

CITY OF JACKSONVILLE, FLORIDA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018



PREPARED BY THE DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

City of Jacksonville, Florida

Single Audit Report For the Fiscal Year Ended September 30, 2018 TABLE OF CONTENTS

FINANCIAL SECTION

Report of Independent Certified Public Accountants	1 – 3
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.....	4 – 5
Management’s Discussion and Analysis	7 - 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
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

FINANCIAL SECTION (CONTINUED)

MAJOR COMPONENT UNITS

Combining Statement of Net Position – Component Units 50 - 51

Combining Statement of Activities – Component Units 52 - 53

NOTES TO THE FINANCIAL STATEMENTS..... 55 -157

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund.....160

Notes to Required Supplemental Information 161 - 162

Schedule of Contributions -
City of Jacksonville Retirement System.....163

Schedule of Changes in Net Pension Liability -
City of Jacksonville Retirement System..... 164 -165

Schedule of Money-Weighted Rate of Return
City of Jacksonville Retirement System.....166

Notes to Required Supplementary Information -
City of Jacksonville Retirement System..... 167 - 168

Schedule of the City’s Proportionate Share of
Net Pension Liability169

Schedule of Contributions -
Police and Fire Retirement System170

Schedule of Contributions -
Police and Fire Pension Fund, Senior Staff Voluntary Retirement Plan.....171

Schedule of Changes in Net Pension Liability -
Police and Fire Retirement System 172 - 173

Schedule of Changes in Net Pension Liability -
Police and Fire Pension Fund, Senior Staff Voluntary Retirement Plan.....174

Schedule of Money-Weighted Rate of Return
Police and Fire Retirement System175

Schedule of City Contributions -
Employment Benefits Other than Pension (OPEB)176

Schedule of Changes in Net OPEB Liability - Employment Benefits Other than Pension (OPEB)	177
Notes to Required Supplementary Information - Employment Benefits Other than Pension (OPEB)	178 - 180

SINGLE AUDIT

Schedule of Expenditures of Federal Awards.....	182 – 188
Schedule of Expenditures of State Financial Assistance.....	189 – 192
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	193
Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project; and Report on Internal Control Over Compliance; Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General of the State of Florida	194 - 196
Schedule of Findings and Questioned Costs	197 - 201
Summary Schedule of Prior Audit Findings	202
Corrective Action Plan to Audit Findings.....	203 - 205
Management Letter Required by Chapter 10.550 of the Rules of the Auditor General.....	206 - 208
Independent Accountant’s Report on Compliance with Section 218.415, Florida Statutes.....	209
Independent Accountant’s Report on Compliance with Sections 365.172(10) and 365.173(2)(d), Florida Statutes.....	210
Independent Accountant’s Report on Compliance with Sections 28.35 and 28.36, Florida Statutes.....	211
Independent Accountant’s Report on Compliance with Section 61.181, Florida Statutes.....	212



(This page is intentionally left blank.)



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' 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, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of JEA, which represents approximately 85%, 80%, and 87%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of Jacksonville Transportation Authority which represents approximately 6%, 8%, and 8%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of Jacksonville Port Authority, which represents approximately 9%, 11%, and 4%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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, Jacksonville Transportation Authority and Jacksonville Port Authority, 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, 2018, 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 Matter - Adoption of New Accounting Pronouncement

As described in Note 18.B to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a restatement to the September 30, 2017 net positions. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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

The schedules of expenditures of federal awards and expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the schedules of expenditures of federal awards and expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain positions of laws, regulations, contracts, and grant agreements and other matters. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The purpose of that report is solely 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 the effectiveness of the City's 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.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida

June 26, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRICpa.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2019. Our report includes a reference to other auditors who audited the financial statements of JEA, Jacksonville Transportation Authority and Jacksonville Port Authority, as described in our report on the City's financial statements. Our report also includes an emphasis of matter paragraph relating to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for reporting periods beginning after June 15, 2017. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-002.

The City's Response to Findings

The City's response to the findings 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 the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Jacksonville, Florida

March 29, 2019, except for findings 2018-001 and 2018-002 for which the date is June 26, 2019.



(This page is intentionally left blank.)

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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

Financial Highlights

- The City's General Fund operations had total revenues of \$1.2 billion in fiscal year 2018.
- Due primarily to rising home values and new construction, property tax revenues in the General Fund experienced a \$38.2 million, 6.7% increase. There were also increases in revenues related to sales & tourism, intergovernmental transfers, charges for services, fines & forfeitures, and JEA contributions.
- Interest earnings on short term cash and other revenue decreased \$3.4 million.
- General Fund total increase in revenues was \$49.4 million in fiscal year 2018.
- General Fund total expenses decreased by 29.1 million, 3.2%, primarily due to decreased spending in General Government, Fire Rescue, and the Sheriff's Office.
- Total governmental activities revenues increased by \$30.9 million in fiscal year 2018, a 1.9% increase over fiscal year 2017.
- Total governmental activity expenses increased \$111.6 million in fiscal year 2018, a 7.2% increase over fiscal year 2017. Included in this amount was \$51.6 million in expenses incurred for Hurricane Irma, of which the City expects to be reimbursed at least \$44.8 by FEMA and the State of Florida.
- The City received a capital contribution of \$48.1 million from the Jacksonville Jaguars for facilities improvements at the amphitheater and flex field (indoor practice field).

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

City Highlights

Fiscal year 2018 had a number of positive outcomes. Some of the impact and improvements were as follows:

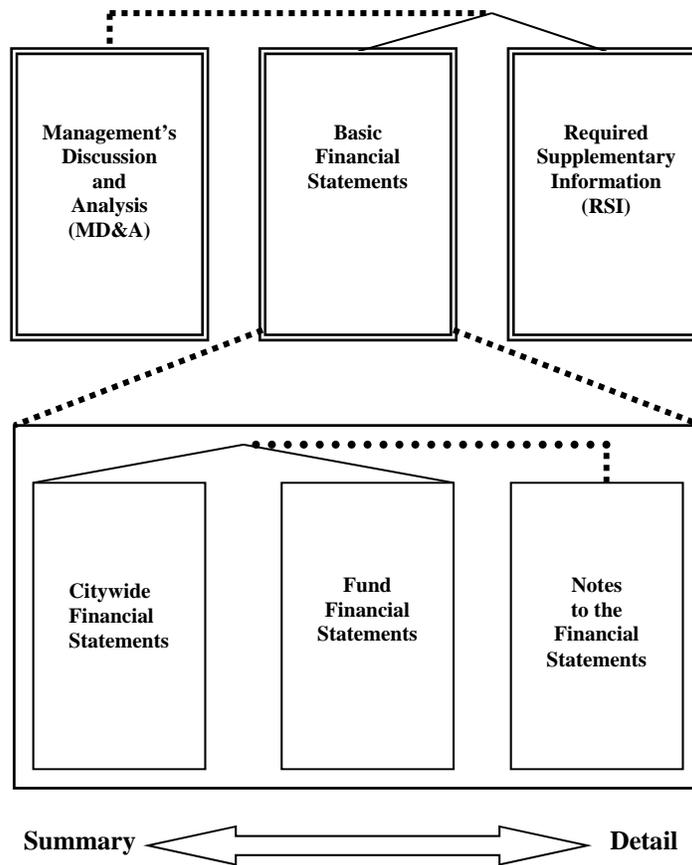
- The City invested in 13 economic development projects that will result in a projected 1,117 jobs, \$152 million in new private capital investments and a \$51 million increase in personal incomes.
- Committed funding to develop important downtown properties including The Shipyards, Lot J, the District, Laura Street Trio, and includes \$12.4 million to reconfigure the Hart Bridge off-ramps.
- Created a \$106.6 million capital improvement plan with more than 124 projects that invest in neglected infrastructure throughout the City.
- Implemented a 4-year, \$60.3 million plan to develop the Emerald Necklace along McCoy's Creek, providing for improved drainage and additional greenspace around downtown Jacksonville.
- Increased the Jacksonville Sheriff's Office budget by \$30 million to enhance public safety and included funding for a real-time Crime Center.
- Add additional budget of \$17 million for the Jacksonville Fire & Rescue Department for additional personnel, a new fire station, rescue units, and a state-of-the-art Backup 911 Call Center.
- Collaborated with Duval County Public Schools and United Way of Northeast Florida to fund therapist positions at local schools to ensure access to mental health and wellness support for youth.
- Distributed 13,000 books and related early learning/literacy materials to infants, encouraging parents to read to their children and inspire them to reach for their dreams.
- Provided employment opportunities, education, and career pathways for over 400 youth as part of the Mayor's Youth at Work Partnership in collaboration with more than 40 nonprofit and private sector employers.
- Implemented a new parental leave policy for City employees offering six weeks of paid leave following the birth or adoption of a child.
- Achieved the above while adding to unassigned reserves driven primarily by pension reform cost savings.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Figure A-1

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Citywide Basic Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

The City of Jacksonville maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the citywide basic financial statements. The City uses enterprise funds to report separate information on operations such as Solid Waste Disposal, Stormwater Services and City Venues which are all major funds. The Sports Complex Capital, Motor Vehicle Inspection 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 non-major 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. The City's net position decreased \$80.6 million due primarily to an increase of \$95.6 in the net pension liability. The negative \$2.1 billion unrestricted net position is primarily due to the \$2.6 billion Net Pension Liability (See Table A-1).

Table A-1
Summary Statement of Net Position
(In Thousands)
as of September 30, 2018 and September 30, 2017

	Governmental Activities		Business Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Cash and Investments	\$ 1,099,146	\$ 971,344	\$ 109,220	\$ 90,614	1,208,366	1,061,958
Current and Other Assets	252,052	358,855	66,897	51,774	318,949	410,629
Capital Assets	2,534,072	2,564,433	599,427	558,300	3,133,499	3,122,733
Total assets	<u>3,885,270</u>	<u>3,894,632</u>	<u>775,544</u>	<u>700,688</u>	<u>4,660,814</u>	<u>\$ 4,595,320</u>
Deferred Outflow of Resources	613,111	567,068	77	77	613,188	567,145
Current Liabilities	169,649	217,225	37,641	26,362	207,290	243,587
Non-current Liabilities	2,644,423	2,721,791	395,935	406,436	3,040,358	3,128,227
Net Pension Liability	2,635,990	2,540,432	-	-	2,635,990	2,540,432
Total liabilities	<u>5,450,062</u>	<u>5,479,448</u>	<u>433,576</u>	<u>432,798</u>	<u>5,883,638</u>	<u>5,912,246</u>
Deferred Inflow of Resources	245,534	96,685	-	18	245,534	96,703
Net position						
Net investment in capital assets	730,505	719,194	236,652	188,640	967,157	907,834
Restricted for:						
Debt Service	123,165	124,954	-	-	123,165	124,954
Housing & human serv grants	34,898	33,686	-	-	34,898	33,686
State and federal grants	10,017	10,835	-	-	10,017	10,835
Capital projects	12,224	16,466	-	-	12,224	16,466
Other participant's equity	893	93	-	-	893	93
Permanent Fund non-expendable	1,527	123	-	-	1,527	123
Other Purposes	12,548	11,924	-	-	12,548	11,924
Unrestricted (deficit)	<u>(2,122,995)</u>	<u>(2,033,866)</u>	<u>105,393</u>	<u>82,097</u>	<u>(2,017,602)</u>	<u>(1,951,769)</u>
Total net position	<u>\$ (1,197,218)</u>	<u>\$ (1,116,591)</u>	<u>\$ 342,045</u>	<u>\$ 270,737</u>	<u>(855,173)</u>	<u>(\$ 845,854)</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 net pension liability is expected to increase until FY2030 when an additional dedicated ½ cent sales tax begins to fund the pension liability.

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

The City issued non-asset related debt:

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

On the following page, Table A-2 provides a summary comparison of the City's operations for the 2018 and 2017 fiscal year ends.

Table A-2 Statement of Activities (In Thousands) as of September 30, 2018 and September 30, 2017

Revenues:	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Fines & charges for services	\$ 145,422	\$ 134,322	\$ 135,516	\$ 121,702	\$ 280,938	\$ 256,024
Operating grants/contributions	56,161	79,887	-	-	56,161	79,887
Capital grants/contributions	48,893	47,856	-	-	48,893	47,856
General revenues:						
Property taxes	626,382	586,122	-	-	626,382	586,122
Utility service taxes	123,140	120,692	-	-	123,140	120,692
Sales and tourist taxes	223,824	209,928	18,550	17,044	242,374	226,972
Local business taxes	7,091	7,081	-	-	7,091	7,081
Intergovernmental	169,177	180,149	-	-	169,177	180,149
Franchise Fees	40,288	39,600	-	-	40,288	39,600
JEA Contribution	116,620	115,823	-	-	116,620	115,823
Earnings on Investments	6,121	13,467	1,154	377	7,275	13,844
Miscellaneous	51,588	48,897	69,656	19,879	121,244	68,776
Total Revenues	1,614,707	1,583,824	224,876	159,002	1,839,583	1,742,826
Expenses						
General government	189,130	240,937	-	-	189,130	240,937
Human services	122,664	113,367	-	-	122,664	113,367
Public safety	867,834	789,041	-	-	867,834	789,041
Cultural and recreational	87,491	84,675	-	-	87,491	84,675
Transportation	157,898	96,645	-	-	157,898	96,645
Economic & physical environment	159,911	146,164	-	-	159,911	146,164
Interest on long term debt	75,883	78,420	-	-	75,883	78,420
Parking system	-	-	3,795	3,758	3,795	3,758
Motor vehicle inspections	-	-	367	380	367	380
Solid Waste	-	-	78,217	77,565	78,217	77,565
Stormwater services	-	-	23,670	23,181	23,670	23,181
City Venues	-	-	75,914	63,527	75,914	63,527
Spots Complex Capital Maintenance	-	-	4,901	-	4,901	-
Equestrian Center	-	-	1,227	1,224	1,227	1,224
Total Expenses	1,660,811	1,549,249	188,091	169,635	1,848,902	1,718,884
Increases (decreases) in						
net position before transfers	(46,104)	34,575	36,785	(10,633)	(9,319)	23,942
Transfers	(34,523)	(18,473)	34,523	18,473	-	-
Change in net position	(80,627)	16,102	71,308	7,840	(9,319)	23,942
Net position (deficit), beginning of year	(1,116,591)	(1,132,693)	270,737	262,897	(845,854)	(869,796)
Net position (deficit), end of year	\$ (1,197,218)	\$ (1,116,591)	\$ 342,045	\$ 270,737	\$ (855,173)	\$ (845,854)

Governmental activities:

The City's governmental activities revenues increased \$32.6 million from 2017 to 2018 (see Table A-2) and consists of:

- Property tax revenues reflected a \$40.3 million increase which is a clear indication of a strong economy in Jacksonville.
- The \$11.0 million decrease in intergovernmental revenues is due to a \$7.4 million FY2017 contribution from component units.
- The increase of \$13.9 million in sales and tourist taxes is a result of increases in tourist development and local option sales taxes.
- Operating grant/contributions had a decrease of \$23.7 million due to FEMA reimbursements in FY2017 for Hurricane Matthew while FEMA has not approved obligating funds for reimbursement of Hurricane Irma expenditures incurred in FY2018, thus the City has not accrued \$45.2 in operating grant revenue yet.
- The increase of \$11.1 million in fines & charges for services is due to decreases in ambulance insurance contractual costs, ADP collections true up and increases in mobility plan revenues.
- The decrease of \$7.3 million in earnings on investments is a result of unrealized losses in fiscal year 2018 that were recorded.
- The City received \$7.6 million in contributions from private sources.

Increases in governmental activities expenses were \$122.2 million in fiscal year 2018 due to the following:

- Public Safety expense increased by \$89.0 million primarily for an increase in emergency incidents of \$51.6 million due to storms and hurricanes and also for recording the increase in public safety pension expense when calculating the net pension obligation.
- The decrease in general government is due to FY2017 recording a \$59.7 million increase in capital outlay and recording the general government portion of GASB 68 pension related expenses.
- The increase in human services of \$9.3 million expenses as the spending for the Kids Hope Alliance (KHA) increased \$7.2 million.
- There was an increase of \$61.3 million as transportation projects in fiscal year 2018 returned to a normal level.
- There were increases of \$13.7 million in economic & physical environment mainly due to increased depreciation of physical facilities.

Business Type activities:

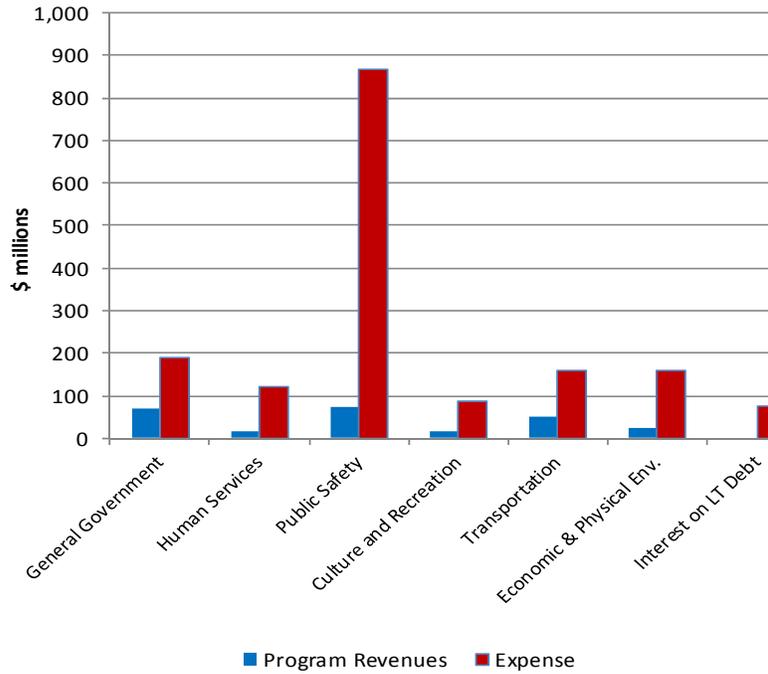
The City's business type revenues increased \$65.9 million in fiscal year 2018:

- Charges for services increased \$13.8 million; \$8.1 million at the Jacksonville Municipal Stadium – TIAA Field for events held at the Stadium and \$4.8 million for Stormwater charges.
- \$48.1 million increase represents the Jaguar's contribution toward improvements at the Amphitheater and Indoor Practice Facilities (Flexfield).
- The City received \$0.8 million in cash contributions from private sources.

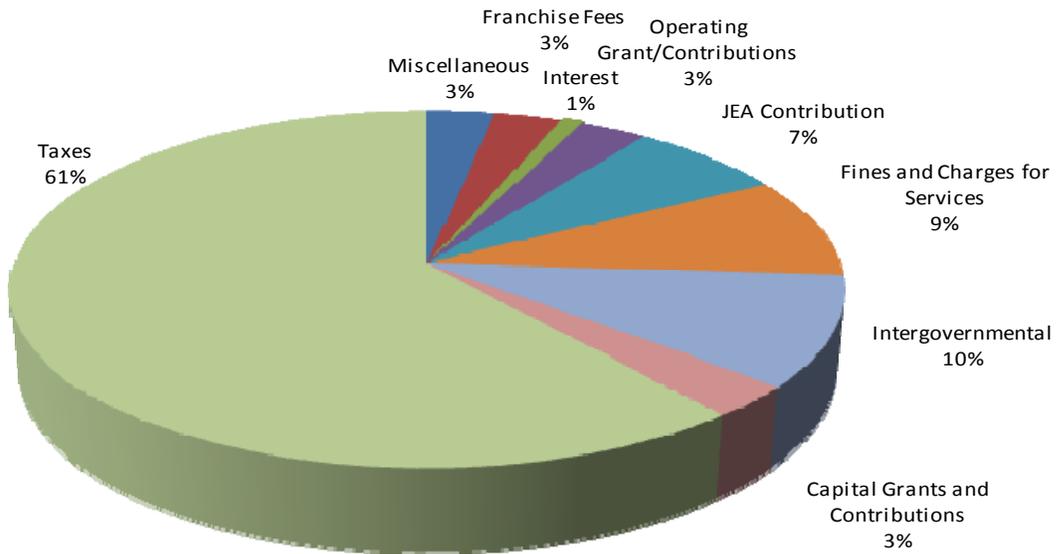
Business type activities total expenses increased \$18.5 million in fiscal year 2018:

- Costs at the Sports and Entertainment Venues increased \$12.2 million, primarily at the Jacksonville Municipal Stadium – TIAA Field for events held at the Stadium.
- In FY2018, the City created a dedicated source of funding to perform capital maintenance at the Sports Venues and \$4.9 million was used for that.

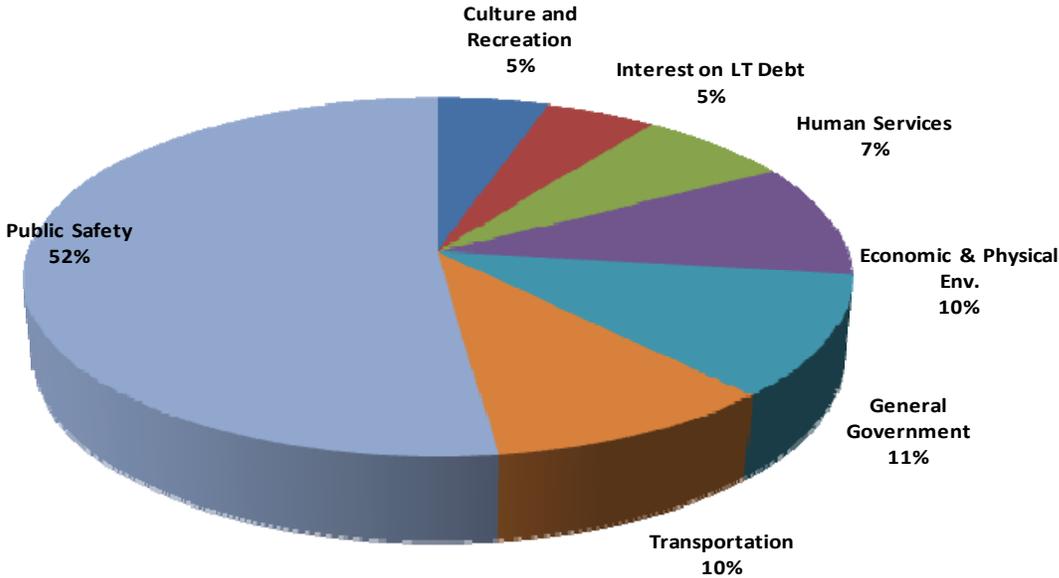
Expenses and Program Revenues - Governmental Activities



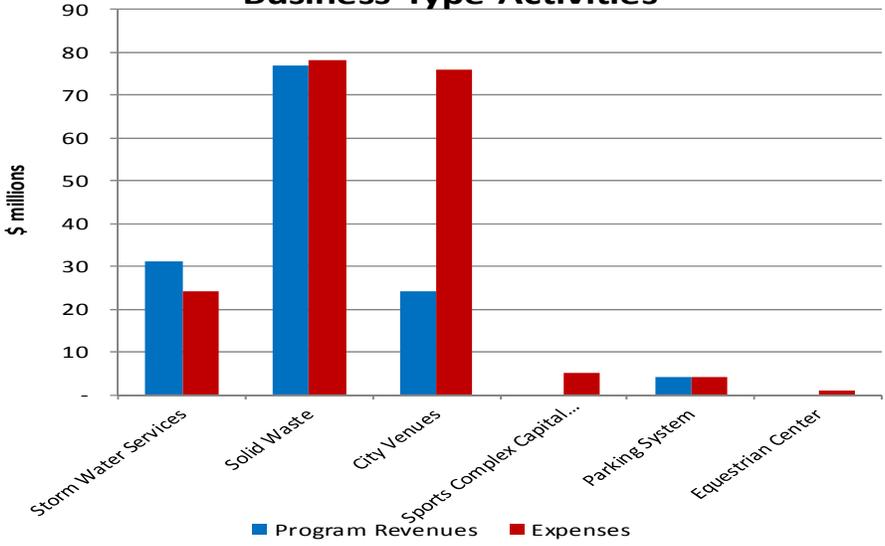
Revenues - Governmental Activities



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 2018. 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 \$146.4 million. The General Fund's total fund balance was \$266.1 million, with \$61.5 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 2018 operations are as follows:

General Fund:

- Property taxes account for 54.0% of the General Fund revenue and increased by \$38.2 million, 6.7% increase over the previous fiscal year. Interest revenue decreased \$2.7 million due to a lower return in fiscal year 2018. General Fund revenues had an overall increase of \$49.4 million and an overall decrease in expenditures of \$29.1 million as compared to fiscal year 2017. The millage rate for the City of Jacksonville remained the same from fiscal year 2017 to 2018 at 11.4419

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

- Outstanding long term BJP debt principal payments decreased by \$49.9 million for fiscal year 2018 due to the amortization schedule of BJP Transportation bonds, which were structured to match expected revenues over time.

