276 | - |
| Cash Carryover Reserves | 50,430 | 50,430 | - | - | - | 50,430 |
| Jacksonville Misc. Citywide Activities | 65,966 | 74,174 | 74,035 | 138 | 74,173 | 1 |
| Total Expenditures | 976,032 | 975,526 | 889,057 | 12,638 | 901,695 | 73,831 |
| **EXCESS OF REVENUE OVER (UNDER) EXPENDITURES** | 14,276 | 28,821 | 123,862 | (12,638) | 111,224 | 82,403 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Long Term Debt Issued | 340 | 340 | - | - | - | (340) |
| Transfers in | 2,186 | 5,412 | 5,904 | - | 5,904 | 492 |
| Transfers out | (101,715) | (122,805) | (122,679) | - | (122,679) | 126 |
| Total Other Financing Sources (Uses) | (99,189) | (117,053) | (116,775) | - | (116,775) | 278 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (84,913) | (88,232) | 7,087 | (12,638) | (5,551) | 82,681 |
| FUND BALANCES - BEGINNING | 175,211 | 175,211 | 175,211 | - | 175,211 | - |
| **FUND BALANCES - ENDING** | 90,298 | 86,979 | 182,298 | (12,638) | 169,660 | - |

## 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 2014, 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, 2014. Proprietary Fund budgets are adopted for management control purposes. The City is not required to include Budgetary Comparisons for Proprietary Funds in this report. Project or program budgets, which may not coincide with the City's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds and Capital Project Funds. Budgets are not formally adopted for Debt Service Funds as internal spending controls are set by compliance with bond covenants. The Special Revenue Funds which are not annually budgeted include the following: Public Safety, Community Development Block Grant, Job Training Partnership Act Grant, Maintenance Parks and Recreation, Metropolitan Planning Organization, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing and Neighborhoods, State Housing Initiative Partnership, Non-Budgeted General Government, Clerk of Court, and American Recovery & Reinvestment Act.

**1. BUDGETARY DATA** (continued)

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

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

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

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

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

In certain instances the City may supplement the appropriations in a fund due to unexpected high levels of receipts or under estimates of carry forward balances. Supplemental appropriations to the Fiscal Year 2014 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 FUNDING PROGRESS
# CITY OF JACKSONVILLE RETIREMENT SYSTEM
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

**(in thousands)**

| Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Annual Covered Payroll ( c ) | UAAL as a % of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| **General Employees Retirement Plan** | | | | | | |
| 10/1/2008 | $1,673,435 | $2,004,279 | $330,844 | 83.49% | $262,345 | 126.1% |
| 10/1/2009 | 1,591,345 | 2,065,464 | 474,119 | 77.05% | 276,257 | 171.6% |
| 10/1/2010 | 1,640,892 | 2,163,080 | 522,188 | 75.86% | 322,531 | 161.9% |
| 10/1/2011 | 1,582,042 | 2,217,381 | 635,339 | 71.35% | 314,054 | 202.3% |
| 10/1/2012 | 1,518,578 | 2,434,275 | 915,697 | 62.38% | 283,021 | 323.5% |
| 10/1/2013 | 1,565,291 | 2,512,635 | 947,344 | 62.30% | 265,405 | 356.9% |
| **Corrections Officers Retirement Plan** | | | | | | |
| 10/1/2008 | $83,056 | $137,830 | $54,774 | 60.26% | $26,334 | 208.0% |
| 10/1/2009 | 86,358 | 181,031 | 94,673 | 47.70% | 27,661 | 342.3% |
| 10/1/2010 | 97,464 | 204,384 | 106,920 | 47.69% | 32,329 | 330.7% |
| 10/1/2011 | 103,154 | 223,575 | 120,421 | 46.14% | 31,832 | 378.3% |
| 10/1/2012 | 109,474 | 251,036 | 141,562 | 43.61% | 28,944 | 489.1% |
| 10/1/2013 | 120,947 | 271,074 | 150,127 | 44.62% | 27,871 | 538.6% |

Note: Actuarial Assumptions provided in the notes to financial statements

**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, 2014**

**(in thousands)**

| Plan Year Ending September 30 | Actuarially Determined Contributions | City Cash Contributions | Contribution Deficiency/ (Excess) | Covered Employee Payroll | Contribution as a % of Covered Payroll |
|---|---|---|---|---|---|
| **General Employees Retirement Plan** | | | | | |
| 2005 | $27,724 | $27,724 | - | $226,819 | 12.22% |
| 2006 | 28,670 | 28,670 | - | 237,108 | 12.09% |
| 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 | 70,754 | 10,777 | 262,369 | 26.97% |
| **Corrections Officers Retirement Plan** | | | | | |
| 2005 | $3,233 | $3,233 | - | $26,256 | 12.31% |
| 2006 | 1,917 | 1,917 | - | 27,702 | 6.92% |
| 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 | 17,619 | 12,779 | 4,840 | 27,374 | 46.68% |

# CITY OF JACKSONVILLE, FLORIDA
# REQUIRED SUPPLEMENTAL INFORMATION
# SCHEDULE OF CHANGES IN NET PENSION LIABILITY
# CITY OF JACKSONVILLE RETIREMENT SYSTEM
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

**(in thousands)**

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | General Employees' Retirement Plan | Corrections Officers' Retirement Plan | 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 | 19,341 | *Note: Prior Year Information Unavailable* | | | |
| Changes of benefit terms | - | - | | | | |
| Differences between expected and actual experience | 22,318 | 6,911 | | | | |
| Changes of assumptions | - | - | | | | |
| Benefit payents, including refunds of contributions | (166,460) | (12,925) | | | | |
| **Net change in total pension liability** | $ 78,637 | $ 20,232 | | | | |
| **Total pension liability - beginning balance** | 2,446,471 | 256,029 | | | | |
| **Total pension liability - ending balance (a)** | $2,525,108 | $ 276,261 | | | | |
| **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) | (12,925) | | | | |
| Administrative expense | (671) | (50) | | | | |
| Other | - | 392 | | | | |
| **Net change in plan fiduciary net position** | $ 174,674 | $ 19,150 | | | | |
| **Plan fiduciary net position - beginning balance** | 1,558,645 | 113,004 | | | | |
| **Plan fiduciary net position - ending balance (b)** | $1,733,319 | $ 132,154 | | | | |
| **Net pension liability - ending balance (a) - (b)** | $ 791,789 | $ 144,107 | | | | |
| **Plan fiduciary net position as a % of total pension liability** | 68.64% | 47.84% | | | | |
| **Covered employee payroll *(in thousands)*** | $ 265,405 | $ 27,871 | | | | |
| **Net pension liability as % of covered employee payroll** | 298.33% | 517.05% | | | | |

