

CITY OF JACKSONVILLE, FLORIDA

SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013



PREPARED BY THE DEPARTMENT OF FINANCE  
ACCOUNTING DIVISION



**(This page is intentionally left blank.)**

**City of Jacksonville, Florida**  
**Single Audit Report**  
**For the Fiscal Year Ended September 30, 2013**

**TABLE OF CONTENTS**

**FINANCIAL SECTION**

INDEPENDENT AUDITOR’S REPORT .....1 – 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 5 - 20

**BASIC FINANCIAL STATEMENTS**

**CITYWIDE FINANCIAL STATEMENTS**

Statement of Net Position .....22

Statement of Activities.....23

**FUND FINANCIAL STATEMENTS**

Balance Sheet - Governmental Funds ..... 28 - 29

Reconciliation of the Governmental Funds Balance  
Sheet to the Statement of Net Position .....31

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds ..... 32 - 33

**FINANCIAL SECTION (CONTINUED)**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	34
Statement of Net Position - Proprietary Funds .....	36 - 37
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds .....	39
Statement of Cash Flows - Proprietary Funds .....	40 - 43
Statement of Fiduciary Net Position .....	46
Statement of Changes in Fiduciary Net Position .....	47
 <b>MAJOR COMPONENT UNITS</b>	
Combining Statement of Net Position – Component Units .....	50 - 51
Combining Statement of Activities – Component Units .....	52 - 53
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	55 -141
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund .....	144
Notes to Required Supplemental Information .....	145 - 146
Schedule of Employer Contributions - City of Jacksonville Retirement System .....	147
Schedule of Employer and Member Contributions - Police and Fire Retirement System .....	148
Schedule of Employer and Member Contributions - Police and Fire Retirement System – Senior Staff Voluntary Retirement Plan .....	149
Schedule of Funding Progress - City of Jacksonville Retirement System .....	150
Schedule of Funding Progress - Police and Fire Retirement System .....	151
Schedule of Funding Progress - Police and Fire Retirement System– Senior Staff Voluntary Retirement Plan .....	152
Schedule of Funding Progress - Employment Benefits Other than Pension (OPEB) .....	153

**SINGLE AUDIT**

Single Audit Contents .....157

Schedule of Expenditures of  
Federal Awards and State Financial Assistance .....159 - 168

Notes to Schedule of Expenditures of Federal Awards and  
State Financial Assistance .....169 - 170

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.....171 - 172

Independent Auditor’s 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.....173 - 174

Schedule of Findings and Questioned Costs .....175 - 178

Summary Schedule of Prior Audit Findings .....179

Management Letter Required by Chapter 10.550 of the Rules of the Auditor  
General of the State of Florida.....181 - 182

Appendix A – Prior Year Recommendations to Improve Financial Management.....183 - 185



**(This page is intentionally left blank.)**



## 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, 2013, 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%, 87%, and 83%, 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 31%, 31%, and 30% 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.

## **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, 2013, 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 17 B, as of October 1, 2012 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 61. As a result the Jacksonville Aviation Authority and Downtown Vision, Inc. no longer met the criteria to be included as discretely presented component units in the City's financial reporting entity. Due to this change in an accounting principle, the beginning net position of the discretely presented component units has been restated.

## **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 schedules of employer contributions and funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 the information is 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, 2014 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, 2014



**(This page is intentionally left blank.)**

**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 \$924.7 million, a 3.1% decrease over fiscal year 2012.
- Property tax revenues experienced a \$19 million, 4.2% decrease. The \$8.5 million decrease in earnings on investments was because of lower interest earning rates in fiscal year 2013. The \$12.9 million decrease in charges for service is due to the increase in volume of Medicare and Medicaid billings for ambulance services which have a set maximum fee that can be charged.
- Although there were decreases in general government: human services, transportation, physical environment, interest and fiscal charges, the increases of \$43.4 million in public safety \$9.7 million in culture and recreation, and \$2.7 million in economic environment resulted in a total governmental activity expense increase of \$30.0 million or 3.1%.
- Capital assets were \$3.2 billion on September 30, 2013, resulting in a \$70.8 million, 2.2% decrease over last fiscal year.

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

### City Highlights

Fiscal year 2013 had a number of positive outcomes. Some of the impact and improvements were as follows:

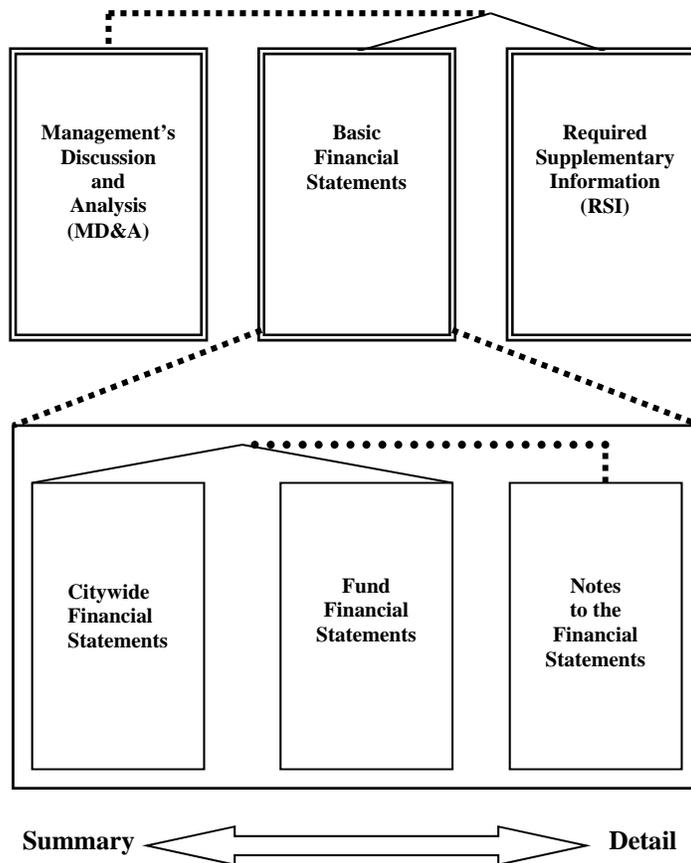
- The unassigned fund balance in the General Fund increased by \$25.0 million for fiscal year 2013 activities.
- Progress was made on pension reform. This process will continue into fiscal year 2014.
- The City began improvements in the City owned EverBank Field to improve the fan experience for Jacksonville residents.
- The Navy announced the assignment of three Littoral class ships to Jacksonville as well as smaller ships. This will add approximately 3,000 families to the Jacksonville area which should increase the City's tax base.
- There has been a decrease in the unemployment rate, an increase in sales tax revenues and an improved economy in Jacksonville.
- The City continued its departmental restructuring to improve efficiency and effectiveness.

## 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 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, 2013, 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, 2013 and September 30, 2012**

	Governmental Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Cash and Investments	\$ 870,665	\$ 827,511	\$ 75,536	\$ 82,627	946,201	\$ 910,138
Current and Other Assets	247,998	305,262	63,461	60,764	311,459	366,026
Capital Assets	2,764,758	2,837,487	439,340	437,404	3,204,098	3,274,891
Total assets	<u>3,883,421</u>	<u>3,970,260</u>	<u>578,337</u>	<u>580,795</u>	<u>4,461,758</u>	<u>\$ 4,551,055</u>
Deferred Outflow of Resources	13,518	19,577	-	-	13,518	19,577
Current Liabilities	227,975	246,519	17,766	17,076	245,741	264,955
Non-current Liabilities	2,892,129	2,945,708	376,117	383,335	3,268,246	3,348,620
Total liabilities	<u>3,120,104</u>	<u>3,192,227</u>	<u>393,883</u>	<u>400,411</u>	<u>3,513,987</u>	<u>3,613,575</u>
Net position						
Net investment in capital assets	913,986	948,789	128,996	128,766	1,042,982	1,077,555
Restricted for:						
State and Federal Grants	45,025	47,565	-	-	45,025	47,565
Capital Projects	-	-	1,852	1,579	1,852	1,579
Permanent Fund non-expendable	123	123	-	-	123	123
Other participant's equity	2,677	2,841	-	-	2,677	2,841
Unrestricted	(184,976)	(222,645)	53,606	50,039	(131,370)	(172,606)
Total net position	<u>\$ 776,835</u>	<u>\$ 776,673</u>	<u>\$ 184,454</u>	<u>\$ 180,384</u>	<u>961,289</u>	<u>\$ 957,057</u>

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

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. Some of the debt was issued under the Better Jacksonville Plan (BJP), which has dedicated revenue sources for payment of the debt.

The City issued non-asset related debt:

- for the Jacksonville Transportation Authority for state highway projects within the City
- for the Jacksonville Port Authority for their port terminal facilities
- to finance improvements at Shands-Jacksonville – a large regional hospital serving the City's citizens, including its indigent population
- to provide economic development incentives to entice developers to invest in the downtown and other targeted areas of the City 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 2012 and 2013 fiscal year ends.

**Table A-2**  
**Statement of Activities**  
(In Thousands)  
as of September 30, 2013 and September 30, 2012

	Governmental Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Fines & charges for services	\$ 110,451	\$ 126,802	\$ 117,328	\$ 112,851	\$ 227,779	\$ 239,653
Operating grants/contributions	68,470	82,833	-	-	68,470	82,833
Capital grants/contributions	55,208	41,194	-	-	55,208	41,194
General revenues:						
Property taxes	444,219	463,680	-	-	444,219	463,680
Utility service taxes	123,785	123,132	-	-	123,785	123,132
Sales and tourist taxes	172,430	164,827	12,385	11,692	184,815	176,519
Local business taxes	7,129	-	-	-	7,129	-
Intergovernmental	127,561	160,793	-	-	127,561	160,793
Franchise Fees	38,851	40,624	-	-	38,851	40,624
JEA Contribution	106,688	104,188	-	-	106,688	104,188
Earnings on Investments	5,884	40,329	294	4,025	6,178	44,354
Miscellaneous	40,627	33,249	17,081	11,926	57,708	45,175
<b>Total Revenues</b>	<b>1,301,303</b>	<b>1,381,651</b>	<b>147,088</b>	<b>140,494</b>	<b>1,448,391</b>	<b>1,522,145</b>
<b>Expenses</b>						
General government	159,054	156,064	-	-	159,054	156,064
Human services	104,902	113,260	-	-	104,902	113,260
Public safety	577,021	537,222	-	-	577,021	537,222
Cultural and recreational	78,305	64,883	-	-	78,305	64,883
Transportation	147,750	154,770	-	-	147,750	154,770
Economic & physical environment	161,528	201,634	-	-	161,528	201,634
Interest on long term debt	97,531	128,302	-	-	97,531	128,302
Parking system	-	-	3,178	3,499	3,178	3,499
Motor vehicle inspections	-	-	494	477	494	477
Solid Waste	-	-	71,073	73,111	71,073	73,111
Stormwater services	-	-	19,656	18,913	19,656	18,913
Mayport Ferry	-	-	2,767	-	2,767	-
EverBank Field	-	-	23,136	24,134	23,136	24,134
Veterans Memorial Arena	-	-	14,694	14,433	14,694	14,433
Baseball Stadium	-	-	3,083	3,118	3,083	3,118
Performing Arts Center	-	-	3,850	4,363	3,850	4,363
Convention Center	-	-	3,536	3,662	3,536	3,662
Equestrian Center	-	-	1,465	1,686	1,465	1,686
Sports Complex Capital	-	-	106	-	106	-
<b>Total Expenses</b>	<b>1,326,091</b>	<b>1,356,135</b>	<b>147,038</b>	<b>147,396</b>	<b>1,473,129</b>	<b>1,503,531</b>
Increases (decreases) in						
net position before transfers and special item	(24,788)	25,516	50	(6,902)	(24,738)	18,614
Transfers	(4,020)	(21,861)	4,020	21,861	-	-
Special Item-Repeal of JEDC	28,970	-	-	-	28,970	-
Special Item - refinancing of state debt	-	(61,196)	-	-	-	(61,196)
<b>Change in net position</b>	<b>162</b>	<b>(57,541)</b>	<b>4,070</b>	<b>14,959</b>	<b>4,232</b>	<b>(42,582)</b>
<b>Net position (deficit), beginning of year</b>	<b>776,673</b>	<b>834,214</b>	<b>180,384</b>	<b>165,425</b>	<b>957,057</b>	<b>999,639</b>
<b>Net position (deficit), end of year</b>	<b>\$ 776,835</b>	<b>\$ 776,673</b>	<b>\$ 184,454</b>	<b>\$ 180,384</b>	<b>\$ 961,289</b>	<b>\$ 957,057</b>

**Governmental activities:**

The City's governmental activities revenues decreased \$80.3 million from 2012 to 2013 (see Table A-2) and consists of:

- Property tax revenues reflected a \$19.5 million decrease due to continued reductions in assessed valuation stemming from the downturn in property values following the Great Recession.
- Intergovernmental revenues decreased \$33.2 million primarily due to the Jacksonville Children's Commission loss of the Child Care Grant.
- Interest revenues decreased \$34.4 million due to the unusually low earnings on the investment portfolio in fiscal year 2013.
- Contributions from JEA increased \$2.5 million in fiscal year 2013.

Decreases in governmental activities expenses were \$30.0 million due primarily to the following:

- Public Safety expense increased \$39.8 million due to the increased contribution to the Police & Fire Pension Fund.
- Economic and Physical Environment expenses decreased by \$40.1 million due to a \$6.7 million reduction in accruals related to the pollution remediation liability, an \$8.3 million reduction in Banking Fund interest accruals and a \$25.0 million reduction in the Jacksonville Children's Commission operations as a result of the loss of the Child Care Grant.
- Interest on long term debt decreased by \$30.8 million due to decreased interest rates resulting from bond refundings on outstanding debt made over the past two years.

**Business Type activities:**

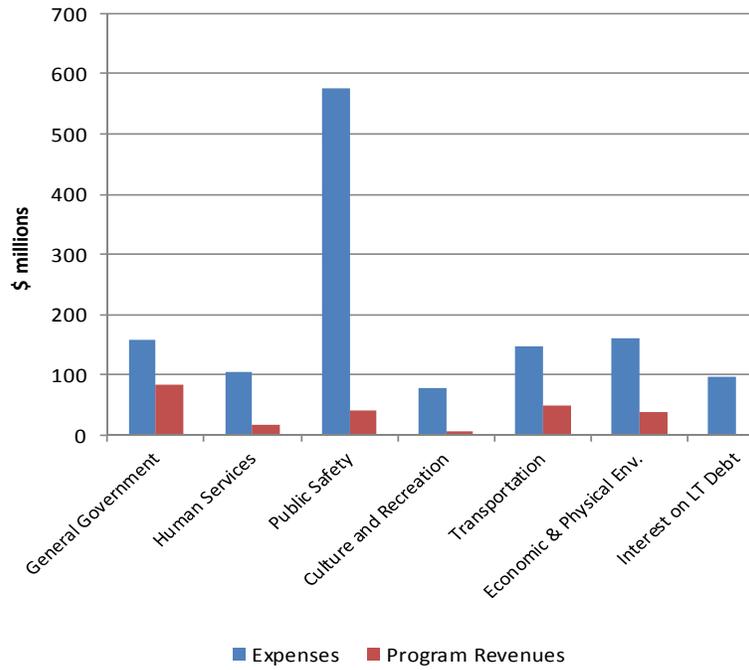
The City's business type revenues increased \$6.6 million in fiscal year 2013:

- Increases in fines and charges for services of \$4.5 million were due to the increase in Solid Waste user fees in fiscal year 2013.
- Earnings on investments decreased \$3.7 million due to low interest rates earned on investment portfolios during the fiscal year.
- Miscellaneous revenues increased by \$5.2 million due to the City re-taking possession of the Mayport Ferry in fiscal year 2013.

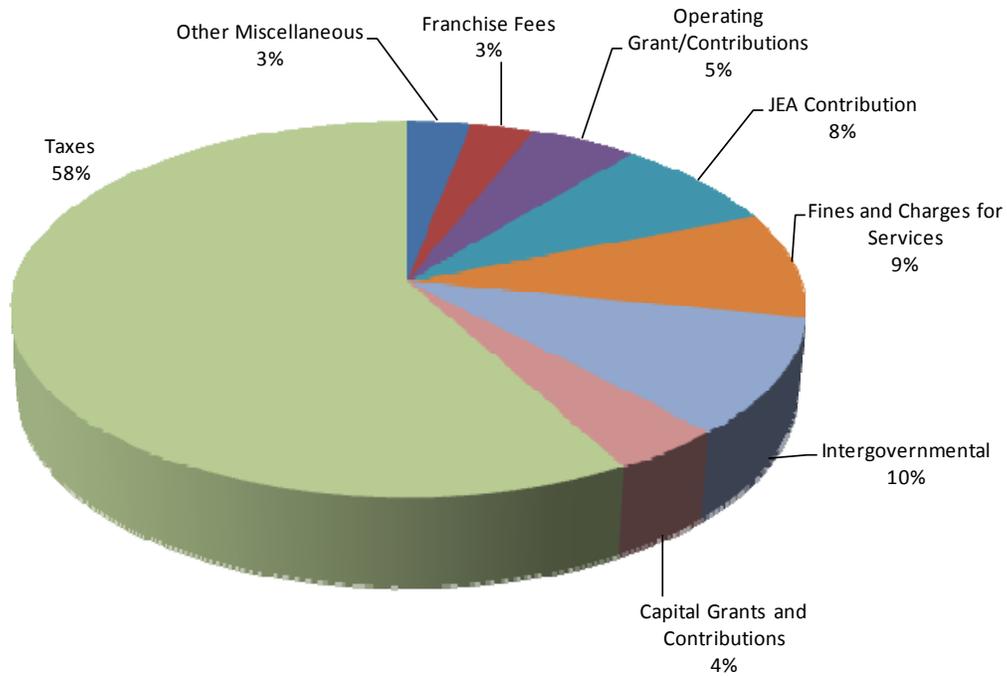
Business type activities total expenses decreased \$400 thousand in fiscal year 2013:

- Solid Waste's expenditures decreased \$2.0 million due to landfill closure/post-closure liability and contract garbage/recycling expense decreases in fiscal year 2013. The City took re-ownership of the Mayport Ferry in fiscal year 2013 which reflected total expenses of \$2.8 million along with approximately \$1.0 million increased expenses in Stormwater Services. EverBank Field had decreased expenses of \$1.0 million along with other smaller decreases in Motor Vehicle Inspections, Baseball Stadium, Performing Arts Center, Convention Center, and Equestrian Center.

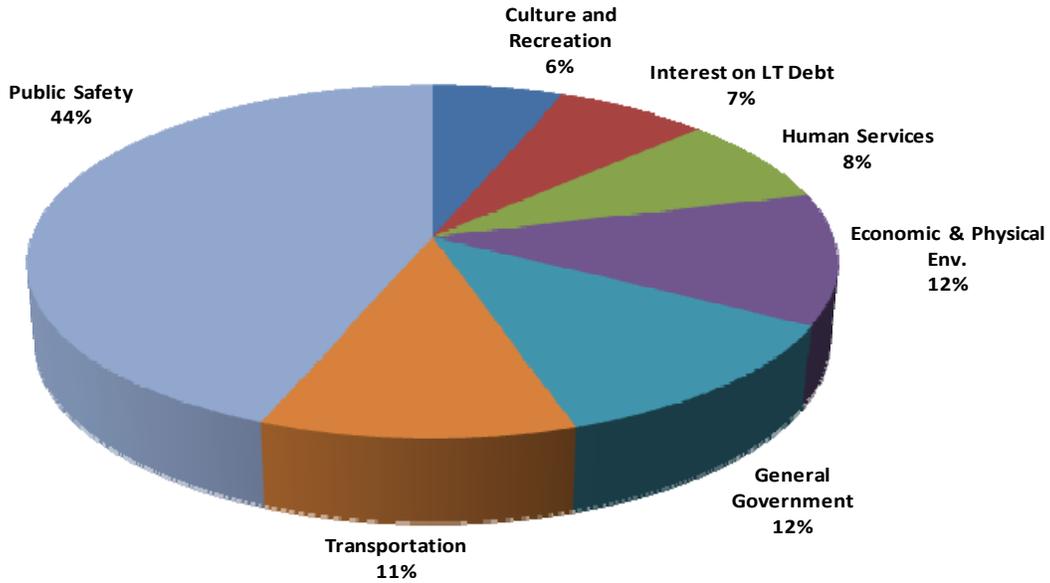
### Expenses and Program Revenues - Governmental Activities



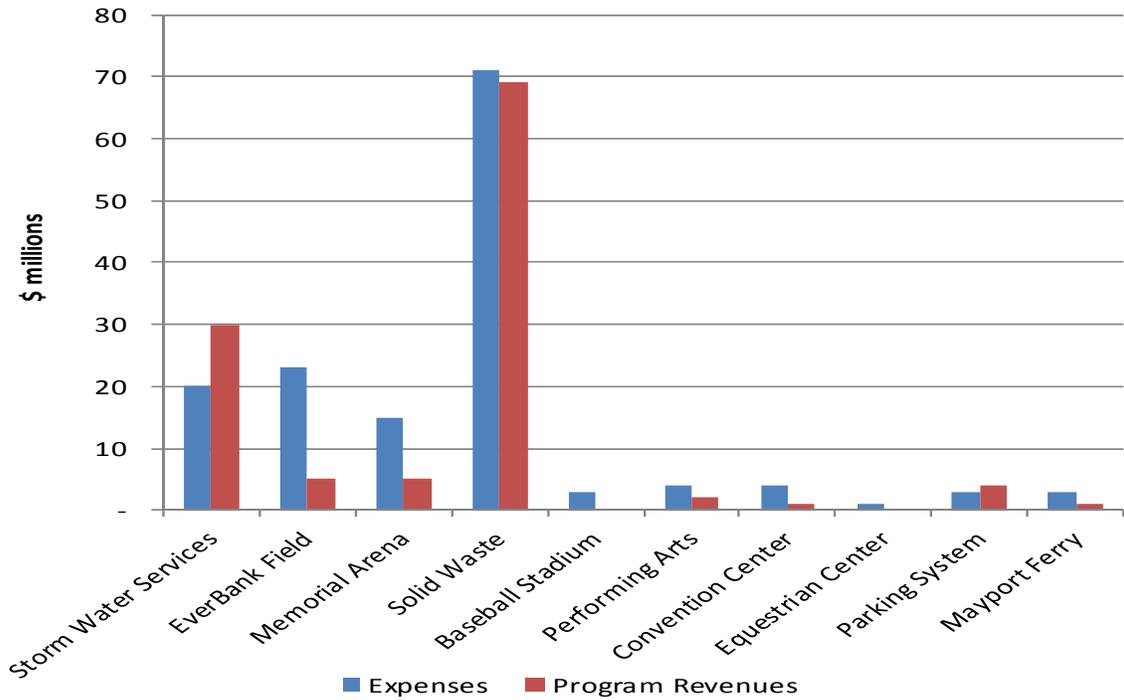
### Revenues - Governmental Activities



## Expenses - Governmental Activities



## Expenses and Program Revenues - Business Type Activities



## FINANCIAL ANALYSIS OF THE CITY GOVERNMENT'S FUNDS

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

**Governmental Funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year 2013. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$97.1 million. The General Fund's total fund balance was \$175.2 million, with \$48.2 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 2013 operations are as follows:

### General Fund:

- Property taxes account for approximately 50% of the General Fund revenue and decreased by \$18.9 million, 4.2% below the previous fiscal year. Interest revenue decreased \$8.5 million due to a lower return than average in fiscal year 2013. General Fund revenues had an overall decrease of \$29.9 million and an overall decrease in expenditures of \$25.7 million as compared to fiscal year 2012.

### 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. The City's refunding efforts changed focus during fiscal year 2013 from refunding Better Jacksonville debt obligations to refunding General Fund obligations. During fiscal year 2012 the City issued \$489 million in refunding debt for the Better Jacksonville Plan bonds compared to \$31.5 million in fiscal year 2013.

### Special Bonded Debt – Obligations:

- Due to favorable bond market conditions that generated significant bond premiums, the City continued refunding higher interest rate debt during fiscal year 2013. The City refunded \$290 million, plus accrued interest of higher rate debt by issuing \$256.3 million par value of Special Bonded Debt Obligation Bonds in the General Fund. This amount exceeded the \$2.9 million refunded in fiscal year 2012 by \$253.4 million.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Solid Waste, Stormwater Services, EverBank Field and the Veteran's Memorial Arena are reported as major proprietary funds in fiscal year 2013.