Special Bonded Debt – Obligations:

- Outstanding long term Special Obligation debt principal payments increased \$1.9 million for fiscal year 2018 due to year over year differences in the amortization schedule. The City redeemed a total of \$52.6 million in Special Obligation bonds with a decrease of \$1.8 million in interest and other fiscal charges.

Public Safety:

- This fund is used to track emergency incidents. In FY2018, the City spent \$51.7million in expenditures for Hurricane Irma damage. FEMA has not approved obligating funds for reimbursement of Hurricane Irma expenditures incurred in FY2018, thus the City has not accrued the expected \$45.2 in operating grant revenue yet. The City usually funds its share of expenses once the FEMA reimbursement firms up. The FY2018 fund balance and change in fund balance are negative due to the timing of these revenues.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail. Solid Waste, Storm Water Services and City Venues are reported as major proprietary funds in fiscal year 2018.

General Fund Budgetary Highlights:

- Property tax revenues were over budget \$8.0 million and charges for services were over budget \$2.8 million. Community service taxes, licenses, permits & fees, intergovernmental, fines & forfeitures, interest, and miscellaneous revenues were under budget a total of \$12.6 million. Total actual revenues for fiscal year 2018 were \$2.1 million under the final budget.
- Total general fund actual expenditures for fiscal year 2018 were \$132.0 million under final budget with \$60.7 million, related to the budgeted but unused emergency reserve. Another \$52.6 contingency associated with Mayor Curry’s pension reform was budgeted but was unused.
- Additional savings were due to salary and benefit costs and departmental and non-departmental operating cost savings due to the Administration’s strong efforts toward cost reductions.
- Basic public safety costs, fire & rescue and the office of the sheriff, account for \$632.2 million of the general fund budget, which is 49.6% of the General Fund’s total, although both were under budget, \$2.8 million and \$3.7 million respectively.

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, 2018 amounts to \$3.1 billion net of accumulated depreciation. The investment in capital assets includes land, buildings and improvements, furniture and equipment, infrastructure, and construction in progress, other assets include public art and purchased/internally developed software (see Table A-3). The primary focus was on the building projects, sports complex improvements, road projects, and Parks and Recreation projects in fiscal year 2018. The Sports Complex Amphitheatre and Practice Facilities (Flexfield) continued work progress that started in FY2017. 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, 2018 and September 30, 2017**

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 314,407	\$ 314,328	\$ 46,907	\$ 46,907	\$ 361,314	\$ 361,235
Buildings and improvements	1,218,376	1,189,705	739,213	647,216	1,957,589	1,836,921
Furniture & Equipment	488,662	470,260	17,023	16,660	505,685	486,920
Construction and work in progress	42,903	24,660	37,411	78,022	80,314	102,682
Infrastructure	2,334,576	2,307,552	85,145	71,089	2,419,721	2,378,641
Other Assets	44,795	43,414	-	-	44,795	43,414
Less accumulated depreciation	(1,909,647)	(1,785,486)	(326,272)	(301,594)	(2,235,919)	(2,087,080)
Total	\$ 2,534,072	\$ 2,564,433	\$ 599,427	\$ 558,300	\$ 3,133,499	\$ 3,122,733

Major capital asset project costs in fiscal year 2018 included the following (in millions):

	2018	2017	Change
Sports Complex Buildings & Improvements	27.3	43.6	(6.2)
Road & Bridge Projects	21.4	34.1	(12.7)
Building Projects	36.4	1.0	35.4
Stormwater Projects	5.9	9.1	(3.2)
Parks and Recreation Projects	5.7	1.8	3.9
Environmental Projects	3.8	4.4	(0.6)
Other Improvements	5.0	15.2	(10.2)

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 \$2.4 billion in bonds and notes outstanding as shown in Table A-4. Additional information on the City of Jacksonville's long term-debt can be found in Notes to the Financial Statements, Note 8 of this report.

Table A-4
Bonds and Notes Payable
Outstanding Debt at September 30, 2018 and September 30, 2017
(In Thousands)

	Governmental Activities		Business Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Special Obligation Bonds	\$ 549,698	\$ 594,708	\$ -	\$ -	\$ 549,698	\$ 594,708
Special Obligation-BJP	1,036,880	1,079,780			1,036,880	1,079,780
Revenue Bonds Payable	360,274	312,442	249,556	256,248	609,830	568,690
Notes Payable	15,634	35,759	-	-	15,634	35,759
Notes Payable-BJP	24,788	30,549	-	-	24,788	30,549
Deferred Amounts						
Loss on Adv Ref	-	-	29,636	31,987	29,636	31,987
Issuance premiums	174,836	179,962	-	-	174,836	179,962
Issuance discounts	(1,894)	(2,055)	-	-	(1,894)	(2,055)
Advance Refunding	-	-	-	-	-	-
Total	\$ 2,160,216	\$ 2,231,145	\$ 279,192	\$ 288,235	\$ 2,439,408	\$ 2,519,380

New indebtedness of the City of Jacksonville consists of:

Closing Date	Par Amount	Source	Primary Use
Sep. 2018	72,540,000	Special Revenue Bonds	Project
Funding/Refinancing Sep. 2018	7,700,000	Commercial Paper Notes	Project Funding

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

On September 25, 2018, the City closed on the sale of \$72.5 million Special Revenue Bonds, Series 2018. The 2018 bonds have a true interest cost of 3.21% and an average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2019, and a maturity date of October 1, 2038. The proceeds of the 2018 bonds were used to refund a portion of the City's commercial paper notes (\$23.6 million) and fund previously-approved capital project expenditures (\$57.4 million). The issuance provided net proceeds of \$81.0 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.5 million.

On September 28, 2018, the City closed on the sale of Commercial Paper Notes in the amount of \$7.7 million for the purposes of funding short-term projects and interim funding for long-term projects with an initial interest rate of 1.77%.

During fiscal year 2018, the City refunded or paid off a combined \$152.9 million in principal amount of bonds and notes, for a net reduction of \$72.7 million in debt. The City has reduced the overall bonded indebtedness since the end of Fiscal Year 2014 by a total of \$302 million from \$2.539 billion to \$2.237 billion.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Other Economic Factors:

- The unemployment rate for the City of Jacksonville is 3.0%, at the end of fiscal year 2018.
- The population of the City of Jacksonville at the end of fiscal year 2018 was 952.9 thousand.
- 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 2019

- The fiscal year 2019 budget focuses heavily on public safety with the addition of fifty-seven positions within the Jacksonville Fire and Rescue Department public safety positions and the associated operating and equipment costs for:
 - Eighteen positions for new fire station 61.
 - Twenty-one positions for three rescue units at three fire stations. The City now has rescue units at all its fire stations.
 - Fifteen firefighter position to help with relief.
 - Three firefighter positions for fire prevention/inspection.
- The addition of four positions within the Jacksonville Sheriffs Office along with funding of \$1.9 million for the real time crime center.
- The fiscal year 2019 capital improvement plan totaled \$147.0 million while only authorizing \$105.8 million in additional borrowing.
- The City and all of its employee unions reached a three year labor agreement during fiscal year 2016-2017. The agreement, for the first several years, provides pension savings which offset some of the cost of base salary increases. To help smooth the financial impact of the three year agreements, the City has set aside a total of \$74 million, \$60 million from FY2018 and \$14 million from FY2019, in a contingency to cover future costs, if needed.

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) 255-5261.

**CITYWIDE FINANCIAL
STATEMENTS**

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET POSITION -
SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	PRIMARY GOVERNMENT		TOTALS		COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2018	2017	
ASSETS:					
Cash and investments.....	\$ 925,310	\$ 97,271	\$ 1,022,581	\$ 886,730	\$ 1,615,106
Cash in escrow and with fiscal agents.....	173,836	11,949	185,785	175,228	1,631
Securities lending.....	36,604	-	36,604	73,954	-
Receivables, net.....	103,231	65,070	168,301	164,156	275,436
Due from independent agencies and other governments.....	105,236	1,532	106,768	165,315	34,243
Inventories.....	4,208	12	4,220	4,111	100,472
Prepaid expenses and other assets.....	2,773	283	3,056	3,093	27,514
Costs to be recovered from future revenues.....	-	-	-	-	808,096
CAPITAL ASSETS:					
Land, easements, art in public places and construction in progress.....	358,396	84,318	442,714	463,917	1,153,228
Other capital assets, net of depreciation.....	2,175,676	515,109	2,690,785	2,658,816	5,265,935
TOTAL ASSETS.....	3,885,270	775,544	4,660,814	4,595,320	9,281,661
DEFERRED OUTFLOW OF RESOURCES:					
Pension related.....	604,624	-	604,624	557,580	190,612
Unamortized deferred loss on refunding.....	8,487	77	8,564	9,565	145,117
Accumulated decrease in fair value of hedging instrument.....	-	-	-	-	86,371
Unrealized asset retirement obligation.....	-	-	-	-	29,173
Other post employment benefit related.....	-	-	-	-	4,078
TOTAL DEFERRED OUTFLOW OF RESOURCES.....	613,111	77	613,188	567,145	455,351
LIABILITIES:					
Accounts payable and accrued liabilities.....	75,528	24,445	99,973	102,013	173,662
Contracts payable.....	509	55	564	691	54,860
Due to independent agencies and other governments.....	6	-	6	6	1,850
Deposits.....	4,795	7,288	12,083	8,341	60,040
Accrued interest payable.....	43,202	5,743	48,945	48,007	77,704
Unearned revenue.....	8,741	110	8,851	10,311	6,281
Securities lending.....	36,604	-	36,604	73,954	-
Other current liabilities.....	264	-	264	264	54,895
NONCURRENT LIABILITIES:					
Fair value of debt management instrument.....	-	-	-	-	86,371
Due within one year.....	178,192	11,698	189,890	181,054	204,378
Due in more than one year:					
Net pension liability.....	2,635,993	-	2,635,993	2,540,432	574,974
Other.....	2,466,231	384,237	2,850,468	2,947,173	4,634,381
TOTAL LIABILITIES.....	5,450,065	433,576	5,883,641	5,912,246	5,929,396
DEFERRED INFLOW OF RESOURCES:					
Pension related.....	210,448	-	210,448	87,316	57,157
Other post employment benefit related.....	33,082	-	33,082	6,606	8,714
Revenue to be used for future costs.....	-	-	-	-	294,560
Unamortized deferred gain on refunding.....	2,004	-	2,004	2,151	-
Accumulated increase in fair value of hedging derivatives.....	-	-	-	-	2,536
TOTAL DEFERRED INFLOW OF RESOURCES	245,534	-	245,534	96,073	362,967
NET POSITION:					
Net investment in capital assets.....	730,505	236,652	967,157	907,834	2,451,548
Restricted for:					
Debt service.....	123,165	-	123,165	124,954	205,653
Housing and human services grants.....	34,898	-	34,898	33,686	-
Other state and federal grants.....	10,017	-	10,017	10,835	-
Capital projects.....	12,224	-	12,224	16,466	-
Other participant's equity.....	893	-	893	93	-
Permanent funds, non-expendable.....	1,527	-	1,527	123	-
Other purposes.....	12,548	-	12,548	11,924	370,466
Unrestricted (deficit).....	(2,122,995)	105,393	(2,017,602)	(1,951,769)	416,982
TOTAL NET POSITION	(\$ 1,197,218)	\$ 342,045	(\$ 855,173)	(\$ 845,854)	\$ 3,444,649

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF ACTIVITIES -
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				PRIMARY GOVERNMENT		TOTAL		COMPONENT UNITS
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2018	2017	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government.....	\$ 189,130	\$ 66,282	\$ 2,637	\$ 629	(\$ 119,582)		(\$ 119,582)	(\$ 177,343)	
Human services.....	122,664	2,256	14,025	55	(106,328)		(106,328)	(96,156)	
Public safety.....	867,834	67,868	5,803	145	(794,018)		(794,018)	(690,261)	
Culture and recreation.....	87,491	4,702	1,330	10,432	(71,027)		(71,027)	(75,238)	
Transportation.....	157,898	62	14,521	35,033	(108,282)		(108,282)	(58,050)	
Economic environment.....	57,284	202	14,434	2,286	(40,362)		(40,362)	(44,252)	
Physical environment.....	102,627	4,050	3,411	313	(94,853)		(94,853)	(67,464)	
Interest on long term debt.....	75,883	-	-	-	(75,883)		(75,883)	(78,420)	
Total governmental activities.....	1,660,811	145,422	56,161	48,893	(1,410,335)		(1,410,335)	(1,287,184)	
Business-type activities:									
Parking system.....	3,795	3,986	-	-	-	191	191	(3)	
Motor vehicle inspections.....	367	433	-	-	-	66	66	11	
Solid Waste.....	78,217	76,314	-	-	-	(1,903)	(1,903)	(1,994)	
Storm Water Services.....	23,670	30,958	-	-	-	7,288	7,288	3,056	
City Venues.....	75,914	23,825	-	-	-	(52,089)	(52,089)	(47,779)	
Equestrian Center.....	1,227	-	-	-	-	(1,227)	(1,227)	(1,224)	
Sports Complex Capital Maint.....	4,901	-	-	-	-	(4,901)	(4,901)	-	
Ritz Theater	-	-	-	-	-	-	-	-	
Total business-type activities.....	188,091	135,516	-	-	-	(52,575)	(52,575)	(47,933)	
Total primary government.....	\$ 1,848,902	\$ 280,938	\$ 56,161	\$ 48,893	(1,410,335)	(52,575)	(1,462,910)	(1,335,117)	
COMPONENT UNITS:									
Governmental activities.....	\$ 35,446	\$ -	\$ -	\$ 17,517					(\$ 17,929)
Business-type activities.....	1,850,198	1,881,895	15,595	15,285					62,578
Total component units.....	\$ 1,885,644	\$ 1,881,895	\$ 15,595	\$ 32,802					\$ 44,649
General revenues:									
Property taxes.....					626,382	-	626,382	586,122	-
Utility and Communications service taxes.....					123,140	-	123,140	120,692	-
Sales and tourist taxes.....					223,824	18,550	242,374	226,972	2,033
Local business taxes.....					7,091	-	7,091	7,081	-
Intergovernmental - unrestricted.....					169,177	-	169,177	180,149	81,644
JEA Contribution.....					116,620	-	116,620	115,823	-
Unrestricted earnings on investments.....					6,121	1,154	7,275	13,844	19,276
Franchise Fees.....					40,288	-	40,288	39,600	-
Miscellaneous.....					51,588	69,656	121,244	68,776	25,550
Transfers.....					(34,523)	34,523	-	-	-
Special Item:									
Special item -JEA adjustment to regulatory balances.....					-	-	-	-	(45,099)
Total general revenues,transfers,and special item.....					1,329,708	123,883	1,453,591	1,359,059	83,404
Change in net position.....					(80,627)	71,308	(9,319)	23,942	128,053
Net position, beginning of year, as restated.....					(1,116,591)	270,737	(845,854)	(869,796)	3,316,596
Net position, end of year.....					(\$ 1,197,218)	\$ 342,045	(\$ 855,173)	(\$ 845,854)	\$ 3,444,649

See accompanying notes.



(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.

SPECIAL REVENUE FUND

The Public Safety Fund accounts for specific public safety programs through user fees and intergovernmental revenue for emergency management planning and disaster medical services provided by the Office of the Sheriff and the City Department of Fire and Rescue.

CITY OF JACKSONVILLE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
ASSETS:			
Equity in pooled cash and investments.....	\$ 185,542	\$ 112,646	\$ 10,683
Cash in escrow and with fiscal agents.....	187	74,490	64,252
Securities lending collateral.....	36,604	-	-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts and interest.....	4,075	-	-
Mortgages.....	-	-	-
Other.....	-	-	-
Due from other funds.....	51,687	-	-
Due from independent agencies and other governments.....	59,077	-	-
Inventories.....	3,161	-	-
Prepaid items.....	-	-	-
TOTAL ASSETS.....	340,333	187,136	74,935
LIABILITIES:			
Accounts payable and accrued liabilities.....	\$ 30,561	\$ -	\$ 163
Contracts payable.....	-	-	-
Due to other funds.....	-	-	-
Due to independent agencies and other governments.....	6	-	-
Due to individuals.....	-	-	-
Bonds payable.....	-	49,875	52,598
Interest payable.....	-	24,615	11,655
Deposits.....	1,408	-	-
Unearned revenue.....	5,430	-	-
Securities lending obligations.....	36,604	-	-
Advances from other funds.....	-	-	-
TOTAL LIABILITIES.....	74,009	74,490	64,416
DEFERRED INFLOW OF RESOURCES:			
Unavailable Revenue.....	180	-	-
FUND BALANCES:			
Non Spendable:			
Non Spendable.....	3,161	-	-
Spendable:			
Restricted.....	2,599	112,646	10,519
Committed.....	98,806	-	-
Assigned.....	15,147	-	-
Unassigned.....	146,431	-	-
TOTAL FUND BALANCES.....	266,144	112,646	10,519
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES.....	\$ 340,333	\$ 187,136	\$ 74,935

See accompanying notes.

PUBLIC SAFETY	NON MAJOR GOVERNMENTAL FUNDS	TOTALS	
		2018	2017
\$ -	\$ 378,966	\$ 687,837	\$ 574,728
-	5,336	144,265	134,144
-	-	36,604	73,954
-	537	4,612	6,336
-	5,184	5,184	2,584
-	-	-	2,115
-	-	51,687	47,091
275	44,280	103,632	159,789
-	-	3,161	3,165
-	16	16	16
<u>275</u>	<u>434,319</u>	<u>1,036,998</u>	<u>1,003,922</u>
\$ 1,055	\$ 23,197	\$ 54,976	\$ 70,160
-	509	509	625
51,687	-	51,687	35,497
-	-	6	6
-	264	264	264
-	-	102,473	93,671
-	-	36,270	37,353
-	3,384	4,792	5,027
-	1,316	6,746	8,378
-	-	36,604	73,954
-	1,026	1,026	2,008
<u>52,742</u>	<u>29,696</u>	<u>295,353</u>	<u>326,943</u>
-	-	180	180
-	1,688	4,849	3,448
-	67,088	192,852	197,865
-	335,847	434,653	378,863
-	-	15,147	14,060
(52,467)	-	93,964	82,563
<u>(52,467)</u>	<u>404,623</u>	<u>741,465</u>	<u>676,799</u>
<u>\$ 275</u>	<u>\$ 434,319</u>	<u>\$ 1,036,998</u>	<u>\$ 1,003,922</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, 2018
(in thousands)

Total fund balances- governmental funds		\$ 741,465
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		2,534,072
Long term liabilities - liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable	(1,987,274)	
Unamortized bond discounts	1,894	
Unamortized bond premium	(174,836)	
Unamortized loss on advance refunding of debt	8,487	
Total bonds and notes payable		(2,151,729)
Net pension liability	(2,635,993)	
Pension related deferred inflow of resources	(210,448)	
Pension related deferred outflow of resources	604,624	
		(2,241,817)
* Certain assets, liabilities, deferred inflow of resources, and deferred outflow of resources reported in governmental activities are not financial resources and therefore are not reported in the funds:		
Matured notes and bonds payable accrual at the fund level	102,473	
Compensated absences	(66,128)	
Estimated liability for self insured losses-current	(33,242)	
Estimated liability for self insured losses-long-term	(86,139)	
Other post employment benefits (OPEB) liability	(187,691)	
OPEB related deferred inflow of resources	(33,082)	
Accrued liability for pollution remediation	(111,007)	
Deferred gain on refunding	(2,004)	
Amounts earned but not available	180	
Total		(416,640)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The Capital Assets and Long term liabilities are consolidated with the governmental funds on an entity-wide basis. This amount represents the net of Current Assets and Current Liabilities of the Internal Service Funds.		337,431
Net position of governmental activities		\$ (1,197,218)

* 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, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
REVENUES:			
Property taxes.....	\$ 603,910	\$ -	\$ -
Utility and Communications service taxes.....	123,140	-	-
Sales and tourist taxes.....	1,238	-	-
Local business taxes.....	7,091	-	-
Licenses, permits, and fees.....	43,684	-	-
Intergovernmental.....	169,382	34,634	-
Charges for services.....	68,576	-	-
Fines and forfeitures.....	2,060	-	-
JEA contribution.....	116,620	-	-
Investment earnings.....	1,539	1,233	535
Other.....	18,719	-	-
Total Revenues.....	1,155,959	35,867	535
EXPENDITURES:			
Current:			
General government.....	124,488	-	-
Human services.....	71,628	-	-
Public safety.....	626,061	-	-
Culture and recreation.....	67,262	-	-
Transportation.....	26,970	-	-
Economic environment.....	10,661	-	-
Physical environment.....	24,589	-	-
Capital outlay.....	-	-	-
Debt service:			
Principal.....	-	49,875	52,598
Interest.....	11,531	50,241	23,319
Other.....	-	50	355
Total Expenditures.....	963,190	100,166	76,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	192,769	(64,299)	(75,737)
OTHER FINANCING SOURCES (USES):			
Long term debt issued.....	4,950	-	-
Refunding bond issued.....	-	-	-
Premium on special obligation bonds payable.....	-	-	-
Payment to escrow agent - refunded bonds.....	-	-	-
Transfers in.....	19,827	63,264	75,158
Transfers out.....	(161,813)	-	(175)
Total Other Financing Sources (Uses).....	(137,036)	63,264	74,983
NET CHANGES IN FUND BALANCES.....	55,733	(1,035)	(754)
FUND BALANCE, BEGINNING OF YEAR.....	210,415	113,681	11,273
Change in Inventory of Supplies.....	(4)	-	-
FUND BALANCES, END OF YEAR.....	\$ 266,144	\$ 112,646	\$ 10,519

See accompanying notes.

PUBLIC SAFETY	NON MAJOR GOVERNMENTAL FUNDS	TOTAL	
		2018	2017
\$ -	\$ 22,472	\$ 626,382	\$ 586,122
-	-	123,140	120,692
-	222,586	223,824	209,928
-	-	7,091	7,081
-	24,564	68,248	65,340
(1,683)	61,138	263,471	294,347
3,000	39,396	110,972	101,480
-	4,430	6,490	7,102
-	-	116,620	115,823
-	2,349	5,656	11,758
-	28,782	47,501	40,711
1,317	405,717	1,599,395	1,560,384
609	28,051	153,148	171,734
-	48,612	120,240	112,194
52,322	31,846	710,229	713,466
-	9,266	76,528	73,144
-	132,434	159,404	157,092
-	46,402	57,063	53,992
483	6,482	31,554	37,192
-	61,665	61,665	67,173
-	-	102,473	93,671
-	-	85,091	87,773
-	-	405	512
53,414	364,758	1,557,800	1,567,943
(52,097)	40,959	41,595	(7,559)
-	39,023	43,973	35,636
-	-	-	42,055
-	-	-	9,871
-	-	-	(50,821)
7,000	82,718	247,967	199,384
-	(106,877)	(268,865)	(215,742)
7,000	14,864	23,075	20,383
(45,097)	55,823	64,670	12,824
(7,370)	348,800	676,799	664,083
-	-	(4)	(108)
\$ (52,467)	\$ 404,623	\$ 741,465	\$ 676,799

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, 2018
(in thousands)

Net change in fund balances- total governmental funds:	\$	64,670
<p>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.</p> <p>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.</p>		
Capital assets acquired by use of financial resources		72,496
Capital assets contributed by developers and other		14,847
Current year depreciation		(127,171)
Loss on disposition of assets		(2,961)
		(42,789)
<p>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.</p>		
Amortization of bond discounts		(161)
Recording and amortization of bond premium		10,805
Amortization -gain on refunding		69
Amortization - loss on refunding		(1,001)
		9,712
<p>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.</p>		
Long-term debt retired		102,473
		102,473
<p>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</p>		
Increase in compensated absences payable		(8,357)
Increase in other post employment benefits		(9,879)
Decrease of accrual for pollution remediation		6,014
Net effect of internal Debt Management fund		(23,082)
Change in inventory of supplies		(4)
Increase in net pension liability		(95,561)
Change in deferred outflow and inflow of resources related to pension		(76,088)
		(94,772)
<p>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</p>		
Operating gain (loss)		6,189
Investment revenue (loss)		465
Interest expense		(504)
Other non-operating revenue		(261)
Transfers out, net		(13,625)
		(7,736)
Change in Net Position - Governmental Activities	\$	(80,627)

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 City Venues Fund accounts for events held at TIAA Bank Field, Veterans Memorial Arena, the Baseball Field, Times Union Center for the Performing Arts, Prime Osborn Convention Center, and Ritz Theater.