**Benefit Changes:** There have been no benefit provision changes since implementation of GASB 67

**Changes of Assumptions:** There have been no change in assumptions since implementation of GASB 67

**CITY OF JACKSONVILLE, FLORIDA**
**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN**
**CITY OF JACKSONVILLE RETIREMENT SYSTEM**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

***(net of investment expense)***

| Fiscal Year Ended September 30 | City of Jacksonville Retirement System |
|---|---|
| 2014 | 11.52% |
| 2013 | 17.06% |

*Prior Years data unavailable

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

As of September 30, 2014

| | |
|---|---|
| **Valuation date** | October 1, 2013 |
| **Methods and used assumptions to determine contribution rates:** | |
| **Actuarial cost method** | Entry Age Normal Cost Method |
| **Amortization method** | Level percent of payroll, using 2.62% annual increases* |
| **Remaining amortization period** | All new bases are amortized over 30 years.<br>Effective period of 26 years remaining as of October 1, 2013 |
| **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 | 7.75%, including inflation, net of pension plan investment expense |
| Inflation rate | 3.00%* |
| Projected salary increases | 3.00% - 6.00%, of which 3.00% 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-2000 Employee Mortality Table, set forward one year and projected to 2013 with Scale BB |
| *Healthy annuitants* | RP-2000 Annuitant Mortality Table, set forward one year and projected to 2013 with Scale BB |
| *Disabled annuitants* | RP-2000 Disabled Retiree Mortality Table |

*[*1]The Fund's payroll inflation assumption is 3.00%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 2.62% was used for amortization purposes in the October 1, 2013 valuation.*

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

As of September 30, 2014

| | |
|---|---|
| **Valuation date** | October 1, 2013 |
| **Methods and used assumptions to determine contribution rates:** | |
| **Actuarial cost method** | Entry Age Normal Cost Method |
| **Amortization method** | Level percent of payroll, using 0.64% annual increases* |
| **Remaining amortization period** | All new bases are amortized over 30 years.<br>Effective period of 25 years remaining as of October 1, 2013 |
| **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 | 7.75%, including inflation, net of pension plan investment expense |
| Inflation rate | 3.00%* |
| Projected salary increases | 3.00% - 6.00%, of which 3.00% 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-2000 Employee Mortality Table, set forward one year and projected to 2013 with Scale BB |
| *Healthy annuitants* | RP-2000 Annuitant Mortality Table, set forward one year and projected to 2013 with Scale BB |
| *Disabled annuitants* | RP-2000 Disabled Retiree Mortality Table |

** The Fund's payroll inflation assumption is 3.00%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 0.64% was used for amortization purposes in the October 1, 2013 valuation.*

# CITY OF JACKSONVILLE, FLORIDA
# REQUIRED SUPPLEMENTAL INFORMATION
# SCHEDULE OF FUNDING PROGRESS
# POLICE AND FIRE RETIREMENT SYSTEM
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

(in thousands)

| Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (1) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 10/01/11 | $1,078,907 | $2,762,977 | $1,684,070 | 39.05% | $133,611 | 1260.43% |
| 10/01/12 | 1,228,131 | 2,876,606 | 1,648,475 | 42.69% | 130,972 | 1258.65% |
| 10/01/13 | 1,389,748 | 3,012,591 | 1,622,843 | 46.13% | 134,521 | 1206.39% |

Actuarial Assumptions are provided in the notes to the financial statements.

[1]The actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest since these are assets of the Trust. The Senior Staff Voluntary Retirement Plan is recognized as part of the assets of the Trust.

**CITY OF JACKSONVILLE, FLORIDA**
**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF FUNDING PROGRESS**
**POLICE AND FIRE PENSION FUND - SENIOR STAFF VOLUNTARY RETIREMENT PLAN**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

(in thousands)

| Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (1) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 10/01/11 | $3,424 | $3,542 | $118 | 96.7% | $273 | 43.2% |
| 10/01/12 | 3,919 | 3,866 | (53) | 101.4% | 292 | -18.2% |
| 10/01/13 | 4,257 | 4,136 | (120) | 102.90% | 300 | -40.10% |

[1]Plan Assumptions: (10/1/2012 valuation date actuarial study is used for fiscal year ended 2013)
- Earnings Rate - 7.00% compounded annually
- Mortality table in use; RP-2000 Combined Healthy Mortality Table, separate by sex; Projection Scale AA to valuation date.
- Salary scale - none
- Cost of living adjustments (COLA); 3.0% compounded annually
- Percent married: 100%
- Retirement Ages: The active employee is assumed to retire in two years.
- Age differences for spouses of employed: females are 3 years younger than males.

Changes since the October 1, 2012 valuation:
- The active employee is assumed to retire in two years

**CITY OF JACKSONVILLE, FLORIDA**
**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**POLICE AND FIRE RETIREMENT SYSTEM**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

(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 |
|---|---|---|---|---|---|
| 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% |
| 2006 | 38,230 | 36,124 | 2,106 | 134,694 | 26.82% |
| 2005 | 35,929 | 27,176 | 8,753 | 130,392 | 20.84% |

* 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: | 4.0%, including inflation |
| Investment rate of return: | 7.0%, including inflation Cost of living adjustments: |
| Mortality Table in use: | RP-2000, Combined Healthy Mortality Table, separate by sex, Projection Scale AA to valuation |
| 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 AND MEMBERS**
**POLICE AND FIRE PENSION FUND – SENIOR STAFF VOLUNTARY RETIREMENT PLAN**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

(in thousands)

| Plan Year Ending Sept., 30 | Annual Required Contributions | Employee Contributions | Employer Contributions | Total Contributions | Percentage Contributions | Net Pension Obligation (NPO)/(Asset) |
|---|---|---|---|---|---|---|
| | | ( prior years information is unavailable) | | | | |
| 2008 | $189 | $34 | $155 | $189 | 100% | - |
| 2009 | 219 | 36 | 183 | 219 | 100% | - |
| 2010 | 135 | 35 | 247 | 282 | 209% | (148) |
| 2011 | 142 | 34 | 101 | 135 | 95% | (141) |
| 2012 | 523 | 25 | 117 | 142 | 27% | 240 |
| 2013 | 28 | 20 | 248 | 268 | 957% | - |
| 2014 | 28 | 21 | 7 | 28 | 100% | - |

**NOTES:**

Certain adjustments are made in the ARC if the plan carries a NPO. The NPO (asset if a credit) is Defined in GASB No. 27 as the cumulative difference at the date of adoption (or transition) between annual requirements and actual contributions plus the cumulative difference between the requirements and contributions after that date.