### General Fund Budgetary Highlights:

- Actual revenues for fiscal year 2013 were \$23.4 million below the final budget including utility service taxes (\$6.6 million), charges for services (\$12.1 million) and licenses and permits (\$3.7 million) of actual revenues below budget.
- Overall actual expenditures for fiscal year 2013 were \$93.9 million under final budget with \$47.6 million or more than half, related to the budgeted but unused emergency reserve.
- 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 Mayor's Administration. 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. Combining these operations resulted in a \$20.1 million budgetary savings over actual expenditures.
- Additional savings were due to salary and benefit costs reductions and departmental and non-departmental operating cost savings due to the Administration's city-wide reorganization and strong efforts toward cost reduction.

## 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, 2013, amounts to \$3.2 billion net of accumulated depreciation; a \$70.8 million reduction from fiscal year 2012. This reduction is due to the beginning of depreciation charges on the large number of projects completed in fiscal years 2011 (\$157.9 million) and 2012 (\$84 million). This investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress (see Table A-3). With the primary focus on the completion of countywide resurfacing and the new courthouse project in fiscal year 2012, the completion of road, building and drainage projects became the focus in fiscal year 2013. 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, 2013 and September 30, 2012**

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and easements	\$ 312,739	\$ 309,983	\$ 46,532	\$ 45,862	\$ 359,271	\$ 355,845
Buildings and improvements	1,080,314	1,061,459	565,670	559,399	1,645,984	1,620,858
Furniture & Equipment	423,132	417,029	8,860	6,378	431,992	423,407
Construction and work in progress	13,059	3,217	56	2	13,115	3,219
Infrastructure	2,166,939	2,140,198	41,596	32,602	2,208,535	2,172,800
Other Assets	43,051	39,829	-	-	43,051	39,829
Less accumulated depreciation	(1,274,476)	(1,134,228)	(223,374)	(206,839)	(1,497,850)	(1,341,067)
Total	<u>\$ 2,764,758</u>	<u>\$ 2,837,487</u>	<u>\$ 439,340</u>	<u>\$ 437,404</u>	<u>\$ 3,204,098</u>	<u>\$ 3,274,891</u>

Major capital asset project costs in fiscal year 2013 included the following (in millions):

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Courthouse Projects	\$ 4.9	\$38.9	(\$34.0)
Road Projects	17.0	13.5	3.5
Countywide Resurfacing	0.9	10.7	(9.8)
Miscellaneous Projects	9.6	9.0	0.6
Park Projects	4.7	7.9	(3.2)
Drainage Projects	10.0	0.3	9.7
Building Projects	16.0	1.8	14.2
Fire Department Projects	1.9	1.9	0.0
Total	<u>\$ 65.0</u>	<u>\$84.0</u>	<u>(\$19.0)</u>

### Debt Administration

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

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

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

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

At year-end, the City had \$2.8 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)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Special Obligation Bonds	\$ 754,432	\$ 828,572	\$ -	\$ -	\$ 754,432	\$ 828,572
Special Obligation-BJP	1,290,036	1,315,267			1,290,036	1,315,267
Revenue Bonds Payable	260,348	245,823	257,674	287,423	518,022	533,246
Notes Payable	15,080	30,865	-	-	15,080	30,865
Notes Payable-BJP	52,311	57,447	-	-	52,311	57,447
Deferred Amounts						
Loss on Adv Ref	(1,397)	(2,028)	36,233	13,356	34,836	11,328
Issuance premiums	149,082	116,378	-	-	149,082	116,378
Issuance discounts	(2,699)	(2,695)	-	-	(2,699)	(2,695)
<b>Total</b>	<u>\$ 2,517,193</u>	<u>\$ 2,589,629</u>	<u>\$ 293,907</u>	<u>\$ 300,779</u>	<u>\$ 2,811,100</u>	<u>\$ 2,890,408</u>

New indebtedness of the City of Jacksonville consists of:

<b>Closing Date</b>	<b>Par Amount</b>	<b>Source</b>	<b>Primary Use</b>
December 2012	\$ 230,160,000	Refunding Revenue Bonds	Special Revenue
December 2012	\$ 118,005,000	Refunding Revenue Bonds	Capital Improvements
September 2013	\$ 54,035,000	Refunding Revenue Bonds	Capital Improvements
September 2013	\$ 35,145,000	Refunding Revenue Bonds	Bldg Purchase & Capital
September 2013	\$ 31,565,000	Special Revenue Bonds	Special Revenue

A key financial initiative of the City of Jacksonville has been the refunding of long-term debt obligations to take advantage of historically advantageous market conditions. During fiscal year 2013, the City refinanced portions of 17 series of bonds resulting in significant cost savings and a reduction in variable rate exposure. Over a three year period, the City has refunded a total of \$1.25 billion in par amount of bonds, which resulted in an economic gain of \$133 million and a reduction in overall variable rate exposure by \$97 million.

Fiscal year 2013 marked a third consecutive year for improvement in pledged revenues for most of the City's bond programs. Year-over-year gains in pledged revenues ranged from a positive 0.4% to 6.9%. Increasing revenues resulted in improved debt service coverage, and an upgrade by Standard & Poor's of the City's Excise Taxes Revenue bonds pledge to AA- from A+. Despite revenue and coverage improvements, rating agencies have cautioned that the failure to address rising pension costs may impact ratings negatively.

The City of Jacksonville continued to enjoy historically low rates on its variable rate debt. The expiring liquidity facility on the Capital Projects Revenue Bonds, Series 2008B, was replaced during the fiscal year by a direct placement with Wells Fargo bearing interest at a LIBOR Index Rate. The liquidity facilities on the Capital Projects Revenue Bonds, Series 2008A, and the Transportation Revenue Bonds, Series 2008B, are scheduled to expire during fiscal year 2014.

## **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 6.4%, at the end of fiscal year 2013, a 1.8% improvement over 2012. This compares favorably to the state's average unemployment rate (6.7%) and the national average unemployment rate of 7.2% as of September, 2013.
- 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 2013-2014:**

- 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 City of Jacksonville's General Fund non-departmental revenues are a net \$487.5 million for fiscal year 2013-2014 after considering the impact from Tax Increment Districts.
- The millage rate was increased from 10.0353 mills in 2012 to 11.4419 mills in 2013 in order to maintain city services at current funding levels.

#### **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, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	PRIMARY GOVERNMENT				COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
			2013	2012	
<b>ASSETS:</b>					
Cash and investments.....	\$ 722,950	\$ 59,660	\$ 782,610	\$ 759,749	\$ 1,636,399
Cash in escrow and with fiscal agents.....	147,715	15,876	163,591	150,389	40
Securities lending.....	52,559	-	52,559	71,242	-
Receivables, net.....	68,824	54,163	122,987	125,082	268,279
Internal balances.....	866	(866)	-	-	-
Due from independent agencies and other governments.....	92,739	325	93,064	124,911	49,081
Inventories.....	6,115	13	6,128	7,133	147,617
Prepaid expenses and other assets.....	6,172	288	6,460	6,798	184,554
Prepaid expense - Landfill related costs.....	-	8,543	8,543	10,896	-
Unamortized debt issuance costs.....	20,723	995	21,718	19,964	-
<b>CAPITAL ASSETS:</b>					
Land, easements, art in public places and work in progress.....	326,562	46,588	373,150	359,064	693,511
Other capital assets, net of depreciation.....	2,438,196	392,752	2,830,948	2,915,827	6,519,409
<b>TOTAL ASSETS.....</b>	<b>3,883,421</b>	<b>\$ 578,337</b>	<b>4,461,758</b>	<b>\$ 4,551,055</b>	<b>\$ 9,498,890</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
Accumulated decrease in fair value of hedging instrument.....	13,518	-	13,518	19,577	86,208
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities.....	62,637	9,171	71,808	70,170	180,569
Contracts payable.....	765	91	856	4,893	-
Due to component units.....	7,977	-	7,977	2,520	-
Due to independent agencies and other governments.....	13,567	-	13,567	13,567	552
Deposits.....	4,002	2,341	6,343	6,683	59,030
Accrued interest payable.....	57,535	6,105	63,640	69,075	103,818
Unearned revenue.....	28,684	58	28,742	26,564	6,224
Securities lending.....	52,563	-	52,563	71,260	-
Other current liabilities.....	245	-	245	223	90,157
<b>NONCURRENT LIABILITIES:</b>					
Fair market value of debt management instrument.....	13,518	-	13,518	19,577	86,208
Due within one year.....	149,542	11,749	161,291	151,322	254,090
Due in more than one year.....	2,729,069	364,368	3,093,437	3,177,721	6,086,607
<b>TOTAL LIABILITIES.....</b>	<b>3,120,104</b>	<b>393,883</b>	<b>3,513,987</b>	<b>3,613,575</b>	<b>6,867,255</b>
<b>NET POSITION:</b>					
Net investment in capital assets.....	913,986	128,996	1,042,982	1,077,555	1,389,509
Restricted for:					
Debt service.....	-	-	-	-	18,494
State and federal grants.....	45,025	-	45,025	47,565	-
Capital projects.....	-	1,852	1,852	1,579	-
Other participant's equity.....	2,677	-	2,677	2,841	-
Permanent fund, non-expendable.....	123	-	123	123	-
Other purposes.....	-	-	-	-	573,356
Unrestricted (deficit).....	(184,976)	53,606	(131,370)	(172,606)	736,484
<b>TOTAL NET POSITION .....</b>	<b>\$ 776,835</b>	<b>\$ 184,454</b>	<b>\$ 961,289</b>	<b>\$ 957,057</b>	<b>\$ 2,717,843</b>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF ACTIVITIES -**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				PRIMARY GOVERNMENT				COMPONENT UNITS
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
		2013	2012						
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government.....	\$ 159,054	\$ 71,541	\$ 7,897	\$ 3,120	\$ (76,496)	\$ (76,496)	\$ (85,750)		
Human services.....	104,902	2,465	14,014	-	(88,423)	(88,423)	(97,222)		
Public safety.....	577,021	30,137	10,806	860	(535,218)	(535,218)	(483,125)		
Culture and recreation.....	78,305	3,661	1,161	508	(72,975)	(72,975)	(59,435)		
Transportation.....	147,750	353	7,343	40,881	(99,173)	(99,173)	(152,181)		
Economic environment.....	47,394	-	22,001	69	(25,324)	(25,324)	(35,590)		
Physical environment.....	114,134	2,294	5,248	9,770	(96,822)	(96,822)	(71,066)		
Interest on long term debt.....	97,531	-	-	-	(97,531)	(97,531)	(128,302)		
<b>Total governmental activities.....</b>	<b>1,326,091</b>	<b>110,451</b>	<b>68,470</b>	<b>55,208</b>	<b>(1,091,962)</b>	<b>(1,091,962)</b>	<b>(1,112,671)</b>		
Business-type activities:									
Parking system.....	3,178	3,487	-	-	-	309	309	26	
Motor vehicle inspections.....	494	434	-	-	-	(60)	(60)	(31)	
Solid Waste.....	71,073	68,759	-	-	-	(2,314)	(2,314)	(3,363)	
Storm Water Services.....	19,656	30,259	-	-	-	10,603	10,603	7,606	
Mayport Ferry.....	2,767	1,179	-	-	-	(1,588)	(1,588)	-	
EverBank Field.....	23,136	4,566	-	-	-	(18,570)	(18,570)	(20,080)	
Veterans Memorial Arena.....	14,694	5,165	-	-	-	(9,529)	(9,529)	(9,792)	
Baseball Stadium.....	3,083	378	-	-	-	(2,705)	(2,705)	(2,746)	
Performing Arts.....	3,850	1,868	-	-	-	(1,982)	(1,982)	(2,062)	
Convention Center.....	3,536	1,013	-	-	-	(2,523)	(2,523)	(2,638)	
Equestrian Center.....	1,465	220	-	-	-	(1,245)	(1,245)	(1,465)	
Sports Complex Capital Maint.....	106	-	-	-	-	(106)	(106)	-	
<b>Total business-type activities.....</b>	<b>147,038</b>	<b>117,328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,710)</b>	<b>(29,710)</b>	<b>(34,545)</b>	
<b>Total primary government.....</b>	<b>\$ 1,473,129</b>	<b>\$ 227,779</b>	<b>\$ 68,470</b>	<b>\$ 55,208</b>	<b>(1,091,962)</b>	<b>(29,710)</b>	<b>(1,121,672)</b>	<b>(1,147,216)</b>	
<b>COMPONENT UNITS:</b>									
Governmental activities.....	\$ 70,451	\$ -	\$ -	\$ -					\$ (70,451)
Business-type activities.....	1,951,512	1,890,092	17,440	70,881					26,901
<b>Total component units.....</b>	<b>\$ 2,021,963</b>	<b>\$ 1,890,092</b>	<b>\$ 17,440</b>	<b>\$ 70,881</b>					<b>\$ (43,550)</b>
General revenues:									
Property taxes.....					444,219	-	444,219	463,680	-
Utility service taxes.....					123,785	-	123,785	123,132	-
Sales and tourist taxes.....					172,430	12,385	184,815	176,519	70,820
Local business taxes.....					7,129	-	7,129	7,396	-
Intergovernmental - unrestricted.....					127,561	-	127,561	160,793	60,991
JEA Contribution.....					106,688	-	106,688	104,188	-
Unrestricted earnings on investments.....					5,884	294	6,178	44,354	4,665
Franchise Fees.....					38,851	-	38,851	40,593	-
Miscellaneous.....					40,627	17,081	57,708	45,175	13,752
Transfers.....					(4,020)	4,020	-	-	-
Special Items:									
Repeal of Jacksonville Economic Development Commission.....					28,970	-	28,970	-	(28,624)
Refinancing of state debt.....					-	-	-	(61,196)	-
<b>Total general revenues, transfers, and special items.....</b>					<b>1,092,124</b>	<b>33,780</b>	<b>1,125,904</b>	<b>1,104,634</b>	<b>121,604</b>
Change in net position.....					162	4,070	4,232	(42,582)	78,054
Net position, beginning of year.....					776,673	180,384	957,057	999,639	3,082,787
Restatement due to a change in an accounting principle.....					-	-	-	-	(442,998)
<b>Net position, end of year.....</b>					<b>\$ 776,835</b>	<b>\$ 184,454</b>	<b>\$ 961,289</b>	<b>\$ 957,057</b>	<b>\$ 2,717,843</b>



**(This page is intentionally left blank.)**

**FUND FINANCIAL  
STATEMENTS**



**(This page is intentionally left blank.)**

## **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, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	<u>GENERAL FUND</u>	<u>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</u>	<u>SPECIAL BONDED DEBT- OBLIGATIONS</u>
<b>ASSETS:</b>			
Equity in cash and investments.....	\$ 142,509	\$ 103,656	\$ 13,374
Cash in escrow and with fiscal agents.....	188	66,379	57,808
Securities lending collateral.....	52,559	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	14,884	-	-
Mortgages.....	-	-	-
Other.....	17,060	-	-
Due from other funds.....	5,728	-	-
Due from independent agencies and other governments.....	48,051	-	-
Inventories.....	4,189	-	-
Prepaid items.....	17	-	-
<b>TOTAL ASSETS.....</b>	<b><u>285,185</u></b>	<b><u>170,035</u></b>	<b><u>71,182</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities.....	\$ 32,905	\$ 83	\$ -
Contracts payable.....	48	-	-
Due to other funds.....	-	-	-
Due to component units.....	-	-	-
Due to individuals.....	-	-	-
Bonds payable.....	-	41,031	39,710
Interest payable.....	-	26,708	19,719
Deposits.....	1,097	-	-
Unearned / Deferred revenue.....	23,361	-	-
Securities lending obligations.....	52,563	-	-
Advances from other funds.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b><u>109,974</u></b>	<b><u>67,822</u></b>	<b><u>59,429</u></b>
<b>FUND BALANCES:</b>			
<b>Non Spendable:</b>			
Non Spendable.....	4,189	-	-
<b>Spendable:</b>			
Restricted.....	-	101,997	10,304
Committed.....	70,248	-	-
Assigned.....	3,656	216	1,449
Unassigned.....	97,118	-	-
<b>TOTAL FUND BALANCES.....</b>	<b><u>175,211</u></b>	<b><u>102,213</u></b>	<b><u>11,753</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 285,185</u></b>	<b><u>\$ 170,035</u></b>	<b><u>\$ 71,182</u></b>

See accompanying notes.

NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
	2013	2012
\$ 288,213	\$ 547,752	\$ 532,790
4,469	128,844	118,427
-	52,559	71,242
1,596	16,480	22,303
3,769	3,769	4,766
205	17,265	14,650
-	5,728	5,468
42,851	90,902	121,899
-	4,189	5,115
162	179	738
<u>341,265</u>	<u>867,667</u>	<u>\$ 897,398</u>
\$ 18,032	\$ 51,020	\$ 48,278
717	765	4,843
4,862	4,862	4,581
7,977	7,977	2,520
245	245	223
-	80,741	72,283
-	46,427	49,429
2,705	3,802	4,904
2,903	26,264	23,960
-	52,563	71,260
5,536	5,536	6,326
<u>42,977</u>	<u>280,202</u>	<u>288,607</u>
225	4,414	5,339
84,554	196,855	241,181
213,314	283,562	288,248
195	5,516	5,556
-	97,118	68,467
<u>298,288</u>	<u>587,465</u>	<u>608,791</u>
<u>\$ 341,265</u>	<u>\$ 867,667</u>	<u>\$ 897,398</u>



**(This page is intentionally left blank.)**

**City of Jacksonville, Florida**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2013**  
**(in thousands)**

Total fund balances- governmental funds		\$ 587,465
---	--	------------

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		2,764,758
---	--	-----------

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

Bonds and notes payable	(2,372,207)	
Unamortized bond discounts	2,699	
Unamortized bond premium	(149,081)	
Unamortized loss on advance refunding of debt	1,397	
Total bonds and notes payable		(2,517,192)

\* 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	80,741	
Compensated absences	(58,354)	
Matured Interest payable	(6,608)	
Unamortized bond issuance costs	20,723	
Estimated liability for self insured losses-current	(25,218)	
Estimated liability for self insured losses-long-term	(72,222)	
Other post employment benefits (OPEB) liability	(41,669)	
Accrued liability for pollution remediation	(163,956)	
Amounts due to independent agencies or other governments	(13,567)	
Total		(280,130)

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

221,934

Net position of governmental activities		\$ <u>776,835</u>
---	--	-------------------

\* 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, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	<b>GENERAL FUND</b>	<b>SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS</b>	<b>SPECIAL BONDED DEBT- OBLIGATIONS</b>
<b>REVENUES:</b>			
Property taxes.....	\$ 431,622	\$ -	\$ -
Utility service taxes.....	123,785	-	-
Sales and tourist taxes.....	1,004	-	-
Local business taxes.....	7,129	-	-
Licenses, permits, and fees.....	38,856	-	-
Intergovernmental.....	129,011	39,955	-
Charges for services.....	58,580	-	-
Fines and forfeitures.....	2,174	-	-
JEA contribution.....	106,688	-	-
Interest.....	3,916	878	341
Other.....	21,963	-	-
<b>Total Revenues.....</b>	<b>924,728</b>	<b>40,833</b>	<b>341</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	124,373	-	-
Human services.....	64,684	-	-
Public safety.....	540,350	-	-
Culture and recreation.....	56,563	-	-
Transportation.....	28,429	-	-
Economic environment.....	15,070	-	-
Physical environment.....	11,342	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	41,031	39,710
Interest and fiscal charges.....	8,954	55,142	37,642
Other.....	-	2,039	2,255
<b>Total Expenditures.....</b>	<b>849,765</b>	<b>98,212</b>	<b>79,607</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>74,963</b>	<b>(57,379)</b>	<b>(79,266)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Long term debt issued.....	1,057	-	-
Refunding bond issued.....	-	31,565	256,323
Premium on special obligation bonds payable.....	-	1,625	39,917
Discount on special obligation bonds payable.....	-	-	(159)
Payment to escrow agent - refunded bonds.....	-	(32,931)	(291,270)
Transfers in.....	9,165	60,101	73,261
Transfers out.....	(89,065)	-	(5,715)
<b>Total Other Financing Sources (Uses).....</b>	<b>(78,843)</b>	<b>60,360</b>	<b>72,357</b>
<b>SPECIAL ITEM:</b>			
Repeal of Jacksonville Economic Development Commission.....	28,970	-	-
<b>NET CHANGES IN FUND BALANCES.....</b>	<b>25,090</b>	<b>2,981</b>	<b>(6,909)</b>
<b>FUND BALANCE, BEGINNING OF YEAR .....</b>	<b>150,121</b>	<b>99,232</b>	<b>18,662</b>
<b>FUND BALANCES, END OF YEAR.....</b>	<b>\$ 175,211</b>	<b>\$ 102,213</b>	<b>\$ 11,753</b>

See accompanying notes.

NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
	2013	2012
\$ 12,597	\$ 444,219	\$ 463,680
-	123,785	123,132
171,426	172,430	164,827
-	7,129	7,396
11,103	49,959	50,198
73,015	241,981	249,177
36,099	94,679	105,405
2,490	4,664	4,427
-	106,688	104,188
1,486	6,621	34,698
15,035	36,998	30,428
<u>323,251</u>	<u>1,289,153</u>	<u>1,337,556</u>
27,935	152,308	163,217
37,367	102,051	110,779
30,543	570,893	527,047
6,537	63,100	53,763
104,646	133,075	140,422
32,114	47,184	67,672
6,911	18,253	20,930
78,354	78,354	121,541
1,035	81,776	76,148
294	102,032	103,885
-	4,294	7,505
<u>325,736</u>	<u>1,353,320</u>	<u>1,392,909</u>
(2,485)	(64,167)	(55,353)
12,546	13,603	2,349
-	287,888	491,905
-	41,542	46,925
-	(159)	-
-	(324,201)	(529,833)
40,562	183,089	205,055
(93,111)	(187,891)	(226,497)
<u>(40,003)</u>	<u>13,871</u>	<u>(10,096)</u>
-	28,970	-
(42,488)	(21,326)	(65,449)
<u>340,776</u>	<u>608,791</u>	<u>674,240</u>
<u>\$ 298,288</u>	<u>\$ 587,465</u>	<u>\$ 608,791</u>

**City of Jacksonville, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For The Year Ended September 30, 2013**  
**(in thousands)**

Net change in fund balances- total governmental funds: \$ (21,326)

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	61,957	
Capital assets contributed by developers and JTA	9,258	
Capital assets transferred from proprietary funds	613	
Current year depreciation	(136,107)	
Loss on disposition of assets	(547)	
		(64,826)

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.