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, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	ENTERPRISE FUNDS						
	SOLID WASTE DISPOSAL	CITY VENUES	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2018	2017	
ASSETS:							
Equity in pooled cash and investments.....	\$ 24,031	\$ 16,415	\$ 32,762	\$ 15,496	\$ 88,704	\$ 70,952	\$ 237,473
Cash with fiscal agents.....	-	11,889	-	60	11,949	11,061	29,571
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts.....	33,151	10,150	21,682	85	65,068	59,414	25
Loans	-	-	-	-	-	-	45,481
Other.....	-	-	-	-	-	-	301
Due from independent agencies and other governments.....	4	1,528	-	-	1,532	950	1,604
Interest and dividend receivables.....	2	-	-	-	2	2	-
Inventories.....	-	-	-	12	12	13	1,047
Prepaid expenses and other assets.....	-	283	-	-	283	395	2,757
Total Current Assets.....	57,188	40,265	54,444	15,653	167,550	142,787	318,259
NONCURRENT ASSETS:							
Advances to other funds.....	-	-	-	-	-	-	1,026
Sinking fund cash and investments.....	8,567	-	-	-	8,567	8,601	-
Loans receivable.....	-	-	-	-	-	-	351,341
Other receivables.....	-	-	-	-	-	-	9,527
CAPITAL ASSETS:							
Land, easements and work in progress.....	39,512	36,117	6,854	1,835	84,318	124,929	14,041
Other capital assets, net of depreciation.....	13,282	426,142	62,923	12,762	515,109	433,371	93,350
Total Noncurrent Assets.....	61,361	462,259	69,777	14,597	607,994	566,901	469,285
TOTAL ASSETS.....	118,549	502,524	124,221	30,250	775,544	709,688	787,544
DEFERRED OUTFLOW OF RESOURCES:							
Unamortized deferred loss on refunding.....	-	-	-	77	77	77	-

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	ENTERPRISE FUNDS						INTERNAL SERVICE FUNDS
	SOLID WASTE DISPOSAL	CITY VENUES	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		
					2018	2017	
LIABILITIES:							
Accounts payable and accrued liabilities.....	\$ 5,653	\$ 14,909	\$ 2,649	\$ 1,234	\$ 24,445	\$ 17,478	\$ 20,552
Contracts payable.....	-	-	55	-	55	66	-
Due to other funds.....	-	-	-	-	-	9,000	-
Deposits.....	135	7,010	59	84	7,288	3,311	3
Accrued interest payable.....	-	5,697	-	46	5,743	5,339	6,932
Estimated liability for self-insured losses, current portion.....	-	-	-	-	-	-	33,242
Unearned revenue.....	-	110	-	-	110	168	1,995
Accrued compensated absences, current portion.....	187	-	63	56	306	288	883
Current portion of notes payable.....	-	-	-	-	-	970	-
Current portion of loans payable.....	2,777	430	1,979	-	5,186	3,728	8,099
Current portion of bonds payable.....	-	6,192	-	14	6,206	5,722	22,639
Total Current Liabilities.....	8,752	34,348	4,805	1,434	49,339	46,070	94,345
NONCURRENT LIABILITIES:							
Estimated liability for self-insured losses.....	-	-	-	-	-	-	86,139
Liability for landfill closure and post-closure care.....	32,168	-	-	-	32,168	31,463	-
Accrued compensated absences.....	437	-	146	103	686	644	2,061
Notes payable.....	-	16,375	-	-	16,375	16,375	15,633
Loans payable.....	25,078	44,811	8,508	-	78,397	79,290	30,342
Bonds payable.....	-	254,229	-	2,382	256,611	265,168	391,596
Total Noncurrent Liabilities.....	57,683	315,415	8,654	2,485	384,237	392,940	525,771
TOTAL LIABILITIES.....	66,435	349,763	13,459	3,919	433,576	439,010	620,116
DEFERRED INFLOW OF RESOURCES:							
Unamortized deferred gain on refunding.....	-	-	-	-	-	18	1,317
NET POSITION:							
Net investment in capital assets.....	24,939	140,222	59,290	12,201	236,652	188,640	68,950
Restricted for:							
Restricted - other participant's equity.....	-	-	-	-	-	-	893
Unrestricted (deficit).....	27,175	12,539	51,472	14,207	105,393	82,097	96,268
TOTAL NET POSITION (DEFICIT)	\$ 52,114	\$ 152,761	\$ 110,762	\$ 26,408	\$ 342,045	\$ 270,737	\$ 166,111

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, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

ENTERPRISE FUNDS							
	SOLID WASTE DISPOSAL	CITY VENUES	STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTALS		INTERNAL SERVICE FUNDS
					2018	2017	
OPERATING REVENUE:							
Sales and tourist taxes.....	\$ -	\$ 10,569	\$ -	\$ 7,981	\$ 18,550	\$ 17,044	\$ -
Charges for services.....	76,314	23,825	30,958	4,419	135,516	121,702	278,708
Charges for services for independent authorities.....	-	-	-	-	-	-	7,838
Other.....	6	14,126	-	16	14,148	12,614	1,442
Total Operating Revenue.....	76,320	48,520	30,958	12,416	168,214	151,360	287,988
OPERATING EXPENSES:							
Personal services.....	7,696	7,453	8,004	2,124	25,277	24,291	33,044
Supplies and materials.....	69	290	296	34	689	574	19,905
Central services.....	4,125	341	2,815	620	7,901	7,263	14,876
Interdepartmental charges.....	122	1,847	157	101	2,227	2,081	-
Other services and charges.....	61,650	37,926	7,836	1,394	108,806	98,858	61,528
Depreciation and amortization.....	3,298	16,947	4,100	1,092	25,437	24,595	21,020
Court reporter services.....	-	-	-	-	-	-	37
Claims and losses.....	-	-	-	-	-	-	28,623
Insurance premiums and participant dividends.....	-	-	-	-	-	-	102,766
Total Operating Expenses.....	76,960	64,804	23,208	5,365	170,337	157,662	281,799
OPERATING (LOSS) INCOME.....	(640)	(16,284)	7,750	7,051	(2,123)	(6,302)	6,189
NON-OPERATING REVENUE (EXPENSES):							
Investment earnings (loss).....	618	207	203	126	1,154	377	465
Interest expense.....	(1,257)	(11,110)	(462)	(57)	(12,886)	(11,973)	(504)
Other.....	1,369	53,819	252	(4,800)	50,640	7,265	(261)
Total Non-Operating Revenue (Expenses).....	730	42,916	(7)	(4,731)	38,908	(4,331)	(300)
INCOME (LOSS) BEFORE TRANSFERS.....	90	26,632	7,743	2,320	36,785	(10,633)	5,889
TRANSFERS:							
Transfers in.....	12,280	24,795	2,964	564	40,603	142,140	1,372
Transfers out.....	(455)	(948)	-	(4,677)	(6,080)	(123,667)	(14,997)
Net Transfers.....	11,825	23,847	2,964	(4,113)	34,523	18,473	(13,625)
CHANGES IN NET POSITION.....	11,915	50,479	10,707	(1,793)	71,308	7,840	(7,736)
NET POSITION (DEFICIT), BEGINNING OF YEAR							
AS RESTATED.....	40,199	102,282	100,055	28,201	270,737	262,897	173,847
NET POSITION (DEFICIT), END OF YEAR.....	\$ 52,114	\$ 152,761	\$ 110,762	\$ 26,408	\$ 342,045	\$ 270,737	\$ 166,111

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	SOLID WASTE DISPOSAL	CITY VENUES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers.....	\$ 77,093	\$ 43,016
Receipts from interfund services provided.....	-	-
Payments to suppliers.....	(66,508)	(45,379)
Payments to employees	(7,624)	(7,453)
Internal activity-receipts from other funds.....	-	-
Internal activity-payments to other funds.....	(2)	(580)
Other cash receipts	6	18,548
Other operating cash payments.....	(136)	(1,847)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	2,829	6,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds.....	12,280	24,795
Transfers to other funds.....	(455)	(948)
Cash received from other funds.....	-	-
Cash paid to other funds.....	(9,000)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES.....	2,825	23,847
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets.....	(3,577)	(53,917)
Proceeds from sale of capital assets.....	1,369	53,060
Cash with fiscal agent.....	34	(889)
Decrease in landfill costs and other charges.....	-	-
Proceeds from long-term obligations.....	-	-
Contributions from JEA.....	-	-
Loan repayment from JEA.....	-	-
Contributions from Amphitheater.....	-	761
Proceeds from bonds payable.....	-	470
Payments on bonds payable.....	-	(8,492)
Proceeds from loans payable.....	2,699	-
Payments on loans payable.....	-	(250)
Proceeds from notes payable.....	-	-
Payments on notes payable.....	-	(970)
Interest paid on debts.....	(1,257)	(10,724)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(732)	(20,951)
CASHFLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends on investments.....	618	207
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	618	207
NET CHANGE IN CASH AND INVESTMENTS.....	5,540	9,408
Equity in pooled cash and investments at October 1, 2017.....	18,491	7,007
Equity in pooled cash and investments at September 30, 2018.....	\$ 24,031	\$ 16,415

See accompanying notes.

STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTAL		INTERNAL SERVICE FUNDS
		2018	2017	
\$ 32,047	\$ 12,710	\$ 164,866	\$ 147,112	\$ 7,838
-	-	-	-	281,361
(10,958)	(3,665)	(126,510)	(118,276)	(161,275)
(8,013)	(2,151)	(25,241)	(24,148)	(32,809)
-	-	-	2	-
-	-	(582)	(948)	(14,712)
8	69	18,631	16,711	401
(157)	(118)	(2,258)	(4,196)	(73,701)
<u>12,927</u>	<u>6,845</u>	<u>28,906</u>	<u>16,257</u>	<u>7,103</u>
2,964	564	40,603	142,138	1,372
-	(4,677)	(6,080)	(26,835)	(14,997)
-	-	-	8,411	982
-	(41)	(9,041)	(340)	-
<u>2,964</u>	<u>(4,154)</u>	<u>25,482</u>	<u>123,374</u>	<u>(12,643)</u>
(8,982)	(4,924)	(71,400)	(500,192)	(33,731)
-	-	54,429	48,410	476
-	1	(854)	(18,909)	452
-	-	-	2,115	-
-	-	-	5	-
-	-	-	127	-
252	-	252	-	-
-	-	761	558	-
-	-	470	296,860	54,886
-	(50)	(8,542)	(5,371)	(272)
94	-	2,793	54,022	10,765
(1,978)	-	(2,228)	(1,916)	(1,847)
-	-	-	17,345	-
-	-	(970)	-	(20,126)
(462)	(59)	(12,502)	(6,777)	(504)
<u>(11,076)</u>	<u>(5,032)</u>	<u>(37,791)</u>	<u>(113,723)</u>	<u>10,099</u>
<u>203</u>	<u>127</u>	<u>1,155</u>	<u>377</u>	<u>465</u>
<u>203</u>	<u>127</u>	<u>1,155</u>	<u>377</u>	<u>465</u>
5,018	(2,214)	17,752	26,285	5,024
<u>27,744</u>	<u>17,710</u>	<u>70,952</u>	<u>44,667</u>	<u>232,449</u>
<u>\$ 32,762</u>	<u>\$ 15,496</u>	<u>\$ 88,704</u>	<u>\$ 70,952</u>	<u>\$ 237,473</u>

CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands; continued)

	SOLID WASTE DISPOSAL	CITY VENUES
	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS).....	(\$ 640)	(\$ 16,284)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	3,298	16,947
Other non-operating revenue/(expenses).....	-	-
(Increase) decrease in assets:		
Receivables and other current assets, net.....	(763)	(4,704)
Due from independent agencies and other governments.....	(2)	(581)
Interest and dividend receivables.....	-	-
Inventories.....	-	-
Other receivables.....	-	-
Loan receivables.....	-	-
Prepaid expenses and other assets.....	-	111
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses.....	160	6,452
Contracts payable.....	-	-
Deposits.....	(15)	3,972
Accrued interest payable.....	-	450
Unearned revenue.....	-	(58)
Liability for landfill closure and postclosure care.....	705	-
Liability for self-insured losses.....	-	-
Accrued compensated absences.....	86	-
 TOTAL ADJUSTMENTS.....	<u>3,469</u>	<u>22,589</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	<u>\$ 2,829</u>	<u>\$ 6,305</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Change in the fair value of investments.....	229	-
Capital assets transferred between proprietary funds.....	-	(3)
Capital assets transferred from governmental activities to proprietary funds of the city.....	(39)	14
Long Term Notes & Bonds Payable transferred between proprietary funds		(1)

See accompanying notes.

STORM- WATER SERVICES	NON MAJOR ENTERPRISE	TOTAL		INTERNAL SERVICE FUNDS
		2018	2017	
\$ 7,750	\$ 7,051	(\$ 2,123)	(\$ 6,302)	\$ 6,189
4,100	1,092	25,437	24,595	21,020
-	40	40	50	-
(177)	(13)	(5,657)	(5,238)	(6)
-	-	(583)	(946)	378
-	-	-	-	-
-	1	1	-	(114)
-	-	-	-	839
-	-	-	-	(32,562)
-	-	111	(395)	(75)
1,263	(1,314)	6,561	1,276	6,178
(12)	-	(12)	(176)	-
7	11	3,975	3,064	-
-	-	450	978	-
-	-	(58)	168	230
-	-	705	(913)	-
-	-	-	-	4,790
(4)	(23)	59	93	236
5,177	(206)	31,029	22,556	914
\$ 12,927	\$ 6,845	\$ 28,906	\$ 16,257	\$ 7,103

(404)	(73)	(248)	(12)	(1,300)
-	-	(3)	-	-
-	27	2	8	-
-	-	(1)	-	-



(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, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST FUND		AGENCY FUNDS	
	2018	2017	2018	2017	2018	2017
<u>ASSETS</u>						
CURRENT ASSETS:						
Equity in pooled cash and investments.....	\$ 55,776	\$ 23,117	\$ 39	\$ 281	\$ 56,002	\$ 85,875
Cash in escrow.....	-	-	1,649	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Interest and dividends.....	5,310	4,828	-	-	-	-
Accounts.....	91	10,956	-	-	2,362	2,743
Other.....	40	2,827	-	-	212	2,683
Due from independent agencies and other governments..	30	7,113	-	-	-	-
Prepaid assets.....	82	82	-	-	-	-
Investments, at fair value:						
Bonds.....	624,928	798,271	-	-	-	-
Short-term investments.....	20,823	2,231	-	-	-	-
Domestic stocks.....	1,967,938	1,545,068	-	-	-	-
International stocks.....	911,376	956,976	-	-	-	-
Real estate.....	593,906	549,545	-	-	-	-
Alternative investments.....	156,496	251,638	-	-	-	-
Equity in pooled investments.....	46,641	30,972	-	-	-	-
Total investments.....	4,322,108	4,134,701	-	-	-	-
Total Current Assets.....	4,383,437	4,183,624	1,688	281	58,576	91,301
CAPITAL ASSETS						
Other capital assets, net of depreciation.....	3	17	-	-	-	-
Total Capital Assets, Net.....	3	17	-	-	-	-
Securities lending collateral.....	194,503	208,958	-	-	-	-
TOTAL ASSETS.....	4,577,943	4,392,599	1,688	281	58,576	91,301
DEFERRED OUTFLOW OF RESOURCES:						
Net differences between expected and actual investments earnings.....	112	112	-	-	-	-
<u>LIABILITIES</u>						
CURRENT LIABILITIES:						
Obligations under securities lending agreement.....	194,503	208,958	-	-	-	-
Accounts payable and accrued liabilities.....	13,366	14,739	7	-	321	211
Due to other funds.....	-	-	-	-	-	2,559
Due to independent agencies and other governments.....	-	-	-	-	16,870	43,559
Due to individuals.....	-	-	-	-	8,273	7,439
Deposits held in escrow.....	-	-	-	-	32,728	36,916
Miscellaneous liabilities.....	-	-	-	-	384	617
Total Current Liabilities.....	207,869	223,697	7	-	58,576	91,301
NONCURRENT LIABILITIES:						
Other post employment benefits.....	-	140	-	-	-	-
Accrued compensated absences.....	62	53	-	-	-	-
Terminal leave - group care.....	26	43	-	-	-	-
Total Noncurrent Liabilities.....	88	236	-	-	-	-
TOTAL LIABILITIES.....	207,957	223,933	7	-	\$ 58,576	\$ 91,301
NET POSITION:						
Restricted for Pensions and other purposes.....	\$ 4,370,098	\$ 4,168,778	\$ 1,681	\$ 281		

See accompanying notes.

CITY OF JACKSONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017 (in thousands)

	PENSION TRUST FUNDS		PRIVATE PURPOSE TRUST	
	2018	2017	2018	2017
<u>ADDITIONS</u>				
Contributions:				
Employer.....	\$ 209,558	\$ 296,336	\$ -	\$ -
Plan members.....	55,314	43,268	-	-
Total contributions.....	<u>264,872</u>	<u>339,604</u>	<u>-</u>	<u>-</u>
Other additions:				
State insurance contributions.....	11,791	10,875	-	-
Court fines & penalties.....	1,101	1,112	-	-
Miscellaneous.....	207	58	-	-
Plan transfers in/(out).....	48,463	6,186	-	-
Total other additions.....	<u>61,562</u>	<u>18,231</u>	<u>-</u>	<u>-</u>
Investment income:				
Net change in fair value of investments.....	284,866	505,773	-	-
Interest and other miscellaneous.....	26,283	26,675	1,406	4
Dividends.....	29,071	27,807	-	-
Rebate of commissions.....	35	-	-	-
Rental income.....	786	771	-	-
Total investment income	<u>341,041</u>	<u>561,026</u>	<u>1,406</u>	<u>4</u>
Less investment expense.....	(18,801)	(17,784)	-	-
Less rental expense.....	(258)	(175)	-	-
Net investment income	<u>321,982</u>	<u>543,067</u>	<u>1,406</u>	<u>4</u>
From Securities Lending Activities:				
Securities lending.....	772	1,110	-	-
Agent fees.....	(90)	(278)	-	-
Total securities lending activities	<u>682</u>	<u>832</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS, NET.....	<u>649,098</u>	<u>901,734</u>	<u>1,406</u>	<u>4</u>
<u>DEDUCTIONS</u>				
Benefit payments.....	337,312	325,393	-	-
DROP benefits.....	34,588	31,210	-	-
Refund of contributions.....	29,636	31,294	-	-
Administrative expenses.....	46,242	3,036	-	-
Operating expenses.....	-	-	6	1
TOTAL DEDUCTIONS.....	<u>447,778</u>	<u>390,933</u>	<u>6</u>	<u>1</u>
CHANGE IN NET POSITION.....	<u>201,320</u>	<u>510,801</u>	<u>1,400</u>	<u>3</u>
NET POSITION, BEGINNING OF YEAR.....	<u>4,168,778</u>	<u>3,657,977</u>	<u>281</u>	<u>278</u>
NET POSITION, END OF YEAR.....	<u>\$ 4,370,098</u>	<u>\$ 4,168,778</u>	<u>\$ 1,681</u>	<u>\$ 281</u>

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.

NON MAJOR COMPONENT UNIT:

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

**CITY OF JACKSONVILLE, FLORIDA
COMBINING STATEMENT OF NET POSITION -
COMPONENT UNITS (in thousands)
SEPTEMBER 30, 2018**

MAJOR COMPONENT UNITS			
	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE PORT AUTHORITY
ASSETS			
Cash and cash equivalents.....	\$ 555,782	\$ 30,203	\$ 51,142
Cash in escrow with fiscal agent.....	-	-	-
Investments.....	816,937	148,391	5,065
Accounts and interest receivable.....	251,210	1,008	6,868
Mortgages receivable.....	-	-	-
Other receivables.....	-	-	3,514
Due from other governmental agencies.....	-	34,243	-
Inventories.....	96,075	2,612	1,785
Other assets.....	22,686	4,828	-
Costs to be recovered from future revenues.....	808,096	-	-
Capital assets:			
Land, easements, and construction in progress.....	667,915	167,360	317,953
Buildings and improvements.....	-	172,899	674,609
Vehicles.....	-	125,340	-
Equipment.....	-	95,734	154,162
Utility plant in service.....	11,231,095	-	-
Less: accumulated depreciation.....	(6,518,751)	(258,115)	(411,038)
Total capital assets, net of depreciation.....	<u>5,380,259</u>	<u>303,218</u>	<u>735,686</u>
TOTAL ASSETS.....	<u>7,931,045</u>	<u>524,503</u>	<u>804,060</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension related.....	171,367	13,267	5,978
Unamortized deferred loss on refunding.....	143,722	-	1,395
Accumulated decrease in fair value of hedging instrument.....	86,356	-	15
Unrealized asset retirement obligation.....	29,173	-	-
Other post employment benefit related.....	4,078	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>434,696</u>	<u>13,267</u>	<u>7,388</u>
LIABILITIES			
Accounts payable and accrued liabilities.....	147,361	20,031	6,252
Contracts payable.....	53,369	-	1,491
Due to other governmental agencies.....	-	1,850	-
Deposits.....	59,883	-	-
Interest payable.....	73,737	755	3,212
Unearned revenue.....	-	-	6,281
Other current liabilities.....	54,370	-	525
Noncurrent liabilities			
Fair market value of debt management instrument.....	86,356	-	15
Due within one year:			
Estimated liability for injury and damage claims.....	-	2,061	-
Bonds, notes payable, capital leases.....	185,790	3,679	12,580
Other noncurrent liabilities.....	-	268	-
Due in more than one year:			
Net pension liability.....	544,203	16,056	14,715
Estimated liability for injury and damage claims.....	-	2,949	-
Bonds, capital leases and commercial paper.....	3,966,571	107,332	230,449
Compensated absences.....	-	1,544	-
Custodial projects - due to other governments.....	-	93,361	-
Other post employment benefit.....	18,835	169	-
Unearned revenue noncurrent.....	-	-	117,055
Asset retirement obligation.....	22,526	-	-
Other noncurrent liabilities.....	49,227	-	24,363
TOTAL LIABILITIES.....	<u>5,262,228</u>	<u>250,055</u>	<u>416,938</u>
DEFERRED INFLOW OF RESOURCES:			
Pension related.....	50,124	5,268	1,765
Other post employment benefit related.....	8,712	2	-
Revenue to be used for future costs.....	286,832	7,728	-
Accumulated increase in fair value of hedging derivative.....	2,536	-	-
TOTAL DEFERRED INFLOW OF RESOURCES	<u>348,204</u>	<u>12,998</u>	<u>1,765</u>
NET POSITION			
Net investment in capital assets.....	1,856,725	231,201	363,622
Restricted for:			
Debt service.....	187,374	-	18,279
Capital projects.....	-	-	-
Other purposes.....	354,663	-	2,967
Unrestricted.....	356,547	43,516	7,877
TOTAL NET POSITION	<u>\$ 2,755,309</u>	<u>\$ 274,717</u>	<u>\$ 392,745</u>

See accompanying notes.

**NON MAJOR
COMPONENT UNIT**

JACKSONVILLE HOUSING FINANCE AUTHORITY	TOTAL
\$ 7,586	\$ 644,713
1,631	1,631
-	970,393
-	259,086
12,836	12,836
-	3,514
-	34,243
-	100,472
-	27,514
-	808,096
-	1,153,228
-	847,508
-	125,340
-	249,896
-	11,231,095
-	(7,187,904)
-	6,419,163
22,053	9,281,661
-	190,612
-	145,117
-	86,371
-	29,173
-	4,078
-	455,351
18	173,662
-	54,860
-	1,850
157	60,040
-	77,704
-	6,281
-	54,895
-	86,371
-	2,061
-	202,049
-	268
-	574,974
-	2,949
-	4,304,352
-	1,544
-	93,361
-	19,004
-	117,055
-	22,526
-	73,590
175	5,929,396
-	57,157
-	8,714
-	294,560
-	2,536
-	362,967
-	2,451,548
-	205,653
-	-
12,836	370,466
9,042	416,982
\$ 21,878	\$ 3,444,649

**CITY OF JACKSONVILLE, FLORIDA
 COMBINING STATEMENT OF ACTIVITIES -
 COMPONENT UNITS (in thousands)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
Jacksonville Transportation Authority.....	\$ 33,715	\$ -	\$ -	\$ 17,517
Jacksonville Housing Finance Authority.....	1,731	-	-	-
Total governmental activities.....	35,446	-	-	17,517
Business-type activities:				
JEA.....	1,621,454	1,789,982		(34,463)
Jacksonville Transportation Authority.....	135,137	24,966	12,844	29,833
Jacksonville Port Authority.....	93,607	66,947	2,751	19,915
Total business-type activities.....	1,850,198	1,881,895	15,595	15,285
Total component units.....	\$ 1,885,644	\$ 1,881,895	\$ 15,595	\$ 32,802

General Revenues, Transfers, and Special Items:

Sales and tourist taxes.....
Intergovernmental - unrestricted.....
Unrestricted earnings on investments.....
Miscellaneous.....
Special Item-JEA adjustment to regulatory balances.....
Total general revenues, transfers, and special item
Change in net position.....
Net position, beginning of year, as restated.....
Net position, end of year.....

See accompanying notes.