# CITY OF JACKSONVILLE, FLORIDA
# REQUIRED SUPPLEMENTAL INFORMATION
# SCHEDULE OF CHANGES IN NET PENSION LIABILITY
# POLICE AND FIRE RETIREMENT SYSTEM
# FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

**(in thousands)**

| **Total pension liability** | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Service Cost (BOY) | $47,915 | $46,109 | $47,570 | | | |
| Interest on total pension liability | 203,577 | 195,520 | 190,344 | | | |
| Changes in Benefit Terms | - | - | - | | | |
| Experience deviations including buybacks | 22,671 | (4,676) | (12,513) | | | |
| Changes of assumptions | - | 5,333 | 227,333 | | | |
| Benefit payments, including refunds of member contributions | (138,179) | (128,656) | (116,955) | | | |
| Net change in total pension liability | 135,984 | 113,630 | 335,779 | | | |
| Total pension liability -- beginning | 2,876,606 | 2,762,977 | 2,427,198 | | | |
| **Total pension liability -- ending(a)** | $3,012,591 | $2,876,606 | $2,762,977 | | | |
| | | | | | | |
| **Fiduciary net position Contributions--employer** | | | | | | |
| Contributions--employer | 148,277 | 121,822 | 69,829 | Prior year information is unavailable | | |
| Contributions--member | 10,068 | 9,683 | 11,204 | | | |
| Buybacks and transfers--employer | 2,243 | - | 2,814 | | | |
| Buybacks and transfers--member | 1,516 | 1,071 | 407 | | | |
| Net investment income | 146,951 | 169,202 | 181,653 | | | |
| Securities Lending | 382 | - | - | | | |
| Benefit payments, including refunds of member contributions | (138,179) | (128,656) | (116,955) | | | |
| Administrative expense | (2,224) | (2,506) | (2,352) | | | |
| Chapter 175/185 | 10,110 | 9,667 | 9,276 | | | |
| Court Fines | 881 | 758 | 770 | | | |
| Other | 142 | 1,187 | 55 | | | |
| Net change in fiduciary net position | 180,167 | 182,229 | 156,702 | | | |
| Fiduciary net position -- beginning | 1,292,930 | 1,110,737 | 954,036 | | | |
| Fiduciary net position -- ending | 1,473,097 | 1,292,966 | 1,110,737 | | | |
| less Reserve Accounts and Sr. Staff Assets | (83,349) | (64,835) | (31,831) | | | |
| **Total fiduciary net position -- ending(b)** | 1,389,748 | 1,228,131 | 1,078,907 | | | |
| **City's fiduciary net pension liability--ending(a)-(b)** | **1,622,842.95** | **1,648,475** | **1,684,070** | | | |
| | | | | | | |
| Fiduciary net position as a percentage of the total pension liability | 46.13% | 42.69% | 39.05% | | | |
| | | | | | | |
| Covered-employee payroll | $134,521.22 | $130,972 | $133,611 | | | |
| | | | | | | |
| City's fiduciary net pension liability as a percentage of covered- employee payroll | 1206.38% | 1258.65% | 1260.42% | | | |

**CITY OF JACKSONVILLE, FLORIDA**
**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN**
**POLICE AND FIRE RETIREMENT SYSTEM**
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**(Net of Investment Expense)**

| FYE | % |
|---|---|
| 2014 | 10.73% |
| 2013 | 14.29% |
| 2012 | 18.25% |
| 2011 | 0.64% |
| 2010 | 8.45% |
| 2009 | 1.70% |
| 2008 | -13.07% |
| 2007 | 15.05% |
| 2006 | 8.18% |
| 2005 | 10.77% |

**CITY OF JACKSONVILLE, FLORIDA**
**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF FUNDING PROGRESS**
**POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**
**SEPTEMBER 30, 2014**

(in thousands)

| Valuation Date | Actuarial Accrued Liability (AAL) | Actuarial Value of Assets | Unfunded AAL (UAAL) | Percentage Funded | Annual Covered Payroll | UAAL as Percentage of Payroll |
|---|---|---|---|---|---|---|
| 10/1/2011 | $126,200 | $0 | $126,200 | 0.00% | $362,400 | 34.8% |
| 10/1/2012 | $129,127 | $0 | $129,127 | 0.00% | $340,431 | 37.9% |
| 10/1/2013 | $129,127 | $0 | $131,003 | 0.00% | $339,933 | 38.5% |

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

The decrease in Actuarial Accrued Liability (AAL) from fiscal years 2012 to 2013 and 2014 were due to the following:

(a) A 4.5% discount rate was used in fiscal year 2012, 2013, and 2014.

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

(c) The other key assumption was the treatment of retirees who are not eligible for Medicare.
Based on the information provided by the City's health insurance carrier, fiscal years 2012, 2013, and 2014 assumed that 10% of the current retirees would not be eligible for Medicare.

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Appendix B – Prior Year Recommendations to Improve Financial Management