Bond Issuance Costs	2,420	
Amortization of issuance costs	(1,508)	
Amortization of bond discounts	4	
Amortization of bond premium	8,226	
Additional bond premium with new debt issue	(41,542)	
Amortization - loss on refunding	(631)	
		(33,031)

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

Long-term debt issued	(287,888)	
Principal repayment	401,979	
		114,091

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

Decrease in compensated absences payable	1,152	
Net Effect in reversal of interest accrual	2,478	
Increase in other post employment benefits	(8,417)	
Decrease of accrual for pollution remediation	2,396	
Net effect of internal Banking fund	5,232	
		83,901

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	(648)	
Interest revenue (loss)	(737)	
Other non-operating revenue	3,016	
Transfers in, net	782	
		2,413

Change in Net Position - Governmental Activities \$ 162

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, 2013  
WITH COMPARATIVE TOTALS FOR 2012 (in thousands)

ENTERPRISE FUNDS

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2013	2012	
<b>ASSETS:</b>								
Equity in cash and investments.....	\$ 15,069	\$ 3,785	\$ 49	\$ 18,131	\$ 3,131	\$ 40,165	\$ 46,066	\$ 175,198
Cash with fiscal agents.....	4,974	6,564	3,369	-	969	15,876	16,827	18,871
Receivables (net, where applicable, of allowances for uncollectibles):								
Accounts.....	30,754	794	785	20,925	903	54,161	49,958	188
Loans .....	-	-	-	-	-	-	-	25,609
Other.....	-	-	-	-	-	-	-	1,262
Due from other funds.....	-	-	-	-	29	29	587	-
Due from independent agencies and other governments.....	158	167	-	-	-	325	454	1,837
Interest and dividend receivables.....	2	-	-	-	-	2	2	-
Inventories.....	-	-	-	-	13	13	12	1,926
Prepaid expenses and other assets.....	-	51	185	-	52	288	175	5,993
<b>Total Current Assets.....</b>	<b>50,957</b>	<b>11,361</b>	<b>4,388</b>	<b>39,056</b>	<b>5,097</b>	<b>110,859</b>	<b>114,081</b>	<b>230,884</b>
<b>NONCURRENT ASSETS:</b>								
Advances to other funds.....	-	-	-	-	-	-	-	5,536
Sinking fund cash and investments.....	19,495	-	-	-	-	19,495	19,734	-
Loans receivable.....	-	-	-	-	-	-	-	217,356
Prepaid expense - Landfill related costs.....	8,543	-	-	-	-	8,543	10,896	-
Other prepaid expenses.....	116	879	-	-	-	995	154	-
Other receivables.....	-	-	-	-	-	-	-	12,427
<b>CAPITAL ASSETS:</b>								
Land, easements and work in progress.....	12,098	23,339	1,608	835	8,708	46,588	45,864	20,658
Other capital assets, net of depreciation.....	13,932	159,887	101,337	36,299	81,297	392,752	391,540	38,824
<b>Total Noncurrent Assets.....</b>	<b>54,184</b>	<b>184,105</b>	<b>102,945</b>	<b>37,134</b>	<b>90,005</b>	<b>468,373</b>	<b>468,188</b>	<b>294,801</b>
<b>TOTAL ASSETS.....</b>	<b>105,141</b>	<b>195,466</b>	<b>107,333</b>	<b>76,190</b>	<b>95,102</b>	<b>579,232</b>	<b>582,269</b>	<b>525,685</b>

CITY OF JACKSONVILLE, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2013  
WITH COMPARATIVE TOTALS FOR 2012 (in thousands)

ENTERPRISE FUNDS

	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2013	2012	
<b>LIABILITIES:</b>								
Accounts payable and accrued liabilities.....	\$ 4,284	\$ 1,757	\$ 504	\$ 1,528	\$ 1,098	\$ 9,171	\$ 10,063	\$ 11,617
Contracts payable.....	-	-	-	91	-	91	50	-
Due to other funds.....	-	17	1	-	877	895	1,474	-
Deposits.....	175	402	1,021	10	733	2,341	1,779	200
Accrued interest payable.....	434	2,709	2,285	-	677	6,105	5,148	4,500
Estimated liability for self-insured losses, current portion..	-	-	-	-	-	-	-	25,218
Current portion of bonds payable.....	4,540	3,855	1,083	-	298	9,776	11,673	14,373
Unearned revenue.....	-	-	58	-	-	58	36	2,420
Accrued compensated absences, current portion.....	187	-	-	175	62	424	408	708
Current portion of notes payable.....	-	-	-	-	-	-	-	8,650
Current portion of loans payable.....	-	-	-	1,549	-	1,549	1,476	6,285
<b>Total Current Liabilities.....</b>	<b>9,620</b>	<b>8,740</b>	<b>4,952</b>	<b>3,353</b>	<b>3,745</b>	<b>30,410</b>	<b>32,107</b>	<b>73,971</b>
<b>NONCURRENT LIABILITIES:</b>								
Estimated liability for self-insured losses.....	-	-	-	-	-	-	-	72,222
Liability for landfill closure and postclosure care.....	61,759	-	-	-	-	61,759	61,050	-
Accrued compensated absences.....	435	-	-	409	145	989	952	1,655
Notes payable.....	-	-	-	-	-	-	-	4,590
Loans payable.....	-	-	-	15,883	-	15,883	17,433	17,005
Bonds payable.....	14,772	137,629	101,485	-	30,245	284,131	289,106	268,248
Other liabilities.....	573	-	-	800	233	1,606	1,237	1,983
<b>Total Noncurrent Liabilities.....</b>	<b>77,539</b>	<b>137,629</b>	<b>101,485</b>	<b>17,092</b>	<b>30,623</b>	<b>364,368</b>	<b>369,778</b>	<b>365,703</b>
<b>TOTAL LIABILITIES.....</b>	<b>87,159</b>	<b>146,369</b>	<b>106,437</b>	<b>20,445</b>	<b>34,368</b>	<b>394,778</b>	<b>401,885</b>	<b>439,674</b>
<b>NET POSITION:</b>								
Net investment in capital assets.....	6,834	42,621	377	19,702	59,462	128,996	128,766	36,192
Restricted for:								
Capital.....	-	-	-	-	1,852	1,852	1,579	-
Unrestricted (deficit).....	11,148	6,476	519	36,043	(580)	53,606	50,039	49,819
<b>TOTAL NET POSITION .....</b>	<b>\$ 17,982</b>	<b>\$ 49,097</b>	<b>\$ 896</b>	<b>\$ 55,745</b>	<b>\$ 60,734</b>	<b>\$ 184,454</b>	<b>\$ 180,384</b>	<b>\$ 86,011</b>

See accompanying notes.



**(This page is intentionally left blank.)**

CITY OF JACKSONVILLE, FLORIDA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013  
WITH COMPARATIVE TOTALS FOR 2012 (in thousands)

ENTERPRISE FUNDS								
	SOLID WASTE DISPOSAL	EVERBANK FIELD	VETERANS MEMORIAL ARENA	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
						2013	2012	
<b>OPERATING REVENUE:</b>								
Sales and tourist taxes.....	\$ -	\$ 7,390	\$ -	\$ -	\$ 4,995	\$ 12,385	\$ 11,692	\$ -
Charges for services.....	68,759	4,566	5,165	30,259	8,579	117,328	112,851	211,184
Charges for services for independent authorities..	-	-	-	-	-	-	-	14,977
Other.....	6	5,505	2,673	-	1,898	10,082	10,430	742
Total Operating Revenue.....	<u>68,765</u>	<u>17,461</u>	<u>7,838</u>	<u>30,259</u>	<u>15,472</u>	<u>139,795</u>	<u>134,973</u>	<u>226,903</u>
<b>OPERATING EXPENSES:</b>								
Personal services.....	5,952	1,695	1,365	9,266	4,478	22,756	22,415	24,990
Supplies and materials.....	63	68	47	182	100	460	429	27,302
Central services.....	3,175	209	120	2,081	877	6,462	6,603	5,534
Interdepartmental charges.....	115	774	390	48	1,133	2,460	2,583	-
Other services and charges.....	58,738	8,388	5,422	5,081	6,130	83,759	85,373	33,669
Depreciation and amortization.....	2,163	5,763	2,528	2,186	4,338	16,978	15,120	17,108
Court reporter services.....	-	-	-	-	-	-	-	64
Claims and losses.....	-	-	-	-	-	-	-	22,944
Insurance premiums and participant dividends.....	-	-	-	-	-	-	-	95,940
Total Operating Expenses.....	<u>70,206</u>	<u>16,897</u>	<u>9,872</u>	<u>18,844</u>	<u>17,056</u>	<u>132,875</u>	<u>132,523</u>	<u>227,551</u>
<b>OPERATING (LOSS) INCOME.....</b>	<u>(1,441)</u>	<u>564</u>	<u>(2,034)</u>	<u>11,415</u>	<u>(1,584)</u>	<u>6,920</u>	<u>2,450</u>	<u>(648)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>								
Interest revenue.....	23	39	54	154	24	294	4,025	-
Interest expense.....	(867)	(6,239)	(4,822)	(812)	(1,423)	(14,163)	(14,873)	(737)
Other.....	1,086	3,442	670	170	1,631	6,999	1,496	3,016
Total Non-Operating Revenue (Expenses).....	<u>242</u>	<u>(2,758)</u>	<u>(4,098)</u>	<u>(488)</u>	<u>232</u>	<u>(6,870)</u>	<u>(9,352)</u>	<u>2,279</u>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<u>(1,199)</u>	<u>(2,194)</u>	<u>(6,132)</u>	<u>10,927</u>	<u>(1,352)</u>	<u>50</u>	<u>(6,902)</u>	<u>1,631</u>
<b>TRANSFERS:</b>								
Transfers in.....	-	12,229	3,579	1,557	3,590	20,955	23,531	1,474
Transfers out.....	(1,243)	(10,974)	(1,441)	(2,971)	(306)	(16,935)	(1,670)	(692)
Net Transfers.....	<u>(1,243)</u>	<u>1,255</u>	<u>2,138</u>	<u>(1,414)</u>	<u>3,284</u>	<u>4,020</u>	<u>21,861</u>	<u>782</u>
<b>CHANGES IN NET POSITION.....</b>	<u>(2,442)</u>	<u>(939)</u>	<u>(3,994)</u>	<u>9,513</u>	<u>1,932</u>	<u>4,070</u>	<u>14,959</u>	<u>2,413</u>
<b>NET POSITION, BEGINNING OF YEAR.....</b>	<u>20,424</u>	<u>50,036</u>	<u>4,890</u>	<u>46,232</u>	<u>58,802</u>	<u>180,384</u>	<u>165,425</u>	<u>83,598</u>
<b>NET POSITION, END OF YEAR.....</b>	<u>\$ 17,982</u>	<u>\$ 49,097</u>	<u>\$ 896</u>	<u>\$ 55,745</u>	<u>\$ 60,734</u>	<u>\$ 184,454</u>	<u>\$ 180,384</u>	<u>\$ 86,011</u>

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>EVERBANK FIELD</b>	<b>VETERANS MEMORIAL ARENA</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers.....	\$ 68,318	\$ 11,631	\$ 4,960
Payments to suppliers.....	(55,946)	(8,671)	(5,876)
Payments to employees .....	(5,786)	(1,695)	(1,365)
Internal activity- receipts from other funds.....	90	-	-
Internal activity-payments to other funds.....	(3,175)	(204)	(109)
Other cash receipts .....	1,321	5,505	2,673
Other operating cash payments.....	-	-	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>4,822</b>	<b>6,566</b>	<b>283</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds .....	-	12,229	3,579
Transfers to other funds .....	(1,243)	(10,974)	(1,441)
Advances from other funds .....	-	-	579
Advances to ther funds .....	-	(8)	-
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(1,243)</b>	<b>1,247</b>	<b>2,717</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets.....	(473)	-	(11)
Cash with fiscal agent .....	(169)	1,429	-
Proceeds from capital debt.....	-	-	(247)
Proceeds from sale of capital assets .....	-	-	-
Payments for bond administration fee .....	-	2	-
Interest paid on debt .....	(938)	(6,998)	(3,410)
Principal paid on debt.....	(4,300)	(4,525)	(2,249)
Decrease in capitalized lease obligations.....	-	-	-
Proceeds from loans payable.....	-	-	-
Proceeds from issuance of debt.....	-	141,485	-
Payments on retirement of debt.....	-	(135,985)	-
Payments on bond issuance cost.....	-	(878)	-
Payments on loans payable.....	-	-	-
Payments on notes payable.....	-	-	-
Proceeds on bonds payable.....	-	-	-
Payments on bonds payable.....	-	-	-
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(5,880)</b>	<b>(5,470)</b>	<b>(5,917)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends .....	191	39	54
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES.....</b>	<b>191</b>	<b>39</b>	<b>54</b>
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS.....</b>	<b>(2,110)</b>	<b>2,382</b>	<b>(2,863)</b>
Equity in cash and investments at October 1, 2012.....	17,179	1,403	2,912
Equity in cash and investments at September 30, 2013.....	<u>\$ 15,069</u>	<u>\$ 3,785</u>	<u>\$ 49</u>

**ENTERPRISE FUNDS**

STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
		2013	2012	
\$ 28,000	\$ 13,209	\$ 126,118	\$ 132,476	\$ 228,387
(4,167)	(6,945)	(81,605)	(85,814)	(147,568)
(9,177)	(4,445)	(22,468)	(22,171)	(24,806)
-	(981)	(891)	76	-
(3,467)	-	(6,955)	(7,082)	(3,619)
170	2,106	11,775	3,457	42,456
-	-	-	-	(61,439)
<u>11,359</u>	<u>2,944</u>	<u>25,974</u>	<u>20,942</u>	<u>33,411</u>
1,557	3,590	20,955	23,531	1,474
(2,971)	(306)	(16,935)	(1,670)	(692)
-	393	972	(1,575)	790
-	(986)	(994)	-	-
<u>(1,414)</u>	<u>2,691</u>	<u>3,998</u>	<u>20,286</u>	<u>1,572</u>
(9,048)	(6,013)	(15,545)	(17,945)	(11,108)
-	(62)	1,198	2,604	(3,736)
-	-	(247)	1,953	-
-	-	-	-	4,157
-	(2)	-	(4)	-
(812)	(1,027)	(13,185)	(16,712)	-
(1,476)	(604)	(13,154)	(12,619)	-
-	-	-	-	-
-	-	-	-	-
-	-	141,485	-	-
-	-	(135,985)	-	-
-	-	(878)	-	-
-	-	-	-	(9,443)
-	-	-	-	(14,750)
-	-	-	-	15,894
-	-	-	-	(1,221)
<u>(11,336)</u>	<u>(7,708)</u>	<u>(36,311)</u>	<u>(42,723)</u>	<u>(20,207)</u>
<u>154</u>	<u>-</u>	<u>438</u>	<u>2,887</u>	<u>(737)</u>
<u>154</u>	<u>-</u>	<u>438</u>	<u>2,887</u>	<u>(737)</u>
(1,237)	(2,073)	(5,901)	1,392	14,039
<u>19,368</u>	<u>5,204</u>	<u>46,066</u>	<u>44,674</u>	<u>161,159</u>
<u>\$ 18,131</u>	<u>\$ 3,131</u>	<u>\$ 40,165</u>	<u>\$ 46,066</u>	<u>\$ 175,198</u>

(continued)

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands; continued)**

	<b>ENTERPRISE FUNDS</b>		
	<b>SOLID WASTE DISPOSAL</b>	<b>EVERBANK FIELD</b>	<b>VETERANS MEMORIAL ARENA</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
<b>OPERATING ACTIVITIES:</b>			
OPERATING INCOME (LOSS).....	(\$ 1,441)	\$ 564	(\$ 2,034)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	2,163	5,763	2,528
Miscellaneous nonoperating income.....	1,315	-	-
(Increase) decrease in assets:			
Receivables and other current assets, net.....	(227)	(629)	(543)
Due from independent agencies and other governments.....	(66)	-	-
Inventories.....	-	-	-
Other receivables.....	-	-	-
Loan receivables.....	-	-	-
Prepaid expenses and other assets.....	-	(36)	(42)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities.....	2,288	599	36
Deposits.....	(60)	305	316
Unearned revenue.....	-	-	22
Other liabilities.....	119	-	-
Liability for landfill closure and postclosure care.....	706	-	-
Liability for self-insured losses.....	-	-	-
Accrued compensated absences.....	25	-	-
<b>TOTAL ADJUSTMENTS.....</b>	<b>6,263</b>	<b>6,002</b>	<b>2,317</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>\$ 4,822</b>	<b>\$ 6,566</b>	<b>\$ 283</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Change in the fair value of investments.....	(\$ 168)	\$ -	\$ -
Capital assets transferred between proprietary funds.....	-	3,385	21
Capital assets transferred from governmental activities to proprietary funds.....	-	56	5
Disposal of capital assets.....	-	-	-
Accrued interest.....	(434)	(2,709)	(2,286)
Gift.....	-	-	-
Accounts payable capital assets.....	-	-	-

**ENTERPRISE FUNDS**

<u>STORM- WATER SERVICES</u>	<u>NON MAJOR ENTERPRISE</u>	<u>TOTALS</u>		<u>INTERNAL SERVICE FUNDS</u>
		<u>2013</u>	<u>2012</u>	
\$ 11,415	(\$ 1,584)	\$ 6,920	\$ 2,450	(\$ 648)
2,186	4,338	16,978	15,120	17,108
170	210	1,695	1,293	-
(2,445)	(359)	(4,203)	237	5
-	-	(66)	(71)	721
-	-	-	2	80
-	-	-	-	611
-	-	-	-	16,152
-	(36)	(114)	1	(108)
(394)	327	2,856	2,897	(1,034)
9	(8)	562	(523)	200
-	-	22	(22)	(148)
211	39	369	238	318
-	-	706	(613)	-
-	-	-	-	288
<u>12</u>	<u>17</u>	<u>54</u>	<u>(67)</u>	<u>(134)</u>
<u>(251)</u>	<u>4,528</u>	<u>18,859</u>	<u>18,492</u>	<u>34,059</u>
<u>\$ 11,164</u>	<u>\$ 2,944</u>	<u>\$ 25,779</u>	<u>\$ 20,942</u>	<u>\$ 33,411</u>
\$ -	\$ -	(\$ 168)	\$ -	(\$ 5,333)
-	(3,406)	-	-	-
-	10	71	195	-
-	-	-	(1)	-
-	(677)	(6,106)	(5,148)	-
-	4,651	4,651	-	-
-	(1,349)	(1,349)	-	-

See accompanying notes.



**(This page is intentionally left blank.)**

## **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, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUND		AGENCY FUNDS	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Equity in cash and investments.....	\$ 38,631	\$ 32,836	\$ 248	\$ 248	\$ 53,126	\$ 55,224
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	4,711	5,128	-	-	-	-
Accounts.....	97	230	-	-	2,202	2,561
Other.....	1,541	1,404	-	-	-	-
Due from independent agencies and other governments.....	5,314	4,137	-	-	-	-
Prepaid assets.....	66	63	-	-	-	-
Investments, at fair value:						
U.S. Government obligations.....	96,207	150,605	-	-	-	-
Federal agencies.....	150,355	92,292	-	-	-	-
Municipal bonds.....	1,417	631	-	-	-	-
Domestic corporate bonds.....	155,984	237,078	-	-	-	-
Short-term investments.....	69,322	57,195	-	-	-	-
Domestic stocks.....	1,332,393	1,112,434	-	-	-	-
International stocks.....	702,100	586,973	-	-	-	-
Real estate.....	276,232	220,661	-	-	-	-
Energy market investments.....	107,284	-	-	-	-	-
Other fixed income.....	200,626	267,162	-	-	-	-
Alternative investments.....	44,410	39,657	-	-	-	-
Equity in pooled investments.....	5,860	2,785	-	-	-	-
Total investments.....	3,142,190	2,767,473	-	-	-	-
Total Current Assets.....	3,192,550	2,811,271	248	248	55,328	57,785
<b>CAPITAL ASSETS</b>						
Other capital assets, net of depreciation.....	47	54	-	-	-	-
Total Capital Assets, Net.....	47	54	-	-	-	-
Securities lending collateral.....	57,238	96,041	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>3,249,835</b>	<b>2,907,366</b>	<b>248</b>	<b>248</b>	<b>55,328</b>	<b>57,785</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Obligations under securities lending agreement.....	57,240	96,046	-	-	-	-
Accounts payable and accrued liabilities.....	6,518	6,243	-	-	577	5,019
Due to independent agencies and other governments.....	-	-	-	-	15,722	15,540
Due to individuals.....	-	-	-	-	7,502	6,028
Deposits held in escrow.....	-	-	-	-	30,846	30,814
Miscellaneous liabilities.....	-	-	-	-	681	384
Total Current Liabilities.....	63,758	102,289	-	-	55,328	57,785
<b>NONCURRENT LIABILITIES:</b>						
Other post employment benefits.....	62	16	-	-	-	-
Accrued compensated absences.....	129	227	-	-	-	-
Terminal leave - group care.....	272	229	-	-	-	-
Due to participants.....	262,350	239,860	-	-	-	-
Total Noncurrent Liabilities.....	262,813	240,332	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>326,571</b>	<b>342,621</b>	<b>-</b>	<b>-</b>	<b>\$ 55,328</b>	<b>\$ 57,785</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....</b>	<b>\$ 2,923,264</b>	<b>\$ 2,564,745</b>	<b>\$ 248</b>	<b>\$ 248</b>		

See accompanying notes.

**CITY OF JACKSONVILLE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**  
**WITH COMPARATIVE TOTALS FOR 2012 (in thousands)**

	<b>PENSION TRUST FUNDS</b>		<b>PRIVATE PURPOSE TRUST</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b><u>ADDITIONS</u></b>				
Contributions:				
Employer.....	\$ 189,917	\$ 133,133	\$ -	\$ -
Plan members.....	37,132	39,915	-	-
Total contributions.....	<u>227,049</u>	<u>173,048</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	9,667	9,276	-	-
Court fines & penalties.....	1,114	1,242	-	-
Miscellaneous.....	1,295	60	-	-
Transfers in.....	1,102	532	3	-
Total other additions.....	<u>13,178</u>	<u>11,110</u>	<u>3</u>	<u>-</u>
Investment income:				
Net appreciation				
in fair value of investments.....	408,849	364,432	-	-
Interest.....	28,310	28,924	1	8
Dividends.....	28,594	70,906	-	-
Rebate of commissions.....	123	108	-	-
Rental income.....	1,706	1,502	-	-
Total investment income .....	<u>467,582</u>	<u>465,872</u>	<u>1</u>	<u>8</u>
Less investment expense.....	(14,921)	(13,640)	-	-
Less rental expense.....	(321)	(196)	-	-
Net investment income .....	<u>452,340</u>	<u>452,036</u>	<u>1</u>	<u>8</u>
From Securities Lending Activities:				
Securities lending.....	428	1,760	-	-
Agent fees.....	(107)	(123)	-	-
Total securities lending activities .....	<u>321</u>	<u>1,637</u>	<u>-</u>	<u>-</u>
<b>TOTAL ADDITIONS, NET.....</b>	<b><u>692,888</u></b>	<b><u>637,831</u></b>	<b><u>4</u></b>	<b><u>8</u></b>
<b><u>DEDUCTIONS</u></b>				
Benefit payments.....	252,844	235,557	-	-
DROP benefits.....	54,249	47,742	-	-
Refund of contributions.....	22,887	20,746	-	-
Transfers out.....	1,102	532	-	-
Miscellaneous-Grant LED changeout expense.....	60	-	-	-
Administrative expenses.....	3,227	3,112	-	-
Operating expenses.....	-	-	4	-
<b>TOTAL DEDUCTIONS.....</b>	<b><u>334,369</u></b>	<b><u>307,689</u></b>	<b><u>4</u></b>	<b><u>-</u></b>
<b>CHANGE IN NET POSITION.....</b>	<b>358,519</b>	<b>330,142</b>	<b>-</b>	<b>8</b>
<b>NET POSITION, BEGINNING OF YEAR.....</b>	<b><u>2,564,745</u></b>	<b><u>2,234,603</u></b>	<b><u>248</u></b>	<b><u>240</u></b>
<b>NET POSITION, END OF YEAR.....</b>	<b><u>\$ 2,923,264</u></b>	<b><u>\$ 2,564,745</u></b>	<b><u>\$ 248</u></b>	<b><u>\$ 248</u></b>

See accompanying notes.



**(This page is intentionally left blank.)**

## 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, 2013**

	<u>JEA</u>	<u>JACKSONVILLE TRANSPORTATION AUTHORITY</u>	<u>JACKSONVILLE PORT AUTHORITY</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 585,889	\$ 65,852	\$ 53,400
Cash in escrow with fiscal agent.....	-	-	-
Investments.....	891,961	30,215	-
Due from other governmental agencies.....	-	49,081	-
Accounts and interest receivable.....	241,998	1,231	4,506
Mortgages receivable.....	-	-	-
Other receivables.....	-	-	7,860
Inventories.....	142,022	4,053	1,542
Other assets.....	69,811	9,862	2,456
Custodial Assets - Construction projects.....	-	102,425	-
Capital assets:			
Land, easements, and construction in progress.....	375,008	49,722	268,781
Buildings and improvements.....	-	152,457	525,991
Vehicles.....	-	102,098	-
Equipment.....	-	88,110	116,414
Utility plant in service.....	10,400,484	-	-
Less: accumulated depreciation.....	(4,345,641)	(212,578)	(307,926)
Total capital assets, net of depreciation.....	<u>6,429,851</u>	<u>179,809</u>	<u>603,260</u>
<b>TOTAL ASSETS.....</b>	<b><u>8,361,532</u></b>	<b><u>442,528</u></b>	<b><u>673,024</u></b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Accumulated decrease in fair value of hedging instrument	84,223	-	1,985
	<u>84,223</u>	<u>-</u>	<u>1,985</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities.....	171,454	6,722	2,359
Deposits.....	59,020	-	-
Unearned revenue.....	-	-	6,224
Due to other governmental agencies.....	-	552	-
Interest payable.....	100,078	-	3,740
Other current liabilities.....	89,043	-	1,114
Noncurrent liabilities:			
Due within one year:			
Estimated liability for injury and damage claims.....	-	1,749	-
Bonds, notes payable, capital leases and contracts.....	239,032	-	13,009
Compensated absences.....	-	292	-
Due in more than one year:			
Estimated liability for injury and damage claims.....	-	2,069	-
Bonds, capital leases and commercial paper.....	5,404,313	-	185,167
Fair market value of debt management instrument.....	84,223	-	1,985
Compensated absences.....	-	737	-
Custodial projects - due to other governments.....	-	122,229	-
OPEB liability.....	-	350	-
Unearned revenue noncurrent.....	-	-	111,639
Other noncurrent liabilities.....	227,306	660	32,106
<b>TOTAL LIABILITIES.....</b>	<b><u>6,374,469</u></b>	<b><u>135,360</u></b>	<b><u>357,343</u></b>
<b>NET POSITION</b>			
Net investment in capital assets.....	936,486	179,809	273,214
Restricted for:			
Debt service.....	-	-	18,494
Other purposes.....	570,697	-	2,659
Unrestricted.....	564,103	127,359	23,299
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,071,286</u></b>	<b><u>\$ 307,168</u></b>	<b><u>\$ 317,666</u></b>

See accompanying notes.