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL
MAJOR COMPONENT UNIT	NON MAJOR COMPONENT UNIT	MAJOR COMPONENT UNITS			GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE HOUSING FINANCE AUTHORITY	JEA	JACKSONVILLE TRANSPORTATION AUTHORITY	JACKSONVILLE PORT AUTHORITY	
\$ (16,198)	\$ -	\$ -	\$ -	\$ -	\$ (16,198)
-	(1,731)	-	-	-	(1,731)
(16,198)	(1,731)				(17,929)
-	-	134,065	-	-	134,065
-	-	-	(67,493)	-	(67,493)
-	-	-	-	(3,994)	(3,994)
-	-	134,065	(67,493)	(3,994)	62,578
(16,198)	(1,731)	134,065	(67,493)	(3,994)	44,649
2,033	-	-	-	-	2,033
-	-	-	81,644	-	81,644
2,004	993	15,900	43	336	19,276
3,705	224	21,621	-	-	25,550
		(45,099)			(45,099)
7,742	1,217	(7,578)	81,687	336	83,404
(8,455)	(514)	126,487	14,194	(3,658)	128,053
49,480	22,392	2,628,822	219,499	396,403	3,316,596
\$ 41,025	\$ 21,878	\$ 2,755,309	\$ 233,693	\$ 392,745	\$ 3,444,649



(This page is intentionally left blank.)

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	58 - 74
	A. Basis of Presentation.....	58
	B. Financial Reporting Entity.....	58 - 62
	C. Basic Financial Statements.....	63
	D. Fund Structure.....	63 - 66
	E. Basis of Accounting.....	66 - 67
	F. Cash, Cash Equivalents and Investments	67
	G. Receivables	68
	H. Inventories	68
	I. Capital Assets	68
	J. Contributions	69
	K. Interfund Activity	69
	L. Restricted Assets.....	69
	M. Compensated Absences	69
	N. Risk Financing	70
	O. Pension Costs.....	70
	P. Landfill Closure and Postclosure Care Costs	71
	Q. Long-Term Obligations	71 - 72
	R. Categories and Classification of Fund Balance	72
	S. Bond Discounts, Premiums and Issuance Costs	72
	T. Deferred Loss on Debt Refundings.....	72
	U. Use of Estimates	73
	V. Reclassification.....	73
	W. Summarized Comparative Information.....	73
	X. Prepaids.....	73
	Y. Accounting Pronouncements	73 - 74
2.	BUDGETARY DATA.....	74
3.	CASH, INVESTMENTS AND SECURITIES LENDING	75 - 85
	A. Cash on Deposit	75
	B. Investments and Investment Practices	75 - 84
	C. Securities Lending	84 - 85
4.	ACCOUNTS, MORTGAGES, AND OTHER RECEIVABLE.....	86
5.	PROPERTY TAXES	87
	A. Ad Valorem Property Taxes	87
	B. The Property Tax Calendar.....	87
6.	CAPITAL ASSET ACTIVITY.....	88 - 89

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

7.	INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS	90 – 93
8.	LONG-TERM OBLIGATIONS	94 – 110
	A. Bonds and Loans Outstanding	94 - 96
	B. Debt Service Requirement to Maturity	97 - 98
	C. Changes in Long-Term Liabilities	99 - 100
	D. Reconciliation of Debt Issued to Financial Reporting Classification.....	101
	E. Pledged Revenues	102
	F. New Indebtedness Issued.....	103
	G. Demand Bonds.....	103
	H. Non-Asset Debt.....	104
	I. Defeased Debt.....	105
	J. Derivative Instrument Payments and Hedged Debt.....	106 - 108
	K. Conduit Debt.....	109
	L. Interest Expense	110
	M. Component Unit Long-term Debt.....	110
9.	PENSION PLANS	111 - 123
	A. Pension Plans	111 - 119
	B. Pension Liability, Expense, Deferred Outflows And Deferred Inflows of Resources Related to Pensions.....	120 - 122
	C. Defined Contribution Plan	122
	D. Unfunded Pension Liability	123
10.	POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)	124 - 129
11.	DEFERRED COMPENSATION PROGRAM.....	130
12.	RISK FINANCING	130 - 134
	A. Public Liability and Workers Compensation.....	130 - 133
	B. Self-Insured Health Plan.....	134
13.	OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES.....	135 - 137
	A. Compliance with Finance Related Legal and Contractual Provisions.....	135
	B. Fund Deficits.....	135
	C. Landfill Closure and Postclosure Care Costs	136 – 137

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

14.	LESSOR OPERATING LEASE.....	137 - 140
	A. Jacksonville Jaguars, LLC.	137 - 140
	B. Shands Jacksonville	140
15.	LITIGATION, CONTINGENCIES, AND COMMITMENTS	140 - 146
	A. Litigation.....	140
	B. Grants and Contracts.....	141
	C. Self-Insurance	141
	D. Pollution Remediation	141 - 143
	E. Garage Development Agreement.....	143
	F. Construction and other significant Commitments	144
	G. Encumbrance Commitments	145
	H. Tax Abatements	146
16.	MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE.....	147 - 149
17.	SUBSEQUENT EVENTS	150
18.	NET POSITION.....	151 - 152
	A. Additional Disclosure	151 - 152
	B. Restatement due to a change in accounting principle.....	152
19.	FUND BALANCE DISCLOSURE	153 - 157
	A. Fund Balance Classification	156 - 157

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation:

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

B. Financial Reporting Entity:

The City is a consolidated city/county political entity created by Chapter 67-1320 of the Laws of Florida. When consolidation occurred on October 1, 1968, all existing municipalities, authorities and public agencies within Duval County, except for the Duval County School Board, were merged into a single new corporate and political entity also known as the City of Jacksonville. At the same time, however, the cities of Jacksonville Beach, Atlantic Beach, Neptune Beach and the Town of Baldwin elected to retain local autonomy for certain municipal purposes and were reconstituted as separate and distinct urban service districts. The consolidated city government, which is comprised of an elected City Council (19 members) and mayor, provides, under the administration of the appointed chief administrative officer, services to 952,861 residents living in an 840.1 square-mile area.

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

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

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Reporting Entity: (continued)

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

Major Component Units

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

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

Non-major Component Units

The **Jacksonville Housing Finance Authority (JHFA)**, The Jacksonville Housing Finance Authority (JHFA) was established pursuant to Chapter 52, Jacksonville Municipal Code, to alleviate a shortage of housing and capital investment for the people of Duval County, pursuant to Florida Statutes, Section 159.604. The City appoints all seven of the board members. The City has the ability to impose its will on the JHFA. The JHFA operates in conjunction with the Jacksonville Housing Commission, also created by Ordinance 2003-1058, and has the rights and duties necessary under Florida Statutes, Chapter 159, Part IV, to preserve outstanding debt, issue new debt and to shield the City from financial liability. The bonds issued and outstanding are included in Note 8K Conduit Debt. The JHFA engages only in governmental activities. There are no separately issued financial statements for the JHFA, whose financial activity is accounted for by the City. The JHFA financial statements are presented in the financial section of the City report.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

Related Organizations

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

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

Jointly Governed Organization

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements:

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

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

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

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

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

As a general rule, the interfund activity has been eliminated from the citywide financial statements to avoid the doubling effect of internal service activity. However, functional expenses remain for services provided, and any remaining net resource is reported as program revenue.

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.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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:

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.

Special Revenue Fund:

The Public Safety Fund accounts for specific public safety programs through user fees and intergovernmental revenue for emergency management planning and disaster medical services provided by the Office of the Sheriff and the City Department of Fire and Rescue.

Other Non-major Governmental Funds:

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

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

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

The City Venues Fund accounts for events held at TIAA Bank Field, Daily’s Place, Veterans Memorial Arena, the Baseball Stadium, Times Union Center for the Performing Arts, Prime Osborn Convention Center, and Ritz Theater.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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.

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

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

In addition, the City reports the following fund types:

Internal Service Funds - These funds account for services provided primarily to various departments of the City and to other governmental agencies. Since these funds principally service City departments, internal service fund statements are consolidated into the governmental activities column in the citywide presentation. These activities are fleet management, copy center, information technologies, legal, risk management activities, group health, public works, and the internal debt management 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, the Defined Contribution Plans, 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 and supporting the Art in Public Places program. Fund resources are restricted. Only earnings on invested resources may be used to support these activities.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Structure: (continued)

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 plan, and the Sheriffs Fund accounts for deposits held in accordance with statutes for civil action, safeguarding of monetary evidence, and inmate funds.

E. Basis of Accounting:

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting: (continued)

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

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

F. Cash, Cash Equivalents, and Investments:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

I. Capital Assets:

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Contributions:

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

K. Interfund Activity:

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

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

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

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.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Risk Financing:

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

The City has an excess worker’s compensation policy with a self-insured retention of \$1.5 million per occurrence and includes unlimited statutory coverage for worker’s compensation benefits, except a \$50 million aggregate limit for communicable disease and a \$1 million limit for employer’s liability. The liability for self-insured losses is based on individual case estimates for reported claims, historical loss data and valuations performed by independent actuaries as of September 30, 2018, 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.

Effective January 1, 2015 the City elected to move from a fully insured plan to a self-funded arrangement for its group health coverage. The City obtained stop-loss insurance with a \$550,000 specific deductible. The deductible was increased to \$600,000 in 2017 and to \$650,000 in 2018. In 2018 the City introduced a new health plan option with a separate administrator and stop loss coverage. The stop loss deductible under that option is \$250,000. Once a claim exceeds this threshold, the City is reimbursed for any excess expenses. The plan is funded by contributions from the City and employees. These funds reside in an internal service fund which is used exclusively for Employee Benefits. Florida statutes require a safe harbor threshold be maintained in plan reserves. See Note 12 for additional risk financing disclosure.

O. Pension Costs:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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 prepaid expense in the Solid Waste Disposal Enterprise Fund. The City issued bonds to pay for closure costs on closed landfills. Post-closure care costs on closed landfills are recorded as a liability based on engineer's estimates. The City Council establishes rates that are designed to recover costs and believes it is reasonable to assume that such rates, which will recover the costs, can be charged to and collected from customers. The City intends to recover these MSWLF costs through future operating revenues of the Solid Waste Disposal Enterprise Fund. Accordingly, MSWLF costs are recognized as expenses each year to match the flow of revenue and bonds principal payments, thereby reducing the deferred charge. Expenses for closure and postclosure care costs are recorded each year and the liability is adjusted to the engineer's estimate. MSWLF closure and postclosure care costs incurred for landfills accepting solid waste after final implementation of the 1988 Act and EPA regulations are recognized as an expense. A liability is recorded based upon the landfill capacity used during that year applied to the engineer's estimate of closure and postclosure care costs. (See Note 13C.)

Q. Long-Term Obligations:

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Long-Term Obligations (continued)

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 is reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds received, are reported as debt service expenditures.

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

T. Deferred Loss on Debt Refundings:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Reclassifications:

Certain 2017 amounts have been reclassified to conform to the 2018 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, 2017, from which the summarized information was derived. Limited 2017 comparative information was adjusted for comparability on some of the financial statements.

X. Prepaids:

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

Y. Accounting Pronouncements:

In fiscal year 2018, the City adopted new statement of financial accounting standards issued by the GASB:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)
- GASB Statement No. 81, Irrevocable Split-Interest Agreements;
- GASB Statement No. 85, Omnibus 2017
- GASB Statement No. 86, Certain Debt Extinguishment issues

GASB Statement No. 75 establishes standards related to other post-employment benefits (OPEB) for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expenses. Methods and assumptions used to project benefit payments and related obligations, and guidance for note disclosure and required supplementary information is provided. Implementing this standard resulted in the restatement of beginning net position in the Citywide, Enterprise, and Internal Service statements. (see Note 18B)

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Accounting Pronouncements: (continued)

GASB Statement No. 81, Irrevocable Split-Interest Agreements addresses accounting and financial reporting by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 85 Omnibus 2017, addresses various practice issues identified in the implementation or application of other GASB Statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues provides guidance for accounting and financial reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished.

The Governmental Accounting Standards Board has issued statements that will become effective in 2019.

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 88, Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements

The City is currently evaluating the effects that these statements will have on its 2019 financial statements.

2. BUDGETARY DATA

The City presents a Budgetary Comparison Schedule for the General Fund as Required Supplementary Information. For this reporting period, the Public Safety special revenue fund met the criteria of a major fund, but is not annually budgeted. No other 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.

(The remainder of this page is intentionally left blank)

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

3. CASH, INVESTMENTS AND SECURITIES LENDING

A. Cash on Deposit

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

At September 30, 2018, primary government deposits in financial institutions totaled \$244.0 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. a. General Operating Investments

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. a. General Operating Investments (continued)

Other than operating cash invested overnight through the City's zero balance sweep accounts, all invested cash is managed by third-party money managers. Performance benchmarks for the Portfolio are established in the Investment Policy and performance benchmarks for each of the specific third party managers are established by the Investment Committee. The Policy defines the Average Duration and Compliance Categories for investments. Compliance Category limits are stated as a percentage of the Fiscal Year 2017 Normal Portfolio Balance of \$869 million, which is defined by Ordinance as the average total portfolio balance for the preceding twelve months.

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

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

1. a. General Operating Investments (continued)

**Operating Fund
Compliance Guideline Characteristics
as of September 30, 2018**

Compliance Guideline	Sector Guideline Exposures			
	Exposure to Specific Guideline	Year end Exposure %	% of Normal Portfolio Balance	
			During Year	Maximum By Policy
Duration¹	2.68	NA	2.86	5.00
Liquidity	\$ 339,911,364	39.1%	70.7%	100.0%
Requirements				
USG + Agencies	\$ 401,868,496	46.2%	58.4%	100.0%
US Govt (USG)	284,641,417	32.8%	42.4%	100.0%
Constraints				
Agencies	\$ 117,227,080	13.5%	16.0%	45.0%
MBS	84,231,567	9.7%	11.2%	35.0%
Agency MBS	65,585,379	7.5%	8.9%	35.0%
Non-Agency MBS	18,646,188	2.1%	2.5%	15.0%
Asset Backed Securities	34,156,094	3.9%	4.1%	7.5%
Corporates	300,654,914	34.6%	36.5%	60.0%
Corporates > 1 Year	236,994,219	27.3%	29.4%	40.0%
Municipal Bonds	5,005,606	0.6%	1.1%	10.0%
Bond Funds	194,194,759	22.3%	43.1%	85.0%
Money Market Funds	23,185,840	2.7%	6.7%	40.0%
Certificates of Deposit	-	0.0%	0.1%	20.0%
Repurchase agreements	-	0.0%	0.0%	20.0%
Rule 144a Securities	35,589,988	4.1%	4.1%	10.0%
Specialty Risk				
High Yield	\$ 36,496,704	4.2%	4.4%	9.0%
International	44,710,708	5.1%	6.2%	7.5%
International (non-hedged)	-	0.0%	0.0%	5.0%
Emerging Market	3,478,728	0.4%	0.7%	5.0%
Duration > 8.5	18,477,594	2.1%	3.4%	7.5%
Normal Portfolio Balance	\$ 868,996,000			

¹Commingled Funds and Cash are excluded

b. General Operating Investments - Fair Value Measurements

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

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

**Operating Fund
Fair Value of Assets by Measurement Type
as of September 30, 2018**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	-	-	-	-
Corporate Stock - Preferred	1,034,231	-	1,034,231	-
Registered Investment Companies	120,744,776	120,744,776	-	-
U. S. Government Securities	284,402,006	233,101,830	51,300,176	-
Corporate Debt Instruments	308,618,511	-	308,618,511	-
Common/Collective Trust	116,835,931	-	-	116,835,931
**Other Investments	707,069	(6,318,739)	7,025,808	-
Total Investments	\$ 832,342,524	\$ 347,527,867	\$ 367,978,726	\$ 116,835,931

**Composed of Taxable Municipals, Non-US Bonds, Other Short Term Bonds, and Cash/Interest/Pending trades as of 9/30/18.

The City has the following recurring fair value measurements as of September 30, 2018:

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

In addition to the assets listed in the charts above, the City also maintains liquid funds at its primary banking institution in a general deposit account and a money market account. The balances in these accounts as of 9/30/18 were \$49.8 million in the general deposit and \$160.3 million in the money market.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

2. a. Pension Plan Investments

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

Jacksonville Retirement System
Distribution by Asset Type
9/30/2018

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 835,050,837	\$ -	\$ -	\$ 9,900,140	\$ 844,950,977	37%
Large Cap Value	222,618,611	-	-	3,441,307	226,059,918	11%
Large Cap Growth	218,461,903	-	-	262,620	218,724,523	9%
Large Cap Core	183,214,959	-	-	1,054,788	184,269,747	8%
Small Cap Value	117,257,758	-	-	2,364,777	119,622,535	5%
Small Cap Growth	93,497,606	-	-	2,746,934	96,244,540	4%
Small Cap Core	-	-	-	29,714	29,714	0%
Transition Account	-	-	-	20,900	20,900	0%
Equity (International)	\$ 516,120,735	\$ -	\$ -	\$ 764	\$ 516,121,499	22%
Value	259,512,712	-	-	-	259,512,712	11%
Growth	131,411,783	-	-	764	131,412,547	6%
Emerging	125,196,240	-	-	-	125,196,240	5%
Bonds	\$ -	\$ 314,367,249	\$ 101,954,697	\$ 4,367,436	\$ 420,689,382	18%
Intermediate	-	249,184,901	-	4,367,176	253,552,077	11%
Aggregate	-	65,182,348	101,954,697	260	167,137,305	7%
Inflation Protected	-	-	-	-	-	0%
Cash Account	\$ -	\$ -	\$ -	\$ 3,608,085	\$ 3,608,085	0%
Other	\$ 101,960,093	\$ -	\$ 419,386,695	\$ 1,712,212	\$ 523,059,000	23%
Real Assets	101,960,093	-	419,386,695	1,712,212	523,059,000	23%
Total investments	\$ 1,453,131,665	\$ 314,367,249	\$ 521,341,392	\$ 19,609,537	\$ 2,308,449,843	100%
Less: Amount reported as receivables					(3,229,730)	
Total Investments less receivables					\$ 2,305,220,113	

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

2. a. Pension Plan Investments (continued)

Police and Fire Pension Fund
Distribution by Asset Type
9/30/2018

	Equities	Bonds	Other	Cash	Total	Percentage
Equity (Domestic)	\$ 850,635,977	\$ -	\$ -	\$ 6,059,991	\$ 856,695,968	43%
Large Cap Value	223,787,838	-	-	162,740	223,950,578	11%
Large Cap Growth	240,318,649	-	-	3,924,596	244,243,245	12%
Large Cap Core	221,621,079	-	-	17,096	221,638,175	11%
Small Cap Value	77,639,802	-	-	1,955,559	79,595,361	4%
SMID Cap Growth	87,268,609	-	-	-	87,268,609	5%
Equity (International)	\$ 395,965,296	\$ -	\$ -	\$ 3,613	\$ 395,968,909	20%
Value	153,178,727	-	-	-	153,178,727	8%
Growth	123,586,961	-	-	3,496	123,590,457	6%
Emerging Markets	119,199,608	-	-	117	119,199,725	6%
Bonds	\$ -	\$ 395,364,219	\$ -	\$ 1,934,213	\$ 397,298,432	20%
Intermediate	-	75,053,977	-	1,647,202	76,701,179	4%
Aggregate	-	320,310,242	-	287,011	320,597,253	16%
Cash Account	\$ -	\$ -	\$ -	\$ 8,668,446	\$ 8,668,446	1%
Other	\$ -	\$ -	\$ 313,153,050	\$ 541,135	\$ 313,694,185	16%
Real Estate	-	-	228,085,778	-	228,085,778	12%
MLPs	-	-	85,067,272	541,135	85,608,407	4%
Total investments	\$ 1,246,601,273	\$ 395,364,219	\$ 313,153,050	\$ 17,207,398	\$ 1,972,325,940	100%

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

2. b. Pension Plan Investments – Fair Value Measurements

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

**Jacksonville Retirement System
Fair Value of Assets by Measurement Type
as of September 30, 2018**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	638,797,198	638,797,198	-	-
Corporate Stock - Preferred	-	-	-	-
Registered Investment Companies	23,050,619	23,050,619	-	-
U. S. Government Securities	94,865,172	50,809,666	44,055,506	-
Corporate Debt Instruments	151,361,780	-	151,361,780	-
Common/Collective Trust	540,008,423	-	-	540,008,423
Partnership/Joint Venture Interest	498,706,816	80,479,917	-	418,226,899
Pooled Separate Accounts	101,030,652	-	-	101,030,652
**Other Investments	260,629,183	275,538	854,690	259,498,955
Total Investments	\$ 2,308,449,843	\$ 793,412,938	\$ 196,271,976	\$ 1,318,764,929

**Composed of 103-12 Investments, Other Short Term Bonds, Derivatives, and Cash/Dividends/Interest/Misc. Payables/Pending Trades as of 9/30/18.

The City has the following recurring fair value measurements as of September 30, 2018:

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

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

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

**Police and Fire Pension Fund
Fair Value of Assets by Measurement Type
as of September 30, 2018**

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Short Term Investments	17,193,026	17,193,026		-
Commercial Mortgage Backed Securities	1,406,633		1,406,633	-
Corporate Bonds	130,481,337		130,481,337	-
Funds - Other Fixed Income	24,107,518		24,107,518	-
Government Bonds	32,872,190	32,872,190		-
Government Mortgage Backed Securities	16,730,229		16,730,229	-
Common Stock	422,901,545	422,901,545		-
Preferred Equities	374,550	374,550		-
Funds - Common Stock	887,439,182		887,439,182	-
Hedge Equity	123,586,961			123,586,961
Real Estate	313,153,049			313,153,049
Total Investments	\$ 1,970,246,220	\$ 473,341,311	\$ 1,060,164,899	\$ 436,740,010

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

3. Interest Rate Risk

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

4. Credit Quality

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

		Credit Quality September 30, 2018	
Operating Portfolio		General Employee Pension Plan	Police and Fire Pension Fund
Quality Breakdown	Portfolio (%)	Portfolio (%)	Portfolio (%)
Aaa	51%	30%	18%
Aa1-Aa3	9%	4%	6%
A1-A3	15%	19%	13%
Baa1-Baa3	17%	18%	32%
Ba1-Ba3	3%	2%	9%
Other	4%	2%	22%
Commingled	1%	25%	0%
	100%	100%	100%

Ratings definitions:

Treasury – United States Treasury Securities (Included in Aaa)

Agency – Government Agency Securities (Included in Aaa)

Aaa (AAA) – Highest Investment Grade Quality Rating

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

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

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

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

B. Investments and Investment Practices (continued)

5. Custodial Credit Risk

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

6. Foreign Currency

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

	Operating Portfolio		Jacksonville Retirement System		Police and Fire Pension Fund	
	Exposure	Percentage	Exposure	Percentage	Exposure	Percentage
U.S. DOLLAR	\$ 832,309,711	100.00%	\$ 2,308,192,238	99.99%	\$1,971,985,358	99.98%
ARGENTINE PESO	-	0.0%	-	0.00%	340,582	0.02%
MEXICAN NEW PESO	32,813	0.00%	-	0.00%	-	0.00%
SWISS FRANC	-	0.00%	235,530	0.01%	-	0.00%
JAPANESE YEN	-	0.00%	10,133	0.00%	-	0.00%
EURO CURRENCY UNIT	-	0.00%	8,028	0.00%	-	0.00%
SWEDISH KRONA	-	0.00%	3,914	0.00%	-	0.00%
Total	\$ 832,342,524	100.00%	\$ 2,308,449,843	100.00%	\$1,972,325,940	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. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed.

The securities loaned are on a rolling daily basis and the cash collateral can be deposited and/or withdrawn from the investment on a daily basis. The weighted average duration of the collateralized loans at September 30, 2018 was 20 days for the City's Operating Portfolio and 89 days for the Jacksonville Retirement System.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

3. CASH, INVESTMENTS AND SECURITIES LENDING (continued)

C. Securities Lending (continued)

The net asset value of the collateral may fluctuate and potentially subject the City to credit risk if the above-mentioned 102% daily adjusted collateral were to fall below 100%. As of September 30, 2018, the City of Jacksonville maintained a sufficient 102% collateral on loaned securities. During the fiscal year ended September 30, 2018; Securities Lending net income was \$349 thousand (\$81 thousand Operating, \$268 thousand Jacksonville Retirement System).

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2018.

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount Shown on Balance Sheet</u>
Major Governmental Funds:			
General Fund	\$ 115,052	\$ (110,976)	\$ 4,075
Non-Major Governmental Funds	605	(68)	537
Major Enterprise Funds:			
Solid Waste Disposal	39,176	(6,026)	33,151
City Venues	10,184	(35)	10,150
Stormwater	28,425	(6,743)	21,682
Non-Major Enterprise Funds	94	(9)	85
Internal Service Funds	339	(13)	326
Fiduciary Funds:			
Pension Trust Funds	153	(21)	131
Agency Funds	2,574	-	2,574
<u>Fund</u>	<u>Mortgages Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount Shown on Balance Sheet</u>
Non-Major Governmental Funds	\$ 8,652	\$ (3,467)	\$ 5,184

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

5. PROPERTY TAXES

A. Ad Valorem Property Taxes:

Property tax collections are governed by Chapter 197, Florida Statutes. The Duval County Tax Collector bills and collects all property taxes levied within the consolidated city/county. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively. The total millage rate levied by the City was 11.44190 for the fiscal year ended September 30, 2018.