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and 28.36, Florida Statutes

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF AGRICULTURE | | | | |
| PASSED THROUGH STATE DEPARTMENT OF HEALTH: | | | | |
| Child and Adult Care Food Program | 10.558 | A1109 | $ 1,734,530 | $ - |
| PASSED THROUGH STATE DEPARTMENT OF EDUCATION: | | | | |
| Summer Food Service Program for Children | 10.559 | 04-0851 | 993,709 | - |
| TOTAL DEPARTMENT OF AGRICULTURE | | | $ 2,728,239 | $ - |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| DIRECT PROGRAMS: | | | | |
| Community Development Block Grant Grants/Entitlement | 14.218 | ** | $ 5,624,546 | $ - |
| Community Development Block Grant-Neighborhood Stabilization | 14.218 | ** | 3,484,050 | - |
| Emergency Shelter Grants Program | 14.231 | ** | 384,022 | - |
| Housing Opportunities for Persons with AIDS | 14.241 | ** | 2,656,493 | - |
| Home Investment Partnership Program | 14.239 | ** | 2,606,452 | - |
| Fair Housing Assistance Program-State & Local | 14.401 | ** | 117,922 | - |
| PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS: | | | | |
| CDBG Disaster Recovery | 14.228 | 10DBK4042602K10 | 999,996 | - |
| CDBG Disaster Recovery | 14.228 | 10DBK4042602K10 | 158,054 | - |
| CDBG Disaster Recovery | 14.228 | ** | 368,254 | - |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | $ 16,399,789 | $ - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF JUSTICE | | | | |
| DIRECT PROGRAMS: | | | | |
| Grants to Encourage Arrest Policies & Enforcement | 16.590 | 2008WEAX0031 | $ 267,820 | $ - |
| Supervised Visitation, Safe Heavens | 16.527 | ** | 55,055 | - |
| Cold Case Team Project | 16.560 | 2011DNBXK521 | 114,062 | - |
| Drug Court Discretionary Grant Program | 16.585 | ** | 111,461 | - |
| Drug Court Discretionary Grant Program | 16.585 | ** | 65,706 | - |
| State Criminal Alien Assistance Program | 16.606 | 2011H4585FLAP | 9,001 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2011DJBX3288 | 16,060 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2013DJBX1083 | 174,428 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2012DJBX1171 | 79,602 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2012DJBX1171 | 1,213 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2013JAGCDUVA5D7108 | 39,477 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2014JAGCDUVA4E5040 | 4,124 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2014JAGCDUVA3ED068 | 57,739 | - |
| Edward J. Byrne Memorial Justice Assistance | 16.738 | 2014JAGCDUVA6E5067 | 24,957 | - |
| ARRA-Public Safety and Policing-COPS | 16.710 | 2009RJWX0027 | 104,515 | - |
| P. Coverdell Forensic Science | 16.742 | ** | 1,403 | - |
| PASSED THROUGH FLORIDA DEPARTMENT OF JUSTICE: | | | | |
| Juvenile Justice & Delinquency | 16.540 | ** | 83,985 | - |
| Justice Research Development and Evaluation | 97.056 | 2011PUK00033 | 179,525 | - |
| PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL: | | | | |
| Crime Victim Assistance | 16.575 | ** | 90,478 | - |
| TOTAL DEPARTMENT OF JUSTICE | | | $ 1,480,611 | $ - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF LABOR | | | | |
| DIRECT PROGRAMS: | | | | |
| Homeless Veterans' Reintegration Project | 17.805 | HV232961260512 | $ 323 | $ - |
| Homeless Veteran's Reintegration Project | 17.805 | ** | 119,904 | - |
| Homeless Veteran's Reintegration Project | 17.805 | ** | 35,325 | - |
| Homeless Veterans' Reintegration Project | 17.805 | ** | 10,000 | - |
| TOTAL DEPARTMENT OF LABOR | | | $ 165,552 | $ - |
| DEPARTMENT OF TRANSPORTATION | | | | |
| PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION: | | | | |
| Highway Planning & Construction-Timucuan | 20.205 | AJ130 | $ 1,001,784 | $ - |
| Highway Planning & Construction- WEST CENTRAL CIVIC CORE | 20.205 | ** | 499,803 | - |
| Highway Planning & Construction-MS4 Permit | 20.205 | AC415 | 374,668 | - |
| Highway Planning & Construction-FED LAND ACCESS PROGRAM - FERRY | 20.205 | ** | 166,111 | - |
| TOTAL DEPARTMENT OF TRANSPORTATION | | | $ 2,042,366 | $ - |
| EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | | | | |
| DIRECT PROGRAMS: | | | | |
| Employment Discrimination-State & Local Fair Employment | 30.002 | ** | $ 87,350 | $ - |
| TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | | | $ 87,350 | $ - |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | |
| Museum Grants for African American History | 45.309 | ** | $ 39,217 | $ - |
| PASSED THROUGH FLORIDA DEPARTMENT OF STATE: | | | | |
| Grants to States-VASE | 45.310 | ** | 6,589 | - |
| TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES | | | $ 45,806 | $ - |
| ENVIRONMENTAL PROTECTION AGENCY | | | | |
| DIRECT PROGRAMS: | | | | |
| Air Pollution Control Program Support | 66.001 | A004025100 | $ 78,131 | $ - |
| Air Pollution Control Program Support | 66.001 | A004025100 | 630,558 | - |
| Special Purpose Activities Relating to the Clean Air Act | 66.034 | ** | 172,098 | - |
| Special Purpose Activities Relating to the Clean Air Act | 66.034 | A00402505 | 41,653 | - |
| Special Purpose Activities Relating to the Clean Air Act | 66.034 | A00402505 | 37,004 | - |
| Brownfield Assessment and Cleanup | 66.818 | BF96426905 | 8,000 | - |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY | | | $ 967,444 | $ - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF ENERGY | | | | |
| DIRECT PROGRAMS: | | | | |
| ARRA-Energy Efficient Appliance Rebate Program | 81.128 | DEEE0000777 | $ 890,622 | $ 71,840 |
| TOTAL DEPARTMENT OF ENERGY | | | $ 890,622 | $ 71,840 |
| DEPARTMENT OF EDUCATION | | | | |
| PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION: | | | | |
| Twenty-First Century Community Learning Center | 84.287 | DCPS | $ 456,779 | $ 429,910 |
| TOTAL DEPARTMENT OF EDUCATION | | | $ 456,779 | $ 429,910 |
| ELECTION ASSISTANCE COMMISSION | | | | |
| PASSED THROUGH FLORIDA DEPARTMENT OF STATE: | | | | |
| Help America Vote Act Requirements Payments | 90.401 | ** | $ 93,391 | $ - |