**JACKSONVILLE  
HOUSING  
FINANCE  
AUTHORITY**

**TOTAL**

\$ 9,082	\$ 714,223
40	40
-	922,176
-	49,081
-	247,735
12,684	12,684
-	7,860
-	147,617
-	82,129
-	102,425
-	693,511
-	678,448
-	102,098
-	204,524
-	10,400,484
-	(4,866,145)
-	7,212,920
<u>21,806</u>	<u>9,498,890</u>
-	\$ 86,208
34	180,569
10	59,030
-	6,224
-	552
-	103,818
-	90,157
-	1,749
-	252,041
8	300
-	2,069
-	5,589,480
-	86,208
20	757
-	122,229
11	361
-	111,639
-	260,072
<u>83</u>	<u>6,867,255</u>
-	1,389,509
-	18,494
-	573,356
21,723	736,484
<u>\$ 21,723</u>	<u>\$ 2,717,843</u>

**CITY OF JACKSONVILLE, FLORIDA  
 COMBINING STATEMENT OF ACTIVITIES -  
 COMPONENT UNITS (in thousands)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES	
	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.....	\$ 69,856	\$ -	\$ -	-	\$ (69,856)	\$ -
Jacksonville Housing Finance Authority.....	595	-	-	-	-	(595)
Total governmental activities.....	70,451	-	-	-	(69,856)	(595)
Business-type activities:						
JEA.....	1,777,977	1,812,819	-	29,292	-	-
Jacksonville Transportation Authority.....	107,790	24,196	10,939	22,329	-	-
Jacksonville Port Authority.....	65,745	53,077	6,501	19,260	-	-
Total business-type activities.....	1,951,512	1,890,092	17,440	70,881	-	-
Total component units.....	\$ 2,021,963	\$ 1,890,092	\$ 17,440	\$ 70,881	(69,856)	(595)
Sales and tourist taxes.....					70,820	-
Intergovernmental - unrestricted.....					-	-
Unrestricted earnings on investments.....					66	38
Miscellaneous.....					106	1,613
Total general revenues .....					70,992	1,651
Change in net position.....					1,136	1,056
Net position, beginning of year.....					117,809	20,667
Net position, end of year.....					\$ 118,945	\$ 21,723

See accompanying notes.

BUSINESS-TYPE ACTIVITIES			TOTAL
JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE PORT AUTHORITY	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
\$ -	\$ -	\$ -	\$ (69,856)
-	-	-	(595)
		-	(70,451)
64,134	-	-	64,134
-	(50,326)	-	(50,326)
-	-	13,093	13,093
64,134	(50,326)	13,093	26,901
64,134	(50,326)	13,093)	(43,550)
-	-	-	70,820
-	60,991	-	60,991
4,325	20	216	4,665
11,516	-	517	13,752
15,841	61,011	733	150,228
79,975	10,685	13,826	106,678
1,991,311	177,538	303,840	2,611,165
\$ 2,071,286	\$ 188,223	\$ 317,666	\$ 2,717,843



**(This page is intentionally left blank.)**

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	58 - 73
	A. Basis of Presentation.....	58
	B. Financial Reporting Entity.....	58 - 62
	C. Basic Financial Statements.....	63
	D. Fund Structure.....	63 - 65
	E. Basis of Accounting.....	66
	F. Cash, Cash Equivalents and Investments .....	67
	G. Receivables .....	67
	H. Inventories .....	67
	I. Capital Assets .....	68
	J. Contributions .....	68
	K. Interfund Activity .....	68
	L. Restricted Assets.....	69
	M. Compensated Absences .....	69
	N. Risk Financing .....	69
	O. Pension Costs.....	69
	P. Landfill Closure and Postclosure Care Costs .....	70
	Q. Long-Term Obligations .....	70 - 71
	R. Categories and Classification of Fund Balance .....	71
	S. Bond Discounts, Premiums and Issuance Costs .....	71
	T. Deferred Loss on Debt Refundings.....	71
	U. Use of Estimates .....	72
	V. Reclassification.....	72
	W. Summarized Comparative Information.....	72
	X. Prepaids.....	72
	Y. Accounting Pronouncements .....	72 - 73
2.	BUDGETARY DATA.....	73
3.	CASH, INVESTMENTS AND SECURITIES LENDING .....	74 - 81
	A. Cash on Deposit .....	74 - 75
	B. Investments and Investment Practices .....	75 - 80
	C. Securities Lending .....	80 - 81
4.	ACCOUNTS AND MORTGAGES RECEIVABLE .....	82
5.	PROPERTY TAXES .....	83
	A. Ad Valorem Property Taxes .....	83
	B. The Property Tax Calendar.....	83
6.	CAPITAL ASSET ACTIVITY.....	84 - 85

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

7.	INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS .....	86 – 89
8.	LONG-TERM OBLIGATIONS .....	90 – 107
	A. Bonds and Loans Outstanding .....	90 - 92
	B. Debt Service Requirement to Maturity .....	93 - 94
	C. Changes in Long-Term Liabilities .....	95 - 96
	D. Reconciliation of Debt Issued to Financial Reporting Classification.....	97
	E. Pledged Revenues .....	98
	F. New Indebtedness Issued.....	99 - 101
	G. Demand Bonds.....	101 - 102
	H. Non-Asset Debt.....	102
	I. Defeased Debt.....	103
	J. Derivative Instrument Payments and Hedged Debt.....	104 - 105
	K. Conduit Debt.....	106
	L. Interest Expense .....	107
	M. Component Unit Long-term Debt.....	107
9.	PENSION PLANS .....	108 - 115
	A. Summary of Significant Accounting Policies.....	109
	B. Trend and Plan Information .....	109 - 112
	C. Jacksonville Retirement System Financial Information .....	112 - 113
	D. Police and Fire Pension Plan .....	113 - 114
	E. Defined Contribution Plan .....	114
	F. Florida Retirement System .....	114 - 115
10.	POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) .....	116 - 118
11.	DEFERRED COMPENSATION PROGRAM.....	118
12.	RISK FINANCING .....	118 - 122
13.	OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES.....	122 - 124
	A. Compliance with Finance Related Legal and Contractual Provisions.....	122
	B. Fund Deficits.....	122
	C. Landfill Closure and Postclosure Care Costs .....	123 - 124
14.	LESSOR OPERATING LEASE.....	124 - 126
	A. Jacksonville Jaguars, Inc.....	125 - 126
	B. Shands Jacksonville .....	126

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

15.	LITIGATION, CONTINGENCIES, AND COMMITMENTS .....	127 - 132
	A. Litigation.....	127
	B. Grants and Contracts.....	127
	C. Self-Insurance .....	127
	D. Pollution Remediation .....	128 - 129
	E. Garage Development Agreement.....	130
	F. Other Litigation.....	130
	G. Construction and other significant Commitments .....	131
	H. Encumbrance Commitments .....	132
16.	MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE.....	133 - 135
17.	NET POSITION.....	135 - 136
	A. Additional Disclosure .....	135 - 136
	B. Restatement due to a change in accounting principle.....	136
18.	FUND BALANCE DISCLOSURE .....	137 - 141
	A. Fund Balance Classification .....	140 - 141

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation:**

The accompanying financial statements of the City have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). 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 876 thousand residents living in an 840.1 square mile area.

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**Major Component Units**

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

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

The **Jacksonville 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 100 North Myrtle Avenue, Jacksonville, Florida 32203.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

**Changes in Reporting Entity - Component Units**

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 in the amount of \$28,970 thousand in the General Fund and Governmental activities.

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) are no longer reported as component units due to the requirements that both a fiscal dependent and a financial benefit / burden relationship must exist. Therefore, the financial statements of JAA and DVI are not included within this report.

**Related Organizations**

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

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

**Jointly Governed Organization**

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 which briefly explains the adjustments necessary to convert the fund level statements into the citywide governmental column presentations.

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

**D. Fund Structure:**

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 operation of three municipally owned landfill sites, two of which are closed.

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

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

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

In addition, the City reports the following fund types:

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**F. Cash, Cash Equivalents, and Investments:**

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

**G. Receivables:**

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

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

**H. Inventories:**

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**I. Capital Assets:**

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

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 public facilities. The value of the art is expected to either remain the same or increase over time, so it is not depreciated. Software development is capitalized if over a threshold of \$30,000.

**J. Contributions:**

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

**K. Interfund Activity:**

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

Reciprocal interfund resource flows between funds with an expectation of repayment 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 and after the non-operating revenues and expenses section in proprietary funds.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 which provides coverage for general liability at limits of \$5 million per occurrence and subject to a \$2.5 million self-insured retention for the City; and for all other participating entities a \$1 million general liability limit per occurrence subject to a \$5 million self-insured retention. This policy includes a policy aggregate limit of \$5 million. The excess policy includes employer's liability with \$3 million in the aggregate with a self-insured retention per occurrence of \$1.2 million. The City's self-insured retention is up to \$1.2 million per occurrence for workers compensation statutory benefits. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries at September 30, 2013, 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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) which are in some instances designed to be repaid by either the CRA's tax increment revenues and/or the developer.

**R. Categories and Classification of Fund Balance:**

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

**S. Bond Discounts, Premiums and Issuance Costs:**

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

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

**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 over the shorter of the life of the new debt or the remaining life of the old debt. The amount deferred is reported as a component of Long-Term Liabilities in the accompanying financial statements and is amortized and reported as a component of interest expense.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 2012 amounts have been reclassified to conform with the 2013 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, 2012, from which the summarized information was derived. Limited 2012 comparative information was adjusted for comparability on some of the financial statements.

**X. Prepaids:**

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

**Y. Accounting Pronouncements:**

In fiscal year 2013, the City adopted new statements of financial accounting standards issued by the GASB:

- Statement No. 61, The Financial Reporting Entity: Omnibus
- Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The adoption of Statements No. 62 and 63 had no financial impact to the City. Statement No. 63 redefines and reclassifies certain assets and liabilities as "deferred outflows of resources" or "deferred inflows of resources." It further requires the "Investment in capital assets, net of debt" to now be titled "Net investment in capital assets" and that the last line of the statements, previously called "Net assets" to now be titled "Net position".

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**Y. Accounting Pronouncements: (continued)**

Statement No. 61, The Financial Reporting Entity: Omnibus attempts to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments. The adoption resulted in a change in the City’s reporting entity which is disclosed in Note 1B.

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**3. CASH, INVESTMENTS AND SECURITIES LENDING**

**A. Cash on Deposit**

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

<b>CASH and INVESTMENTS</b>		
September 30, 2013		<i>(in thousands)</i>
Primary Government:		
Cash and Cash Equivalents		\$97,901
Cash in escrow and with fiscal agents		163,591
Investments - Primary Government		684,709
	Primary Government Total:	946,201
Pension and Agency Funds:		
Cash and Cash Equivalents		
Pension Trust Funds		38,631
Private Purpose Trust Funds		248
Agency Funds		53,126
Investments - Pensions		3,146,901
	Pension and Agency Total:	3,238,906
Component Units:		
Cash and Cash Equivalents		714,223
Cash in escrow and with fiscal agents		40
Investments - Component Units		922,176
	Component Unit Total:	1,636,439
Total Cash and Investments:		\$5,821,546
Investments Schedules:		
Operating Portfolio		\$1,606,885
(includes interest and dividends receivable)		
Pension Portfolio		3,146,901
(includes interest and dividends receivable)		
Sub-total:		4,753,786
Other Cash/Investments:		
Cash		262,602
Cash with Fiscal Agent		163,631
Restricted Funds		641,527
Sub-total:		1,067,760
Total Cash and Investments:		\$5,821,546

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**A. Cash on Deposit (continued)**

**1. Custodial Credit Risk**

At September 30, 2013, primary government deposits in financial institutions totaled \$98.2 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 2011-12 Normal Portfolio Balance of \$914 million, which is defined by Ordinance as the average total portfolio balance for the proceeding twelve months.

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

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

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

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

**Operating Fund  
Compliance Guideline Characteristics  
as of September 30, 2013**

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
<b>Duration<sup>1</sup></b>	2.49	NA	2.83	5.00
<b>Liquidity</b>	\$ 255,248,780	27.9%	44.4%	100.0%
<b>Requirements</b>				
USG + Agencies	\$ 227,592,393	24.9%	30.4%	100.0%
US Govt (USG)	128,382,614	14.0%	16.5%	100.0%
<b>Constraints</b>				
Agencies	\$ 99,209,779	10.9%	14.4%	45.0%
MBS	77,363,896	8.5%	10.8%	35.0%
Agency MBS	45,409,466	5.0%	6.9%	35.0%
Non-Agency MBS	31,954,430	3.5%	3.9%	15.0%
Asset Backed Securities	21,254,323	2.3%	2.6%	7.5%
Corporates	279,425,897	30.6%	35.5%	60.0%
Corporates > 1 Year	148,907,779	16.3%	16.9%	40.0%
Municipal Bonds	7,212,087	0.8%	0.9%	10.0%
Bond Funds	98,284,583	10.8%	34.8%	85.0%
Money Market Funds	23,909,470	2.6%	8.0%	40.0%
Certificates of Deposit	-	0.0%	0.0%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities	36,361,412	4.0%	4.6%	10.0%
<b>Specialty Risk</b>				
High Yield	\$ 33,268,049	3.6%	3.8%	7.5%
International	6,648,741	0.7%	1.5%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Market	1,358,525	0.1%	0.4%	7.5%
Duration > 8.5	26,773,286	2.9%	4.3%	7.5%
Normal Portfolio Balance	\$ 914,000,000			

<sup>1</sup>Commingled Funds and Cash are excluded

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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  
9/30/2013**

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 772,077,057	\$ -	\$ -	\$ 13,702,296	\$ 785,779,353	43%
Large Cap Value	189,577,562	-	-	3,013,473	192,591,035	10%
Large Cap Growth	193,505,421	-	-	3,706,308	197,211,729	11%
Large Cap Core	175,880,121	-	-	839,162	176,719,283	10%
Small Cap Value	49,243,458	-	-	1,555,781	50,799,239	3%
Small Cap Growth	120,698,707	-	-	2,828,212	123,526,919	7%
Small Cap Core	43,171,788	-	-	1,759,360	44,931,148	2%
Transition Account	-	-	-	-	-	0%
Equity (International)	\$ 392,114,029	\$ -	\$ -	\$ -	\$ 392,114,029	22%
Value	186,458,432	-	-	-	186,458,432	11%
Growth	112,484,385	-	-	-	112,484,385	6%
Emerging	93,171,212	-	-	-	93,171,212	5%
Bonds*	\$ -	\$ 371,905,126	\$ -	\$ 5,283,045	\$ 377,188,171	19%
Intermediate	-	200,700,472	-	5,238,725	205,939,197	10%
Aggregate	-	128,413,624	-	101	128,413,725	7%
Inflation Protected	-	42,791,030	-	44,219	42,835,249	2%
Cash Account	\$ -	\$ -	\$ -	\$ 4,752,287	\$ 4,752,287	0%
Other	\$ 111,982,556	\$ -	\$ 172,369,648	\$ 2,958,012	\$ 287,310,216	16%
Real Assets	111,982,556	-	172,369,648	2,958,012	287,310,216	16%
<b>Total investments</b>	<b>\$ 1,276,173,642</b>	<b>\$ 371,905,126</b>	<b>\$ 172,369,648</b>	<b>\$ 26,695,640</b>	<b>\$ 1,847,144,056</b>	<b>100%</b>
Less: Amount reported as receivables					(2,911,449)	
<b>Total Investments less receivables</b>					<b>\$ 1,844,232,607</b>	

\*Duration of bond portfolio is 4.47 years

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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  
9/30/2013**

	Equities	Bonds	Other	Cash	Total	Percentage
<u>Equity (Domestic)</u>	\$ 531,951,455	\$ -	\$ -	\$ 8,256,151	\$ 540,207,606	41%
Large Cap Value	127,486,098	-	-	2,081,773	129,567,871	10%
Large Cap Growth	106,799,667	-	-	2,724,289	109,523,956	8%
Large Cap Core	108,562,238	-	-	268,921	108,831,159	8%
Small Cap Value	107,690,817	-	-	1,315,436	109,006,253	8%
SMID Cap Growth	81,412,635	-	-	1,865,732	83,278,367	7%
<u>Equity (International)</u>	\$ 241,373,037	\$ -	\$ -	\$ (15,130)	\$ 241,357,907	19%
Value	98,132,296	-	-	598	98,132,894	8%
Growth	92,701,999	-	-	(15,728)	92,686,271	7%
Emerging Markets	50,538,742	-	-	-	50,538,742	4%
<u>Bonds</u>	\$ -	\$ 234,975,742	\$ -	\$ 12,691,014	\$ 247,666,756	19%
Intermediate	-	68,340,640	-	12,750,480	81,091,120	6%
Aggregate	-	166,635,102	-	(59,466)	166,575,636	13%
<u>Cash Account</u>	\$ -	\$ -	\$ -	\$ 15,126,636	\$ 15,126,636	1%
<u>Other</u>	\$ -	\$ -	\$ 246,643,166	\$ 2,979,367	\$ 249,622,533	20%
Real Estate	-	-	139,358,862	-	139,358,862	11%
MLPs	-	-	107,284,304	2,979,367	110,263,671	9%
<u>Total investments</u>	\$ 773,324,492	\$ 234,975,742	\$ 246,643,166	\$ 39,038,038	\$ 1,293,981,438	100%

Less: Amount reported as receivables (1,799,332)

Total Investments less receivables \$ 1,292,182,106.00

**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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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.

Operating Portfolio		Credit Quality September 30, 2013	
		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Aaa	33%	7%	10%
Aa1-Aa3	4%	0%	5%
A1-A3	13%	3%	22%
Baa1-Baa3	17%	3%	21%
Ba1-Ba3	3%	0%	21%
Other	19%	9%	21%
Commingled	11%	78%	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 is governed by a written agreement that is executed by all parties and specifies that, all securities owned and cash held by the City 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013

	Operating Portfolio		General Employees Pension Fund		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	\$ 695,671,955	99.05%	\$ 1,846,779,537	99.99%	\$ 1,292,121,356	99.99%
CANADIAN DOLLAR	1,939,460	0.28%	-	0.00%	-	0.00%
MEXICAN NEW PESO	904,425	0.13%	-	0.00%	-	0.00%
NEW ZEALAND DOLLAR	967,477	0.14%	-	0.00%	-	0.00%
AUSTRALIAN DOLLAR	212,609	0.03%	-	0.00%	-	0.00%
BRAZIL REAL	603,410	0.09%	-	0.00%	-	0.00%
SWISS FRANC	-	0.00%	254,427	0.01%	101,621	0.01%
RUSSIAN RUBEL (NEW)	-	0.00%	-	0.00%	-	0.00%
NORWEGIAN KRONE	925,893	0.13%	-	0.00%	1,274	0.00%
EURO CURRENCY UNIT	46,609	0.01%	9,356	0.00%	40,973	0.00%
JAPANESE YEN	-	0.00%	12,057	0.00%	15,235	0.00%
SWEDISH KRONA	-	0.00%	5,419	0.00%	-	0.00%
BRITISH POUND	-	0.00%	-	0.00%	98	0.00%
SINGAPORE DOLLAR	948,068	0.13%	-	0.00%	-	0.00%
HONG KONG DOLLAR	-	0.00%	-	0.00%	-	0.00%
SOUTH AFRICAN RAND	-	0.00%	-	0.00%	-	0.00%
SOUTH KOREAN WON	-	0.00%	-	0.00%	387	0.00%
BERMUDA DOLLAR	-	0.00%	-	0.00%	-	0.00%
COLUMBIAN PESO	-	0.00%	-	0.00%	-	0.00%
DANISH KRONE	-	0.00%	-	0.00%	-	0.00%
CHILEAN PESO	98,098	0.01%	-	0.00%	-	0.00%
Total	\$ 702,318,004	100.00%	\$ 1,847,060,796	100.01%	\$ 1,292,280,944	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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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, 2013 was 122 days for the City's Operating Portfolio and 141 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 subjects the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%. As of September 30, 2013, the City of Jacksonville maintained a sufficient 102.2% collateral on loaned securities. During the fiscal year ended September 30, 2013; Securities Lending net income was \$376 thousand (\$55 thousand Operating, \$321 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, deferred outflows / inflows, interest income and expense associated with securities lending activity.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013.

<b>Fund</b>	<b>Accounts Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Amount Shown on Balance Sheet</b>
<b>Major Governmental Funds:</b>			
General Fund	\$ 103,472	\$ (71,528)	\$ 31,944
Non-Major Governmental Funds	1,880	(79)	1,801
<b>Major Enterprise Funds:</b>			
Solid Waste Disposal	35,730	(4,976)	30,754
EverBank Field	857	(63)	794
Veterans Memorial Arena	828	(43)	785
Stormwater	33,964	(13,039)	20,925
Non-Major Enterprise Funds	904	(1)	903
<b>Fiduciary Funds:</b>			
Pension Trust Funds	6,349	-	6,349
Agency Funds	2,202	-	2,202
<b>Non-Major Governmental Funds:</b>			
	\$ 11,828	\$ (8,059)	\$ 3,769

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**5. PROPERTY TAXES**

**A. Ad Valorem Property Taxes:**

Property tax collections are governed by Chapter 197, Florida Statutes. The Duval County Tax Collector bills and collects all property taxes levied within the consolidated city/county. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively. The total millage rate levied by the City was 10.03530 for the fiscal year ended September 30, 2013.

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

**B. Property Tax Calendar:**

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

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**6. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended September 30, 2013, was as follows (in thousands)

**Primary Government**

	Beginning Balance September 30, 2012	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2013
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 304,846	\$ 2,756	\$ -	\$ 307,602
Easements	5,137	-	-	5,137
Art In Public Places	705	59	-	764
Construction in progress	2,430	12,239	(2,334)	12,335
Furniture and equipment in work in process	82	725	(83)	724
Total capital assets not being depreciated	<u>313,200</u>	<u>15,779</u>	<u>(2,417)</u>	<u>326,562</u>
Capital assets being depreciated:				
Buildings	781,690	17,917	(3,554)	796,053
Improvements	279,769	4,492	-	284,261
Infrastructure	2,140,198	26,741	-	2,166,939
Furniture, equipment and library books	417,029	19,671	(13,568)	423,132
Purchased Software	13,011	2,413	-	15,424
Internal Software	26,818	45	-	26,863
Total assets being depreciated	<u>3,658,515</u>	<u>71,279</u>	<u>(17,122)</u>	<u>3,712,672</u>
Less accumulated depreciation for:				
Buildings	186,263	17,481	-	203,744
Improvements	61,684	11,128	-	72,812
Infrastructure	596,590	88,458	-	685,048
Furniture, equipment and library books	271,267	32,795	(12,966)	291,096
Purchased Software	7,069	670	-	7,739
Internal Software	11,355	2,682	-	14,037
Total accumulated depreciation	<u>1,134,228</u>	<u>153,214</u>	<u>(12,966)</u>	<u>1,274,476</u>
Total capital assets being depreciated, net	<u>2,524,287</u>	<u>(81,935)</u>	<u>(4,156)</u>	<u>2,438,196</u>
Governmental activities capital assets, net	<u>\$ 2,837,487</u>	<u>\$ (66,156)</u>	<u>\$ (6,573)</u>	<u>\$ 2,764,758</u>

	Beginning Balance September 30, 2012	Additions	Dispositions/ Reclassifications	Ending Balance September 30, 2013
<b>Business-type Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 45,313	\$ 673	\$ -	\$ 45,986
Right of Way Easements	546	-	-	546
Construction in progress	5	56	(5)	56
Total Capital Assets not being depreciated	<u>45,864</u>	<u>729</u>	<u>(5)</u>	<u>46,588</u>
Capital assets being depreciated:				
Buildings and improvements	559,399	6,271	-	565,670
Infrastructure	32,602	8,994	-	41,596
Furniture and equipment	6,378	2,933	(451)	8,860
Total assets being depreciated	<u>598,379</u>	<u>18,198</u>	<u>(451)</u>	<u>616,126</u>
Less accumulated depreciation for:				
Buildings and improvements	198,355	13,702	-	212,057
Infrastructure	2,968	2,199	-	5,167
Furniture and equipment	5,516	1,076	(442)	6,150
Total accumulated depreciation	<u>206,839</u>	<u>16,977</u>	<u>(442)</u>	<u>223,374</u>
Other Capital Assets Net of Depreciation	<u>391,540</u>	<u>1,221</u>	<u>(9)</u>	<u>392,752</u>
Business-type activities capital assets, net	<u>\$ 437,404</u>	<u>\$ 1,950</u>	<u>\$ (14)</u>	<u>\$ 439,340</u>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**6. CAPITAL ASSET ACTIVITY**

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

**Governmental Activities**

General government	\$	32,102
Human Services		1,981
Public Safety		10,072
Culture and recreation		16,083
Transportation		10,604
Economic environment		60
Physical environment		82,312
Total depreciation expense - governmental activities	\$	<u>153,214</u>

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

**Business-type activities:**

Parking System	\$	373
Solid Waste		2,163
Mayport Ferry		1,206
Stormwater Services		2,186
EverBank Field		5,762
Memorial Arena		2,528
Baseball Stadium		655
Performing Arts		754
Convention Center		639
Equestrian Center		711
Total depreciation expense - business-type activities	\$	<u>16,977</u>

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

A summary of interfund balances follows. (in thousands)

	TRANSFERS OUT					
	MAJOR FUNDS					
	General Fund	Solid Waste	Storm Water	EverBank Field	Veterans Memorial Arena	Special Bonded Debt
<b>TRANSFERS IN</b>						
<b>MAJOR FUNDS</b>						
General Fund	\$ -	\$ -	\$ -	\$ 300	\$ 182	\$ -
Storm Water	1,557	-	-	-	-	-
EverBank Field	6,514	-	-	-	-	5,715
Veterans Memorial Arena	-	-	-	-	-	-
Special Bonded Debt	48,396	-	2,971	10,282	-	-
Special Bonded Debt-BJP	-	-	-	-	-	-
<b>NON-MAJOR FUNDS</b>						
Baseball Stadium	-	-	-	-	590	-
Performing Arts	438	-	-	-	107	-
Convention Center	943	-	-	-	-	-
Equestrian Center	-	-	-	-	562	-
Special Revenue	27,070	-	-	-	-	-
Better Jacksonville Plan	-	-	-	-	-	-
General Capital Projects	2,623	1,243	-	392	-	-
Grant Capital Projects	50	-	-	-	-	-
Non Major Debt	-	-	-	-	-	-
Internal Service	1,474	-	-	-	-	-
	<u>\$ 89,065</u>	<u>\$ 1,243</u>	<u>\$ 2,971</u>	<u>\$ 10,974</u>	<u>\$ 1,441</u>	<u>\$ 5,715</u>

Transfers between funds are made in the normal course of operations and are for the operational support of the fund receiving the transfer. In fiscal year 2013 transfers in support of Debt Service funds were 67% 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, Technology Recording Fees, Cecil Field Commerce Center and Community Service Grant funds. 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 Economic Revitalization. Non Major Enterprise funds which include the Baseball Stadium, the Performing Arts Center, the Convention Center, and the Equestrian Center received support from a combination of General Fund, the Veteran's Memorial Arena.