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

B. Property Tax Calendar:

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

6. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

Primary Government

	Beginning Balance October 1, 2017	Additions	Dispositions / Reclassifications	Ending Balance September 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 308,225	\$ 79	(\$ 390)	\$ 307,914
Easements	6,103	390	-	6,493
Art In Public Places	1,086	-	-	1,086
Construction in progress	15,969	29,023	(15,846)	29,146
Furniture and equipment in work in process	5,823	7,782	(5,823)	7,782
Purchased Software work in process	1,782	4,456	(263)	5,975
Total capital assets not being depreciated	338,988	41,730	(22,322)	\$ 358,396
Capital assets being depreciated:				
Buildings	856,938	9,681	-	866,619
Improvements	332,767	19,018	(28)	351,757
Infrastructure	2,307,552	27,024	-	2,334,576
Furniture, equipment and library books	470,260	46,322	(27,920)	488,662
Internal Software	27,274	-	-	27,274
Purchased Software	16,140	295	-	16,435
Total capital assets being depreciated	4,010,931	102,340	(27,948)	4,085,323
Less accumulated depreciation for:				
Buildings	268,241	18,315	-	286,556
Improvements	118,953	19,457	(28)	138,382
Infrastructure	1,034,825	76,492	-	1,111,317
Furniture, equipment and library books	329,340	31,446	(24,001)	336,785
Internal Software	23,915	1,810	-	25,725
Purchased Software	10,212	670	-	10,882
Total accumulated depreciation	1,785,486	148,190	(24,029)	1,909,647
Total capital assets being depreciated, net	2,225,445	(45,850)	(3,919)	2,175,676
Governmental activities capital assets, net	\$ 2,564,433	(\$ 4,120)	(\$ 26,241)	\$ 2,534,072
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 46,361	\$ -	\$ -	\$ 46,361
Easements	546	-	-	546
Construction in progress	78,022	7,190	(47,801)	37,411
Total capital assets not being depreciated	124,929	7,190	(47,801)	84,318
Capital assets being depreciated:				
Buildings and improvements	647,216	135,203	(43,206)	739,213
Infrastructure	71,089	14,056	-	85,145
Furniture and equipment	16,660	1,395	(1,032)	17,023
Total capital assets being depreciated	734,965	150,654	(44,238)	841,381
Less accumulated depreciation for:				
Buildings and improvements	274,901	19,520	(51)	294,370
Infrastructure	18,015	4,105	-	22,120
Furniture and equipment	8,678	1,812	(708)	9,782
Total accumulated depreciation	301,594	25,437	(759)	326,272
Total capital assets being depreciated, net	433,371	125,217	(43,479)	515,109
Business-type activities capital assets, net	\$ 558,300	\$ 132,407	(\$ 91,280)	\$ 599,427

CITY OF JACKSONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

6. CAPITAL ASSET ACTIVITY

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

Governmental activities:	
General government	\$ 38,896
Human services	1,997
Public Safety	11,103
Culture and recreation	14,135
Transportation	8,708
Economic environment	1,086
Physical environment	72,265
Total depreciation expense - governmental activities	<u>\$ 148,190</u>

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

Business-type activities:	
Parking system	\$ 385
Solid Waste	3,298
Stormwater Services	4,100
Equestrian Center	707
City Venues	16,947
Total depreciation expense - business-type activities	<u>\$ 25,437</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, 2018**

7. INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

Interfund Transfers (in thousands)

	TRANSFERS OUT			
	MAJOR FUNDS			
	General Fund	Solid Waste	City Venues	Special Bonded Debt
TRANSFERS IN				
MAJOR FUNDS				
General Fund		-	-	-
Public Safety	7,000	-	-	-
Solid Waste	12,059	-	-	-
Storm Water	2,526	-	-	-
City Venues	15,131	-	-	175
Special Bonded Debt	62,985	-	-	-
Special Bonded Debt-BJP	-	-	-	-
NON-MAJOR FUNDS				
Special Revenue	38,435	-	-	-
Capital Projects	22,196	-	948	-
Enterprise	109	455	-	-
Internal Service	1,372	-	-	-
	\$ 161,813	\$ 455	\$ 948	\$ 175

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 2018, transfers in support of Debt Service funds were 48% of total transfers. A large portion of the transfers out of the General Fund was in support of Non-Major Governmental funds, the largest being the Kids Hope Alliance. \$22 million was also transferred to support authorized capital projects. Transfers from the General Fund include support of Major Enterprise funds, including the City Venues, Solid Waste, and Storm Water. Other support from the General Fund include transfers to the Public Safety Fund in support of emergency spending due to recent storms. Non-Major Internal Service funds, which include Fleet Management and Self Insurance, also received support from the General Fund.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

TRANSFERS OUT				
NON-MAJOR FUNDS				
Enterprise	Special Revenue	Capital Projects	Internal Service	Total
-	4,545	285	14,997	19,827
-	-	-	-	7,000
-	-	221	-	12,280
-	-	438	-	2,964
4,427	5,062	-	-	24,795
-	12,173	-	-	75,158
-	63,264	-	-	63,264
-	737	215	-	39,387
250	19,864	73	-	43,331
-	-	-	-	564
-	-	-	-	1,372
\$ 4,677	\$ 105,645	\$ 1,232	\$ 14,997	\$ 289,942

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

<u>DUE FROM OTHER FUNDS</u>	<u>AMOUNT</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	51,687	Public Safety
TOTAL	\$ 51,687	

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>
Internal Service Funds		
Self Insurance	1,026	General Projects-Loan for Redevelopment Agreement
TOTAL	\$ 1,026	

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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 \$1,025,953 at September 30, 2018.

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, 2018 was \$9,527,284 which is recorded in the Self Insurance Fund as other receivables noncurrent.

Vestcor will repay the City an amount of \$17,816,000 to the Downtown Economic Development fund as created by ordinance 2000-1079-E. The terms of the repayment is a 40-year amortization, with a 20-year term at a fixed interest rate of 1.525% per year. Annual principal and interest payments were initially scheduled for \$595,248, but were reduced to interest-only payments for the three year period beginning March 1, 2010. The deferred principal payments were added to the balloon payment. A second modification agreement (Ordinance 2014-280) allowing suspension of half of the principal payments for a period of three years from October 2013 to September 2016 was approved by Council. Deferred principal payments have been added to the balloon payment which is now \$12,125,133 due on August 1, 2023. The balance of the loan at September 30, 2018 was \$14,067,666 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, 2018**

8. LONG-TERM OBLIGATIONS

A. Bonds and loans outstanding:

The bonds and loans outstanding as of September 30, 2018 are as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Coupon Rates</u>	<u>True Interest Cost⁽¹⁾</u>
Revenue Bonds Supported by General Fund:				
Excise Taxes Revenue Bonds:				
Series 2006C	\$ 23,555.0	\$ 6,180.0	5.190 - 5.220%	5.228%
Series 2009A	39,585.0	30,785.0	3.375 - 5.000%	4.399%
Series 2009B	18,535.0	4,385.0	5.000%	3.035%
Local Government Sales Tax Revenue Bonds:				
Series 2001	103,725.0	7,520.0	5.500%	4.571%
Capital Project Revenue Bonds:				
* Series 2008A	67,037.0	51,879.7	Variable ⁽²⁾	N/A
* Series 2008B	67,037.0	51,879.7	1.159 - 2.900%	N/A
Special Revenue Bonds				
Series 2009C-2 (Taxable BABS)	10,995.0	5,840.0	4.590 - 4.990% (taxable)	3.111%
Series 2010A	48,000.0	4,231.0	5.000%	2.737%
Series 2011A	76,500.0	72,735.0	5.000 - 5.250%	4.674%
* Series 2012C	183,058.0	137,918.0	4.000 - 5.000%	2.537%
Series 2012D	11,840.0	6,640.0	4.000 - 5.000%	1.573%
Series 2012E	34,340.0	22,395.0	1.703 - 2.372% (taxable)	1.875%
Series 2013A	27,175.0	27,175.0	4.250 - 5.250%	4.885%
* Series 2014	61,401.0	61,401.0	5.000%	3.284%
Series 2016A	48,134.0	48,133.7	4.000 - 5.000%	2.386%
* Series 2017A	10,600.0	10,600.0	5.000%	3.402%
Total Revenue Bonds Supported by General Fund	\$ 831,517.0	\$ 549,698.1		
	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Coupon Rates</u>	<u>True Interest Cost⁽¹⁾</u>
Special Revenue (Covenant) Bonds Payable from Internal Service Operations:				
Special Revenue Bonds:				
Series 2008	\$ 54,215.0	\$ 3,480.0	4.125-5.000%	4.966%
Series 2009C-2 (Taxable BABS)	26,315.0	15,289.0	4.590-4.990% (taxable)	3.111%
Series 2010A	46,945.0	28,029.0	3.250-5.000%	2.737%
Series 2010C-1	27,205.0	11,460.0	5.000%	2.763%
Series 2011A	32,380.0	24,015.0	5.000-5.250%	4.674%
Series 2013A	26,860.0	23,785.0	4.000-5.250%	4.885%
Series 2013B	35,145.0	22,030.0	2.777-4.643% (taxable)	3.469%
* Series 2014	36,975.0	36,110.0	5.000%	3.284%
Series 2016A	44,081.0	43,206.3	3.000 - 5.000%	2.386%
* Series 2017A	80,330.0	80,330.0	3.000 - 5.250%	3.402%
Series 2018	72,540.0	72,540.0	5.000%	3.212%
Total Special Revenue Bonds Payable from Internal Service Operations	\$ 482,991.0	\$ 360,274.3		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

A. Bonds and loans outstanding (continued) (in thousands)

Notes Payable from Internal Service Operations:	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Amortizing Short Term Debt	\$ 13,273.6	\$ 13,273.6	Variable ⁽³⁾	N/A
Interim Short Term Debt	2,359.8	2,359.8		
 Total Notes Payable from Internal Service Operations	 <u>\$ 15,633.4</u>	 <u>\$ 15,633.4</u>		
 Total bonds and notes payable from Internal Service Funds	 <u>\$ 498,624.4</u>	 <u>\$ 375,907.7</u>		
 Revenue Bonds Supported by BJP Revenues:				
Transportation Sales Tax Revenue Bonds:				
Series 2008B	\$ 121,740.0	\$ 63,550.0	Variable ⁽⁴⁾	N/A
Series 2012A	151,660.0	151,660.0	4.000-5.000%	4.324%
Series 2012B	57,730.0	36,740.0	5.000%	3.076%
Series 2015	197,295.0	182,620.0	2.000-5.000%	3.211%
Infrastructure Sales Tax Revenue Bonds:				
Series 2008	105,470.0	4,245.0	5.000%	4.626%
Series 2011	79,220.0	45,015.0	3.125-5.000%	3.615%
* Series 2012	238,570.0	185,120.0	4.000-5.000%	3.910%
* Series 2012A	41,095.0	41,095.0	5.000%	3.773%
Series 2016	<u>\$ 67,070.0</u>	<u>\$ 67,070.0</u>	3.000 - 5.000%	2.433%
 Total Revenue Bonds Supported by BJP Revenues	 <u>\$ 1,059,850.0</u>	 <u>\$ 777,115.0</u>		
 Special Revenue (Covenant) Bonds Supported by BJP Revenues:				
Special Obligation Bonds:				
Series 2009B-1A	\$ 52,090.0	\$ 4,725.0	5.000%	4.006%
Series 2009B-1B (Taxable BABs)	55,925.0	55,925.0	6.259% (taxable)	6.341%
Series 2010B	100,205.0	46,250.0	5.000%	2.282%
Series 2011B	86,600.0	31,200.0	5.000%	2.953%
Series 2013C	31,565.0	31,565.0	5.250%	2.953%
Series 2016B	58,645.0	58,645.0	2.250 - 5.000%	2.043%
Series 2017B	<u>\$ 31,455.0</u>	<u>\$ 31,455.0</u>	5.000%	2.038%
 Total Special Revenue Bonds Supported by BJP Revenues	 <u>\$ 416,485.0</u>	 <u>\$ 259,765.0</u>		
	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
 Notes Payable Supported by BJP Revenues:				
State of Florida Infrastructure Bank:				
Series 2005	\$ 40,000.0	\$ 13,099.3	2.000%	1.901%
Series 2007	48,698.0	11,689.0	2.500%	2.456%
 Total Notes Payable Supported by BJP Revenues	 <u>\$ 88,698.0</u>	 <u>\$ 24,788.3</u>		
 Total Bonds and Notes Supported by BJP Revenues	 <u>\$1,565,033.0</u>	 <u>\$ 1,061,668.3</u>		
 Total Governmental Activities	 <u>\$2,895,174.4</u>	 <u>\$ 1,987,274.1</u>		

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds Supported by Business-Type Activities	Amount Issued	Amount Outstanding	Remaining Coupon Rates	True Interest Cost ⁽¹⁾
Capital Project Revenue Bonds:				
* Series 2008A	\$ 248.0	\$ 180.3	Variable ⁽²⁾	N/A
* Series 2008B	248.0	180.3	1.159 - 2.900%	N/A
Infrastructure Sales Tax Revenue Bonds:				
* Series 2012	41,480.0	41,480.0	4.125-5.000%	3.910%
* Series 2012A	73,795.0	73,795.0	5.000%	3.773%
Capital Improvement Revenue Bonds:				
Series 2012	118,005.0	93,540.0	4.000-5.000%	2.642%
Special Obligation Bonds:				
* Series 2012C	922.0	287.0	5.000%	4.821%
* Series 2014	1,784.0	1,784.0	5.000%	3.284%
* Series 2017A	21,935.0	21,935.0	3.000 - 5.250%	3.402%
Total Revenue Bonds Supported by Business-Type Activities	<u>\$ 258,417.0</u>	<u>\$ 233,181.6</u>		

Notes Payable Supported by Business-Type Activities:

Amortizing Short Term Debt	\$ 16,375.0	\$ 16,375.0	Variable ⁽³⁾	N/A
Total Notes Payable from Internal Service Operations	<u>\$ 16,375.0</u>	<u>\$ 16,375.0</u>		
Total bonds and notes payable from Business-Type Activities	<u>\$ 274,792.0</u>	<u>\$ 249,556.6</u>		

COMPONENT UNITS:

Bond and notes payable:				
JEA		3,999,470.0		
JPA		244,856.0		
JTA		<u>91,280.0</u>		
Total Component Unit bonds and notes payable		<u>\$ 4,335,606.0</u>		

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

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

(2) Variable Rate Debt - interest rates were 1.54% at September 30, 2018

(3) Variable Rate Debt - interest rates ranged from 1.72% to 1.77% at September 30, 2018

(4) Variable Rate Debt - interest rates were 1.55% at September 30, 2018

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

B. Debt Service Requirements to Maturity:

The Debt service requirements to maturity on long-term obligations at September 30, 2018 are as follows (in thousands). The amounts reported in the table below include designated maturities established by management (see discussion below), but does not reflect any accelerated amortizations that may result under the term out provisions as discussed in Note 8G.

Fiscal Year Ending September 30	Bonds and Notes Payable from Governmental Activities				Bonds Payable from Business-type Activities		Principal and Interest- Primary Government	Component Units	
	Supported by General Revenues and Internal Service Funds		Supported by BJP Revenues		Enterprise Funds			Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest			
2019	\$ 76,247	\$ 37,822	\$ 55,767	\$ 47,422	\$ 7,131	\$ 11,764	\$ 236,154	\$ 204,645	\$ 85,858
2020	72,592	37,271	58,706	44,874	7,626	11,557	232,625	200,108	161,762
2021	67,985	34,365	63,102	42,129	7,963	11,287	226,831	149,808	152,912
2022	57,762	31,623	60,658	39,305	8,371	10,894	208,613	152,152	146,769
2023	48,940	29,154	65,414	36,314	8,783	10,481	199,086	165,310	140,521
2024-2028	213,846	114,683	388,780	128,536	82,256	42,663	970,765	891,381	602,197
2029-2033	221,417	65,473	334,495	34,379	119,601	12,476	787,841	1,017,405	410,261
2034-2038	105,228	25,477	34,745	3,065	7,827	1,012	177,354	1,043,557	215,414
2039-2043	47,845	8,457	-	-	-	-	56,302	465,940	53,043
2044-2048	13,745	1,878	-	-	-	-	15,623	41,380	5,295
2049-2053	-	-	-	-	-	-	-	3,920	98
Totals	\$ 925,607	\$ 386,204	\$ 1,061,667	\$ 376,024	\$ 249,558	\$ 112,134	\$ 3,111,194	\$ 4,335,606	\$ 1,974,130

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

Fiscal Year Ending September 30	by Stated Maturity		
	Supported by BJP Revenues		Total All Programs
	Series 2010B	Series 2011B	
2019	\$ -	\$ -	\$ -
2020	7,715	10,175	17,890
2021	7,715	10,175	17,890
Total by Series	\$ 15,430	\$ 20,350	\$ 35,780

Fiscal Year Ending September 30	by Designated Maturity		
	Supported by BJP Revenues		Total All Programs
	Series 2010B	Series 2011B	
2022	\$ 7,705	\$ 6,130	\$ 13,835
2023	7,710	6,375	14,085
2024	15	6,630	6,645
2025	-	1,215	1,215
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
Total by Series	\$ 15,430	\$ 20,350	\$ 35,780

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

C. Changes in Long-Term Liabilities:

Changes in long-term liabilities for the fiscal year ended September 30, 2018 are as follows (in thousands):

	Balance September 30, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
Governmental Activities:					
Debt activity supported by general revenues:					
Revenue bonds	\$ 594,708	\$ -	\$ 45,010	\$ 549,698	\$ 46,706
Debt activity- general revenues	\$ 594,708	\$ -	\$ 45,010	\$ 549,698	\$ 46,706
Bonds/notes payable - Debt Management Fund					
Special revenue (covenant) bonds	\$ 312,442	\$ 72,540	\$ 24,708	\$ 360,274	\$ 22,639
Notes payable	35,759	7,700	27,825	15,634	-
Debt activity - internal service funds	\$ 348,201	\$ 80,240	\$ 52,533	\$ 375,908	\$ 22,639
Debt activity - general revenues and internal service	\$ 942,909	\$ 80,240	\$ 97,543	\$ 925,606	\$ 69,345
Debt activity supported by BJP revenue:					
Revenue bonds - BJP	\$ 813,275	\$ -	\$ 36,160	\$ 777,115	\$ 39,765
Special revenue (covenant) bonds - BJP	266,505	-	6,740	259,765	10,110
Notes payable - BJP	30,549	-	5,761	24,788	5,892
Debt activity - BJP	\$ 1,110,329	\$ -	\$ 48,661	\$ 1,061,668	\$ 55,767
Total governmental activities	\$ 2,053,238	\$ 80,240	\$ 146,204	\$ 1,987,274	\$ 125,112
Other related debt amounts:					
Issuance premiums	\$ 179,962	\$ 8,969	\$ 14,095	\$ 174,836	\$ -
Issuance discounts	(2,055)	-	(161)	(1,894)	-
Total other related debt amounts	\$ 177,907	\$ 8,969	\$ 13,934	\$ 172,942	\$ -
Accrued Compensated Absences	57,534	8,761	167	66,128	19,838
Estimated Liability for Self-Insured Losses	114,591	107,310	102,520	119,381	33,242
Pollution Remediation	117,021	9,318	15,332	111,007	-
*Other Post - Employment Benefits	204,288	-	16,597	187,691	-
Net Pension liability	2,560,432	578,814	503,253	2,635,993	-
Governmental activity long-term obligations	\$ 5,285,011	\$ 793,412	\$ 798,007	\$ 5,280,416	\$ 178,192

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

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

	Balance September 30, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
Business-Type Activities:					
Revenue Bonds	\$ 256,248	\$ -	\$ 6,692	\$ 249,556	\$ 7,131
Less: Unamortized Discount/Premium	31,987	-	2,351	29,636	-
Total Revenue Bonds, less Unamortized Discount/Premium	\$ 288,235	\$ -	\$ 9,043	\$ 279,192	\$ 7,131
Accrued Compensated Absences	932	90	30	992	306
Liability for Landfill Closure and Post Closure Care	31,463	1,275	570	32,168	-
Loans payable - Debt Management	83,018	565	-	83,583	5,186
Business-type activity long-term obligations	<u>\$ 403,648</u>	<u>\$ 1,930</u>	<u>\$ 9,643</u>	<u>\$ 395,935</u>	<u>\$ 12,623</u>

*The above reflects restated OPEB beginning balances for Governmental and Business type activities per GASB 75 implementation.

Component Unit Activities:

Bonds and notes payable:					
JEA	\$ 4,401,255	\$ 821,000	\$ 1,222,785	\$ 3,999,470	\$ 185,790
JPA	199,444	108,054	62,642	244,856	12,580
JTA	94,430	-	3,150	91,280	3,275
Component unit activity long-term obligations	<u>\$ 4,695,129</u>	<u>\$ 929,054</u>	<u>\$ 1,288,577</u>	<u>\$ 4,335,606</u>	<u>\$ 201,645</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, 2018**

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, inter-fund 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	
Capital Projects Revenue Bonds:				
Series 2008A	67,285	51,880	180	52,060
Series 2008B	67,285	51,880	180	52,060
BJP Infrastructure Sales Tax Revenue Bonds:				
Series 2012	280,050	185,120	41,480	226,600
Series 2012A	114,890	41,095	73,795	114,890
Special Revenue Bonds:				
Series 2012C	183,980	137,918	287	138,205
Series 2014	100,160	97,511	1,784	99,295
Series 2017A	112,865	90,930	21,935	112,865
Amortizing Short Term Debt	47,241	13,274	16,375	29,649
Interim Short Term Debt	5,863	2,360	-	2,360

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

E. Pledged Revenues:

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

	Range of remaining term	Approximate future principal and interest	Current year revenue received	Current year principal and interest	Principal and interest as % of revenue
Excise Taxes:	2019 - 2035	\$ 55,757,196	\$ 125,456,366	\$ 15,278,660	12.2%
Local Government					
1/2 Cent Sales Tax:	2019	7,726,800	99,223,021	7,734,538	7.8%
JEA Charter Revenues (Capital Project Bonds):	2035	132,139,175	116,619,815	5,185,703	4.4%
Better Jacksonville Transportation Sales Tax:	2023 - 2038	610,214,964	101,762,413	33,043,201	32.5%
Better Jacksonville Infrastructure Sales Tax:	2019 - 2031	624,627,647	90,042,674	46,067,744	51.2%
with SIB Loans:	2019 - 2031	650,918,446	90,042,674	52,516,144	58.3%
Sports Facilities Capital Improvement Revenues:	2031	126,086,300	24,782,766	10,177,050	41.1%

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, 2018**

8. LONG-TERM OBLIGATIONS (continued)

F. New Indebtedness Issued:

On September 25, 2018, the City closed on the sale of \$72.5 million Special Revenue Bonds, Series 2018. The 2018 bonds have a true interest cost of 3.21% and an average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2019, and a maturity date of October 1, 2038. The proceeds of the 2018 bonds were used to refund a portion of the City's commercial paper notes (\$23.6 million) and fund previously-approved capital project expenditures (\$57.4 million). The issuance provided net proceeds of \$81.0 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.5 million.

On September 28, 2018, the City closed on the sale of Commercial Paper Notes in the amount of \$7.7 million for the purposes of funding short-term projects and interim funding for long-term projects with an initial interest rate of 1.77%.

G. Demand Bonds Issued by the City:

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

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

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

Liquidity Agreement Terms - Liquidity for the Bonds is provided by a Letter of Credit and Reimbursement Agreement (the Agreement) with Bank of America, N.A. (the Bank) originally dated July 1, 2008, and now under its fourth amendment dated June 14, 2018, and expiring July 15, 2020.

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 (\$48,060,000 as of the current termination date) over 10 equal semi-annual installments beginning 6 months after the date of purchase or advance.