| TOTAL ELECTION ASSISTANCE COMMISSION | | | $ 93,391 | $ - |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| DIRECT PROGRAMS: | | | | |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | $ 9,090 | $ - |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | 163,053 | - |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | 270,653 | - |
| SAMHS Projects of Regional & National Significance | 93.243 | 1U79SM05993901 | 1,979,744 | 1,979,744 |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | 58,435 | - |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | 60,431 | - |
| SAMHS Projects of Regional & National Significance | 93.243 | ** | 189,836 | - |
| HIV Emergency Relief Project Grants | 93.914 | ** | 2,413,857 | 2,253,316 |
| HIV Emergency Relief Project Grants | 93.914 | H89HA00039 | 3,186,980 | 2,989,110 |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE: | | | | |
| Child Support Enforcement- Service of Process | 93.563 | CSP16 | $ 28,082 | $ - |
| Child Support Enforcement | 93.563 | CD316 | 685,894 | - |
| Child Support Enforcement- Writ of Attachments | 93.563 | CS616 | 31,970 | - |
| PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF CHILDREN & FAMILIES: | | | | |
| Temporary Assistance for Needy Families-Ounce | 93.558 | HF131502 | 171,995 | 129,661 |
| Temporary Assistance for Needy Families-Ounce | 93.558 | HF131402 | 515,570 | 395,511 |
| Community Based Family Resource and Support Grants | 93.590 | HF131402 | 18,142 | 13,918 |
| Community Based Family Resource and Support Grants | 93.590 | HF131502 | 5,512 | 4,155 |
| PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION: | | | | |
| *Aging Cluster-* | | | | |
| Social Program for the Aging-Title III, Part B | 93.044 | ** | 306,972 | - |
| Social Program for the Aging-Title III, Part B | 93.044 | ** | 92,608 | - |
| Social Program for the Aging-Title III, Part C | 93.045 | ** | 487,544 | - |
| Social Program for the Aging-Title III, Part C | 93.045 | ** | 272,993 | - |
| Nutrition Services Incentive Program | 93.053 | ** | 83,125 | - |
| Nutrition Services Incentive Program | 93.053 | ** | 81,989 | - |
| *Total Aging Cluster* | | | 1,325,231 | - |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | $ 11,114,475 | $ 7,765,415 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | | |
| DIRECT PROGRAMS: | | | | |
| Retired & Senior Volunteer Program | 94.002 | ** | $ 45,277 | $ - |
| Retired & Senior Volunteer Program | 94.002 | ** | 69,049 | - |
| Youthbuild USA Americorps | 94.006 | ** | 26,202 | - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| *Foster Grandparent Program and Senior Companion Program Cluster-* | | | | |
| Foster Grandparent Program | 94.011 | ** | $ 408 | $ - |
| Foster Grandparent Program | 94.011 | ** | 337,167 | - |
| PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS: | | | | |
| Senior Companion Program | 94.016 | ** | 1,797 | - |
| Senior Companion Program | 94.016 | ** | 75 | - |
| *Total Foster Grandparent Program and Senior Companion Program Cluster* | | | 339,447 | - |
| TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | $ 479,975 | $ - |
| DEPARTMENT OF HOMELAND SECURITY | | | | |
| DIRECT PROGRAMS: | | | | |
| Assistance to Firefighters | 97.044 | EMW2010FO09731 | $ 5,762 | $ - |
| Assistance to Firefighters | 97.044 | EMW2011FO07363 | 54,151 | - |
| Port Security Grant Program | 97.056 | 2009PUT9K051 | 200,638 | - |
| Homeland Security Biowatch Program | 97.091 | ** | 227,689 | - |
| Homeland Security Biowatch Program | 97.091 | ** | 56,397 | - |
| PASSED THROUGH DEPARTMENT OF ECONOMIC OPPORTUNITY: | | | | |
| Hazard Mitigation | 97.039 | 10HM88042602018 | 8,663 | - |
| Emergency Management Performance Grants | 97.042 | 14FG86042601083 | 160,145 | - |
| Emergency Management Performance Grants | 97.042 | 15FG4D042601083 | 922 | - |
| Emergency Management Performance Grants | 97.042 | 14BG830426010116 | 84,775 | - |
| Emergency Management Performance Grants | 97.042 | 15BG830426010116 | 27,162 | - |
| Homeland Security Program Grant | 97.067 | ** | 58 | - |
| Homeland Security Program Grant | 97.067 | 14DSC2042601503 | 72,875 | - |
| Homeland Security Program Grant | 97.067 | 12DS20130016 | 85,266 | - |
| Homeland Security Program Grant | 97.067 | 13DS97130016409 | 56,199 | - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT | CFDA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| Severe Loss Repetitive Program | 97.110 | 12SL5E042602386 | $ 3,767 | $ - |
| Severe Loss Repetitive Program | 97.110 | 11SL5E042602249 | 5,569 | - |
| Flood Mitigation Assistance | 97.029 | 12FM4N042602276 | 2,202 | - |
| Flood Mitigation Assistance | 97.029 | 12FM4N042602276 | 5,915 | - |
| Flood Mitigation Assistance | 97.029 | 12FM4N042602312 | 6,745 | - |
| Hazard Mitigation Grants | 97.039 | 11HM3EQ42602017 | 160,093 | - |
| Homeland Security Grant Program-CERT | 97.067 | 12CI24042602470 | 2,580 | - |
| Homeland Security Grant Program-CERT | 97.067 | 13CI042602450 | 8,282 | - |
| Homeland Security Grant Program-CERT | 97.067 | ** | 2,850 | - |
| Homeland Security Grant Program-CERT | 97.067 | ** | 457 | - |
| Homeland Security Grant Program-Urban Area Security Initiative | 97.067 | 11DSA1042601349 | 1,075 | - |
| Homeland Security Grant Program-Metro Medical Response | 97.067 | 12DS042602411 | 222,813 | - |
| State Homeland Security Grant Program (SHSGP) | 97.067 | 12DS20042601409 | 36,725 | - |
| State Homeland Security Grant Program (SHSGP) | 97.067 | 14DSC2042601310 | 10,700 | - |
| Repetitive Flood Claims Program | 97.092 | 13SL5E04260230 | 284,900 | - |
| Repetitive Flood Claims Program | 97.092 | 12FM4N042602312 | 6,745 | - |
| Repetitive Flood Claims Program | 97.092 | 12RF9B042602465 | 6,835 | - |
| Repetitive Flood Claims Program | 97.092 | 13RF95042602305 | 24,830 | - |
| Repetitive Flood Claims Program | 97.092 | 13RF95042602305 | 25,539 | - |
| Staffing for Adequate Fire and Emergency Response | 97.083 | EMW2013FH00592 | 1,834,387 | - |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | | $ 3,693,711 | $ - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | $ 40,646,110 | $ 8,267,165 |