**TRANSFERS OUT**  
**NON-MAJOR FUNDS**

Baseball Stadium	Performing Arts	Convention Center	Equestrian Center	Special Revenue	Grant Capital Projects	Internal Service	Total
\$ 40	\$ 102	\$ 100	\$ 64	\$ 6,763	\$ 922	\$ 692	\$ 9,165
-	-	-	-	-	-	-	1,557
-	-	-	-	-	-	-	12,229
-	-	-	-	3,579	-	-	3,579
-	-	-	-	11,612	-	-	73,261
-	-	-	-	60,101	-	-	60,101
-	-	-	-	950	-	-	1,540
-	-	-	-	-	-	-	545
-	-	-	-	-	-	-	943
-	-	-	-	-	-	-	562
-	-	-	-	214	-	-	27,284
-	-	-	-	5,150	-	-	5,150
-	-	-	-	2,786	187	-	7,231
-	-	-	-	-	-	-	50
-	-	-	-	847	-	-	847
-	-	-	-	-	-	-	1,474
<b>\$ 40</b>	<b>\$ 102</b>	<b>\$ 100</b>	<b>\$ 64</b>	<b>\$ 92,002</b>	<b>\$ 1,109</b>	<b>\$ 692</b>	<b>\$ 205,518</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

A summary of interfund balances follows. (in thousands)

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>			
		Total	EverBank Field	Veterans Memorial Arena	Non Major Enterprise
<b>MAJOR FUNDS:</b>					
General Fund	5,728	17	1	848	4,862
<b>NON MAJOR FUNDS:</b>					
Enterprise	29			29	
<b>TOTAL</b>	<u><u>5,757</u></u>	<u><u>17</u></u>	<u><u>1</u></u>	<u><u>877</u></u>	<u><u>4,862</u></u>

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

<u>ADVANCES TO OTHER FUNDS</u>	<u>AMOUNT</u>	<u>ADVANCES FROM OTHER FUNDS</u>
<b>NON-MAJOR FUNDS:</b>		
<b>Internal Service Funds</b>		
Self Insurance	5,536	General Projects-Loan for Redevelopment Agreement
<b>TOTAL</b>	<u><u>5,536</u></u>	

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 \$5,536,146 at September 30, 2013.

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, 2013 was \$12,426,851 which is recorded in the Self Insurance Fund as other receivables noncurrent.

Vestcor will repay the City an amount of \$17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual principal and interest payments were initially scheduled for \$595,248, but were reduced to interest-only payments for the three year period beginning March 1, 2010. The deferred principal payments were added to the balloon payment, which is now \$11,389,033 due on July 1, 2023. The balance of the loan at September 30, 2013 was \$15,394,692 which is recorded in the Office of Economic Development within the General Fund.

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**8. LONG-TERM OBLIGATIONS**

**A. Bonds and loans outstanding:**

The bonds and loans outstanding as of September 30, 2013 are as follows (in thousands):

<b>GOVERNMENTAL ACTIVITIES:</b>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Coupon Rates</u>	<u>True Interest Cost <sup>(1)</sup></u>
<b>Revenue Bonds Supported by General Fund:</b>				
Excise Taxes Revenue Bonds:				
Series 1993	\$ 43,605	\$ 3,865	6.300%	6.292%
Series 2002A	56,685	3,030	5.500%	4.270%
Series 2003C (AMT)	34,540	20	4.125%	4.915%
* Series 2005A	42,820	40,675	3.750-5.000%	4.685%
Series 2006A	36,540	33,750	3.625-5.000%	4.559%
Series 2006B (AMT)	9,255	5,935	4.000%	4.169%
Series 2006C	23,555	19,180	5.040-5.220%	5.228%
Series 2007	42,245	36,970	4.000-5.000%	4.534%
Series 2009A	39,585	36,515	3.000-5.000%	4.399%
* Series 2009B	18,535	13,725	5.000%	3.035%
* Series 2009C (ATM)	2,275	1,005	4.000-5.000%	3.281%
Local Government Sales Tax Revenue Bonds:				
Series 2001	103,725	47,430	5.500%	4.571%
Capital Project Revenue Bonds:				
* Series 2008A	67,037	60,976	Variable, assumed 3.80%	N/A
* Series 2008B	67,037	60,976	Variable, assumed 2.89%	N/A
Special Revenue Bonds				
* Series 2009C-1	30,170	13,170	4.000-5.250%	2.509%
* Series 2009C-2 (Taxable BABS)	10,995	10,995	4.240-4.990% (taxable)	3.111%
* Series 2010A	48,000	30,452	3.250-5.000%	2.737%
* Series 2011A	76,500	76,500	5.000-5.250%	4.674%
* Series 2012B	2,850	2,850	1.120%	1.119%
* Series 2012C	183,058	183,058	3.000-5.000%	2.537%
Series 2012D	11,840	11,840	3.000-5.000%	1.573%
Series 2012E	34,340	34,340	1.164-2.372% (taxable)	1.875%
* Series 2013A	27,175	27,175	4.250-5.000%	4.885%
Total Revenue Bonds Supported by General Fund	<u>\$ 1,012,367</u>	<u>\$ 754,432</u>		
<b>Notes Payable Supported by General Fund:</b>				
U.S. Government Guaranteed:				
Series 1995 (Coach)	\$ 3,845	\$ 485	5.190% (taxable)	N/A
Series 2010 (Hilton Hotel)	2,850	600	1.800-2.200% (taxable)	N/A
Series 2010 (La Villa)	1,700	385	1.800-2.660% (taxable)	N/A
Series 2010 (Armor Holdings)	775	240	1.800-2.660% (taxable)	N/A
Series 2010 (Hampton Inns)	550	130	1.800-2.200% (taxable)	N/A
Total Notes Payable Supported by General Fund	<u>\$ 9,720</u>	<u>\$ 1,840</u>		
Total Bonds and Notes Supported by General Fund	<u>\$ 1,022,087</u>	<u>\$ 756,272</u>		

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

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

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost <sup>(1)</sup>
<b>Special Revenue (Covenant) Bonds Payable from Internal Service Operations:</b>				
Special Revenue Bonds (\$163,215 authorized but unissued):				
Series 2008	\$ 54,215	\$ 45,625	3.500-5.625%	4.966%
* Series 2009C-1	40,160	15,975	4.000-5.000%	2.509%
* Series 2009C-2 (taxable BABs)	26,315	26,315	4.240-4.990% (taxable)	3.111%
* Series 2010A	46,945	44,573	3.250-5.000%	2.737%
Series 2010C-1	27,205	27,205	5.000%	2.763%
* Series 2011A	32,380	31,140	3.000-5.250%	4.674%
Series 2012A	4,040	4,040	1.120%	1.119%
* Series 2012B	3,470	3,470	1.120%	1.119%
* 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%
	<u>\$ 296,735</u>	<u>\$ 260,348</u>		
<b>Notes Payable from Internal Service Operations:</b>				
Commercial Paper Notes	\$ 137,125	\$ 13,240	Variable, assumed 5.22%	N/A
	<u>\$ 433,860</u>	<u>\$ 273,588</u>		
<b>Revenue Bonds Supported by BJP Revenues:</b>				
Transportation Sales Tax Revenue Bonds:				
Series 2007	\$ 100,675	\$ 85,080	4.750-5.000%	4.745%
Series 2008A	154,535	151,835	Variable, assumed 3.96%	N/A
Series 2008B	121,740	98,720	Variable, assumed 4.21%	N/A
Series 2012A	151,660	151,660	4.000-5.000%	4.324%
Series 2012B	57,730	57,730	2.000-5.000%	3.076%
Infrastructure Sales Tax Revenue Bonds:				
* Series 2003	158,416	4,121	3.800%	4.715%
Series 2008	105,470	93,485	4.000-5.000%	4.626%
Series 2011	79,220	73,970	2.000-5.000%	3.615%
* Series 2012	238,570	238,570	2.000-5.000%	3.910%
* Series 2012A	41,095	41,095	5.000%	3.773%
	<u>\$ 1,209,111</u>	<u>\$ 996,266</u>		
<b>Special Revenue (Covenant) Bonds Supported by BJP Revenues:</b>				
Special Obligation Bonds:				
Series 2009B-1A	\$ 52,090	\$ 49,590	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	79,600	3.000-5.000%	2.953%
Series 2013C	31,565	31,565	5.250%	2.953%
	<u>\$ 326,385</u>	<u>\$ 293,770</u>		

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

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

	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost <sup>(1)</sup>
<b>Notes Payable Supported by BJP Revenues:</b>				
State of Florida Infrastructure Bank:				
Series 2005	\$ 40,000	\$ 23,397	2.000%	1.901%
Series 2007	48,698	28,914	2.500%	2.456%
	<u>\$ 88,698</u>	<u>\$ 52,311</u>		
Total Notes Payable Supported by BJP Revenues	<u>\$ 88,698</u>	<u>\$ 52,311</u>		
Total Bonds and Notes Supported by BJP Revenues	<u>\$ 1,624,194</u>	<u>\$ 1,342,347</u>		
Total Governmental Activities	<u>\$ 3,080,141</u>	<u>\$ 2,372,207</u>		

**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	6,420	4.000-5.000%	3.035%
* Series 2009C (AMT)	21,455	13,255	3.000-5.000%	3.281%
Capital Project Revenue Bonds:				
* Series 2008A	248	214	Variable, assumed 3.80%	N/A
* Series 2008B	248	214	Variable, assumed 2.89%	N/A
Infrastructure Sales Tax Revenue Bonds:				
* Series 2003	52,634	1,369	3.800%	4.715%
* 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	118,005	2.000-5.000%	2.642%
Special Obligation Bonds:				
* Series 2012C	922	922	5.000%	4.821%
Total Business-Type Activities	<u>\$ 321,262</u>	<u>\$ 257,674</u>		

**COMPONENT UNITS (Note 8N):**

Bond and notes payable:	
JEA	\$ 5,635,989
JPA	216,270
Total Component Unit bonds and notes payable	<u>\$ 5,852,259</u>

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

**B. Debt Service Requirements to Maturity:**

The Debt service requirements to maturity on long-term obligations at September 30, 2013 are as follows (in thousands). The amounts reported include designated maturities established by management as discussed below and there can be no assurance that the stated debt maturities can be revised in accordance with management’s plan. The table also does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8G.

Fiscal Year Ending September 30	Bonds and Notes Payable from Governmental Activities				Bonds Payable from Business-type Activities		Principal and Interest- Primary Government	Component Units	
	Supported by General Revenues and Internal Service Funds		Supported by BJP Revenues		Enterprise Funds			Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest			
2014	\$ 58,531	\$ 45,468	\$ 46,288	\$ 59,947	\$ 9,776	\$ 12,048	\$ 232,058	\$ 248,162	\$ 107,206
2015	57,366	45,165	51,640	58,808	9,693	11,699	234,371	298,100	211,542
2016	60,946	42,890	54,799	56,624	10,202	11,335	236,796	223,826	200,260
2017	65,656	36,362	60,201	54,060	10,819	10,921	238,019	231,596	191,639
2018	68,663	32,539	48,271	51,876	5,722	10,551	217,622	223,173	182,720
2019-2023	265,580	130,408	303,993	220,122	31,735	48,670	1,000,508	1,091,101	773,273
2024-2028	176,844	84,359	403,010	136,773	71,696	37,081	909,763	1,014,569	570,200
2029-2033	183,006	43,417	340,190	38,489	107,994	9,341	722,437	977,563	391,277
2034-2038	65,288	12,488	33,955	4,410	37	1	116,179	1,041,600	214,127
2039-2043	27,980	2,645	-	-	-	-	30,625	478,105	48,994
2044-2048	-	-	-	-	-	-	-	24,464	2,116
<b>Totals</b>	<b>\$ 1,029,860</b>	<b>\$ 475,741</b>	<b>\$ 1,342,347</b>	<b>\$ 681,109</b>	<b>\$ 257,674</b>	<b>\$ 151,647</b>	<b>\$ 3,938,378</b>	<b>\$ 5,852,259</b>	<b>\$ 2,893,354</b>

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

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

Fiscal Year Ending 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	
2014	-	-	-	-	-	-	-	-
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
<b>Total by Series</b>	<b>\$ 7,345</b>	<b>\$ 23,510</b>	<b>\$ 6,295</b>	<b>\$ 37,150</b>	<b>\$ 46,270</b>	<b>\$ 57,875</b>	<b>\$ 104,145</b>	<b>\$ 141,295</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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 All Programs
	Series 2009C	Series 2010A	Series 2012B	Total	Series 2010B	Series 2011B	Total	
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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

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

Changes in long-term liabilities for the fiscal year ended September 30, 2013 are as follows (in thousands):

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due within one year
<b>Governmental Activities:</b>					
Debt activity supported by general revenues:					
Revenue bonds	\$ 828,572	\$ 256,413	\$ 330,553	\$ 754,432	\$ 34,454
Notes payable	2,875	-	1,035	1,840	1,055
Debt activity - general revenues	<u>831,447</u>	<u>\$ 256,413</u>	<u>331,588</u>	<u>756,272</u>	<u>\$ 35,509</u>
Bonds/notes payable - Banking Fund					
Special revenue (covenant) bonds	245,823	62,005	47,480	260,348	14,373
Notes payable	27,990	-	14,750	13,240	8,650
Debt activity - internal service funds	<u>273,813</u>	<u>62,005</u>	<u>62,230</u>	<u>273,588</u>	<u>23,023</u>
Debt activity - general revenues and internal service	<u>1,105,260</u>	<u>318,418</u>	<u>393,818</u>	<u>1,029,860</u>	<u>58,532</u>
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	1,021,447	-	25,181	996,266	38,506
Special revenue (covenant) bonds - BJP	293,820	31,565	31,615	293,770	2,525
Notes payable - BJP	57,447	-	5,136	52,311	5,256
Debt activity - BJP	<u>1,372,714</u>	<u>31,565</u>	<u>61,932</u>	<u>1,342,347</u>	<u>46,287</u>
Total governmental activities	<u>2,477,974</u>	<u>349,983</u>	<u>455,750</u>	<u>2,372,207</u>	<u>104,819</u>
Deferred amounts:					
Loss on Advance Refunding	(2,028)	-	(631)	(1,397)	-
Issuance premiums	116,378	42,911	10,208	149,081	-
Issuance discounts	(2,695)	(159)	(155)	(2,699)	-
Total deferred amounts	<u>111,655</u>	<u>42,752</u>	<u>9,422</u>	<u>144,985</u>	<u>-</u>
Accrued Compensated Absences	59,640	34,559	35,845	58,354	17,505
Estimated Liability for Self-Insured Losses	97,147	25,488	25,200	97,435	25,218
Pollution Remediation	166,352	-	2,396	163,956	2,000
Other Post - Employment Benefits	32,935	8,734	-	41,669	-
Miscellaneous long-term obligations	5	-	-	5	-
Governmental activity long-term obligations	<u>\$ 2,945,708</u>	<u>\$ 461,516</u>	<u>\$ 528,613</u>	<u>\$ 2,878,611</u>	<u>\$ 149,542</u>

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

**C. Debt Service Requirements to Maturity: (continued)**

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due within one year
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 287,423	\$ 118,927	\$ 148,676	257,674	\$ 9,776
Less: Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	13,356	23,570	693	36,233	-
Total Revenue Bonds, less Unamortized Discount/Premium and, Deferred Loss on Advance Refunding	\$ 300,779	\$ 142,497	\$ 149,369	\$ 293,907	\$ 9,776
Accrued Compensated Absences	1,360	1,051	998	1,413	424
Liability for Landfill Closure and Post Closure Care	60,645	1,981	1,200	61,426	-
Picketville Waste Site	405	-	72	333	-
Other Post - Employment Benefits	1,237	369	-	1,606	-
Loans payable - Banking Fund	18,909	-	1,477	17,432	1,549
Business-type activity long-term obligations	<u>\$ 383,335</u>	<u>\$ 145,898</u>	<u>\$ 153,116</u>	<u>\$ 376,117</u>	<u>\$ 11,749</u>
<b>Component Unit Activities:</b>					
Bonds and notes payable:					
JEA	\$ 5,952,249	\$ 802,940	\$ 1,119,200	\$ 5,635,989	\$ 239,032
JPA	243,977	-	27,707	216,270	9,817
Other long-term obligations	14,051	222	1,480	12,793	1,366
Component unit activity long-term obligations	<u>\$ 6,210,277</u>	<u>\$ 803,162</u>	<u>\$ 1,148,387</u>	<u>\$ 5,865,052</u>	<u>\$ 250,215</u>

(Remainder of page intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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	\$ 40,675	\$ 2,000	\$ 42,675
Series 2009B	29,010	13,725	6,420	20,145
Series 2009C	23,730	1,005	13,255	14,260
Capital Projects Revenue Bonds:				
Series 2008A	67,285	60,976	214	61,190
Series 2008B	67,285	60,976	214	61,190
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2003	211,050	4,121	1,369	5,490
Series 2012	280,050	238,570	41,480	280,050
Series 2012A	114,890	41,095	73,795	114,890
Special Revenue Bonds:				
Series 2012C	183,980	183,058	922	183,980

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

**E. Pledged Revenues:**

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

	<u>Range of remaining term</u>	<u>Approximate future principal and interest</u>	<u>Current year revenue received</u>	<u>Current year principal and interest</u>	<u>Principal and interest as % of revenue</u>
<b>Excise Taxes:</b>	2013 - 2034	\$323,589,699	\$125,091,418	\$32,354,900	25.87%
<b>Local Government</b>					
<b>1/2 Cent Sales Tax:</b>	2018	\$54,743,901	\$77,656,521	\$11,891,162	15.31%
<b>JEA Charter Revenues</b>					
<b>(Capital Project Bonds):</b>	2034	\$174,024,452	\$106,687,538	\$7,252,149	6.80%
<b>(Better Jacksonville)</b>					
<b>Transportation Sales Tax:</b>	2022 - 2037	\$843,877,881	\$78,686,718	\$44,155,760	56.12%
<b>Better Jacksonville</b>					
<b>(Infrastructure) Sales Tax:</b>	2014 - 2030	\$868,359,259	\$68,530,514	\$46,940,803	68.50%
<b>with SIB Loans:</b>	2014 - 2030	\$926,883,358	\$68,530,514	\$53,388,203	77.90%
<b>Sports Facilities Capital</b>					
<b>Improvement Revenues:</b>	2020 - 2030	\$175,947,100	\$19,458,861	\$9,233,450	47.45%

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

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**F. New Indebtedness Issued:**

On December 13, 2012, the City closed on the sale of \$183,980,000 Special Revenue Refunding Bonds, Series 2012C. The 2012C bonds have a true interest cost of 2.537% and an average coupon of 4.922% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2032. The proceeds of the 2012C bonds were used to current refund the City's Excise Taxes Revenue Bonds, Series 2001B (\$38,895,000), Excise Taxes Revenue Bonds, Series 2002B (\$48,315,000), Guaranteed Entitlement Refunding Bonds, Series 2002 (\$92,185,000), Sales Tax Revenue Bonds, Series 1996 (\$3,700,000) and Local Government Sales Tax Refunding Bonds, Series 2002 (\$36,155,000). The issuance provided net proceeds of \$182,729,186, which includes underwriter's discounts and costs of issuance totaling \$1,250,814 and a premium of \$37,781,048.

On December 13, 2012, the City closed on the sale of \$11,840,000 Special Revenue Refunding Bonds, Series 2012D. The 2012D bonds have a true interest cost of 1.573% and an average coupon rate of 4.827% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2023. The proceeds of the 2012D bonds were used to current refund the City's Excise Taxes Revenue Bonds, Series 2003A (\$13,775,000). The issuance provided net proceeds of \$11,761,724, which is inclusive of underwriter's discounts and costs of issuance totaling \$78,276 and a bond premium of \$2,136,049.

On December 13, 2012, the City closed on the sale of \$34,340,000 Special Revenue Refunding Bonds, Taxable Series 2012E. The 2012E bonds have a true interest cost of 1.875% and an average coupon rate of 1.880% with a mandatory sinking schedule beginning October 1, 2016 and a maturity date of October 1, 2020. The proceeds of the 2012E bonds were used to current refund the City's Excise Taxes Revenue Bonds, Series 2003C (\$32,450,000). The issuance provided net proceeds of \$34,113,664, which is inclusive of underwriter's discounts and costs of issuance totaling \$226,336. As a result of the refunding, aggregate debt service payments over the remaining life of the 2012C bonds, the 2012D bonds and the 2012E bonds, together, were reduced by \$58,357,989, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$51,871,435, or 19.54%.

On December 13, 2012, the City closed on the sale of \$118,005,000 Capital Improvement Refunding Revenue Bonds, Series 2012. The 2012 bonds have a true interest cost of 2.642% and an average coupon rate of 4.878% with a mandatory sinking schedule beginning October 1, 2013 and a maturity date of October 1, 2030. The proceeds of the 2012 bonds were used to current refund the City's Capital Improvement Revenue Bonds, Series 1997 (\$5,220,000), Capital Improvement Revenue and Refunding Bonds, Series 1998 (\$34,135,000), Capital Improvement Revenue Bonds, Series 2002A (\$25,225,000), Capital Improvement and Refunding Revenue Bonds, Crossover Series 2002B (\$20,405,000) and Capital Improvement and Refunding Revenue Bonds, Crossover Series 2002C (\$51,000,000). The issuance provided net proceeds of \$117,131,449, which is inclusive of underwriter's discounts and costs of issuance totaling \$873,551.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**8. LONG-TERM OBLIGATIONS** (continued)  
**F. New Indebtedness Issued:** (continued)

As a result of the refunding, aggregate debt service payments over the remaining life of the 2012 bonds were reduced by \$28,946,535, which provided a net economic gain (calculated as the difference between the net present values of the old and new debt service payments) of \$28,256,926 (which includes additional gains from the release of debt service reserve funds), or 20.78%. The 2012 Bonds are a Business-Type activity debt obligation.