As of September 30, 2018, there were no advances outstanding or bank bonds held under this Agreement.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

H. Non-Asset Debt:

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

<u>Debt Type</u>	<u>Entity or Purpose</u>	<u>Amount</u>
<u>Special Revenue Bonds</u>		
Special Revenue Refunding Bonds, Series 2012C	Shands Jacksonville Medical Center	30,795
Special Revenue Refunding Bonds, Taxable Series 2012E	Jacksonville Port Authority	22,395
Total Special Revenue Bonds		<u>\$ 53,190</u>
<u>Better Jacksonville Plan (BJP) Transportation Bonds</u>		
Special Revenue Bonds, Series 2009B-1	Jacksonville Transportation Authority (JTA) road projects	1,732
Special Revenue Bonds, Series 2010B	Jacksonville Transportation Authority (JTA) road projects	8,437
Special Revenue Bonds, Series 2011B	Jacksonville Transportation Authority (JTA) road projects	13,917
Revenue Refunding Bonds, Series 2012B	Jacksonville Transportation Authority (JTA) road projects	36,740
Revenue Refunding Bonds, Series 2015	Jacksonville Transportation Authority (JTA) road projects	41,624
Total Better Jacksonville Plan (BJP) Transportation Bonds		<u>\$ 102,450</u>
<u>BJP State Infrastructure Bank Loan</u>		
Loan #1	JTA road projects - BJP	13,099
Loan #2	JTA road projects - BJP	11,689
Total BJP State Infrastructure Bank Loan		<u>\$ 24,788</u>
<u>Other Bond Issues</u>		
Various	Misc. projects - BJP	23,604
Various	Misc. projects – other	30,622
Total Other Bond Issues		<u>\$ 54,226</u>
<u>Debt Management Fund Financed Projects</u>		
Various	Misc. projects – other	\$ 86,866
GRAND TOTAL		<u><u>\$ 321,520</u></u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2018, the City had legally defeased the following bond maturities (in thousands):

Issue	Refunded by	Principal Balance at September 30, 2018	Investment Balance with Escrow Agent at September 30, 2018 (a)
Sales Tax Revenue Bonds Series 1996 (RCR)	Cash Refunded on October 10, 2002	3,910	4,010
BJP Sales Tax Revenue Bonds Series 2008	BJP Sales Tax Revenue Refunding Bonds, Series 2016	70,840	72,581
Special Revenue Bonds, Series 2008	Special Revenue Refunding Bonds, Series 2016A	26,655	27,327
Special Revenue Bonds, Series 2009B-1A	Special Revenue Refunding Bonds, Series 2016B	34,595	36,839
Special Revenue Bonds, Series 2010A	Special Revenue Refunding Bonds, Series 2017A	12,360	12,798
Special Revenue Bonds, Series 2010B	Special Revenue Refunding Bonds, Series 2017B	15,430	15,978
Special Revenue Bonds, Series 2011B	Special Revenue Refunding Bonds, Series 2017B	20,350	21,072

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt:

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

Using the synthetic instrument method as detailed in GASB 53, the City computed the actual synthetic rate for both swaps as a blended unit for the year ended September 30, 2018. It was determined that the actual synthetic rate for the swap agreement dated January 23, 2003 (the "2003 Swap") and the swap agreement dated August 23, 2004 (the "2004 Swap"), did not meet the criteria necessary to be deemed an effective hedge and hedge accounting is not 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, 2018. The fair values were obtained by the counter-parties' mark-to-market reports submitted to the City.

	2003 Swap (SIFMA Index)	2004 Swap (67% LIBOR)
	Transportation Revenue Refunding	Transportation Revenue Refunding
Bond Series	Bonds, Series 2008B ⁽¹⁾	Bonds, Series 2008B ⁽¹⁾
Counterparty (Rating)	Wells Fargo (Aa2)	Wells Fargo (Aa2)
Effective Date	July 1, 2003	September 30, 2004
Maturity Date	October 1, 2020	October 1, 2027
Notional Amount Outstanding	\$15,890,000	\$46,625,000
Variable Rate Received ⁽²⁾	1.227%	1.164%
Fixed Rate Paid	4.010%	3.455%
Change in Fair Value - Current Year	\$657,600	\$2,385,085
Underlying Fair Value at Fiscal Year End	(\$620,274)	(\$3,740,521)
Net Swap Interest	(\$436,866)	(\$1,064,472)

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Credit Risk - As of September 30, 2018, the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreements) because each swap had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the City would then be exposed to credit risk in the amount of the swap's fair value.

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

As of September 30, 2018, the City has two floating-to-fixed rate swaps outstanding. The 2003 Swap agreement provides that the City receive a variable rate payment based on the SIFMA index. The 2004 Swap agreement provides that the City receive a variable rate payment of 67% of the one month LIBOR rate. On October 1, 2012, the City's outstanding bonds related to the two swaps were converted to a variable Index Rate mode based on 67% of the one month LIBOR rate plus a spread. Therefore, the City is exposed to basis risk on the 2003 Swap. The City is currently not exposed to basis risk on the 2004 Swap.

Market Risk - As of September 30, 2018, 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.

(Remainder of page intentionally left blank)

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

8. LONG-TERM OBLIGATIONS (continued)

J. Derivative Instrument Payments and Hedged Debt (continued)

Using rates as of September 30, 2018, 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.

(in thousands)

Fiscal Year Ending 9/30	Variable-Rate Bonds			Swap Interest Payments			Total Bonds and Swaps
	Principal	Interest	Total	Fixed Pay	Var. Received	Net Pay	
2019	\$ 9,285	\$ 1,181	\$ 10,466	\$ 1,896	\$ 814	\$ 1,082	\$ 11,548
2020	9,310	1,009	10,319	1,549	675	874	11,193
2021	9,730	836	10,566	1,189	528	661	11,227
2022	4,430	655	5,085	1,037	461	576	5,661
2023	4,695	572	5,267	880	391	489	5,756
2024-2028	26,100	1,498	27,598	1,829	814	1,015	28,613
	<u>\$63,550</u>	<u>\$5,751</u>	<u>\$69,301</u>	<u>\$8,380</u>	<u>\$3,683</u>	<u>\$4,697</u>	<u>\$73,998</u>

The above chart is based upon actual rates as of September 30, 2018. The bond and swap rates as of fiscal year end were as follows:

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

The 35-day Index Rate reset was 1.859%

The BMA rate for swap receipts was 1.511%

Subsequent to September 30, 2018, the City terminated both interest rate exchange agreements simultaneously with the refunding of the related Transportation Revenue Refunding Bonds, Series 2008B on October 22, 2018. See Note 17, Subsequent Events, for more information.

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2018**, the City had **\$182,968,339** 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, 2018**, the City had a total of **\$93,900,000** in conduit debt consisting of Jacksonville Housing Finance Authority, formerly Duval County Housing Finance Authority Single Family and Multi-Family Bonds outstanding. The amount of Single Family Housing Revenue Bonds outstanding was \$0. The amount of Multi-Family Housing Bonds outstanding was **\$93,900,000**. Refunding of previous issues make up **\$0** of the total amount outstanding.

As of **September 30, 2018**, additional conduit debt includes **\$910,747,027** Jacksonville Health Facilities Authority 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, 2018**

8. LONG-TERM OBLIGATIONS (continued)

L. Interest Expense:

Total interest expense for the fiscal year ended September 30, 2018 was \$75.9 million for governmental activities and \$12.9 million for business-type activities.

M. Component Unit Long-Term Debt:

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

JEA
21 West Church Street
Jacksonville, Florida 32202

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

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS

The City's pension plans adopted GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 and No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68 and No. 73. These Statements modify financial reporting by state and local government pension plans that present pension trust funds. Accordingly, disclosures required for the City's pension plans are presented in accordance with GASB Statement No. 67, and disclosures required for employers regarding pension plans are presented in accordance with GASB Statement No. 68 as modified by GASB Statement No. 71, GASB No. 73 and GASB Statement No. 82, Pension Issues – an amendment of GASB Statements 67, 68 and 73 required for fiscal periods beginning after June 15, 2016.

1. Summary of Significant Accounting Policies

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

2. Plan Description

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

2. Plan Description (continued)

a) Plan Administration (continued)

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

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

As of September 30, 2017, the City's pension plans in JRS and the PFPF were closed to new employees in favor of the defined contribution plan. This was the result of pension reform efforts that included the creation of a Pension Liability Surtax to fund underfunded defined benefit pensions, passage of a local referendum in Fiscal Year 2016 to approve the Surtax, and adoption of legislation by the City Council in April 2017 to approve the reform plans and dedicate the Surtax as a funding source for the City's three defined benefit pension plans. The Pension Liability Surtax will go into effect after the termination of the Local Infrastructure Sales Surtax, which will occur no later than December 31, 2030, and will remain in effect until the earlier of December 31, 2060, or when it is determined by actuarial report to the Florida Department of Management Services that the funding level of each of the City's three defined benefit pension plans are expected to reach or exceed a 100% funding level in that year.

- b) The Jacksonville Retirement System's defined benefit pension plans are administered by a nine (9) member Board of Trustees. The Board is comprised of the following officers:
- i. The Chief Administrative Officer of the City or designee;
 - ii. The Chief Financial Officer or designee;
 - iii. The Chief Human Resources Officer;
 - iv. The Chairperson of the General Employees' Pension Advisory Committee;
 - v. The Chairperson of the Corrections Officers' Pension Advisory Committee;
 - vi. A GERP retiree chosen by the Retired Employees' Association;
 - vii. A retired corrections officer chosen by the Corrections Officers' Advisory Committee.
 - viii. Two citizens appointed by the City Council with professional experience in finance, investments, economics, pension management, pension administration and/or accounting.

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

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

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

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

4. Plan Membership

Pension plan membership consisted of the following:

Pension Membership

	Jacksonville Retirement System		
	General	Corrections	Police
	Employee'	Officers'	and Fire
	Pension Plan	Pension Plan	Pension Plan
Membership:	As of 10/1/2017	As of 10/1/2017	As of 10/1/2017
Retirees and beneficiaries currently receiving benefits	5,105	276	2,546
Deferred retirement Option (DROP) participants	-	92	436
Terminated employees vested, not yet receiving benefits	195	4	73
Active employment plan members	4,644	638	2,362
Total plan membership	9,944	1,010	5,417

5. Plan Benefits Provided:

- a) **General Employee Retirement Plan** was closed for new employees of the City of Jacksonville, JEA (Jacksonville Electric Authority), JHA (Jacksonville Housing Authority) and NFTPO (North Florida Transportation Planning Authority) - other than police officers and firefighters hired after October 1, 2017. Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System - Elected Officer Class. Participation in the Retirement System was mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following:
- i. Completing thirty (30) years of credited service, regardless of age;
 - ii. Attaining age fifty-five (55) with twenty (20) years of credited service; or
 - iii. Attaining age sixty-five (65) with five (5) years of credited service.
 - iv. There is no mandatory retirement age.

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

Each member and survivor is entitled to a cost of living adjustment (“COLA”). The COLA consists of a three (3) percent increase of the retiree’s or survivor’s pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

5. Plan Benefits Provided (continued)

a) General Employee Retirement Plan (continued)

(\$5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars (\$150) per month.

b) **The Corrections Officers' Retirement Plan** was closed to all new hires after October 1, 2107. It consists solely of Corrections Officer employees of the City. Participation in the Retirement System was mandatory for all full time Corrections Officers of the City who otherwise meet the requirements for participation. Members of the Corrections Officers' Retirement Plan are eligible to retire with a full pension benefit upon achieving one of the following:

- i. completing twenty (20) years of service, regardless of age; or
- ii. attaining age sixty-five (65) with five (5) years of service.
- iii. There is no mandatory retirement age.

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

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

5. Plan Benefits Provided (continued)

b) The Corrections Officers' Retirement Plan (continued)

participants as their member contributions instead of the normal ten (10) percent deduction. Upon termination of employment, the member will receive the total DROP benefits and begin to receive the previously determined normal retirement benefits. The money that accumulates during DROP participation may be distributed in accordance with the criteria set forth in Municipal Code Section 120. The balance of the DROP benefits held in trust for DROP Participants totaled \$12.8 million as of September 30, 2018.

- c) **The Police and Fire Pension** plan which provides retirement, disability and death benefits for Police Officers and Firefighters was closed to new hires after October 1, 2017. Retirement benefits are calculated as 3 percent of the employee's final 2-year average salary times the employee's years of service up to 20 years and 2 percent thereafter (80 percent maximum benefit). Employees with 5 or more years of continuous service are eligible to retire at 20 years from the date of employment. Benefits are increased 3 percent annually after retirement.

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

In April 2017, the City Council passed legislation dedicating a Pension Liability Surtax as a funding source for the General Employees' Retirement Plan, Corrections Officers' Plan and the Police and Fire Pension Plan. The benefits that were modified in 2015, impacting both existing employees and new hires were repealed by the new legislation. The bill deleted the definition of Group I and Group II members (hired before and after the effective date of Ordinance 2015-304-E) and provides that no employee hired on or after October 1, 2017 is eligible for membership in the Police and Fire defined benefit pension plan. All new hires must be a member of the defined contribution plan. The employee contribution rate to the defined benefit pension is increased from 8% to 10% of salary and the employer contribution is set as the actuarially determined Employer Contribution as provided in relevant statutes and ordinances. For a full breakdown of the new benefit package please see City Ordinance Code Section 121, Part 2.

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

d) Florida Retirement System

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

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

5. Plan Benefits Provided (continued)

d) Florida Retirement System (continued) -

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.

The funding methods and the determination of benefits payable are provided in various Acts of the State Legislature. These Acts require that employers make actuarially determined contributions at the rates in effect as of September 30, 2018, of 3.50% for regular members, 10.60% for special risk members, 38.48% for elected county officials, 17.89% for senior management, and 7.96% for DROP Plan members.

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

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

**Pension Contributions
 (in thousands)**

	Jacksonville Retirement System		
	General Employees' Pension Plan	Corrections Officers' Pension Plan	Police and Fire Pension Plan
Required Employee Contribution Rate	10%	10%	10%
Employee Contributions for Fiscal Year Ended 2018	\$29,919	\$3,151	\$16,637
Required Employer Contribution Rate	27.55%	51.91%	97.63%
Employer Contributions for Fiscal Year Ended 2018	\$71,024	\$13,973	\$115,691
Pension base covered payroll for Fiscal Year 2018	\$253,982	\$28,164	\$162,004

7. Pension Investments

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

7. Pension Investments (continued)

a) Investment Policy (continued) -

Asset Class	Jacksonville Retirement System Target	Police & Fire Pension Fund Target
Domestic equity	30.0%	39.0%
International equity	20.0%	20.0%
Fixed Income	20.0%	20.5%
Real estate/Real assets*	15.0%	15.0%
MLPs/Energy	0.0%	5.5%
Diversifying Assets**	15.0%	0.0%
Total	100%	100%

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

**Private Equity, Private Debt and real assets

There were changes in the investment policy statement for the Jacksonville Retirement System ratified on October 26, 2017. There are no individual investments in JRS or PFPF Systems that exceed 5% of plan assets at September 30, 2018.

- b) **Rate of Return** – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.44% for the Jacksonville Retirement System and 10.00% for the Police and Fire Pension Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (net of investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocations as of October 1, 2017 are summarized below:

Asset Class	Jacksonville Retirement System Long-Term Expected Real Rate of Return	Police & Fire Pension Fund Long-Term Expected Real Rate of Return
Domestic equity	6.40%	5.40%
International equity	7.40%	5.50%
Fixed Income	1.75%	1.30%
Real estate/Real assets*	5.10%	4.50%
MLPs/Energy	-	1.40%
Private real Assets		5.50%
Cash	1.10%	0.00%

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

8. Pension Plans: Net Pension Liability

a) The components of the net pension liability as of September 30, 2018 were as follows:

	Net Pension Liability		
	<i>(in millions)</i>		
	Jacksonville Retirement System		
	General Employees' Pension Plan	Corrections Officers; Pension Plan	Police and Fire Pension Plan
Net Pension Liability (in millions): 10/01/2017			
Total pension liability	\$ 3,041	\$ 395	\$ 3,736
Plan fiduciary net position	<u>\$ 2,020</u>	<u>\$ 213</u>	<u>\$ 1,765</u>
Net pension liability	\$ 1,021	\$ 182	\$ 1,971
Net position as a % of total pension liability	66.42%	53.90%	47.24%

Actuarial Methods and Assumptions:

Date of last actuarial valuation	October 1, 2017	October 1, 2017	October 1, 2017
Inflation	2.75%	2.75%	2.50%
Salary increases (Long-Term Payroll Inflation)	2.75%	2.75%	3.50%
Investment Rate of Return	7.20%	7.20%	7.00%
Discount Rate	7.20%	7.20%	7.00%
Mortality Tables in use	RP-2000	RP-2000	RP-2000

- b) **Discount Rate:** The projection of cash flows used to determine the discount rate assumes plan member contributions are made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions the Plans' fiduciary net positions are projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plans' investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.
- c) **Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liabilities of the Plans, calculated using the discount rate and what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Net Pension Liability					
	<i>(in millions)</i>					
	General Employees' pension plan		Corrections Officers' pension plan		Police and Fire pension Plan	
	Discount Rate	Net Pension Liability*	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.20%	640	6.20%	239	6.00%	2,520
Current Rate	7.20%	473	7.20%	182	7.00%	1,971
1% Increase	8.20%	334	8.20%	136	8.00%	1,529

* Net Pension Liability represents the City of Jacksonville portion only.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. A. PENSION PLANS (continued)

9. City of Jacksonville Retirement System: Financial Information

a) The Statement of Net Position – Jacksonville Retirement System - General Employees’ and Corrections Officers’ Plan for the year ended September 30, 2018 is as follows (in thousands):

ASSETS

Equity in cash and investments	\$ 11,991
Receivables	3,268
Investments, at fair value.....	2,305,221
Capital assets, net of depreciation.....	3
Securities Lending Collateral.....	89,867
TOTAL ASSETS.....	2,410,350

LIABILITIES

Obligations under Securities Lending Agreement....	89,867
Accounts payable and accrued liabilities	5,943
Accrued Compensated Absences	15
TOTAL LIABILITIES.....	95,825

NET POSITION RESTRICTED FOR PENSIONS.....	2,314,525
--	------------------

b) The Statement of Changes in Fiduciary Net Position – Jacksonville Retirement System for the year ended September 30, 2018 is as follows (in thousands):

ADDITIONS

Contributions:

Employer.....	\$ 84,997
Plan member.....	33,070
Total contributions.....	118,067

Other Additions.....	11,882
Net investment income.....	163,985
Securities lending.....	269
TOTAL ADDITIONS.....	294,203

DEDUCTIONS

Benefit payments.....	188,391
Refund of contributions.....	22,657
Administrative expenses.....	1,321
TOTAL DEDUCTIONS.....	212,369

CHANGE IN NET POSITION.....	81,834
------------------------------------	---------------

NET NET POSITION, BEGINNING OF YEAR.....	2,232,691
---	------------------

NET POSITION, END OF YEAR.....	\$ 2,314,525
---------------------------------------	---------------------

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

1. Pension Liability

At the year ending September 30, 2018 the City of Jacksonville recorded a total Pension Liability of \$2,635.9 million. The pension plans providing the information and liability balances are reported below:

Changes in Net pension Liability
(in thousands)

	General Employees' Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters' Pension Plan	Florida Retirement System
Changes in Net Pension Liability				
Beginning Total Pension Liability FY 2018	\$ 1,382,282	\$ 370,092	\$ 3,345,515	\$ 51,141
Service Cost	17,480	7,330	45,257	666
Interest	97,613	27,284	233,338	3,453
Change of benefit term	533	73	26,818	-
Differences in actuarial experience	7,555	(2,055)	24,031	162
Change of assumption	29,858	9,951	232,927	564
Change in Porportionate Share	(13,319)	-	-	(240)
Benefit payments and refund of contributions	(89,337)	(17,438)	(171,276)	(2,803)
Net Change in total pension liability	50,383	25,145	391,095	1,802
Ending Total Pension Liability FY 2018	\$ 1,432,665	\$ 395,237	\$ 3,736,610	\$ 52,943
Changes in Plan Fiduciary Net Position				
Beginning Plan fiduciary net position FY 2018	\$ 870,902	\$ 182,127	\$ 1,485,406	\$ 42,170
Contributions - employer	43,913	19,162	184,526	802
Contributions - employee	10,682	2,500	13,570	199
Net investment income	123,408	26,747	243,422	3,718
Chapter funds and other income	-	-	11,685	-
Benefit payments and refund of contributions	(89,337)	(17,438)	(171,277)	(2,803)
Administrative expense	(365)	(75)	(2,173)	(5)
Net Change in Plan fiduciary net position	88,301	30,896	279,753	1,910
Ending Plan fiduciary net position FY 2018	\$ 959,203	\$ 213,023	\$ 1,765,159	\$ 44,080
Net Pension Liability	\$ 473,462	\$ 182,214	\$ 1,971,451	\$ 8,863

Notes to Schedule:

Benefit changes: The employee contribution rate increased from 7.7% to 9.7% of pay effective October 1, 2017. For accounting purposes, this change is reflected on September 30, 2017. The plan was closed to new entrants as of October 1, 2017. This closure had no immediate impact on the total pension liability.

Change of Assumptions: As of September 30, 2016, the mortality assumption was updated pursuant to Florida Statute Section 112.63(f), the assumed investment return was lowered from 7.50% to 7.40%, and the inflation component of the salary scale was adjusted for the following three years to reflect bargained increases with employee unions. As of September 30, 2017, the assumed investment return was lowered from 7.40% to 7.20%.

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

2. Pension Expense

For the year ended September 30, 2018 the City recognized pension expense of \$171.9 million. The City reported pension expense, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expense

(in thousands)

	Actuarial Pension Expense	Deferred Outflow Contribution Amortization	Reclass of Current Year Contributions to Deferred Outflow	Pension Expense as reported for Fiscal Year 2018
General Employees' Pension Plan	\$ 59,143	\$ -	\$ (33,758)	\$ 25,386
Corrections Officers' Pension Plan	24,412	-	(13,974)	10,439
Police & Firefighters' Pension Plan	260,912	-	(115,693)	135,219
Florida State Retirement System	1,439	214	(177)	853
Total Pension Expense	\$ 345,906	\$ 214	\$ (163,602)	\$ 171,897

3. Contributions -

Contributions of \$163.6 million were reported as deferred outflows of resources related to pensions resulting from City of Jacksonville contributions subsequent to the September 30, 2017 measurement date (FRS measurement date, June 30, 2018) and will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018.

Current Year Employer Contributions

(in thousands)

	General Employees' Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters' Pension plan	Florida State Retirement System
Fiscal Year ended 9/30/2018	33,758	13,974	115,693	790

4. Deferred Outflow/Inflow Amortization

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

Deferred Outflows and (Inflows) of resources

(in thousands)

	General Employees' Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters' Pension plan	Florida State Retirement System
Differences in expected and actual experience	\$ 21,475	\$ 753	\$ 29,787	\$ 666
Changes in assumptions	50,256	24,090	238,752	2,626
Difference in projected and actual investment earnings	(33,880)	(4,081)	(81,483)	(619)
Changes in proportion	(17,753)	-	-	(15)
Total	\$ 20,098	\$ 20,762	\$ 187,056	\$ 2,658

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

4. Deferred Outflow/Inflow Amortization (continued)

Deferred Outflows/(Inflows) Amortization for future years

(in thousands)

	General Employees' Pension Plan	Corrections Officers' Pension Plan	Police & Firefighters' Pension plan	Florida State Retirement System
September 30, 2019	\$ 15,503	\$ 5,781	\$ 81,373	\$ 1,255
September 30, 2020	12,286	6,587	81,685	737
September 30, 2021	(369)	3,310	28,089	(6)
September 30, 2022	(7,123)	699	(4,091)	378
September 30, 2023	-	3,257	-	265
Thereafter	-	1,128	-	29
Total	\$ 20,298	\$ 20,762	\$ 187,056	\$ 2,658

C. DEFINED CONTRIBUTION PLAN

The City has, by ordinance established a Defined Contribution plan within the Jacksonville Retirement System for the general employee participants of the City of Jacksonville, Jacksonville Electric Authority and the Jacksonville Housing Authority, as an alternative to the Defined Benefit plan. In April 2017, the City Council passed legislation that provides that no employee hired on or after October 1, 2017 is eligible for membership in the defined benefit pension plans. This legislation established a defined contribution retirement system which shall include a General Employees' Defined Contribution Plan (GEDC) and a Public Safety Defined Contribution Plan (PSDC) to include Police, Fire and Corrections employees. All provisions of these Defined Contribution Plans is administered and managed by the City.

Contributions to the GEDC plan, stated as a percentage of pay, were 8 percent for plan members and 12 percent for the employer. Contributions to the PSDC plan, stated as a percentage of pay, were 10 percent for plan members and 25 percent for the employer. A portion of the Member contributions of both Defined Contribution plans, equal to 0.3 percent, is used to fund disability and survivor benefits in the GEDC and PSDC. The City shall contribute such additional sums, as necessary, to fund the disability and survivor benefits on a sound actuarial basis. 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. Members may make additional contributions on an after-tax basis, to the extent permitted by law. Members may also rollover to the GEDC/PSDC plan benefits accrued in other qualified plans consistent with the then prevailing provisions of the Internal Revenue Code.

Total contributions were \$14.5 million for the 2017-18 fiscal year. Contributions totaling \$5.2 million was transferred in to the DC plan for participants that converted from DB to DC in addition to employer and employee contributions.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

9. D. UNFUNDED PENSION LIABILITY

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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. The 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. Therefore there is an implicit cost (rate) subsidy benefit and obligation for the retirees’ participation.