** 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, 2014**

| STATE AGENCY | CSFA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| EXECUTIVE OFFICE OF GOVERNOR | | | | |
| DIRECT PROGRAMS: | | | | |
| Military Base Protection | 40.014 | 9388-01 | $ 49,100 | $ - |
| Military Base Protection | 40.014 | ** | 56,820 | - |
| Military Base Protection | 40.014 | ** | 47,187 | - |
| Military Base Protection | 40.014 | ** | 249,682 | - |
| TOTAL EXECUTIVE OFFICE OF GOVERNOR | | | $ 402,789 | $ - |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | | |
| DIRECT PROGRAMS: | | | | |
| Petroleum Contamination Site Cleanup (Task 5) | 37.024 | S0481 | $ 797,488 | $ - |
| Petroleum Contamination Site Cleanup (Task 6) | 37.024 | S0481 | 235,505 | - |
| Statewide Surface Water Restoration & Wastewater-SJWMD | 37.039 | 24903 | 1,727,871 | - |
| TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | $ 2,760,864 | $ - |
| DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES | | | | |
| DIRECT PROGRAMS: | | | | |
| Mosquito control | 42.003 | 13071 | $ 29,456 | $ - |
| TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES | | | $ 29,456 | $ - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| STATE AGENCY | CSFA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF STATE AND SECRETARY OF STATE | | | | |
| DIRECT PROGRAMS: | | | | |
| State Aid to Libraries | 45.030 | 09ST24 | $ 6,609 | $ - |
| State Aid to Libraries | 45.030 | 11ST23 | 93 | - |
| State Aid to Libraries | 45.030 | 12ST22 | 66,438 | - |
| State Aid to Libraries | 45.030 | ** | 541,355 | - |
| TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE | | | $ 614,495 | $ - |
| DEPARTMENT OF ECONOMIC OPPORTUNITY | | | | |
| DIRECT PROGRAMS: | | | | |
| FL Hazardous Material Program | 52.023 | 14CP11042602229 | $ 25,935 | $ - |
| TOTAL DEPARTMENT OF ECONOMIC OPPORTUNITY | | | $ 25,935 | $ - |
| FLORIDA HOUSING FINANCE CORPORATION | | | | |
| DIRECT PROGRAMS: | | | | |
| State Housing Initiatives Partnerships | 52.901 | HFC01 | $ 530,826 | $ - |
| TOTAL FLORIDA HOUSING FINANCE CORPORATION | | | $ 530,826 | $ - |
| DEPARTMENT OF TRANSPORTATION | | | | |
| DIRECT PROGRAMS: | | | | |
| County Incentive Grant Program- Hammond Blvd | 55.008 | ** | $ 144,695 | $ - |
| TOTAL DEPARTMENT OF TRANSPORTATION | | | $ 144,695 | $ - |

**CITY OF JACKSONVILLE, FLORIDA**
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**
**FOR YEAR ENDED SEPTEMBER 30, 2014**

| STATE AGENCY | CSFA NUMBER | CONTRACT/ GRANT NUMBER | EXPENDITURES | PASS-THRU TO SUB RECIPIENT |
|---|---|---|---|---|
| DEPARTMENT OF HEALTH | | | | |
| DIRECT PROGRAMS: | | | | |
| County Grant Awards | 64.005 | C2016 | $ 162,377 | $ - |
| TOTAL DEPARTMENT OF HEALTH | | | $ 162,377 | $ - |
| DEPARTMENT OF ELDER AFFAIRS | | | | |
| DIRECT PROGRAMS: | | | | |
| Respite for Elders Living in Everyday Families | 65.006 | ** | $ 20,740 | $ - |
| Respite for Elders Living in Everyday Families | 65.006 | R013CJ | 76,968 | - |
| Respite for Elders Living in Everyday Families | 65.006 | R013CJ | 5,815 | - |
| TOTAL DEPARTMENT OF ELDER AFFAIRS | | | $ 103,523 | $ - |
| DEPARTMENT OF MANAGEMENT SERVICES | | | | |
| DIRECT PROGRAMS: | | | | |
| Wireless 911 Emergency Telephone System | 72.001 | ** | $ 78,283 | $ - |
| TOTAL DEPARTMENT OF MANAGEMENT SERVICES | | | $ 78,283 | $ - |
| DEPARTMENT OF REVENUE | | | | |
| DIRECT PROGRAMS: | | | | |
| Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise | 73.016 | ** | $ 2,000,004 | $ - |
| TOTAL DEPARTMENT OF REVENUE | | | $ 2,000,004 | $ - |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | $ 6,853,247 | $ - |

** not available

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

## Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance includes certain federal and state grant activity of the City of Jacksonville, Florida (the "City") for the year ended September 30, 2014. 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 $555,000, $17.3 million, and $28.3 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 OMB Circular A-87, *Cost Principles for State, Local and Tribal Governments,* 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 OMB Circular A-133, 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

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the federal programs with CFDA numbers 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 in accordance with the OMB Circular A-133 Compliance Supplement.

**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 under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Federal Single Audit Act. As of September 30, 2014, the City had notes outstanding as follows:

| | | |
|---|---|---|
| U.S. Government Guaranteed Note Payable, Series 2010 payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.66% | $ | 300,000 |
| U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66% | | 260,000 |
| U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66% | | 160,000 |
| U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.20% | | 65,000 |
| **Total outstanding principal amounts** | $ | 785,000 |

McGladrey

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

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

We have audited, in accordance with the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2015. Our report includes a reference to other auditors who audited the financial statements of JEA, 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. 65, *Items Previously Reported as Assets and Liabilities* and the adoption of the recognition and disclosure requirements of GASB Statement No.67, *Financial Reporting for Pension Plans*, effective October 1, 2013, for the City's pension plans reported as pension trust funds. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report also does not include the results of testing of internal control over financial reporting or compliance and other matters of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately.

***Internal Control over Financial Reporting***

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items IC 2014-1 and IC 2014-2 that we consider to be significant deficiencies.



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***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*.

**City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in our audit and, accordingly, we express no opinion on the response.

**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.

McGladrey LLP

Jacksonville, Florida
April 30, 2015

McGladrey

**Independent Auditors' Report**
**on Compliance for Each Major Federal Program and State Project;**
**Report on Internal Control Over Compliance**
**Required by OMB Circular A-133 and Chapter 10.550,**
**Rules of the Auditor General of the State of Florida**

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") Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state financial assistance projects for the year ended September 30, 2014. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

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 expenditures of federal awards and state financial assistance. Our audit, described below, did not include the operations of JEA which received federal awards of $554,708 because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. The audit described below also does not include the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City, which received approximately $17.3 million and $28.3 million, respectively, in federal awards and state financial assistance that are reported on separately in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.550, *Rules of the Auditor General of the State of Florida.*

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and 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, 2014.