On September 16, 2013, the City closed on the sale of \$54,035,000 Special Revenue and Refunding Bonds, Series 2013A. The 2013A bonds have a true interest cost of 4.885% and an average coupon rate of 5.052% with a mandatory sinking schedule beginning October 1, 2014 and a maturity date of October 1, 2040. The proceeds of the 2013A bonds were used to i) finance the acquisition of various capital projects (\$16,275,000), ii) current refund a portion of the City's Special Revenue Bonds, Series 2009C-1 (\$6,530,000) and a portion of the Special Revenue Bonds, Series 2010A (\$5,765,000) and iii) advance refund a portion of the City's Special Revenue Bonds, Series 2009C-1 (\$13,750,000) and a portion of the Special Revenue Bonds, Series 2010A (\$10,840,000), each previously issued as medium-term notes. The 2009C-1 bonds and 2010A bonds were not refunded for an economic gain. The refunding was undertaken to refinance, or "roll" the stated portions of the 2009C-1 and 2010A bonds to their scheduled Designated Maturities. The issuance provided net proceeds of \$53,616,823, which is inclusive of underwriter's discounts and costs of issuance totaling \$418,177 and a bond premium of \$1,210,280.

On September 16, 2013, the City closed on the sale of \$35,145,000 Special Revenue and Refunding Bonds, Taxable Series 2013B. The 2013B bonds have a true interest cost of 3.469% and an average coupon rate of 3.442% with a mandatory sinking schedule beginning October 1, 2014 and a maturity date of October 1, 2026. The proceeds of the 2013B bonds were used to i) finance the acquisition of the Jake M. Godbold City Hall Annex (\$14,420,000) and ii) current refund the City's Special Revenue Bonds, Taxable Series 2009A (\$23,947,000), previously issued as medium-term notes. The 2009A bonds were not refunded for an economic gain. The refunding was undertaken to refinance, or "roll" the stated portions of the 2009A bonds to their scheduled Designated Maturities. The issuance provided net proceeds of \$34,888,663, which is inclusive of underwriter's discounts and costs of issuance totaling \$256,337.

On September 16, 2013, the City closed on the sale of \$31,565,000 Special Revenue Refunding Bonds, Series 2013C. The 2013C bonds have a true interest cost of 4.821% and an average coupon rate of 5.250% with a mandatory sinking schedule beginning October 1, 2027 and a maturity date of October 1, 2030. The proceeds of the 2013C bonds were used to i) current refund a portion of the City's Special Revenue Bonds, Series 2010B (\$7,705,000) and ii) advance refund a portion of the City's Special Revenue Bonds, Series 2010B (\$15,410,000) and a portion of the Special Revenue Bonds, Series 2011B (\$7,000,000), each previously issued as medium-term notes. The 2010B bonds and 2011B bonds were not refunded for an economic gain. The refunding was undertaken to refinance, or "roll" the stated portions of the 2010B and 2011B bonds to their scheduled Designated Maturities.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**F. New Indebtedness Issued: (continued)**

The issuance provided net proceeds of \$31,305,511, which is inclusive of underwriter's discounts and costs of issuance totaling \$259,489 and a bond premium of \$1,625,039.

**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, 2014.

*Terms of Take Out* - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If the Bonds were to be purchased by the Bank, then the City would be required to amortize the balance of the Bonds (\$150,485,000 as of the current termination date) over 12 equal quarterly installments beginning 180 days after the date of purchase. In the unlikely event the take out provisions went into effect, the City would have the options of: remarketing, negotiating a direct placement, refunding or redeeming, or adopting the installments. If the City elected to increase the installments, the annual principal requirements for this bond issue as presented in the table under Note 8B would increase between \$ 12 to \$ 38 million for fiscal years 2015-2018.

As of September 30, 2013, there were no advances outstanding or bank bonds held under this Agreement.

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

**G. Demand Bonds Issued by the City: (continued)**

*Terms of Take Out* - The Agreement contains a mandatory purchase provision requiring the Bank to purchase the Bonds if the Agreement is not replaced or renewed by the expiration date. If either i) the Bonds were to be purchased by the Bank or ii) the Bank extends an advance to the City under the Letter of Credit, then the City would be required to amortize the balance of the Bonds (\$57,570,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance. In the unlikely event the take out provisions went into effect, the City would have the options of: remarketing, negotiating a direct placement, refunding or redeeming, or adopting the installments. If the City elected to increase the installments, the annual principal requirements for this bond issue as presented in the table under Note 8B would increase by approximately \$ 9 million for fiscal years 2015-2019.

As of September 30, 2013, there were no advances outstanding or bank bonds held under this

**H. Non-Asset Debt:**

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

<u>Excise Taxes Bonds</u>	<u>Entity or Purpose</u>	<u>Amount</u>
Series 1993 bonds	Jacksonville Port Authority	\$ 3,865
bonds	Shands Jacksonville Medical Center	39,725
bonds	Jacksonville Port Authority	34,340
 <u>Plan (BJP)</u>		
Series 2007	Jacksonville Transportation Authority (JTA) road projects	47,798
Series 2009	Jacksonville Transportation Authority (JTA) road projects	2,426
Series 2010	Jacksonville Transportation Authority (JTA) road projects	11,682
Series 2011	Jacksonville Transportation Authority (JTA) road projects	18,643
Series 2012	Jacksonville Transportation Authority (JTA) road projects	57,730
 <u>Infrastructure Bank</u>		
Loan #1	JTA road projects - BJP	23,397
Loan #2	JTA road projects - BJP	28,915
 <u>Other Bond Issues</u>		
Various	Misc. projects - BJP	71,801
Various	Misc. projects – other	46,031
 <u>Banking Fund Financed Projects</u>		
Various	Misc. projects – other	<u>53,393</u>
 TOTAL		 \$ 439,746

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013, the city had legally defeased the following bond maturities (in thousands):

<u>Issue</u>	<u>Refunded by</u>	<u>Principal Balance at September 30, 2013</u>	<u>Investment Balance with Escrow Agent at September 30, 2013 (a)</u>
Sales Tax Revenue Bonds, Series 1996 (RCR)	Cash Refunded on October 10, 2002	\$14,535	\$15,314
Better Jacksonville Sales Tax Revenue Bonds, Series 2003	Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012	\$79,560	\$81,445
Better Jacksonville Sales Tax Revenue Bonds, Series 2003	Better Jacksonville Sales Tax Refunding Revenue Bonds, Series 2012A	\$80,785	\$82,735
Excise Taxes Revenue Refunding Bonds, Series 2003C	Special Revenue Refunding Bonds, Taxable Series 2012E	\$32,450	\$33,262
Special Revenue Bonds, Series 2010B	Special Revenue Refunding Bonds, Series 2013C	\$23,115	\$26,694
Special Revenue Bonds, Series 2011B	Special Revenue Refunding Bonds, Series 2013C	\$7,000	\$10,386

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

(Remainder of page intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013 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.

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, 2013. The fair values were obtained by the counter-parties’ mark-to-market reports submitted to the City.

	SIFMA Index	67% LIBOR
	Transportation Revenue Refunding	Transportation Revenue Refunding
Bond Series	Bonds, Series 2008B <sup>(1)</sup>	Bonds, Series 2008B <sup>(1)</sup>
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	\$33,250,000	\$64,300,000
Variable Rate Received <sup>(2)</sup>	0.119%	0.135%
Fixed Rate Paid	4.010%	3.455%
Change in Fair Value - Current Year	\$1,632,533	\$4,426,284
Underlying Fair Value at Fiscal Year End	(\$4,500,943)	(\$9,016,745)
Net Swap Interest	(\$1,293,791)	(\$2,134,842)

(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 IndexRate mode bearing interest at the rate of 67% of LIBOR plus an applicable spread. The 2008B bonds will not maintain liquidity support during the IndexRate mode period (initially three years).

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

**Credit Risk** - As of September 30, 2013, the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreements) because each had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the City would then be exposed to credit risk in the amount of the swap’s fair value.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**8. LONG-TERM OBLIGATIONS (continued)**  
**J. Derivative Instrument Payments and Hedged Debt (continued)**

**Basis Risk** - As of September 30, 2013, the swaps expose the City to basis risk (the risk of loss due to the mismatch in interest-earning assets and interest-incurring liabilities). The agreement dated July 1, 2003 calls for the City to pay a fixed rate and receive a variable payment based on the BMA index. If the fixed rate is greater than the rates on the BMA index the City will be liable for the difference. The agreement dated September 30, 2004 calls for the City to pay a fixed rate and receive a variable payment of 67% of the one month LIBOR rate. If the fixed rate is greater than the rates on the LIBOR index, the City will be liable for the difference.

**Market Risk** - As of September 30, 2013, 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, 2013 and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the City’s hedged variable rate bonds.

Fiscal Year Ending 9/30	Variable-Rate Bonds			Swap Interest Payments			Total Bonds and Swaps
	Principal	Interest	Total	Fixed Pay	Var. Received	Net Pay	
2014	\$ 5,615	\$ 188	\$ 5,803	\$ 3,349	\$ 95	\$ 3,254	\$ 9,057
2015	5,695	177	5,872	3,136	89	3,047	8,919
2016	5,955	166	6,121	2,914	83	2,831	8,952
2017	8,915	155	9,070	2,587	76	2,511	11,581
2018	8,990	138	9,128	2,248	68	2,180	11,308
2019-2023	37,450	435	37,885	6,551	222	6,329	44,214
2024-2028	26,100	153	26,253	1,829	66	1,763	28,016
2029-2033	-	-	-	-	-	-	-
	<u>\$98,720</u>	<u>\$1,412</u>	<u>\$100,132</u>	<u>\$22,614</u>	<u>\$699</u>	<u>\$21,915</u>	<u>\$122,047</u>

The above chart is based upon actual rates as of September 30, 2013. The bond and swap rates as of fiscal year end were as follows:

City of Jacksonville \$47,775,000 Transportation Revenue Bonds, Series 2003 (refunded by the Series 2008B bonds):

- The 7-day variable rate reset was 0.190%
- The BMA rate for swap receipts was 0.062%

City of Jacksonville \$80,275,000 Transportation Revenue Refunding Bonds, Series 2004A (refunded by the Series 2008B bonds):

- The 7-day variable rate reset was 0.190%
- The 67% of LIBOR rate for swap receipts was 0.122%

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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, 2013, the City had \$437,568,601 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, 2013, the City had a total of \$90,645,000 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 \$11,135,000. The amount of Multi-Family Housing Bonds outstanding was \$79,510,000. Refunding of previous issues make up \$24,305,000 of the total amount outstanding.

As of September 30, 2013, additional conduit debt includes \$704,952,991 Jacksonville Health Facilities Authority (JHFA) Bonds outstanding.

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**L. Interest Expense:**

Total interest expense for the fiscal year ended September 30, 2013 was \$97.5 million for governmental activities and \$14.2 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  
100 North Myrtle Avenue  
Jacksonville, Florida 32203

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**9. PENSION PLANS**

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**9. PENSION PLANS (continued)**

**A. Summary of Significant Accounting Policies:**

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

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

**B. Trend Information and Plan Overviews:**

(1) Trend information gives an indication of whether the actuarial value of plan assets is increasing or decreasing, 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, 2013 were \$79.6 and \$114.9 million for JRS and PFPF respectively. Trend information for each of the City's three plans is as follows:

Year-end Date	EMPLOYER CONTRIBUTIONS (in thousands)		Net Pension Obligation (Asset)
	Annual Pension Cost	Percentage Contributed	
<b>General Employees Pension Plan</b>			
9/30/2011	39,101	101%	(2,374)
9/30/2012	57,471	87% *	5,198
9/30/2013	66,730	83% *	16,536
<b>Corrections Officers Pension Plan</b>			
9/30/2011	8,882	109%	(1,075)
9/30/2012	11,847	76% *	1,706
9/30/2013	12,910	83% *	3,872
<b>Police and Fire Pension Plan</b>			
9/30/2011	94,631	100%	-
9/30/2012	90,278	100%	-
9/30/2013	122,020	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 and 2013 the City made 100% of the required contribution as a percentage of actual payroll for both General Employees and Corrections Officers Pension Plans.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**9. PENSION PLANS**

**B. Trend Information and Plan Overviews: (continued)**

Valuation Date	FUNDING PROGRESS (in thousands)					
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as % of Covered Payroll
<b>General Employees Pension Plan</b>						
9/30/2012	1,518,578	2,434,275	915,697	62.38%	283,021	323.5%
<b>Corrections Officers Pension Plan</b>						
9/30/2012	109,474	251,036	141,562	43.61%	28,944	489.1%
<b>Police and Fire Pension Plan</b>						
9/30/2012	1,078,907	2,762,977	1,684,070	39.05%	133,611	1260.4%

\*\* Note: 2013 actuarial valuation reports for the above pension plans were not available as of the printing date of this statement.

**Net Pension Obligation and Annual Pension Cost**

(Dollar amounts in thousands)	General Employees Pension Plan	Corrections Officers Pension Plan
Annual required contribution (ARC)	66,660	12,885
Interest on net pension obligation	428	140
Adjustment to ARC	(358)	(115)
Annual pension cost	66,730	12,910
Contributions made	(55,386)	(10,742)
Increase in net pension obligation (asset)	11,344	2,168
Net pension obligation (asset) beginning of year	5,192	1,704
Net pension obligation end of year	16,536	3,872

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**9. PENSION PLANS**

**B. Trend Information and Plan Overviews: (continued)**

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

	Jacksonville Retirement System		
	General	Corrections	Police
	Employee	Officers	and Fire
	Pension Plan	Pension Plan	Pension Plan
	As of 10/1/2012	As of 10/1/2012	As of 10/1/2012
<b>Membership:</b>			
Retirees and beneficiaries currently receiving benefits	4,783	241	2,045
Deferred Retirement Option (DROP) participants	NA		550
Terminated employees vested, not yet receiving benefits	81	1	52
Active employment plan members:			
Vested	3,494	351	1,848
Non-vested	1,991	278	365
Total plan membership	10,349	871	4,860
<b>Benefit structure:</b>			
Accrual rate:			
Years one through twenty	2.5%	3.0%	3.0%
Years twenty-one and after	2.5%	2.0%	2.0%
Years of service required to vest	5	5	5
Years of service required- normal retirement	30	20	20
Final average pay parameters	3 years	3 years	2 years
Maximum benefit as % applied to final average pay	80%	80%	80%
Cost of living (COLA) adjustments:			
Years delay after retirement	5	1	1
Annual percentage increase	3%	3%	3%
DROP structure:			
Options	Back	Forward	Forward
Maximum duration- years	5	5	5
Earnings rate on benefit payments held in trust	actual with +4% ceiling, -4% floor	actual with 0% floor	8.4% guaranteed
<b>Financial information (in millions):</b>			
Annual contributions 2012-13:			
City	\$ 28	\$ 11	\$ 122
Other participating employers	\$ 28	N/A	N/A
Other sources	-	-	\$ 12
Employer contribution stated as percentage of pay:			
FYE 9-30-11	13.50%	31.78%	49.60%
FYE 9-30-12	17.22%	35.45%	49.60%
FYE 9-30-13	20.51%	39.10%	81.91%
FYE 9-30-14	27.91%	49.93%	110.85%
Employee contribution stated as percentage of pay	7.7%	7.7%	7%
Covered Payroll	\$ 283	\$ 29	\$ 134
Benefit payments (including DROP payments)	\$ 144	\$ 13	\$ 150

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**9. PENSION PLANS (continued)  
B. Trend Information and Plan Overviews: (continued)**

**ACTUARIAL PLAN VALUATIONS**

	Jacksonville Retirement System		
	General	Corrections	Police
	Employee Pension Plan	Officers Pension Plan	and Fire Pension Plan
<b>Actuarial reports:</b>			
Date of last actuarial valuation	October 1, 2012	October 1, 2012	October 1, 2012
Actuarial method	Entry age	Entry age	Entry age
<b>Plan assumptions:</b>			
Earnings rate	7.75%	7.75%	7.00%
Mortality Table in use	RP-2000	RP-2000	RP-2000
Salary growth	3.00%	3.00%	4.00%
Unfunded Liability Amortization period	26 years, Closed	26 years, Closed	23 years, Closed
Amortization method	Level Pct of Payroll	Level Pct of Payroll	Level Pct of Payroll
Asset Valuation Method	5-year smoothing	5-year smoothing	Market Value
<b>Actuarial financial information (in millions):</b>			
Assets (net of securities lending) as of September 30, 2012:			
Market value	\$ 1,559	\$ 113	\$ 1,079
Actuarial value	\$ 1,519	\$ 109	\$ 1,079
Unfunded Actuarial Accrued Liability- September 30, 2012	\$ 916	\$ 142	\$ 1,684
Funded Ratio	62.38%	43.61%	39.05%

**C. City of Jacksonville Retirement System: Financial Information**

(1) The Statement of Fiduciary Net Position – Jacksonville Retirement System - General Employees and Corrections Officers Plan for the year ended September 30, 2013 is as follows (in thousands):

**ASSETS**

Equity in cash and investments.....	\$ 38,524
Receivables	5,670
Investments, at fair value	1,844,232
Capital assets, net of depreciation.....	6
Securities Lending Collateral.....	57,238
<b>TOTAL ASSETS.....</b>	<b>1,945,670</b>

**LIABILITIES**

Obligations Under Securities Lending Agreement.....	57,240
Accounts payable and accrued liabilities.....	1,572
Accrued Compensated Absences.....	18
Due to Drop Participants.....	14,916
<b>TOTAL LIABILITIES.....</b>	<b>73,746</b>

**NET POSITION HELD IN TRUST FOR**

<b>PENSION BENEFITS.....</b>	<b>\$ 1,871,924</b>
------------------------------	---------------------

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**9. PENSION PLANS (continued)**

**C. 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, 2013 is as follows (in thousands):

<b><u>ADDITIONS</u></b>	
Contributions:	
Employer.....	\$ 66,979
Plan Member.....	25,293
Total contributions.....	<u>\$ 92,272</u>
Other additions.....	404
Investment income.....	282,687
Securities Lending.....	321
<b>TOTAL ADDITIONS.....</b>	<b><u>375,684</u></b>
 <b><u>DEDUCTIONS</u></b>	
Benefits payments.....	149,488
DROP Benefits.....	7,350
Refunds of contributions.....	22,899
Administrative expenses.....	721
<b>TOTAL DEDUCTIONS.....</b>	<b><u>180,458</u></b>
 Net change in net position.....	 195,226
<b>NET POSITION, BEGINNING OF YEAR.....</b>	<b><u>1,676,698</u></b>
<b>NET POSITION, END OF YEAR.....</b>	<b><u>\$ 1,871,924</u></b>

**D. 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 include two actuarially computed components, the City Stabilization Account and the Enhanced Benefit Account. The City Stabilization Account, which has a balance of \$33.3 million as of September 30, 2013, was established for the purpose of cushioning actuarial losses in the base benefits fund and giving the City greater flexibility in its funding of the Plan. The Enhanced Benefits Account which has a balance of \$27.6 million as of September 30, 2013, was established to hold any remaining State premium tax refunds not assigned to offset City contribution requirements. The base benefits fund consists of the remaining assets pledged to provide fund benefits.
- (2) During the fiscal year, the Plan received a remittance from the State of Florida in the amount of \$9.7 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 under state policy and legal guidance for the purpose of granting enhanced benefits to public safety pension plans throughout the State of Florida. The remittances received by the Plan are governed by the Restated Agreement executed between the Plan and the City.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**9. PENSION PLANS (continued)**

**D. Police and Fire Pension Plan (continued)**

The Agreement stipulated that \$5.2 million of the \$9.7 million remittance received during the fiscal year is to be allocated for expenditures authorized within the current benefit structure, with the remaining \$4.5 million being uncommitted and earmarked for use in funding future benefits and/or ad-hoc, non-recurring expenditures as authorized by the Trustees of the Plan. During the fiscal year, \$2.0 million of the \$4.5 million uncommitted element was expended for ad-hoc non-recurring expenditures.

**E. Defined Contribution Plan**

As of October 1, 2009, the City created by ordinance a Defined Contribution (DC) plan within the Jacksonville Retirement System for GEPP participants as an employee choice alternative to the DB plans. Both employer and employee contributions to the DC plan stated as a percentage of pay were 7.7% and totaled \$1.1 and \$1.1 million for the 2012-13 fiscal year. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation. Net transfers from participants to the DC plan from the DB plan totaled \$1.1 million.

**F. Florida Retirement System**

(1) Plan Description - The City also participates in the Florida Retirement System (FRS), a multiple-employer cost-sharing retirement system which covers less than 1% of the City's full-time employees. FRS is a defined-benefit contributory retirement plan, administered by the State of Florida, Division of Retirement. The City payroll for employees covered by FRS was \$2.8 million during the fiscal year; the City's total payroll for all employees was \$407.8 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**9. PENSION PLANS (continued)**

**F. Florida Retirement System (continued)**

(2) A. Employer Contributions – For the fiscal years ended September 30, 2013, 2012, and 2011, the City contributed \$411,000, \$321,000, and \$552,000 respectively, to the System for covered employees. For the Fiscal year ended September 30, 2013, the contributions represented less than 1% of the System’s total contributions required by all participating employers of 3.2 billion (unaudited). Contributions in fiscal years 2012 and 2011 were also less than 1% of the total contributions required by all participating employers, which amount to approximately 3.0 and 2.3 billion per year (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, 2012 to September 30, 2013 were \$69,838.

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

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make contributions actuarially determined at the rates in effect at September 30, 2013, of 6.95% of the compensation for regular members, 19.06% for special risk members, 33.03% for elected county officials, 18.31% for senior management, and 12.84% 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, 2013 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.

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

Plan Description: The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance contract plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801 and therefore has an implicit rate subsidy benefit for the retirees' participation. As of the valuation date, the Plan had approximately 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 \$4.1 million in premiums for fiscal year 2013, representing 30.8% of the total fiscal year 2013 OPEB cost.

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

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

The City has elected to calculate the ARC and related information using the Entry Age Normal Salary Based Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Annual requirements include a 3% general inflation rate, a 4.5% discount rate, compounded annually, based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed at 9% at September 30, 2013 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

The actuarial accrued liability (AAL) was determined as of September 30, 2013, based on the above assumptions and cost method, and applied to member data current at September 30, 2013. Liabilities were developed based on age adjusted costs for retirees currently receiving Plan benefits as of September 30, 2013, with an AAL calculated to be \$129.1 million, which is unfunded (or 0% funded). The annual covered payroll is \$340.4 million, resulting in an unfunded AAL of 34.8%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on September 30, 2013.

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)	<b>2013</b>
Annual Required City Contribution (ARC)	\$ 13,005
Interest on Plan Obligation	1,542
Adjustment to ARC	(1,309)
Annual Plan Retiree Cost	\$ 13,238
Contributions Made	(4,075)
Change in Plan Obligation	9,163
Plan Obligation Beginning of Year	34,266
Plan Obligation End of Year	<u>\$ 43,429</u>

At fiscal year-end 2013, the City accrued \$42 million in the Governmental Statement of Net Position, \$1.6 million in the Business-Type Statement of Net Position, and \$4K in the Jacksonville Housing Finance Authority (JHFA), a discreetly 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 2013 and the preceding years are as follows: (in thousands)

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2011	10,621	39.5%	28,283
9/30/2012	10,856	44.9%	34,266
9/30/2013	13,238	30.8%	43,429

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

**11. DEFERRED COMPENSATION PROGRAM**

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

**12. RISK FINANCING**

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**12. RISK FINANCING (continued)**

Major Categories of Policies purchased to transfer risk

<u>Coverages</u>	<u>Limits Occurrence and Aggregate</u>	<u>Retentions/Deductibles</u>	
General Liability (City)	\$ 5,000,000	\$ 2,500,000	
General Liability (JEA, JPA, JHA, and JAA)	\$ 1,000,000	\$ 5,000,000	
Workers' Compensation Benefits	Statutory	\$ 1,200,000	
Employers' Liability	\$ 3,000,000	\$ 1,200,000	
Property (Real & Personal Property) -	\$ 400,000,000	\$ 100,000	(1)
Property Terrorism	\$ 100,000,000	\$ 100,000	
Boiler and Machinery	\$ 100,000,000	\$ 50,000	
Employee Fidelity	\$ 5,000,000	\$ 75,000	(2)
Aircraft Liability	\$ 20,000,000	-	
Aircraft Physical Damage (Schedule Value)	\$ 2,729,827	\$1,000/\$250	(3)
Watercraft (P&I)	\$ 1,000,000	\$ 2,000	
Watercraft Physical Damage	\$ 8,521,132	Various/Per Schedule	(4)
Wharfingers Liability	\$ 5,000,000	\$ 1,000	
		\$1,000/2% Windstorm and \$15K Maximum	
Fine Arts - Scheduled Value	\$ 2,421,823	-	
Out of State Automobile Liability	\$ 1,000,000	-	
Rails to Trail General Liability	\$ 3,000,000	\$ 1,000	
Power Lines Easement General Liability	\$ 2,000,000	\$ 500	
Riverwalk General Liability	\$ 5,000,000	\$ 5,000	
Voting Precincts General Liability	\$ 1,000,000	\$ 500	

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

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

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

(2) Crime coverage affords Faithful Performance, Forgery or Alteration, Inside the Premises (Theft of Money and Securities), Inside Premises (Robbery or Safe Burglary of Other Property), Outside the Premises, Computer Fraud, Funds Transfer Fraud and Money Orders and Counterfeit Money. These coverages have a \$5,000,000 limit with a \$25,000 deductible applicable to each coverage either on a per loss or occurrence basis.