Funding Policy: The City has followed a pay-as- you-go 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. Since the implicit cost subsidy is the only OPEB benefit and having a pay as you go system with no funding to a trust, any administration costs are paid by the general fund and are considered immaterial. Since the City is on a pay-as-you-go, the OPEB entries are recorded in the Governmental Activities Statement of Net Position and Statement of Activities. The contribution requirements of Plan members are established by the City. Retired members pay the full premium for the Plan at the Group rate for the coverage elected; no direct City subsidy is currently applicable; however, there is an implicit cost (rate) subsidy as discussed in the Plan Description paragraph above. Retired members contributed \$6,060,000 in premiums for FY2018, representing 30.0% of the total FY2018 OPEB cost. The following displays the estimated retiree premiums for 20 year cash flow purposes:

FY2018	\$6,060,000	FY2028	\$12,276,000
FY2019	\$6,358,000	FY2029	\$12,824,000
FY2020	\$6,829,000	FY2030	\$13,473,000
FY2021	\$7,228,000	FY2031	\$14,251,000
FY2022	\$7,853,000	FY2032	\$15,208,000
FY2023	\$8,227,000	FY2033	\$15,931,000
FY2024	\$8,880,000	FY2034	\$16,413,000
FY2025	\$9,724,000	FY2035	\$16,866,000
FY2026	\$10,578,000	FY2036	\$16,918,000
FY2027	\$11,401,000	FY2037	\$16,867,000

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

Implementation of GASB #75: The Government Accounting Standards Board (GASB) issued GASB #75 in June 2015 to replace GASB #45 with an effective date for fiscal years beginning after June 15, 2017, thus the City’s FY2018 reporting year. Since the City displays comparative statements with the preceding year, ending balances are restated back to FY2016 OPEB balances for GASB #75 and corresponding entries in FY2017 and FY2018 reflect the restatement. The following displays the OPEB ending balances at fiscal year-end as restated:

	<u>OPEB Liability</u>	<u>Deferred Inflows</u>
FY2016	\$198,602,495	\$ -
FY2017	\$204,287,693	\$ 6,605,606
FY2018	\$187,690,872	\$33,081,643

Summary of GASB #75 versus GASB #45 key changes:

- 1) The City must now recognize the total OPEB liability, as opposed to an amortized portion of the liability (the Net OPEB Obligation).
- 2) The annual OPEB expense replaces the Annual Required Contribution (ARC), with faster recognition than what was previously required.
- 3) The entry age normal cost method is required to determine the liability.
- 4) The discount rate is based on employer’s assets and calculation of Actuarial Determined Contribution (ADC) if prefunding. If the plan is unfunded, the 20 year tax exempt municipal bond yield is used.
- 5) Enhanced disclosures of historical contributions, funding status, and basis for actuarial assumptions are required.
- 6) Description of any benefit and assumption changes as well as an expanded Notes section and Required Supplementary Information (RSI) requirement.

Changes in Net OPEB Liability:

	<u>FY2017</u>	<u>FY2018</u>
Total OPEB Liability – Beginning of Year	\$198,602,495	\$204,287,693
Service cost	10,839,911	11,293,019
Interest cost	7,507,817	8,884,615
Changes in assumptions and other inputs	(7,431,307)	(30,714,456)
Benefit Payments	(5,231,223)	(6,060,000)
Net change in total OPEB liability	<u>5,685,198</u>	<u>(16,596,821)</u>
Total OPEB Liability – End of Year	<u>\$204,287,693</u>	<u>\$187,690,872</u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)
Schedule of Deferred Inflows/Outflows of Resources at September 30, 2018:**

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions/inputs	\$ -	(\$33,081,643)
Net difference between projected and actual investments	\$ -	\$ -

Amounts reported as Deferred Inflows of Resources at FYE2018:

FY2019	(\$4,238,418)
FY2020	(\$4,238,418)
FY2021	(\$4,238,418)
FY2022	(\$4,238,418)
FY2023	(\$4,238,418)
Thereafter	(\$11,889,553)

OPEB Expenses:

	<u>FY2017</u>	<u>FY2018</u>
Total OPEB Expenses	\$12,291,000	\$9,879,000

Actuarial Assumptions and Methods:

- 1) Valuation Date: September 30, 2018
- 2) Discount Rate: 4.18% - Bond Buyer 20-Bond GO Index
- 3) Salary Increase Rate: 3.5% per annum
- 4) Medical Consumer Price Index Trend 3.0% per annum
- 5) Inflation Rate 3.0% per annum
- 6) Census Data The census is as of September 1, 2017, as provided by the City.
- 7) Marriage Rate The assumed number of eligible dependents is based on the current proportions of single and Family contracts in the census provided.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)
Actuarial Assumptions and Methods: (continued)

- 8) Spouse Age
Spouse dates of birth were provided by the City. Where this information is missing, male spouses are assumed to be three years older than female spouses.

- 9) Medicare Eligibility
All current and future retirees are assumed to be Eligible for Medicare at age 65.

- 10) Actuarial Cost Method
Entry Age Normal based on level percentage of projected salary.

- 11) Amortization Method
Experience gains and losses are amortized over a closed period of 9 years starting October 1, 2016, equal to the average remaining service of active and inactive plan members (who have no future service).

- 12) Plan Participation Percentage
That 60% of future pre 65 retirees will participate in the pre-65 medical plan and 15% (30% for those hired prior to 1/1/1987) continue upon Medicare eligibility. This assumes that a one-time irrevocable election to participate is made at retirement.

- 13) Mortality Rates
RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.

- 14) Health Care Cost Trend Rate
The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the HCA Consulting trend study, and are applied on a select and ultimate basis. Select trends are reduced 0.5% each year until reaching the ultimate trend rate.

<u>Expense Type (FY2017)</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.0%	4.5%
Medicare Benefits	6.0%	4.5%
Administrative Fees	4.5%	4.5%

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)
Actuarial Assumptions and Methods: (continued)

15) Per Capita Health Care Cost Trend Rate

Expected annual claim costs were developed from a blend of the previous valuations' claim costs with historical claim experience through October 2017. The age 60 and age 70 adjusted claim costs are as follows:

<u>Rate Tier</u>	<u>Age 60</u>	<u>Age 70 (Medicare)</u>	<u>(Non-Medicare)</u>
HMO 48	\$12,198	\$7,809	\$15,935
HDHP 65	\$ 9,330	\$5,314	\$12,152
PPO	\$13,793	\$8,256	\$18,019
Future Retirees	\$12,349	\$7,815	\$16,131

16) Non-Claim Expenses

Non-claim expenses are based on the current amounts charged per retired employee as of January 1, 2017. The amounts are provided in the table below and are trended at the levels shown in the "Health Care Cost Trend Rate" table in 14) above.

<u>Rate Tier</u>	<u>Age 60</u>
ASO-PEPM	\$27.70
Stop Loss – PEPM	\$ 9.04

17) Plan Election Percentage

Future eligible retirees are assumed to elect coverage based on the following percentages:

<u>Rate Tier</u>	<u>Age 60</u>
HMO 48	81%
HDHP 65	3%
PPO	16%

18) Age Based Morbidity

The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study.

19) Termination and Retirement Age

The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2016, City of Jacksonville Correctional Officer Retirement System Valuation as of October 1, 2016, the City of Jacksonville General Employees Retirement Plan Valuation as of October 1, 2016, and the City of Jacksonville Police & Fire Pension Fund Actuarial Valuation as of October 1, 2016. The annual termination probability is dependent on an employee's age, gender, and years of service.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

10. POST EMPLOYEMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)
Actuarial Assumptions and Methods: (continued)

20) Valuation of Excise Tax

A retiree pre-65 plan cost is projected at health care cost trend and compared to the excise tax cost threshold beginning in 2020 and continuing thereafter. The City will be liable for 40% of the difference between plan costs and the cost threshold, when the plan costs are greater than the cost threshold.

21) Excise Tax Thresholds

The 2020 annual threshold costs for excise tax are as follows:

- Pre-65 Retiree Single \$11,850
- Pre-65 Retiree Family \$30,950

On December 18, 2015, a bill was signed delaying the excise tax for two years. The above thresholds will soon be updated to reflect this two-year delay. The active and pre-65 retiree thresholds have been weighted by current census headcounts. The threshold is assumed to increase at health CPI trend each year.

*Sensitivity to the City’s net OPEB liability to changes in the healthcare cost trend rates:
 (rounded to thousands)*

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$149,793,000	\$187,691,000	\$208,749,000

Sensitivity to the City’s net OPEB liability to changes in the discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$149,030,000	\$187,691,000	\$210,547,000

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

11. DEFERRED COMPENSATION PROGRAM

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

12. RISK FINANCING

A. Public Liability and Workers Compensation:

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

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

(1) The Self-Insurance Program is comprised of two policies: A stand alone Excess Workers' Compensation policy from New York Marine and General Liability, which includes a retention of \$1.5 million (only \$500,000 for JHA and JPA), and a Casualty Package provided by Lloyds of London Brit Program, which includes General Liability, Law Enforcement Liability, Public Officials/Employment Liability, Automobile Liability and a Workers' Compensation Buffer Layer of \$250,000. The Self-Insurance Program covers the City government and its Members (JEA, JPA, JHA and JAA).

(2) The property policy has a \$100,000 "all other peril" deductible for events that are named windstorm; windstorm deductible losses is equal to 5% of the total insured values and applied separately to Building(s) and their associated Contents subject to a minimum deductible of \$250,000 and maximum of \$25,000,000 per occurrence. The policy also has \$25,000 deductibles that apply to Jacksonville Port Authority Equipment Floater, Fine Arts (Excess over other collected insurance) and Property in Transit and Electronic Data Program Equipment and Media. The policy includes Service Interruption coverage with a 24 hours waiting period.

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

Annually, as of September 30, the Program has a third party actuary review the claim history for all open claim years. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims and claim development) for each year's claim experience and the probable loss fund cost for the new fiscal year. The City uses in-house defense counsel for General and Automobile Liability and outside defense counsel for Workers' Compensation. The City's Self-Insurance Program liability is established at the expected confidence level on a four percent (4%) discounted basis in the amount of \$107,180,000 for General Liability, Automobile Liability and Workers' Compensation. Actuarial also projects \$7,271,000 of unallocated loss adjustment expenses on a four percent (4%) discounted basis at the expected confidence level.

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

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

The City maintains separate fiscal year accounting, which allows any excess revenues available to be returned to the City itself, and component units and the accumulation of an operating reserve authorized by the City of Jacksonville Ordinance Code Section 106.106. As of September 30, 2018, the City has a Surplus in the Self-Insurance fund of \$1,413,237 and an operating reserve in the amount of \$2,229,704 for a combined unrestricted net asset surplus of \$3,642,941. In the Supplemental Section of the City's Comprehensive Annual Financial Report, is a trend information schedule for general/auto liability and workers' compensation, entitled "Schedule of Self-Insurance Ten Year Claims Development Information," which reflects the claims paid and liability projection development of each of the most recent ten years as of September 30, 2018.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

12. RISK FINANCING (continued)

A. Public Liability and Workers Compensation: (continued)

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

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

	General/Auto Liability		Workers Compensation		Totals	
	2018	2017	2018	2017	2018	2017
Unpaid claims and claims adjustment expenses at beginning of fiscal year	\$15,531,000	\$17,132,000	\$94,300,000	\$90,873,000	\$109,831,000	\$108,005,000
Incurred claims and claim adjustment expenses:						
Provisions for insured events of the current fiscal year	3,941,305	4,030,049	11,745,214	10,633,917	15,686,519	14,663,966
Increases (decreases) in provision for insured events of prior fiscal years	3,231,824	4,779,613	17,310,864	13,682,936	20,542,688	18,462,549
Total incurred claims and claim adjustment expenses	7,173,129	8,809,662	29,056,078	24,316,853	36,229,207	33,126,515
Payments:						
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,317,590	1,474,763	4,481,276	4,427,901	5,798,867	5,902,664
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	6,086,539	8,935,899	19,723,802	16,461,952	25,810,341	25,397,851
Total Payments	7,404,129	10,410,662	24,205,078	20,889,853	31,609,207	31,300,515
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$15,300,000	\$15,531,000	\$99,151,000	\$94,300,000	\$114,451,000	\$109,831,000

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**

	General/Auto Liability		Workers Compensation		Totals	
	2018	2017	2018	2017	2018	2017
Current Liability:						
Estimated Liability for Self-Insured losses	\$8,374,800	\$8,246,400	\$19,937,400	\$17,454,150	\$28,312,200	\$25,700,550
Noncurrent Liability:						
Estimated Liability for Self-Insured losses	6,925,200	7,284,600	79,213,600	76,845,850	86,138,800	84,130,450
Total Liability	\$15,300,000	\$15,531,000	\$99,151,000	\$94,300,000	\$114,451,000	\$109,831,000

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

12. RISK FINANCING (continued)

B. Self-Insured Health Plan:

Effective January 1, 2015 the City elected to move from a fully insured plan to a self-funded arrangement for its group health coverage. The primary driver of this decision was the prohibitive cost of commercial health insurance. The City historically utilized Florida Blue as the third party administrator which provides claims adjudication services, provider network contracting and maintenance, and other valuable services. Florida Blue pays claims as they are incurred and bills the City monthly. In order to better manage the risk, the City has contracted for stop-loss insurance with a \$650,000 specific deductible in 2018. Once a claim exceeds this threshold, the City is reimbursed for any excess expenses. In 2018, the City added a new health plan option administered by Integra Administrative Group. That plan has its own stop loss with a deductible of \$250,000.

The plan is funded by contributions from the City and employees. These funds reside in an internal service fund which is used exclusively for Employee Benefits. The beginning balance of this fund as of January 1, 2015 was \$6,479,716. The City received a pro-share settlement from Florida Blue of \$1,547,615. This was the result of superior claims performance that the City experienced in CY2013 and CY2014 as a fully insured health plan. In September 2018 the City received a pharmacy rebate, from Florida Blue, of \$1,961,600 for the CY2017.

Incurred but not reported (IBNR) claims were estimated at \$4,930,000 as of September 30, 2018 and are recorded as a liability on the Statement of Net Position. Changes in the reported liability since January 1, 2015 resulted from the following:

Fiscal Year Ended	Beginning Balance	Claims and Changes in Estimates	Claim and Expense Payments	Ending Balance
2015	\$ -	\$57,049,414	\$52,850,908	\$4,198,505
2016	\$4,198,505	\$74,958,235	\$74,912,875	\$4,243,865
2017	\$4,243,865	\$73,669,055	\$73,152,818	\$4,760,102
2018	\$4,760,102	\$80,379,534	\$80,209,535	\$4,930,101

As of September 30, 2018 the operating gain was \$23,173,741. The Florida state statutes require a safe harbor threshold to be maintained in plan reserves. This threshold for FY2018 is \$12,769,093 and the City has plan reserves of \$29,653,458.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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, 2018, (in thousands):

Governmental Funds	<u>Net Position</u>
Public Safety	(\$52,467)

The Public Safety fund had a deficit balance due to excess expenditures resulting from Tropical Storms and Hurricanes. These expenditures are anticipated to be reimbursed by FEMA, the Federal Emergency Management Agency.

Additionally, the Public Safety fund includes negative intergovernmental revenue resulting from the reversal of fiscal year 2017 accruals that were greater than actual revenue received from FEMA.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

MSWLF costs, for open landfills, are recognized in accordance with GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs. A liability of the Solid Waste Disposal Enterprise Fund is recorded based upon landfill capacity used at fiscal year-end and a current operating expense of the Fund in the fiscal year in which the MSWLF costs are recovered through earned, operating revenue. Expenses for closure and long-term care costs are funded from future operating revenues of the Solid Waste Disposal fund and bond proceeds. As noted in Note 1. P, the application of SFAS No. 71 resulted in certain costs being capitalized and amortized to later periods. The City obtained bond proceeds to support closure and long-term care cost for North and East landfills and Picketville Waste Site. At September 30, 2018 the prepaid balance of the capitalized cost is \$0.

Active Landfill – Trail Ridge

The closure and long-term liability for Trail Ridge as of September 30, 2018 is \$32.2 million which represents an increase of \$1.3 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 77.61%, with an estimated life of 33.50 years.

Inactive Landfills – North and East

North and East landfills closed October 1999 and April 1992, respectively. The long-term liability for North as of September 30, 2018 is \$0. When compared to the preceding year, the liability balances decreased \$570 thousand 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, 2018**

**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. Due to inflationary increases over the years for costs expended on closing the landfill, costs exceeded the revenue derived from tonnage filling the landfill. The revenue rate structure had not changed in many years and did not keep up with inflation. The City decided to implement a three phase strategy to address the problem. In FY2017, the City’s General Fund initiated a \$9 million loan to the landfill closure/post closure sub fund as Phase 1. In FY2018, the City implemented Phase 2 and made permanent transfers of \$9 million to firm up the previous amount loaned. Phase 3 will address a rate review for the landfill closure/post closure revenue projections vs. cost projections, in order to keep the sub fund compliant with the Florida Administrative Code. As of September 30, 2018, \$17.7 million, which includes \$3.2 million for accelerated payments, have been accumulated for payment of closure and long-term care cost (see summary below). Accelerated payments are payments in excess of the required financial assurance balances that are held in reserves for contingencies and are used to offset future operational cost.

	Trail Ridge
Current Cost of Closure	\$ 14,549,113
Annual cost of long-term care	-
Accelerated funds above state minimum	3,188,231
Total balance in escrow account	\$ 17,737,344

14. LESSOR OPERATING LEASE

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, LLC. (continued)

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

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

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

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

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

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

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

14. LESSOR OPERATING LEASE (continued)

A. Jacksonville Jaguars, LLC. (continued)

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

A summary of scheduled lease payments is as follows:

<u>Year</u>	<u>Payment</u>
2019	4,718,763
2020	4,701,756
2021	3,883,700
2022	3,885,526
2023	3,886,040
2024 - 2028	28,273,742
2029 - 2030	9,786,485

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 \$8,212,997 due to the application of GASB #13 based on the difference in the actual rent paid and the calculated straight line rent.

In analyzing the lease, there are two conditions that could affect the collection of the deferred rent receivables. The lease has been modified multiple times since the original agreement, providing for rent reduction as noted in amendment #8. Based on this history of amending the lease, there is uncertainty and a potential for other rental reductions or deferments which could put the collection of the deferred rent receivables at risk. Additionally, the lease has several paragraphs concerning early termination of the contract and provides the City of Jacksonville reasonable liquidated damages in the circumstance of the Jaguars leaving the City. This termination provision, in effect, makes the rental collection subject to a year by year basis. The City has an offsetting allowance for the entire \$8,212,997 deferred rent receivables. As payments are made, the deferred receivables and allowance are adjusted accordingly.

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

A summary of the leased asset value is as follows:

Cost of leased assets	437,895,646
Accumulated depreciation	<u>(130,617,875)</u>
Carrying Value of leased assets	\$ 307,277,771

B. Shands Jacksonville:

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

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation:

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

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

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

B. Grants and Contracts:

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

C. Self-Insurance:

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

D. Pollution Remediation:

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

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

CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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

The City recorded a pollution remediation liability as of September 30, 2018 of approximately \$111.01 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. The City and other PRPs settled with the USEPA which had sought reimbursement of its cost of a removal action in 1995, regarding the Bill Johns Waste Oil Site.

The City's liability is based on contracting with the waste oil service to empty used oil collection points operated under a recycling grant from the State. The remedial action was completed in late 2006 and early 2007 and following approval of the Remedial Action Report (May 2007), the site was approved for the 30 year long term Operations and Maintenance of the facility. The PRP are responsible for the long term O&M costs for the total 30 year period. We are currently in year 13 of the 30 year period.

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Pollution Remediation: (continued)

Ash Sites

The City has identified four sites that were used for incinerator ash waste. The common practice during the 1950s and 1960s was to incinerate garbage and then mix the residual ash waste with other soil and use it as fill dirt. The City and the USEPA signed an agreement in 1999 to develop a plan to remediate the four sites. In order to make the sites and surrounding areas safe from a variety of residual pollutants, the City has proposed to the EPA a plan to clean up the areas by removing the top two feet of soil, placing a barrier, and then replacing the topsoil with untainted dirt. The project is estimated to take several years to complete once started and a cost estimate of \$37.97 million has been accrued based on the City's estimate used in its five year capital project plan. As of September 30, 2018, the Ash Sites accumulated approximately \$175.54 million of expenditures.

Other Sites

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

These projects, which are estimated to take several years to complete once started, have an estimated cost of \$30.53 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 \$42.51 million has been accrued for their estimated liability based on their inclusion in the City's five year capital projects plan.

The *Picketville Waste Dump Site* future costs are dependent upon information received from the USEPA and FDEP for the final groundwater monitoring report. The City has completed its longterm O&M responsibilities. However, groundwater impacts above regulatory levels were still present in the last samples for the final report. The City recommended continued groundwater monitoring in lieu of additional assessment and/or remediation.

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.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

F. Construction and other significant Commitments:

At September 30, 2018, the City had significant commitments for the following projects (in thousands):

General Government	
Unified cad System -JSO/JFRD	2,201
ERP-Financial/Resource Management	1,395
Edward Waters College-Student Housing	1,395
Pretrial Det. Facility - Cell Door System	530
ADA Compliance - Curb Ramps Sidewalks	13,849
Liberty St/Coastline Dr. Parking Decks	10,844
Pavement Markings	741
Old City hall Remediation/Demolition	3,952
Crime Gun Intelligent Control - Ed Austin Building	622
Public Safety	
Fire Equipment -Diesel Exhaust System	1,841
Fire Station #73 Construction	3,005
Rogero Rd Ditch Embankment - Emergency	600
Physical Environment	
Jax Ash Site Pollution Remediation	4,096
Jax Ash Site	2,619
Southside Incinerator Site	689
Environmental Compliance- County Wide	1,134
Gold Merit/Pope Place	5,299
Lower Eastside Drainage	4,338
Drainage System Rehabilitation	1,566
Trail Ridge Landfill Expansion	3,721
Transportation	
Collins Rd/Westport to Rampart	8,984
Roadway Sign, Stripe and Signal	681
Roadway Resurfacing	2,055
Cahoon Rd/Normandy BLVD to Beaver St	8,500
Hart Bridge Ramp Modification	1,490
Moncrief-Dinsmore Rd Bridge Replacement	1,248
Old Middleburg Rd/103 Rd-Branan Field	21,565
Collins Rd/Shindler to Old Middleburg Rd	2,315
Crystal Springs/Chaffee Rd to Cahoon Phase 2	1,697
Hartley Rd/Saint Augustine S.R.13	8,228
Ricker Rd/Old Middleburg to Morse	10,682
Shindler Rd/103 Rd to Argyle Forest	17,770
Cecil Rd Con/Brannan-Chaffee to Comm Center	5,926
Courthouse-Old Duval-Remediation-demolition	2,087
UNF Development Agreement	3,855
Chaffee Rd	732
Economic Environment	
Riverside-Museum Circle to Prudential Dr	4,240
Barnett Bank- DIA	4,000
Culture & Recreation	
Equestrian Center - Practice Rink Cover	1,125
Huguenot Memorial Park Beach Access	800
Edward Waters College -Community Field	4,000
Other Uses	
Administrative Cost	3,317
Total	<u>\$ 179,731</u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

G. Encumbrance Commitments:

At September 30, 2018, the City had encumbrance commitments in the Governmental Funds as follows: (in thousands)

<u>MAJOR FUNDS</u>	
General Fund	17,691
Special Bonded Debt-Better Jacksonville Plan Obligations	5
Public Safety	4,509
Total Major Funds	\$ 22,205
<u>NON-MAJOR FUNDS</u>	
Concurrency Management	5,662
Air Pollution Control and Monitoring	34
Tourism Development	428
Clerk of the Court	3
Transportation Fund	2,770
Budgeted General Government	1,662
Emergency 9-1-1	64
Tax Increment Districts	708
Kids Hope Alliance	4,615
Community Development Block Grant	1,058
Maintenance, Parks and Recreation	432
Other Federal, State and Local Grants	4,744
Housing and Neighborhoods	1,805
State Housing Initiative Partnership	790
Non Budgeted General Government	1,343
General Projects	75,385
Better Jacksonville Plan Construction Project	521
Bond Projects	1,423
Grant Projects	2,296
River City Renaissance Project	6
Total Non-Major Funds	105,750
TOTAL ENCUMBRANCES	\$ 127,955

*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, 2018**

15. LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

H. Tax Abatements:

The City administers the following tax abatement programs.