**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 OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General of the State of Florida. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Jacksonville, Florida
June 30, 2015

**City of Jacksonville, Florida**

**Schedule of Findings and Questioned Costs**
**For the Year Ended September 30, 2014**

## I - Summary of Independent Auditor's Results

Financial Statements

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

***Federal Awards***

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

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 14.218 | Community Development Block Grants/ Entitlement Grants |
| 14.239 | Home Investment Partnership Program |
| 81.128-ARRA | ARRA-Energy Efficient Appliance Rebate Program |
| 93.044, 93.045, 93.053 | Aging Cluster |
| 93.914 | HIV Emergency Relief Project Grants |
| 97.083 | Staffing for Adequate Fire and Emergency Response |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 1,219,383 | | | |
| Auditee qualified as low-risk auditee? | | Yes | X | No |

(Continued)

**City of Jacksonville, Florida**

**Schedule of Findings and Questioned Costs**
**For the Year Ended September 30, 2014**

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

***State Financial Assistance***

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

Identification of major projects:

| CSFA Number(s) | Name of State Project |
|---|---|
| 37.024 | Petroleum Contamination Site Cleanup |
| 37.039 | Statewide Surface Water Restoration & Wastwater |
| 40.014 | Military Base Protection |
| 45.030 | State Aid to Libraries |

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

## Section II – Financial Statement Findings

A. Internal Control over Financial Reporting

**IC 2014-1**

**Financial Reporting**

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

Condition: During the year, we observed the following matters which contributed to a significant delay in the financial close process and timely completion and issuance of the City's Comprehensive Annual Financial Report and other deliverables.

a) The City's finance staff was unable to complete reconciliations of the general ledger account balances in a timely and accurate manner. As a result, a significant number of post closing journal entries were made subsequent to the trial balances being submitted for audit. Management posted 35 post closing journal entries with some being recorded as late as 5 months after the year ended.

b) The City's pension actuaries were unable to provide final pension liability valuation information compliant with the new Government Accounting Standards Board Statement (GASB) No. 67, in a timely manner to the treasury department. This did not allow time for appropriate review and analysis of the information for treasury to update the disclosures related to the City's pension plans for inclusion in the City's Comprehensive Annual Financial Report. It appeared that greater emphasis from upper management was placed on providing pension actuarial information for budgeting purposes for fiscal years 2015 and 2016 instead of the necessary information to include as required in the footnote disclosures for fiscal year 2014 which was the first required year of implementation for GASB Statement No. 67.

c) There was also a delay in receiving final financial information for one of the City's discrete component units as well.

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

Cause: The City experienced some turnover over the last couple of years and does not appear to have allocated sufficient resources to the financial accounting and reporting function to facilitate the timely and accurate year end close process which resulted in the significant number of post closing adjustments made. There also was information needed from operating departments and third party providers outside of the accounting and financial reporting function which was not obtained in a timely manner to facilitate the year end close process. Greater emphasis appeared to be needed from upper management to provide the necessary resources and direct the operating departments to timely deliver information.

Effect: The City was not able to complete and issue its comprehensive annual financial report by the March 31, 2015 deadline as required by the City's Charter. Also due to the deficiencies noted in the year end close process it heightens the risk of there being undetected financial statement misstatements.

Recommendation: We recommend that City review its current written policies and procedures over accounting and financial reporting including the year-end closing process and identify methods to help ensure that information needed to perform the year-end close is received timely by the accounting and finance department. We recommend that an entity-wide plan should be put in place with support from all key positions within the organization that stresses the importance of providing the necessary information to accounting and financial reporting in a timely manner. This includes also reviewing and making sure sufficient resources have been designated to perform the procedures necessary to accumulate information and close out the books timely.

Views of Responsible Officials:

a) We acknowledge that there were a number of post-closing journal entries. This is not a new issue. Certain post-closing journal entries cannot be avoided due to the nature of the operations of the City. However, reducing some year-end adjusting entries is a worthwhile objective. The Finance Department regularly sends out closing schedules to outside departments detailing deadlines. Additional past efforts have included meetings with outside departments to emphasize the importance of having information ready on a timely basis. The Finance Department plans to initiate a renewed effort to align priorities and objectives with management, educate outside departments, enforce deadlines, and better assure resources are in place and free to focus on year-end closing work to help improve the timeliness of entries at year-end.

b) Fiscal year 2014 was the first year and implementation of GASB 67. Policies and procedures are currently under review for any necessary updates relating to Pension Financial reporting standards GASB 67 and GASB 68. This update will include the timing of actuary report with requirements and reporting deadlines.

c) We acknowledge that a discretely presented component unit was not timely in providing audited financial information. The City is considering this issue and will follow-up with the component unit.

**IC 2014-2**

**Preparation of the Schedule of Federal Awards and State Financial Assistance**

Criteria: Management is responsible for the preparation of an accurate and complete schedule of expenditures of federal awards and state financial assistance.

Condition: Management was not able to provide the schedule of expenditures of federal awards and state financial assistance until 5 months after the year end. Upon our testing of the schedule multiple errors were detected related to the accuracy of reported expenditures. Additionally, the original schedule did not contain all of the data elements required by Office of Management and Budget (OMB) Circular A-133 and the Florida Single Audit Act.

Context: These errors pertained to the City's understanding of the reporting of expenditures of federal awards and state financial assistance under OMB Circular A-133 and the Florida Single Audit Act.

Cause: During fiscal 2014, a senior accountant who had prepared this schedule in prior years had transferred to another department within the City. The City does not appear to have an adequate cross training program in place to enable continuity of certain aspects of financial and compliance reporting. Additionally, after the schedule was compiled there was no evidence of an independent review of the schedule by someone other than the preparer with a sufficient understanding of reporting requirements.

Effect: Failure to properly prepare the schedule could affect the selection of major programs or projects and therefore impact the City's compliance with OMB Circular A-133 and the Florida Single Audit Act.

Recommendation: We recommend the City improve its financial reporting close process to more accurately complete and review the schedule of expenditures of federal awards and state financial assistance on a timely basis. This process should also include a procedure to have someone perform an independent review of the schedule and provide evidence of their review and approval of the accuracy and completeness of the schedule

Views of Responsible Officials: We acknowledge the condition and partially agree with the finding. There were some delays. However, it was believed that an alternative timeline was worked out without issue. The City is addressing this issue to assure resources are trained and freed up to provide timely and accurate schedules.

B. Compliance and Other Matters

None reported.

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

A. Compliance

None reported.