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 uses in-house defense for General and Automobile Liability and outside defense counsel for Workers' Compensation. This use of outside defense counsel results in continued savings, and leveling of costs that otherwise would be increasing faster than the general inflationary rate. The effect of using outside counsel is to continue to mitigate the impact of long term liability of life time claims thereby having a favorable impact on claim experience and development in the workers' compensation program on an ongoing basis. The City's Self-Insurance Program liability is established at the expected confidence level on a 3% discounted basis in the amount of \$89,907,000 for General and Automobile Liability, and Workers' Compensation. Actuarial ULAE projections of \$7,528,000 on a 3% discounted basis at the expected confidence level 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. The City's practice of cash funding the projected ultimate claims payment is intended to temporarily accumulate net assets, which can be used to meet changes in estimates over time. Projected ultimate claims payment experience is as of the end of each fiscal year, even though some payments may not be made until a later date.

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2013, the City has a deficit in the Self-Insurance fund of \$93 (in thousands). In the Supplemental Section of the City's Comprehensive Annual Financial Report, there is a trend information schedule for general/auto liability and workers' compensation, entitled "Schedule of Self-Insurance Ten Year Claims Development Information," which reflects the claims paid and liability projection development of each of the most recent ten years as of September 30, 2013.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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	
	2013	2012	2013	2012	2013	2012
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$11,280	\$11,366	\$85,867	\$77,163	\$97,147	\$88,529
Incurring claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	3,843	4,109	9,376	12,264	13,219	16,373
Increases (decreases) in provision for insured events of prior fiscal years	2,422	295	9,847	11,032	12,269	11,327
Total incurred claims and claim adjustment expenses	6,265	4,404	19,223	23,296	25,488	27,700
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,443	1,652	3,762	3,914	5,205	5,566
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	3,672	2,838	16,323	10,678	19,995	13,516
Total Payments	5,115	4,490	20,085	14,592	25,200	19,082
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$12,430	\$11,280	\$85,005	\$85,867	\$97,435	\$97,147

(The remainder of this page is intentionally left blank.)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**12. RISK FINANCING (continued)**

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

**SELF-INSURANCE FUND  
CURRENT AND NONCURRENT CLAIMS LIABILITIES (Including ULAE)  
FOR THE YEARS ENDING SEPTEMBER 30  
(in thousands)**

	<u>General/Auto Liability</u>		<u>Workers' Compensation</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current Liability:						
Estimated Liability for self-insured	\$ 6,972	\$ 5,479	\$ 18,246	\$ 18,148	\$ 25,218	\$ 23,627
Noncurrent liability:						
Estimated Liability for self-insured	5,458	5,801	66,759	67,719	72,217	73,520
Total Liability	<u>\$ 12,430</u>	<u>\$ 11,280</u>	<u>\$ 85,005</u>	<u>\$ 85,867</u>	<u>\$ 97,435</u>	<u>\$ 97,147</u>

**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, 2013, (in thousands):

	<u>Net Position</u>
Internal Service Funds	
Self Insurance Fund	(\$93)

The Self Insurance internal service fund net position deficit is due to higher than anticipated claims. The deficit is expected to be eliminated through future operations.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 cost being capitalized and amortized to later periods. The City obtained bond proceeds to support closure and long-term care cost for North and East landfills and Picketville Waste Site. At September 30, 2013 the deferred balance of the capitalized cost is \$8.5 million, which during the year the City amortized \$2.4 million.

**Active Landfill – Trail Ridge**

The closure and long-term liability for Trail Ridge as of September 30, 2013 is \$55.9 million which represents an increase of \$2 million compared to the preceding year. This increase resulted from adjustments for inflation and current annual closure and long-term care cost estimates. The percentage of landfill capacity used is estimated to be 80%.

**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, 2013 is \$4.7 million for 5 years and \$805 thousand for 2 years, respectively. When compared to the preceding year, the liability balances decreased \$1.2 million in aggregate, due to adjustments for current annual closure cost estimates and costs paid for performing and monitoring closure work.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**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, 2013 \$28,235,619 which includes \$5,233,182 for accelerated payments, have been accumulated for payment of closure and long-term care cost (see summary below). Accelerated payments are payments in excess of the required financial assurance balances which are held in reserves for contingencies and are used to offset future operational cost.

	<u>Trail Ridge</u>	<u>North</u>	<u>East</u>	<u>Total</u>
Current cost of closure	\$ 21,658,451	\$ -	\$ -	\$ 21,658,451
Annual cost of long-term care	-	941,557	402,429	1,343,986
Accelerate funds above state minimum	<u>5,233,182</u>	<u>-</u>	<u>-</u>	<u>5,233,182</u>
Total balance in escrow account	<u><u>26,891,633</u></u>	<u><u>\$ 941,557</u></u>	<u><u>402,429</u></u>	<u><u>28,235,619</u></u>

**14. LESSOR OPERATING LEASE**

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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 from the stadium naming rights.

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

A summary of scheduled lease payments is as follows:

<u>Year</u>	<u>Payment</u>
2014	4,006,519
2015	3,960,040
2016	4,768,677
2017	4,749,626
2018	4,734,719
2019 - 2023	21,075,785
2024 - 2028	28,273,742
2029- 2030	9,786,485

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**14. LESSOR OPERATING LEASE (continued)**

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

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

The Base Rental associated with the startup of operations and the initial capital costs for transforming the stadium to an NFL stadium has deferred rents for the first five years and then scheduled rent increases throughout the term of the lease, Amendment #8 in FY2005 providing rental credits of \$2,866,666 in FY2006, FY2007, and FY2008, which reduced the rental payment in each of those years. Paragraph 6 of GASB #13 states that “Sometimes an operating lease with scheduled rent increases contains payment requirements in a particular year or years that are artificially low when viewed in the context of earlier or later payment requirements.” This occurred with the base rental of the Jaguars contract. Paragraph 6 guidance states that the operating lease transactions should be measured utilizing one of two measures, with Paragraph 6a being “The operating lease transactions may be measured on a straight-line basis over the lease term.” The City has recorded a deferred rent receivable of \$11,335,152 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 eleven times since the original agreement, providing for rent reduction as noted in amendment #8. Based on this history of amending the lease, there is uncertainty and a potential for other rental reductions or deferments which could put the collection of the deferred rent receivables at risk. Additionally, the lease has several paragraphs concerning early termination of the contract and provides the City of Jacksonville reasonable liquidated damages in the circumstance of the Jaguars leaving the City. This termination provision, in effect, makes the rental collection subject to a year by year basis. The City has an offsetting allowance for the entire \$11,335,152 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

**B. Shands Jacksonville**

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**15. LITIGATION, CONTINGENCIES, AND COMMITMENTS**

**A. Litigation:**

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

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

**B. Grants and Contracts:**

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

**C. Self-Insurance:**

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**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, 2013 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.

*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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**D. Pollution Remediation:** (continued)

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 \$75.5 million has been accrued based on the City's estimate used in its five year capital project plan.

*Other Sites*

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

These projects, which are estimated to take several years to complete once started, have an estimated cost of \$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 \$38.3 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, 2013, 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**E. Garage Development Agreement:**

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

**F. Other Litigation:**

The City is involved in a number of legal matters as of September 30, 2013. Related claims involve various issues including contract disputes, civil rights, negligence, wrongful deaths and other contested matters. An estimate of potential losses for these claims cannot be made at this time.

Since September 30, 2013, the City settled several legal matters. The City does not consider the settlement amounts to be material.

In accordance with GASB 62, no accrual has been made in the accompanying financial statements for these cases because relevant criteria have not been met. Payments, if any, will be funded by general revenue sources and earnings.

(The remainder of this page is intentionally left blank.)

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

**G. Construction and other significant Commitments:** At September 30, 2013, the City had significant commitments for the following projects (in thousands):

General Government	
Contractual Services	\$ 510
State Attorney's Office	17,215
Medical Examiner Facility	1,064
Southbank Riverwalk	3,615
Miscellaneous Construction	4,672
Professional Services	2,051
LaVilla Brooklyn Project	3,205
Miscellaneous Equipment	2,146
Public Safety	
Fire Station # 62	1,733
Food Services - Jail	988
Miscellaneous	914
Security Guard Services	1,889
Specialized Equipment	1,289
Physical Environment	
Ash Site Remediation	22,317
Drainage	5,126
Garbage/Recycling Contract	4,349
Miscellaneous	2,122
Stormwater	1,056
Transportation	
Public Works Road Projects	3,104
Resurfacing	1,424
Timicuan Bike Trail	1,805
Economic Environment	
Bay/Hogan Garage	3,500
Industry Development	1,216
HUD	4,966
Edward Waters College	550
Pinnacle Project	885
Town Center	800
Southbank Riverwalk	2,098
Human Services	
Subsidies & Contributions to private	4,823
Contractual Services	1,247
Culture/Recreation	
Parks	8,325
	<u>\$ 111,004</u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

**H. Encumbrance Commitments:**

At September 30, 2013, the City had encumbrance commitments in the Governmental Funds as follows: (in thousands)

<u>MAJOR FUNDS</u>	
General Fund	\$ 12,880
<b>Total Major Funds</b>	<u>12,880</u>
<u>NON-MAJOR FUNDS</u>	
Concurrency Management	589
Air Pollution Control and Monitoring	172
Tourism Development	356
Clerk of the Court	13
Transportation Fund	190
Budgeted General Government	4,193
Public Safety	4
Emergency 9-1-1	184
Tax Increment Districts	750
Jacksonville Children's Commission	2,327
American Recovery & Reinvestment Act	731
Community Development Block Grant	4,340
Maintenance, Parks and Recreation	72
Other Federal, State and Local Grants	4,207
General Projects	47,866
Housing and Neighborhoods	656
Non Budgeted General Government	1,029
Better Jacksonville Plan Construction Project *	19,769
Bond Projects	3,969
Grant Projects	2,811
River City Renaissance Project	61
<b>Total Non-Major Funds</b>	<u>94,289</u>
<b>TOTAL ENCUMBRANCES</b>	<u><b>\$ 107,169</b></u>

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

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

During fiscal year 2013, 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, 2013 these contributions total \$106,687,538. 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, 2013, the City received from JEA \$27,888,771 and \$9,715,032 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 \$70.5 million in fiscal year 2013. Such collection and payment by the City of this local option one-half cent sales tax is recorded in the Transportation Special Revenue fund as revenue and a transportation expenditure in the equal amount. The JTA reports the transfer from the City as sales tax revenue.

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

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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.

**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 2013E (the "2013E" 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"). 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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

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

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

For the fiscal year ended September 30, 2013, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was \$6.42 million with a total of \$6.47 million being distributed to JPA.

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

**17. NET POSITION:**

**A. Additional Disclosure:**

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 which 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 which 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 appear to reduce the year-end discretionary balance available to the government.

**CITY OF JACKSONVILLE, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**17. NET POSITION:**

**A. Additional Disclosure: (continued)**

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)	\$ (184,976)
Impact of Better Jacksonville Plan’s (BJP) bond financed capital expenditures incurred by component units and other entities.	262,392
Economic Incentives to be repaid by TIF revenue and/or Developer	45,310
Governmental - Unrestricted NetPosition (adjusted for dedicated revenue funded portions)	<u><u>\$ 122,726</u></u>

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.

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

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) are no longer reported as component units due to the requirements that both a fiscal dependent and a financial benefit / burden relationship must exist. Therefore, the financial statements of JAA and DVI are not included within this report. As a result, there is a (\$442,998) thousand restatement in beginning net position due to a change in accounting principle presented in the financial statements.

In addition, the Jacksonville Economic Development Commission was repealed, as described in Note1B, and was recorded as a special item on October 1, 2012.

Component Unit Net Position (in thousands)	
Net position, beginning as previously reported	3,082,787
Restatement	(471,622)
Net position, beginning as restated	<u><u>\$ 2,611,165</u></u>

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**18. FUND BALANCE DISCLOSURE:**

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

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

**Spendable Fund Balance**

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

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.

**CITY OF JACKSONVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**18. 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.

(The remainder of this page is intentionally left blank)



**(This page is intentionally left blank.)**

CITY OF JACKSONVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

18. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION (in thousands)

	MAJOR FUNDS		
	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
<b>FUND BALANCES:</b>			
<b>Non Spendable:</b>			
Inventories	4,189	-	-
Other	-	-	-
<b>Spendable:</b>			
<b>Restricted for:</b>			
Debt Service Reserved by Debt Covenants	-	101,997	10,304
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	-	-	-
<b>Committed to:</b>			
City Council Emergency Use	48,214	-	-
Drainage Projects	-	-	-
Park Projects	1,391	-	-
Planning Projects	2,898	-	-
Physical Environment	-	-	-
Conservation and Resource Management	-	-	-
Transportation Projects	729	-	-
Emergency and Disaster Relief	-	-	-
Court Projects and Operations	-	-	-
Public Safety	11,796	-	-
Industry Development	-	-	-
Other	5,220	-	-
<b>Assigned to:</b>			
Debt Service	-	216	1,449
Transportation Projects	121	-	-
Parks Projects	231	-	-
Planning Projects	481	-	-
Public Safety	1,957	-	-
Other	866	-	-
<b>Unassigned</b>	97,118	-	-
Total Fund Balances	\$ 175,211	\$ 102,213	\$ 11,753

---

(Continued)

---

NON MAJOR GOVERNMENTAL FUNDS	TOTAL ALL FUNDS	
	2013	2012
-	4,189	5,115
225	225	224
-	112,301	119,276
20,246	20,246	28,293
-	-	12,105
7,275	7,275	7,101
641	641	4,802
14,503	14,503	15,859
4,511	4,511	8,765
11,470	11,470	9,481
15,093	15,093	12,144
5,018	5,018	3,693
259	259	3,146
3,897	3,897	3,954
1,052	1,052	6,518
589	589	6,044
-	48,214	48,000
2,283	2,283	1,452
17,733	19,124	14,947
1,678	4,576	7,243
20,265	20,265	31,233
21,497	21,497	21,467
99,158	99,887	110,083
7,335	7,335	7,210
2,241	2,241	2,031
14,131	25,927	22,291
11,728	11,728	10,558
15,265	20,485	11,733
195	1,860	2,653
-	121	-
-	231	-
-	481	-
-	1,957	1,585
-	866	1,318
-	97,118	68,467
<u>\$ 298,288</u>	<u>\$ 587,465</u>	<u>\$ 608,791</u>



**(This page is intentionally left blank.)**

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF JACKSONVILLE, FLORIDA**  
**GENERAL FUND REQUIRED SUPPLEMENTAL INFO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis) (in thousands)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>GENERAL FUND</b>					
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>ENCUMBRANCES</b>	<b>BUDGETARY ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>				
<b>REVENUE:</b>						
Property taxes.....	\$ 431,959	\$ 431,959	\$ 431,622	\$ -	\$ 431,622	(\$ 337)
Utility service taxes.....	130,427	130,427	123,785	-	123,785	(6,642)
Sales and tourist taxes.....	1,002	1,002	1,004	-	1,004	2
License, permits and fees.....	42,532	42,532	38,856	-	38,856	(3,676)
Local business tax.....	7,603	7,603	7,129	-	7,129	(474)
Intergovernmental.....	129,865	128,332	129,011	-	129,011	679
Charges for services.....	70,642	70,713	58,580	-	58,580	(12,133)
Fines and forfeitures.....	2,544	2,544	2,174	-	2,174	(370)
JEA contribution.....	106,687	106,687	106,688	-	106,688	1
Interest.....	6,408	7,073	3,916	-	3,916	(3,157)
Other.....	18,468	19,238	21,963	-	21,963	2,725
<b>Total Revenue.....</b>	<b>948,137</b>	<b>948,110</b>	<b>924,728</b>	<b>-</b>	<b>924,728</b>	<b>(23,382)</b>
<b>EXPENDITURES AND ENCUMBRANCES:</b>						
City Council.....	8,130	8,183	7,787	70	7,857	326
Clerk of the Courts.....	3,005	3,176	3,009	13	3,022	154
Courts.....	580	576	563	10	573	3
Downtown Investment Authority.....	-	7	7	-	7	-
Employee Services.....	6,169	6,486	5,980	192	6,172	314
Finance.....	6,300	6,471	6,448	23	6,471	-
Fire/Rescue.....	175,265	181,790	181,368	421	181,789	1
General Counsel.....	227	230	180	1	181	49
Health Administrator.....	978	1,001	966	-	966	35
Intra-Governmental Services.....	4,688	4,787	4,344	282	4,626	161
Jacksonville Children's Commission.....	6,272	6,082	5,849	128	5,977	105
Jacksonville Human Rights Commission.....	901	901	864	2	866	35
Mayor.....	3,658	3,852	3,784	19	3,803	49
Mayor's Boards and Commissions.....	382	388	386	2	388	-
Medical Examiner.....	2,665	2,662	2,601	6	2,607	55
Military Affairs, Vet & Disabled Svcs....	1,163	1,395	1,394	1	1,395	-
Neighborhoods.....	15,509	16,445	14,889	588	15,477	968
Office of Economic Development.....	22,712	32,741	12,667	2,590	15,257	17,484
Office of Ethics.....	122	122	107	-	107	15
Parks & Recreation.....	20,492	20,953	20,002	420	20,422	531
Property Appraiser.....	9,022	9,022	8,557	3	8,560	462
Public Defender.....	1,469	1,470	1,454	-	1,454	16
Planning and Development.....	5,819	5,797	5,347	309	5,656	141
Public Libraries.....	34,367	34,364	34,261	46	34,307	57
Public Works.....	59,157	58,051	56,737	1,303	58,040	11
Special Services.....	16,507	13,512	12,424	580	13,004	508
State Attorney.....	131	141	141	-	141	-
Supervisor of Elections.....	5,797	6,665	6,457	42	6,499	166
Office of the Sheriff.....	370,555	358,294	352,116	5,565	357,681	613
Tax Collector.....	14,567	16,635	14,537	141	14,678	1,957
Federal Program Reserve.....	266	128	-	-	-	128
Contribution to Shands-Jacksonville.....	23,776	23,776	23,776	-	23,776	-
Cash Carryover Reserves.....	47,614	47,614	-	-	-	47,614
Jacksonville Misc. Citywide Activities.....	63,344	69,980	60,763	123	60,886	9,094
<b>Total Expenditures.....</b>	<b>931,609</b>	<b>943,697</b>	<b>849,765</b>	<b>12,880</b>	<b>862,645</b>	<b>81,052</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES.....</b>						
	<b>16,528</b>	<b>4,413</b>	<b>74,963</b>	<b>(12,880)</b>	<b>62,083</b>	<b>57,670</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Long Term Debt Issued.....	-	852	1,057	-	1,057	205
Transfers in.....	6,373	10,035	9,165	-	9,165	(870)
Transfers out.....	(103,781)	(99,751)	(89,065)	-	(89,065)	10,686
<b>Total Other Financing Sources (Uses).....</b>	<b>(97,408)</b>	<b>(88,864)</b>	<b>(78,843)</b>	<b>-</b>	<b>(78,843)</b>	<b>10,021</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	<b>(80,880)</b>	<b>(84,451)</b>	<b>(3,880)</b>	<b>(12,880)</b>	<b>(16,760)</b>	<b>67,691</b>
<b>SPECIAL ITEM: Repeal of Jacksonville Economic Development Commission</b>						
	28,970	28,970	28,970	-	28,970	-
<b>FUND BALANCES - BEGINNING.....</b>	<b>150,121</b>	<b>150,121</b>	<b>150,121</b>	<b>-</b>	<b>150,121</b>	<b>-</b>
<b>FUND BALANCES - ENDING.....</b>	<b>98,211</b>	<b>94,640</b>	<b>175,211</b>	<b>(12,880)</b>	<b>162,331</b>	<b>-</b>

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 2013, 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, 2013. Proprietary Fund budgets are adopted for management control purposes. The City is not required to include Budgetary Comparisons for Proprietary Funds in this report. Project or program budgets, which may not coincide with the City's fiscal year, or which may exceed a single annual period, are adopted by separate ordinance for most Special Revenue Funds and Capital Project Funds. Budgets are not formally adopted for Debt Service Funds as internal spending controls are set by compliance with bond covenants. The Special Revenue Funds which are not annually budgeted include the following: Public Safety, Community Development Block Grant, Job Training Partnership Act Grant, Maintenance Parks and Recreation, Metropolitan Planning Organization, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing and Neighborhoods, State Housing Initiative Partnership, Non-Budgeted General Government, Clerk of Court, and American Recovery & Reinvestment Act.

**CITY OF JACKSONVILLE, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

---

**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 2013 Annual Budget Ordinance were made throughout the year, the effects of which were not material.

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**(in thousands)**

<u>Plan Year Ending September 30</u>	<u>Annual Required Contributions</u>	<u>City Cash Contributions</u>	<u>Alloted from Past Excess Contributions</u>	<u>Total Employer Contributions</u>	<u>Percentage Contributed</u>
<b>General Employees Pension Plan</b>					
2008	29,371	29,488	-	29,488	100%
2009	29,491	29,530	-	29,530	100%
2010	38,612	40,551	-	40,551	105%
2011	39,124	39,378	-	39,378	101%
2012	57,498	49,899	-	49,899	87% *
2013	66,660	55,386	-	55,386	83% *
<b>Corrections Officers Plan</b>					
2008	4,329	4,350	-	4,350	100%
2009	5,268	5,101	146	5,247	100%
2010	9,097	9,491	-	9,491	104%
2011	8,885	9,711	-	9,711	109%
2012	11,861	9,066	-	9,066	76% *
2013	12,885	10,742	-	10,742	83% *

Certain adjustments are made to the annual required contribution if the plan carries a net pension obligation (NPO). The net pension obligation is defined in GASB No. 27 as the cumulative difference at the date of adoption between annual requirements and actual contributions plus the cumulative difference between the requirements and contributions after that date. For FY 2013, interest credits attributable to the timing of contribution payments resulted in a net pension obligation of \$20.4 million for the plan as a whole, \$16.5 million for General Employees and \$3.9 million for Corrections.

\* 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 and 2013 the City made 100% of the required contribution as a percentage of actual payroll for both the General Employees and Corrections Officers' Pension Plans.

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER AND MEMBER CONTRIBUTIONS  
POLICE AND FIRE RETIREMENT SYSTEM  
SEPTEMBER 30, 2013**

(in thousands)

<b>Plan Year Ending Sept., 30</b>	<b>Annual Required Contributions</b>	<b>City Cash Contributions</b>	<b>Allocated from CBSA</b>	<b>Court Fines</b>	<b>Premium Tax Refunds</b>	<b>Total Employer Contributions</b>	<b>Total Member Contributions</b>	<b>Percentage Contributed</b>
2008	65,389	47,145	443	1,219	5,931	54,738	10,651	100%
2009	67,993	49,246	329	989	6,222	56,786	11,207	100%
2010	95,020	81,171	(5,015)	1,026	6,322	83,504	11,516	100%
2011	94,631	75,039	1,162	864	5,959	83,024	11,607	100%
2012	90,278	69,829	3,130	770	5,345	79,074	11,204	100%
2013	114,919	121,822	(22,583)	758	5,239	105,236	9,683	100%

**NOTES:**

In all years shown, 100% of the ARC has been contributed thus producing a Net Pension Obligation of \$0 for all years.

City Cash Contributions shown above do not include employer buyback contributions.

Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

The net pension asset is accumulated in the City Budget Stabilization Account (CBSA), which is drawn upon if actual contributions fall below the annual required contribution.

**CITY OF JACKSONVILLE, FLORIDA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF EMPLOYER AND MEMBER CONTRIBUTIONS**  
**POLICE AND FIRE PENSION FUND - SENIOR STAFF VOLUNTARY RETIREMENT PLAN**  
**SEPTEMBER 30, 2013**

(in thousands)

<b>Plan Year Ending Sept., 30</b>	<b>Annual Required Contributions</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>	<b>Total Contributions</b>	<b>Percentage Contributions</b>	<b>Net Pension Obligation (NPO)/(Asset)</b>
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%	-

**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. For the fiscal year ended 2013, additional contributions were made to make the NPO equal to \$0.

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

(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)
<b>General Employees Pension Plan</b>						
10/1/2007	1,712,461	1,904,929	192,468	89.90%	248,887	77.3%
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%
<b>Corrections Officers Plan</b>						
10/1/2007	78,458	116,945	38,487	67.09%	27,083	142.1%
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%

Note: Actuarial Assumptions provided in the notes to financial statements

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
POLICE AND FIRE RETIREMENT SYSTEM  
SEPTEMBER 30, 2013**

(in thousands)

<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
10/01/10	1,039,894	2,427,198	1,387,304	42.84%	148,968	931.28%
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%

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

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  
SEPTEMBER 30, 2013**

(in thousands)

<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
10/01/10	2,346	3,346	1,000	70.1%	239	418.4%
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%

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 five years.
- Age differences for spouses of employed: females are 3 years younger than males.