B. Internal Control over Compliance

None Reported

**City of Jacksonville, Florida**

**Summary Schedule of Prior Audit Findings**
**For the Year Ended September 30, 2014**

**Section I – Prior Financial Statement Findings**

A. Internal Control over Financial Reporting

None Reported

**Section II – Prior Findings and Question Costs for Federal Awards and State Projects**

A. Compliance

None Reported

B. Internal Control over Compliance

**2013-01**

**Allowable Costs**

**Public Safety Partnership and Community Policing (CFDA No. 16.710-ARRA)**

**Current Year's Status:** Corrective action has been taken.

McGladrey

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

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

**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, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2015. Our report was modified to include a reference to other auditors. This report does not include the findings and recommendations of the other auditors that are reported on separately by those auditors. This report also does not include the results of testing of internal control or compliance of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are, discretely presented component units of the City that are reported on separately by us. Our report also includes an emphasis of matter paragraph relating to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and the adoption of the recognition and disclosure requirements of GASB Statement No.67, *Financial Reporting for Pension Plans*, effective October 1, 2013, for the City's pension plans reported as pension trust funds.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of JEA, a discrete component unit 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 OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General of the State of Florida, Schedule of Findings and Questioned Costs, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with 10.550, Rules of the Auditor General. Disclosures in those reports and schedule 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. The status of recommendations made in the preceding annual financial audit report has been addressed in Appendix B to this report. This procedure does not include any matters that were reported on by other auditors as identified above.



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**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)5a, Rules of the Auditor General, requires that we 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 condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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)5b, Rules of the Auditor General, requires 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, 2014, 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, 2014. 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. We have reported our recommendations in Appendix A to this report. This procedure does not include any matters that were reported on by other auditors as identified above.

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 Honorable Mayor and Members of the City Council, and applicable management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Jacksonville, Florida
April 30, 2015, except for the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General,* and examination conducted in accordance with AICPA Professional Standards, Section 601, for which the date is June 30, 2015

## ML 2014-1 Estimated Liability for Workers Compensation Losses

Criteria: As stated in the Bickmore workers compensation claims review report dated November 13, 2013, workers compensation claims best practices include the following:

- The use of managed care services in order to be able to reserve claims based upon the description of reasonable and necessary treatment.
- Case reserving considering the cost of current treatment activities projected for life expectancy.

Condition: Although the City's estimate for self insured risks related to workers compensation was not materially misstated, it does appear to be understated based on the analysis provided by the actuary. In addition, a recent study done by a consultant for the City indicated that the discontinuation of managed care services in 2009 may be resulting in an increase in the costs associated with workers compensation cases.

Through an independent review of the City's actuarial report and supporting information by our consulting actuaries, we also noted the estimate for self insured risks was understated which appeared to be caused by the permanent cases which did not appear to reflect current costs projected out for the entire term of the life expectancy of the claimant. As a result, it appears that the actuarially estimated aggregate loss liability recorded in the workers compensation self insurance fund is currently understated. This understatement can also be affected by the cases not being actively managed which could increase the overall exposure the City is facing related to these claims which would increase the costs.

Context: The liability for workers compensation is recorded in the City's workers compensation internal service fund. The above noted items affect the potential total liability exposure the City will face for these estimated claims costs in the future and therefore the obligation recorded in this self insurance fund.

Cause: Management made a decision to discontinue managed care services. In addition, the total projected costs appear to have inadvertently been excluded from the total projected liability amount in previous actuarial studies that were performed.

Effect: In the absence of generally accepted practices in case management and case reserving, it is likely that the City may be incurring excess workers compensation claims expenses that could be avoided or minimized. In addition to the potentially higher costs, as of September 30, 2014, the City's workers compensation loss liability is understated since the life expectancies used in the actuarial study initially were not fully applied. The difference between the true estimate and what was reported by the actuary is being smoothed over a four year period through agreement between City management and the actuary but should have recognized immediately.

Recommendation: We recommend the following changes be made, specifically:

- Re-institution of some form of managed care services, along with the necessary training and tools provided to claims specialists, so that claims costs can be minimized as much as possible and case reserves set consistently with agreed necessary and reasonable treatment plans.
- For permanent cases, the case reserves should be based on the current cost of indemnity and medical benefits projected for the entire life expectancy of the claimant. As part of this change the City should look to budget for and increase the liability recorded for workers compensation claims to the true actuarial estimate without any adjustments for smoothing of the shortfall in the accrual.

Response / Planned Corrective Action:

During the course of the 2014 financial audit to prepare the CAFR, the Auditor made a determination that the actuarially estimated aggregate liability loss reserve for Workers' Compensation was not materially misstating the financial condition of the Risk Management program. This conclusion was made due to Risk Management's actuarially provided numbers and deployed case management strategies to prevent further development of the City's legacy or permanent claims.

Risk Management disagrees with the condition statement that permanent cases are not reserved for the life expectancy of the claimant. Risk Management voluntarily requested Bickmore perform an analysis of its claims for reserving levels and has already adjusted accordingly. In addition, many "permanent" claims settle and close well in advance of the claimant's life expectancy after being thought to be permanent because it was open for 20-25 years. Some permanent claims can develop unexpectedly due to an unforeseen catastrophic development that may cause the file to be underserved in the after-analysis. Risk Management has undertaken a vigorous settlement strategy to close permanent claims to prevent further loss development. In fact, Bickmore just concluded an audit of the City's Workers' Compensation claims and is expected to provide a favorable finding in its final report July 2015.

A Managed Care Arrangement (MCA) is optional under F.S. 440.134 (2015) and is a practice within the Workers' Compensation community but is not universally subscribed to as a best practice in the state of Florida. Sister jurisdictions such as the City of Orlando, Broward County, the City of Miami, to name a few, have opted out of the MCA like Jacksonville. A MCA can have costs that are not readily apparent. When the City previously had a MCA, the claimants had an option of a second opinion in addition to their statutory right of a one-time change. These second opinion physician costs were passed on to the City. Furthermore, the claimant had the option of choosing from a list of Independent Medical Examiners (IME) and the possibility of passing the costs on the City, whereas now the claimant has to pay for their own IMEs; finally, the MCA itself has annual costs. The benefits provided by an MCA are not unique to an MCA. The City is using the same pharmacy benefits manager (PBM) and provider network that was used under the MCA. Therefore, the City is receiving high quality services with the benefit of flexibility in providing those services to the claimants, which keeps costs lower.

**City of Jacksonville, Florida**

**Appendix B – Status of Prior Year's Recommendations to Improve Financial Management**
**For the Year Ended September 30, 2014**

| No. | Prior Year's Observations | Observation is Still Relevant | Observation Addressed or No Longer Relevant |
|---|---|---|---|
| ML 2012-01 | Financial Accounting and Reporting | | X |
| ML 2011-01 | Information Technology | | X |
| ML 2011-02 | Financial Accounting and Reporting | | X |

McGladrey

**Independent Accountant's Report**

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

We have examined the City of Jacksonville, Florida's (the "City") compliance with Sections 218.415, 28.35, and 28.36 Florida Statutes, for the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides 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 for the year ended September 30, 2014.

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

McGladrey LLP

Jacksonville, Florida
June 30, 2015



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