Changes since the October 1, 2011 valuation:

- The net investment yield was reduced from 7.75% to 7.00% compounded annually
- The active employee is assumed to retire in five years

**CITY OF JACKSONVILLE, FLORIDA  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
CITY OF JACKSONVILLE POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
SEPTEMBER 30, 2013**

---

(in thousands)

<u>Valuation Date</u>	<u>Accuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
10/1/2010	\$ 123,300	\$0	\$ 123,300	0.0%	\$ 384,900	32.0%
10/1/2011	\$ 126,200	\$0	\$ 126,200	0.0%	\$ 362,400	34.8%
10/1/2012	\$ 129,127	\$0	\$ 129,127	0.0%	\$ 340,431	37.9%

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

The decrease in Actuarial Accrued Liability (AAL) from fiscal years 2011 to 2012 and 2013 were due to the following:

- (a) A 4.5% discount rate was used in fiscal year 2011, 2012, and 2013.
- (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 2011, 2012, and 2013 assumed that 10% of the current retirees would not be eligible for Medicare.



**(This page is intentionally left blank.)**

# City of Jacksonville, Florida

Single Audit Reports in Accordance with  
OMB Circular A-133 and Chapter 10.550 *Rules of the Auditor  
General* of the State of Florida Management Letter  
in Accordance with the *Rules of the Auditor General*  
of the State of Florida  
Year Ended September 30, 2013



**(This page is intentionally left blank.)**

## Contents

---

### Compliance Section

---

Schedules of Expenditures of Federal Awards and State Financial Assistance

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

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*

Independent Auditor's 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

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

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

Appendix A – Prior Year Recommendations to Improve Financial  
Management

---



**(This page is intentionally left blank.)**

CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF AGRICULTURE</u>				
PASSED THROUGH STATE DEPARTMENT OF HEALTH:				
Child and Adult Care Food Program	10.558	A1109	\$ 2,158,761	\$ -
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Summer Food Service Program for Children	10.559	01-0851	981,282	-
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 3,140,043</u>	<u>\$ -</u>
<u>DEPARTMENT OF COMMERCE</u>				
PASSED THROUGH STATE DEPARTMENT OF HEALTH:				
Special Economic Development	11.307	**	\$ 5,804	\$ -
TOTAL DEPARTMENT OF COMMERCE			<u>\$ 5,804</u>	<u>\$ -</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
Community Development Block Grant Grants/Entitlement	14.218	**	\$ 6,729,778	\$ -
Community Development Block Grant-Neighborhood Stabilization	14.218	**	7,528,065	-
Emergency Shelter Grants Program	14.231	**	550,245	-
Home Investment Partnership Program	14.239	**	2,275,948	-
Housing Opportunities for Persons with AIDS	14.241	**	2,566,631	-
Fair Housing Assistance Program-State & Local	14.401	FF204K004024	191,890	-
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY:				
CDBG Disaster Recovery	14.228	10DBK4042602K10	1,312,006	-
CDBG Disaster Recovery	14.228	10DBK4042602K10	1,065,284	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 22,219,847</u>	<u>\$ -</u>

CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF JUSTICE</u>				
DIRECT PROGRAMS:				
Grants to Encourage Arrest Policies & Enforcement	16.590	2008WEAX0031	\$ 385,746	\$ -
Cold Case Team Project	16.560	**	114,875	-
Drug Court Discretionary Grant Program	16.585	**	104,027	-
State Criminal Alien Assistance Program	16.606	2008APBX0416	26,587	-
Public Safety and Community Policing Grant	16.710	2009CKWX0569	21,255	-
ARRA -Public Safety and Policing-COPS	16.710- ARRA	2009RJWX0027	1,359,899	-
Edward J. Byrne Memorial Justice Assistance	16.738	2011DJBX3288	248,620	-
Edward J. Byrne Memorial Justice Assistance	16.738	2010DJBS1671	6,909	-
Edward J. Byrne Memorial Justice Assistance	16.738	**	249,451	-
Edward J. Byrne Memorial Justice Assistance	16.738	**	48,923	-
Edward J. Byrne Memorial Justice Assistance	16.738	**	51,725	-
Edward J. Byrne Memorial Justice Assistance	16.738	**	68,530	-
Edward J. Byrne Memorial Justice Assistance	16.780	**	18,293	-
Edward J. Byrne Memorial Justice Assistance	16.780	**	25,677	-
Edward J. Byrne Memorial Justice Assistance	16.780	**	23,712	-
P. Coverdell Forensic Science	16.742	**	1,907	-
PASSED THROUGH FLORIDA DEPARTMENT OF JUSTICE:				
Juvenile Justice & Delinquency	16.540	**	119,398	-
Justice Research Development and Evaluation	16.560	**	71,946	-
Justice Research Development and Evaluation	16.560	**	294,128	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	**	88,074	-
TOTAL DEPARTMENT OF JUSTICE			\$ 3,329,682	\$ -

CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF LABOR</u>				
DIRECT PROGRAMS:				
Homeless Veterans' Reintegration Project	17.805	HV232961260512	\$ 126,177	\$ -
Homeless Veterans' Reintegration Project	17.805	**	34,395	-
TOTAL DEPARTMENT OF LABOR			<u>\$ 160,572</u>	<u>\$ -</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
Highway Planning & Construction-Timucuan	20.205	AJ130	\$ 538,690	\$ -
Highway Planning & Construction-Argyle Forest Blvd	20.205	9096-42	37,788	-
Highway Planning & Construction-MS4 Permit	20.205	8326-19	27,440	-
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 603,918</u>	<u>\$ -</u>
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	**	\$ 45,575	\$ -
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u>\$ 45,575</u>	<u>\$ -</u>
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Museum Grants for African American History	45.309	**	\$ 3,189	\$ -
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Grants to States-VASE	45.310	**	86,374	-
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>\$ 89,563</u>	<u>\$ -</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	A004025100	\$ 451,277	\$ -
Surveys, Studies, Research, Investigation, Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034	A004250940	84,701	-
Environmental Justice Small Grants Program	66.604	EQ95471110	13,141	-
Brownfield Assessment and Cleanup	66.818	BF96426905	6,000	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 555,119</u>	<u>\$ -</u>

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF ENERGY</u>				
DIRECT PROGRAMS:				
ARRA-Energy Efficient Appliance Rebate Program	81.128	DEEE0000777	\$ 1,931,705	\$ 265,487
ARRA-Energy Efficient/Conservation	81.128	DEEE0003575	6,947	6,947
TOTAL DEPARTMENT OF ENERGY			<u>\$ 1,938,652</u>	<u>\$ 272,434</u>
<u>DEPARTMENT OF EDUCATION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Center	84.287	DCPS	\$ 409,550	\$ 388,292
Twenty-First Century Community Learning Center	84.287	DCPS	55,192	47,605
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 464,742</u>	<u>\$ 435,897</u>
<u>ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE:				
Help America Vote Act Requirements Payments	90.401	**	\$ 85,850	\$ -
TOTAL ELECTION ASSISTANCE COMMISSION			<u>\$ 85,850</u>	<u>\$ -</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
SAMHS Projects of Regional & National Significance	93.243	1H79TI01994201	\$ 11,999	\$ -
SAMHS Projects of Regional & National Significance	93.243	5H79T11023850-02	167,950	-
SAMHS Projects of Regional & National Significance	93.243	5H79T11023850-02	145,691	-
SAMHS Projects of Regional & National Significance	93.243	1U79SM05993901	1,704,246	1,704,246
SAMHS Projects of Regional & National Significance	93.243	1H79T102190301	17,804	-
SAMHS Projects of Regional & National Significance	93.243	2011-DC-BX-0036	190,747	-
SAMHS Projects of Regional & National Significance	93.243	1H79TI024146-01	92,826	-
HIV Emergency Relief Project Grants	93.914	H89HA00039	3,058,253	2,873,398
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,501,179	2,352,294

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement- Service of Process	93.563	CS616	60,139	-
Child Support Enforcement	93.563	CD316	775,398	-
Child Support Enforcement- Writ of Attachments	93.563	CS616	54,193	-
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF CHILDREN & FAMILIES:				
Temporary Assistance for Needy Families-Ounce	93.558	HF131402	127,749	99,439
Community Based Family Resource and Support Grants	93.590	HF131402	5,267	4,100
Temporary Assistance for Needy Families-Ounce	93.558	HF121302	492,490	389,712
Community Based Family Resource and Support Grants	93.590	HF121302	81,063	16,069
PASSED THROUGH FROM AGENCY FOR WORKFORCE INNOVATION:				
Social Program for the Aging-Title III, Part B	93.044	**	217,184	-
Social Program for the Aging-Title III, Part B	93.044	**	323,282	-
Social Program for the Aging-Title III, Part C	93.045	**	301,260	-
Social Program for the Aging-Title III, Part C	93.045	**	270,534	-
Nutrition Services Incentive Program	93.053	**	100,933	-
Nutrition Services Incentive Program	93.053	**	67,067	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 10,767,254</u>	<u>\$ 7,439,258</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Program	94.002	**	\$ 35,047	\$ -
Retired & Senior Volunteer Program	94.002	**	24,047	-
Youthbuild USA Americorps	94.006	**	9,189	-
Youthbuild USA Americorps	94.006	**	15,183	-
Youthbuild USA Americorps	94.006	**	11,973	-
Foster Grandparent Program	94.011	**	358,895	-

CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	TRANSFER TO EXPENDITURES SUB RECIPIENT	
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	X1713	1,501	-
Senior Companion Program	94.016	**	242	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			\$ 456,077	\$ -
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Assistance to Firefighters	97.044	**	\$ 147,648	\$ -
Assistance to Firefighters	97.044	**	344,277	-
Port Security Grant Program	97.056	2010PUT0K014	219,342	-
Port Security Grant Program	97.056	**	7,418	-
Port Security Grant Program	97.056	2010PUT0K014	14,143	-
Port Security Grant Program	97.056	**	825,000	-
Homeland Security Biowatch Program	97.091	**	203,328	-
PASSED THROUGH DEPARTMENT OF ECONOMIC OPPORTUNITY:				
Flood Mitigation Assistance	97.029	12FM4N042602276	446	-
Flood Mitigation Assistance	97.029	12FM4N042602276	2,379	-
Flood Mitigation Assistance	97.029	**	214,075	-
Flood Mitigation Assistance	97.029	10FM56042602	1,481	-
Hazard Mitigation Grants	97.039	10HM88042602018	213,870	-
Hazard Mitigation	97.039	09HM12042602007	13,619	-
Emergency Management Performance Grants	97.042	13BG05042601016	52,255	-
Emergency Management Performance Grants	97.042	12FGR3042601083	44,848	-
Emergency Management Performance Grants	97.042	**	143,988	-
Emergency Management Performance Grants	97.042	**	30,717	-
Homeland Security Program Grant	97.067	**	14,971	-
Homeland Security Program Grant	97.067	**	300,974	-
Homeland Security Program Grant	97.067	11DS9Z130016436	114,084	-
Homeland Security Program Grant	97.067	**	48,512	-

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED SEPTEMBER 30, 2013**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
Homeland Security Grant Program-CERT	97.067	11CCA6042602365	3,809	-
Homeland Security Grant Program-CERT	97.067	**	852	-
Homeland Security Grant Program-CERT	97.067	**	6,863	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	09DS48042601383	5,016	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	10DS41042602343	951,289	-
Homeland Security Grant Program-Urban Area Security Initiative	97.067	11DSA1042601349	3,711,143	-
Homeland Security Grant Program-Metro Medical Response	97.067	11DSA3042602255	215,803	-
Homeland Security Grant Program-Metro Medical Response	97.067	11DS44042602007	503	-
Repetitive Flood Claims Program	97.092	12RF4X042602277	240	-
Repetitive Flood Claims Program	97.092	12FM4N042602312	214,075	-
Repetitive Flood Claims Program	97.092	12RF9B042602465	223,229	-
Repetitive Flood Claims Program	97.092	**	12,875	-
Repetitive Flood Claims Program	97.092	**	236,640	-
Repetitive Flood Claims Program	97.092	**	236,501	-
Severe Loss Repetitive Program	97.110	12SL5E042602386	42,347	-
Severe Loss Repetitive Program	97.110	12SL5E042602386	22,519	-
Severe Loss Repetitive Program	97.110	10SL57042602	2,877	-
Severe Loss Repetitive Program	97.110	11SL5E042602249	(1,861)	-
Severe Loss Repetitive Program	97.110	10SL57042602	2,653	-
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 8,844,748</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 52,707,446</u>	<u>\$ 8,147,589</u>

\*\* not available

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

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2013**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>FLORIDA FISH AND WILDLIFE CONSERVATION</u>				
DIRECT PROGRAM:				
Sport Fish Restoration	15.605	**	\$ 41,240	\$ -
TOTAL FLORIDA FISH AND WILDLIFE CONSERVATION			\$ 41,240	\$ -
<u>EXECUTIVE OFFICE OF GOVERNOR</u>				
DIRECT PROGRAMS:				
Enterprise FL Inc.	31.044	**	\$ 26,050	\$ -
Military Base Protection	31.044	DIG1112	62,232	-
Military Base Protection	40.014	**	45,900	-
TOTAL EXECUTIVE OFFICE OF GOVERNOR			\$ 134,182	\$ -
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
DIRECT PROGRAMS:				
Petroleum Contamination Site Cleanup (Task 10)	37.024	**	\$ 644,512	\$ -
Petroleum Contamination Site Cleanup (Task 9)	37.024	**	242,191	-
Statewide Surface Water Restoration & Wastewater-Cedar River	37.039	SO271	19,218	-
Statewide Surface Water Restoration & Wastewater-SJWMD	37.039	24903	1,045,439	1,045,439
Delegated Title V Air Pollution Control	37.043	**	329,208	-
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			\$ 2,280,568	\$ 1,045,439
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES</u>				
DIRECT PROGRAMS:				
Mosquito control	42.017	13071	\$ 23,083	\$ -
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			\$ 23,083	\$ -

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2013**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u>				
DIRECT PROGRAMS:				
State Aid to Libraries	45.030	09ST24	\$ 14,666	\$ -
State Aid to Libraries	45.030	08ST25	18	-
State Aid to Libraries	45.030	10ST24	127	-
State Aid to Libraries	45.030	07ST25	6	-
State Aid to Libraries	45.030	11ST23	196,945	-
State Aid to Libraries	45.030	**	929,415	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE			\$ 1,141,177	\$ -
<u>DEPARTMENT OF ECONOMIC OPPORTUNITY</u>				
DIRECT PROGRAMS:				
FL Hazardous Material Program	52.023	**	\$ 47,545	\$ -
FL Hazardous Material Program	52.023	**	17,389	-
TOTAL DEPARTMENT OF ECONOMIC OPPORTUNITY			\$ 64,934	\$ -
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnerships	52.901	HFC01	\$ 477,413	\$ -
TOTAL FLORIDA HOUSING FINANCE CORPORATION			\$ 477,413	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
DIRECT PROGRAMS:				
County Incentive Grant Program- Hammond Blvd	55.008	42402315801	\$ 320,932	\$ -
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 320,932	\$ -

**CITY OF JACKSONVILLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR YEAR ENDED SEPTEMBER 30, 2013**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HEALTH</u>				
DIRECT PROGRAMS:				
Public Safety Mental Health and Substance Abuse	60.115	LHZ31	\$ 181,443	\$ -
County Grant Awards	64.005	C1016	244,974	-
TOTAL DEPARTMENT OF HEALTH			\$ 426,417	\$ -
<u>DEPARTMENT OF ELDER AFFAIRS</u>				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families	65.006	**	\$ 11,929	\$ -
Respite for Elders Living in Everyday Families	65.006	**	76,875	-
TOTAL DEPARTMENT OF ELDER AFFAIRS			\$ 88,804	\$ -
<u>DEPARTMENT OF MANAGEMENT SERVICES</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System	72.001	**	\$ 128,457	\$ -
Wireless 911 Emergency Telephone System	72.001	**	2,501,564	-
TOTAL DEPARTMENT OF MANAGEMENT SERVICES			\$ 2,630,021	\$ -
<u>DEPARTMENT OF REVENUE</u>				
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			\$ 9,628,775	\$ 1,045,439

\*\* not available

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

## City of Jacksonville, Florida

### Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2013

---

#### **Note 1. Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Jacksonville, Florida (the "City") for the year ended September 30, 2013. The schedules do not include the federal and state grant activity of the City's discretely presented component units the JEA, The Jacksonville Port Authority, and the Jacksonville Transportation Authority. Federal and state grant activity for the discretely presented component units is reported on separately. The 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. 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. Summary of significant Accounting Policies**

The Schedules are presented using the modified accrual basis of accounting for expenditures accounted for in governmental type funds and on the accrual basis of accounting for expenses of the proprietary fund types. Such expenditures/expenses are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures/expenses are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

#### **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.

City of Jacksonville, Florida

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
(Continued)  
Year Ended September 30, 2013

---

**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, 2013, the City had notes outstanding as follows:

U.S. Government Guaranteed Note Payable, Series 1995, payable in semi-annual installments to 2014, with interest ranging from 4.96% to 5.19%	\$ 485,000
U.S. Government Guaranteed Note Payable, Series 2010 payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.66%	600,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%	385,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2016, with interest ranging from 0.86% to 2.66%	240,000
U.S. Government Guaranteed Note Payable, Series 2010, payable in semi-annual installments to 2015, with interest ranging from 0.86% to 2.20%	130,000
<b>Total outstanding principal amounts</b>	<u><u>\$ 1,840,000</u></u>



**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, 2013, 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, 2014. 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, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report also does not include the results of testing of internal control over financial reporting or compliance and other matters of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*McGladrey LLP*

Jacksonville, Florida  
April 30, 2014



**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, 2013. 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 because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133 and/or Chapter 10.550, *Rules of the Florida Auditor General*, if applicable. The audit described below also does not include the Jacksonville Port Authority and Jacksonville Transportation Authority, which are discretely presented component units of the City that are reported on separately in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General 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.

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, 2013.

### **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, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

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

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 20, 2014

City of Jacksonville, Florida

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2013**

**I - Summary of Independent Auditor's Results**

Financial Statements

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

**Federal Awards**

Internal control over major programs:			
Material weakness(es) identified?	Yes	<u>X</u>	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u>X</u> Yes		None Reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes	<u>X</u>	No

Identification of major programs:		
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.558	Child and Adult Care Food Program	
14.218	Community Development Block Grants/ Entitlement Grants	
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
16.710-ARRA	Public Safety Partnership and Community Policing Grants.	
81.128	Energy Efficiency and Conservation Block Grant	
93.243	Substance Abuse and Mental Health Service	
93.914	HIV Emergency Relief Project Grants	

Dollar threshold used to distinguish between type A and type B programs:	\$	1,581,223
Auditee qualified as low-risk auditee?	Yes	<u>X</u> No

(Continued)

City of Jacksonville, Florida

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2013**

---

**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)

45.030

72.001

73.016

Name of State Project

State Aid to Libraries

Wireless 911 Emergency Telephone System  
Facilities for New Professional Sports, Retained  
Professional Sports, or Retained Spring Training  
Franchise

Dollar threshold used to distinguish between type A and type B projects:

\$ 300,000

**City of Jacksonville, Florida**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2013**

---

**Section II – Financial Statement Findings**

A. Internal Control over Financial Reporting

None reported.

B. Compliance and Other Matters

None reported.

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

A. Compliance

None reported.

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2013**

---

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

B. Internal Control over Compliance

**2013-01**

**Allowable Costs**

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

Criteria:

The City is responsible for establishing and maintaining internal control over federal programs that provides reasonable assurance that federal awards are being managed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: The City's policy as it pertains to grant related payroll is that there is to be a supervisory review of the timesheets. The review is to be evidenced by a supervisory signoff, indicating that the time has been worked, that it has been recorded accurately and that the employee was properly charged to the grant. During our testing we selected 60 timesheets. Of the 60 selections, three did not contain supervisory signoffs evidencing a review.

Context: This condition appears to be isolated to the Sheriff's Office.

Cause: Although the Sheriff's Office has a policy that requires a supervisory review of grant related timesheets, the policy was not followed consistently.

Effect: The supervisory review serves to prevent inaccurate or inappropriate payroll from being charged to the grant. If this control is not operating effectively, payroll could be charged to the grant which was either not grant related, or not supported by accurate time records which could result in disallowed costs by the grantor.

Recommendation: We recommend that the Sheriff's Office review its policies and procedures and adopt policies to improve the performance of the supervisory timesheet review.

Response / Planned Corrective Action: The chain-of-command has been notified of the failure to perform the required supervisory timesheet reviews. JSO is a paramilitary culture with progressive discipline, i.e. including suspension, loss of vehicle, loss of off-duty employment and ultimately termination. No one wants to be a subject of these measures. Since the current time and attendance system, I've reviewed once a year to catch those who are in arrears and in some future year would like to have the application embedded with programmatic oversight but how soon that happens depends upon a variety of factors.

City of Jacksonville, Florida

**Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2013**

---

**Section I – Prior Financial Statement Findings**

A. Internal Control over Financial Reporting

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

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

**2012-02 Accretion of Interest on Capital Appreciation Bonds**

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

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

A. Compliance

**2012-03**

**Allowable Activities / Allowable Costs**

**Home Investment Partnership Program (CFDA No. 14.239)**

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

B. Internal Control over Compliance

**2012-04**

**Procurement, Suspension and Debarment**

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

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



**(This page is intentionally left blank.)**



**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

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, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2014. We did not audit the financial statements of JEA, which represent 88% and 83%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the Police and Fire Rescue Pension Plan Trust Fund which represent 31% of the assets and 30% of the revenue/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for JEA, and the Police and Fire Rescue Pension Plan Trust Fund is based on the reports of the other auditors. Our report does not address their respective internal control or compliance. This report also does not include the results of testing of internal control or compliance of the Jacksonville Port Authority and Jacksonville Transportation Authority, which are, discretely presented component units of the City that are reported on separately.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; Chapter 10.550, Rules of the Florida Auditor General. 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

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

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

2. Section 10.554(1)(i)2., Rules of the Auditor General, requires a statement as to whether or not the City complied with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5, 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.
6. Section 10.554(1)(i)6a, Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Section 10.554(1)(i)6b, Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
8. Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We noted no deteriorating financial condition pursuant to Rule 10.556(7) as of September 30, 2013.
9. Section 10.554(1)(i)7., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the clerk complied with such requirements.

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  
June 20, 2014

City of Jacksonville, Florida

**Appendix A – Status of Prior Year’s Recommendations to Improve Financial Management  
For the Year Ended September 30, 2013**

---

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

## City of Jacksonville, Florida

### Appendix A – Status of Prior Year’s Recommendations to Improve Financial Management For the Year Ended September 30, 2013

---

#### ML 2012-01 – Financial Accounting and Reporting

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

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

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

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

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

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

#### **Prior Year Views of Responsible Officials and Planned Corrective Action:**

- a) Arbitrage  
Arbitrage calculations identified as at risk or reaching the 5 year anniversary per IRS regulations will be performed and available for audit review in the applicable fiscal year.
- b) Clerk of Courts  
The City does not have access to the records or activities of the Clerk of Courts Agency Fund. The City relies on spreadsheets received from the Clerk’s office. The Clerk’s office made changes to the spreadsheets between the time they were received by the City and were reviewed by auditors. Going forward, the City will request bank reconciliations from the Clerk of Courts to confirm and finalize the amounts recorded agree with their activity.
- c) E911 grant  
The City agrees with the recommendation and has procedures in place to determine when revenues should be recorded in accordance with generally accepted governmental accounting principles.

**City of Jacksonville, Florida**

**Appendix A – Status of Prior Year’s Recommendations to Improve Financial Management  
(Continued)  
For the Year Ended September 30, 2013**

---

**Current Year Status:** Substantially Corrected. All items noted above have been addressed and corrected with the exception of condition A regarding performance of periodic arbitrage calculations which is still applicable.

**Current Year Views of Responsible Officials and Planned Corrective Action:** During FY’13, a considerable amount of data was pulled from the accounting system for the purpose of arbitrage compliance. It is important to note that there is an immense amount of scrubbing necessary to provide the data in a useful format for the rebate analyst. Although only a handful of these account statements were completed during the year, many statements are in varying stages of readiness. The rebate analyst has reviewed the list of bonds and prioritized in accordance with risk factors. We are of the opinion that the risk of any rebate liabilities are very unlikely given the historically low investment rates.

For FY’14, a second staff member has been solicited to assist with the labor intensive process of preparing the account statements.



**(This page is intentionally left blank.)**