Name of Program	Recaptured Enhanced Value (REV) Grant	Qualified Target Industry
Purpose of program	Designed to bring new capital investment and development or redevelopment to a project site to support a new business or to expand an existing business, thus resulting in the creation of new full time jobs.	To attract greater private sector investment, to expand the opportunity for individuals to gain high wage employment, and to lower the overall unemployment rate in Duval County by providing jobs at a wage level that is rarely available in an economically distressed area.
Tax being abated	Real and/or Tangible Personal Property Tax	Corporate Income Tax, Sales Tax, Ad valorem Tax, Insurance Premium Tax, Intangible Personal Property Tax, Excise Tax, State Communication Service Tax
Authority under which abatement agreements are entered into	Part 2, Chapter 26, City of Jacksonville Ordinance Code and Ordinance 2016-382-E (Public Investment Policy), Florida Statutes 125.045 County Economic Development Powers	Florida Statute 288.106 Tax refund program for qualified target industry businesses
Eligibility criteria	The company is required to be on a Targeted Industry Category. The company must create at least 10 new full time jobs with wages greater than or equal to 100% of the State of Florida average wage, or greater than or equal to 60% of Duval County's average annual wage. The company must commit a minimum of \$3 million private capital investment.	The company is required to be in a Targeted Industry Category. The company must create at least 10 new full time jobs with an average annual wage that is at least 115% of the State, Metropolitan Statistical Area, or local average wages.
How recipient taxes are reduced	As refunds on real and personal property taxes paid by the project above the base year.	As refunds on corporate income, sales, ad valorem, intangible personal property, insurance premium, and certain other taxes.
How amount of abatements is determined	Utilizing a "base year" assessed property value for the project, a certain percentage of the City's portion of the incremental increase in ad valorem taxes on real and /or tangible personal property paid by the project above the base year amount is available. In general, the standard grants will be up to 50% of the increment up to 10 years. They are capped at a maximum amount. The percentage and length of time is negotiated between parties. Higher percentages or timeframes may be awarded for projects with high volumes of job creation and capital investment.	Pre-approved applicants receive tax refunds of \$3,000 per net new Florida full time equivalent job created. For businesses paying 150% of average annual wage, add \$1,000 per job; for businesses paying 200% of the average wage, add \$2,000 per job. The agreement is between the State of Florida's Department of Economic Opportunity (DEO) and the company. The State agency reviews and audits information provided by the Company and sends an invoice to the City of Jacksonville. The City then sends 20% Local Financial Support to the State, who subsequently pays the Company.
Provision for recapturing abated taxes	N/A	N/A
Amount being abated for the year ended September 30, 2018	Office of Economic Development \$ 2,398,550 Downtown Investment Authority \$ 1,951,677	Office of Economic Development \$ 523,810 Downtown Investment Authority N/A

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

16. MAJOR DISCRETELY PRESENTED COMPONENT UNITS - ADDITIONAL DISCLOSURE

During fiscal year 2018, 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, 2018 these contributions total \$116,619,815. 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, 2018, the City received from JEA \$28,239,241 and \$10,514,763 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 \$92 million in fiscal year 2018. Such collection and payment by the City of this local option one-half cent sales tax is recorded in the Transportation Special Revenue fund as revenue and a transportation expenditure in the equal amount. The JTA reports the transfer from the City as sales tax revenue.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

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

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

C. Jacksonville Port Authority (JPA):

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

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

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

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

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

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

For the fiscal year ended September 30, 2018, the amount of Pledged Revenues in excess of the debt service requirements of the Bonds was \$2.75 million with a total of \$2.72 million being distributed to JPA.

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

17. SUBSEQUENT EVENTS

On October 11, 2018, Moody's Investors Service downgraded the City's Issuer Credit Rating and Excise Taxes Revenue bonds to 'A2' from 'Aa2', its Capital Projects and Capital Improvement Revenue bonds to 'A2' from 'Aa3', its Infrastructure Sales Tax and Transportation Sales Tax Revenue bonds to 'A2' from 'A1', and its Special Revenue bonds to 'A3' from 'Aa3'. Moody's stated in a credit opinion dated October 12, 2018, that their rationale for the downgrades was directly related to the City's participation as a plaintiff with JEA against Municipal Energy Authority of Georgia (MEAG) in litigation to have a Florida state court invalidate a "take-or-pay" power contract between JEA and MEAG. Moody's opinion is that the City's action to participate in this litigation "calls into question its willingness to support an absolute and unconditional obligation of its largest municipal enterprise," which "weakens the City's creditworthiness on all of its debt."

The City strongly disagrees with the action taken by Moody's. The City does not believe that its participation in the litigation with JEA in any way reflects the City's willingness or ability to pay its own obligations, and has consistently demonstrated over time that it makes payments to all counterparties when due. In a report dated October 23, 2018, S&P Global Ratings affirmed its current 'AA' rating on each of the City's various bonds, citing that City officials have "indicated payment of current debt obligations remains a priority" and that the City's has strong finances with the ability to deal with the "unlikely situation" of having to support JEA's debt burden associated with their power contract with MEAG. Fitch Ratings took no action on the matter.

On October 22, 2018, the City closed on the sale of \$53.2 million Transportation Refunding Revenue Bonds, Series 2018. The 2018 bonds have a true interest cost of 2.46% and an average coupon rate of 5.00% with a mandatory sinking schedule beginning October 1, 2019, and a maturity date of October 1, 2025. The proceeds of the 2018 bonds were used to refund all of the City's variable rate Transportation Revenue Bonds, Series 2008B (\$54.3 million) and make termination payments on two interest rate exchange agreements related to the Series 2008B bonds between the City and Wells Fargo Bank, N.A. (\$3.2 million). The issuance provided net proceeds of \$57.7 million, which is inclusive of underwriter's discount and cost of issuance totaling \$0.3 million. As a result of the refunding, aggregate debt service payments over the remaining life of the refunded bonds was reduced by \$4.5 million and, by terminating the interest rate exchange agreements, the City eliminated its remaining exposure to derivatives.

On October 29, 2018, the City executed the Second Amended and Restated Fee Letter related to the City's Reimbursement Agreement with Bank of America, N.A., regarding an Irrevocable Direct-Pay Letter of Credit issued by Bank of America, N.A., in support of the City's Commercial Paper Notes. The amended Fee Letter added language that disregards the lowest rating in determination of the Letter of Credit Fee Rate if there are three ratings from rating agencies in effect.

(The remainder of this page is intentionally left blank)

**CITY OF JACKSONVILLE, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

18. NET POSITION:

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

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

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

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

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

A. Additional Disclosure:

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

Governmental Unrestricted Net Position (page 22)	\$ (2,122,995)
Impact of Better Jacksonville Plan's (BJP) bond financed capital expenditures incurred by component units and other entities.	150,842
Economic Incentives to be repaid by TIF revenue and/or Developer	15,303
Governmental - Unrestricted Net Position (adjusted for dedicated revenue funded portions)	\$ (1,956,850)

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

18. NET POSITION: (continued)

A. Additional Disclosure: (continued)

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

B. Restatement due to a change in accounting principle: (continued)

With the fiscal year 2018 implementation of Governmental Accounting Standards Board (GASB) Statement 75 – Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB), the City adopted methods and assumptions used to project benefit payments and related obligations. The unfunded portion of the OPEB benefits are recorded as a liability in the government-wide statements and resulted in a restatement of beginning net position due to a change in accounting principle for Governmental Activities, Enterprise Activities, and major component units.

Net Position (in thousands)	Total Governmental Activities	Total Business-Type Activities	Total Primary Government
Beginning as previously reported	(989,425)	267,949	(721,476)
Restatement	(127,166)	2,788	(124,378)
Beginning as restated	<u>\$ (1,116,591)</u>	<u>\$ 270,737</u>	<u>\$ (845,854)</u>

Net Position (in thousands)	Major Component Units	
	JEA	JTA
Beginning as previously reported	2,631,546	269,229
Restatement	(2,724)	(250)
Beginning as restated	<u>\$ 2,628,822</u>	<u>\$ 268,979</u>

JPA did not restate net position as the impact of GASB 75 was considered not significant.

At the fund level, the beginning net positions for the following Proprietary Funds are restated.

Net Position (in thousands)	Solid Waste	Stormwater Services	Non Major Enterprise	Internal Service
Beginning as previously reported	38,958	98,992	27,717	169,588
Restatement	1,241	1,063	484	4,259
Beginning as restated	<u>\$ 40,199</u>	<u>\$ 100,055</u>	<u>\$ 28,201</u>	<u>\$ 173,847</u>

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

19. FUND BALANCE DISCLOSURE:

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

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

Spendable Fund Balance

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

**CITY OF JACKSONVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

19. FUND BALANCE DISCLOSURE: (continued)

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

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, 2018

19. FUND BALANCE DISCLOSURE

A. FUND BALANCE CLASSIFICATION (in thousands)

	MAJOR FUNDS		
	GENERAL FUND	SPECIAL BONDED DEBT- BETTER JACKSONVILLE PLAN OBLIGATIONS	SPECIAL BONDED DEBT- OBLIGATIONS
FUND BALANCES:			
Non Spendable:			
Imprest cash and cash in escrow	\$ -	\$ -	\$ -
Inventories	3,161	-	-
Other	-	-	-
Spendable:			
Restricted for:			
Debt Service Reserved by Debt Covenants	-	112,646	10,519
Park Projects	-	-	-
Physical Environment	-	-	-
Conservation and Resource Management	-	-	-
Transportation Projects	-	-	-
Human Services	-	-	-
Housing and Urban Development	-	-	-
Building	-	-	-
Public Safety	-	-	-
Industry Development	-	-	-
Other	2,599	-	-
Committed to:			
City Council Emergency Use	61,541	-	-
Drainage Projects	-	-	-
Park Projects	1,622	-	-
Planning Projects	2,257	-	-
Physical Environment	-	-	-
Conservation and Resource Management	-	-	-
Transportation Projects	-	-	-
Emergency and Disaster Relief	-	-	-
Court Projects and Operations	-	-	-
Public Safety	7,693	-	-
Industry Development	21,984	-	-
Other	3,709	-	-
Assigned to:			
Debt Service	-	-	-
Parks Projects	1,180	-	-
Planning Projects	1,642	-	-
Public Safety	5,596	-	-
Industry Development	4,031	-	-
Other	2,698	-	-
Unassigned	146,431	-	-
Total Fund Balances	\$ 266,144	\$ 112,646	\$ 10,519

(Continued)

	PUBLIC SAFETY	NON MAJOR GOVERNMENTAL FUNDS	TOTAL ALL FUNDS	
			2018	2017
\$	-	161	\$ 161	\$ 160
	-	-	3,161	3,165
	-	1,527	1,527	123
	-	-	123,165	124,954
	-	6,333	6,333	10,089
	-	1,246	1,246	1,802
	-	1,667	1,667	2,071
	-	7,735	7,735	6,614
	-	14,701	14,701	15,139
	-	20,197	20,197	18,595
	-	2,074	2,074	3,422
	-	1,097	1,097	1,615
	-	11,212	11,212	10,959
	-	826	3,425	2,605
	-	-	61,541	56,157
	-	4,120	4,120	3,911
	-	21,330	22,952	19,553
	-	1,022	3,279	7,941
	-	13,432	13,432	13,378
	-	29,004	29,004	26,343
	-	137,552	137,552	113,396
	-	8,375	8,375	8,027
	-	3,601	3,601	2,793
	-	35,091	42,784	48,928
	-	12,868	34,852	12,797
	-	69,452	73,161	65,639
	-	-	-	1
	-	-	1,180	945
	-	-	1,642	2,084
	-	-	5,596	7,415
	-	-	4,031	1,749
	-	-	2,698	1,866
	(52,467)	-	93,964	82,563
\$	(52,467)	\$ 404,623	\$ 741,465	\$ 676,799



(This page is intentionally left blank.)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF JACKSONVILLE, FLORIDA
GENERAL FUND REQUIRED SUPPLEMENTAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS (in thousands)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

GENERAL FUND						
	BUDGETED AMOUNTS		ACTUAL	ENCUMBRANCES	BUDGETARY ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL				FINAL BUDGET- POSITIVE (NEGATIVE)
REVENUE:						
Property taxes.....	\$ 595,915	\$ 595,915	\$ 603,910	\$ -	\$ 603,910	\$ 7,995
Utility service taxes.....	91,763	91,763	91,308	-	91,308	(455)
Community service taxes.....	32,856	32,856	31,832	-	31,832	(1,024)
Sales and tourist taxes.....	1,159	1,159	1,238	-	1,238	79
Local business tax.....	7,106	7,106	7,091	-	7,091	(15)
Licenses, permits and fees.....	43,946	43,946	43,684	-	43,684	(262)
Intergovernmental.....	174,564	174,709	169,382	-	169,382	(5,327)
Charges for services.....	65,798	65,798	68,576	-	68,576	2,778
Fines and forfeitures.....	1,882	1,882	2,060	-	2,060	178
JEA contribution.....	116,755	116,755	116,620	-	116,620	(135)
Interest.....	3,416	3,848	1,539	-	1,539	(2,309)
Other.....	18,603	22,357	18,719	-	18,719	(3,638)
Total Revenue.....	1,153,763	1,158,094	1,155,959	-	1,155,959	(2,135)
EXPENDITURES AND ENCUMBRANCE						
City Council.....	10,239	10,082	9,739	96	9,835	247
Clerk of the Courts.....	5,009	5,154	4,290	165	4,455	699
Courts.....	4,011	4,192	4,201	5	4,206	(14)
Downtown Investment Authority.....	2,391	3,463	2,072	520	2,592	871
Employee Services.....	7,494	7,455	6,738	413	7,151	304
Finance.....	13,377	13,398	12,178	221	12,399	999
Fire/Rescue.....	217,000	217,059	214,079	218	214,297	2,762
General Counsel.....	291	3,019	806	-	806	2,213
Health Administrator.....	1,120	1,120	1,123	-	1,123	(3)
Inspector General.....	1,000	1,007	901	-	901	106
Intra-Governmental Services.....	43	16	10	6	16	-
Jacksonville Children's Commission.....	779	257	236	21	257	-
Jacksonville Human Rights Commission...	756	788	760	-	760	28
Mayor.....	4,175	4,251	3,807	10	3,817	434
Mayor's Boards and Commissions.....	482	482	440	2	442	40
Medical Examiner.....	4,547	4,541	4,495	88	4,583	(42)
Military Affairs, Vet & Disabled Svcs.....	1,204	1,203	1,187	2	1,189	14
Office of Economic Development.....	12,392	4,796	2,982	4,085	7,067	(2,271)
Office of Ethics.....	310	309	322	-	322	(13)
Parks & Recreation.....	45,831	42,599	40,711	757	41,468	1,131
Property Appraiser.....	10,283	10,283	9,916	85	10,001	282
Public Defender.....	2,164	2,164	2,146	1	2,147	17
Planning and Development.....	4,916	4,743	4,149	199	4,348	395
Public Libraries.....	33,242	33,227	32,362	551	32,913	314
Public Works.....	44,837	44,754	42,287	1,224	43,511	1,243
Neighborhoods.....	20,877	21,020	20,084	409	20,493	527
Sports & Entertainment.....	4,496	4,528	4,216	54	4,270	258
State Attorney.....	1,708	1,740	1,735	2	1,737	3
Supervisor of Elections.....	6,095	6,031	5,153	264	5,417	614
Office of the Sheriff.....	415,789	415,178	405,854	5,636	411,490	3,688
Tax Collector.....	17,592	17,765	16,333	179	16,512	1,253
Federal Program Reserve.....	250	-	-	-	-	-
Contribution to Shands-Jacksonville.....	26,276	26,276	26,265	10	26,275	1
Cash Carryover Reserves.....	61,032	60,733	-	-	-	60,733
Jacksonville Misc. Citywide Activities.....	141,449	137,787	81,613	2,468	84,081	53,706
Total Expenditures.....	1,123,457	1,111,420	963,190	17,691	980,881	130,539
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES.....	30,306	46,674	192,769	(17,691)	175,078	128,404
OTHER FINANCING SOURCES (USES):						
Long Term Debt Issued.....	-	-	4,950	-	4,950	4,950
Transfers in.....	5,472	14,609	20,127	-	20,127	5,518
Transfers out.....	(147,124)	(163,608)	(162,113)	-	(162,113)	1,495
Total Other Financing Sources (Uses).....	(141,652)	(148,999)	(137,036)	-	(137,036)	11,963
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(111,346)	(102,325)	55,733	(17,691)	38,042	140,367
FUND BALANCES - BEGINNING.....	211,369	211,369	210,415	-	210,415	-
Change in Inventory of Supplies.....	-	-	(4)	-	(4)	-
FUND BALANCES - ENDING.....	100,023	109,044	266,144	(17,691)	248,453	-

CITY OF JACKSONVILLE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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 2018, Public Safety Fund met the criteria to be reported as a major fund, but is not annually budgeted. 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, 2018. 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, Other Federal, State and Local Grants, Better Jacksonville Trust Fund, Housing Services, 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, 2018

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 2018 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.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

Plan Year Ending September 30	Actuarially Determined Contributions	City Cash Contributions	Contribution Deficiency/ (Excess)**	Covered Employee Payroll*	Actual Contribution as a % of Covered Payroll
General Employees Retirement Plan					
2018	70,166	74,024	(3,858)	253,982	29.15%
2017	94,527	94,700	(173)	250,894	37.75%
2016	89,059	84,898	4,161	255,717	33.20%
2015	86,069	81,751	4,318	254,035	32.18%
2014	81,531	71,000	10,531	262,369	27.06%
2013	66,660	55,386	11,274	265,405	20.87%
2012	57,498	49,899	7,599	283,021	17.63%
2011	39,124	39,378	(254)	314,054	12.54%
2010	38,612	40,551	(1,939)	322,531	12.57%
2009	29,374	29,530	(156)	276,257	10.69%

Corrections Officers Retirement Plan

2018	18,643	13,973	4,670	28,164	49.61%
2017	19,156	19,162	(6)	26,585	72.08%
2016	18,864	18,864	0	28,091	67.15%
2015	17,618	17,832	(214)	27,374	65.14%
2014	14,885	13,522	1,363	27,871	48.52%
2013	12,885	10,742	2,143	28,944	37.11%
2012	11,861	9,066	2,795	31,832	28.48%
2011	8,885	9,711	(826)	32,329	30.04%
2010	9,097	9,491	(394)	28,624	33.16%
2009	5,268	5,247	21	27,661	18.97%

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

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

**SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS
FLORIDA RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

Plan Year Ending September 30	Actuarially Determined Contributions	City Cash Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2018	790	797	(7)	2,043	39.01%
2017	732	746	(14)	2,048	36.43%
2016	742	761	(19)	2,072	36.73%
2015	778	814	(36)	2,175	37.43%
2014	<i>Prior years information is unavailable</i>				

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

	2017		2016	
	General Employees' Retirement Plan	Corrections Officers' Retirement Plan	General Employees' Retirement Plan	Corrections Officers' Retirement Plan
Total pension liability				
Service cost*	\$ 37,697	\$ 7,330	\$ 36,759	\$ 7,091
Interest*	210,509	27,284	199,659	25,391
Changes of benefit terms	1,149	74	-	-
Differences between expected and actual experience	16,294	(2,054)	60,437	(1,418)
Changes of assumptions	64,390	9,950	72,969	16,320
Benefit payments, including refunds of contributions	(192,662)	(17,438)	(183,692)	(17,486)
Net change in total pension liability	\$ 137,377	\$ 25,146	\$ 186,132	\$ 29,898
Total pension liability - beginning balance	2,903,344	370,092	2,717,212	340,194
Total pension liability - ending balance (a)	\$ 3,040,721	\$ 395,238	\$ 2,903,344	\$ 370,092
Plan fiduciary net position				
Contributions - employer	\$ 94,700	\$ 19,162	\$ 84,898	\$ 18,864
Contributions - employee	23,037	2,500	21,840	2,410
Net investment income	266,138	26,747	167,067	11,548
Benefit payments including refunds of contributions	(192,662)	(17,438)	(183,692)	(17,486)
Administrative expense	(787)	(75)	(762)	(75)
Other	-	-	-	-
Net change in plan fiduciary net position	\$ 190,426	\$ 30,896	\$ 89,351	\$ 15,261
Plan fiduciary net position - beginning balance	1,829,242	182,127	1,739,891	166,866
Plan fiduciary net position - ending balance (b)	\$ 2,019,668	\$ 213,023	\$ 1,829,242	\$ 182,127
Net pension liability - ending balance (a) - (b)	\$ 1,021,053	\$ 182,215	\$ 1,074,102	\$ 187,965
Plan fiduciary net position as a % of total pension liability	66.42%	53.90%	63.00%	49.21%
Covered employee payroll (in thousands)	\$ 250,894	\$ 26,585	\$ 255,717	\$ 28,091
Net pension liability as % of covered employee payroll	406.97%	685.41%	420.04%	669.13%

*Prior to 2016, the service cost included interest to the end of the measurement year. Beginning with 2016, this interest is reflected under the interest on the total pension liability, consistent with typical actuarial practice.

Notes to Schedule:

Benefit changes: The employee contribution rate increased from 7.7% to 9.7% of pay effective October 1, 2017. For accounting purposes, this change is reflected on September 30, 2017.

The plan was closed to new entrants as of October 1, 2017. This closure had no immediate impact on the total pension liability.

Change of Assumptions: As of September 30, 2016, the mortality assumption was updated pursuant to Florida Statute Section 112.63(f), the assumed investment return was lowered from 7.50% to 7.40%, and the inflation component of the salary scale was adjusted for the following three years to reflect bargained increases with employee unions.

As of September 30, 2017, the assumed investment return was lowered from 7.40% to 7.20%.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

2015		2014		2013		2012
General Employees' Retirement Plan	Corrections Officers' Retirement Plan	General Employees' Retirement Plan	Corrections Officers' Retirement Plan	General Employees' Retirement Plan	Corrections Officers' Retirement Plan	
\$ 40,238	\$ 7,261	\$ 36,950	\$ 6,680	\$ 39,627	\$ 6,904	Prior years information is unavailable
194,312	23,652	189,064	21,997	183,151	20,476	
-	-	-	-	-	-	
(4,785)	1,699	(5,356)	5,963	22,318	5,777	
(18,044)	(1,243)	101,525	10,765	-	-	
<u>(170,674)</u>	<u>(13,081)</u>	<u>(171,127)</u>	<u>(14,676)</u>	<u>(166,460)</u>	<u>(12,369)</u>	
\$ 41,047	\$ 18,288	\$ 151,056	\$ 30,729	\$ 78,636	\$ 20,788	
<u>2,676,164</u>	<u>321,906</u>	<u>2,525,107</u>	<u>291,177</u>	<u>2,446,471</u>	<u>270,389</u>	
<u>\$ 2,717,211</u>	<u>\$ 340,194</u>	<u>\$ 2,676,163</u>	<u>\$ 321,906</u>	<u>\$ 2,525,107</u>	<u>\$ 291,177</u>	
\$ 81,751	\$ 17,832	\$ 71,000	\$ 13,522	\$ 55,386	\$ 10,742	
20,893	2,466	20,961	2,253	21,878	2,525	
(39,506)	(3,849)	194,864	15,468	264,541	18,466	
(170,674)	(13,081)	(171,127)	(14,677)	(166,460)	(12,369)	
(762)	(73)	(828)	(65)	(671)	(50)	
-	-	-	-	-	392	
\$ (108,298)	\$ 3,295	\$ 114,870	\$ 16,501	\$ 174,674	\$ 19,706	
<u>1,848,189</u>	<u>163,571</u>	<u>1,733,319</u>	<u>147,070</u>	<u>1,558,645</u>	<u>127,364</u>	
<u>\$ 1,739,891</u>	<u>\$ 166,866</u>	<u>\$ 1,848,189</u>	<u>\$ 163,571</u>	<u>\$ 1,733,319</u>	<u>\$ 147,070</u>	
<u>\$ 977,320</u>	<u>\$ 173,328</u>	<u>\$ 827,974</u>	<u>\$ 158,335</u>	<u>\$ 791,788</u>	<u>\$ 144,107</u>	
64.03%	49.05%	69.06%	50.81%	68.64%	50.51%	
\$ 254,035	\$ 27,374	\$ 262,369	\$ 27,871	\$ 265,405	\$ 28,944	
384.72%	633.18%	315.58%	578.42%	298.33%	497.88%	

*Prior to 2016, the service cost included interest to the end of the measurement year. Beginning with 2016, this interest is reflected under the interest on the total pension liability, consistent with typical actuarial practice.

Notes to Schedule:

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

Changes of Assumptions: In 2014, the assumed investment return was lowered from 7.75% to 7.50% and the mortality assumptions were changed to reflect recent experience and to include generational projection of mortality improvements.

Change of Assumptions: As of September 30, 2015, based on the Society of Actuaries' most recently published analysis and guidance on projected national mortality improvements, the mortality improvement scale was changed from MP2014 to MP2015.

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN – LAST 10 FISCAL YEARS
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(net of investment expense)

Fiscal Year Ended September 30	City of Jacksonville Retirement System
2018	7.44%
2017	14.71%
2016	9.45%
2015	-2.15%
2014	11.52%
2013	17.06%

*Prior Years data unavailable

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

Valuation date	October 1, 2017
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll, using 1.14% annual increases
Remaining amortization period	All new bases are amortized over 30 years. Effective period for combined bases as of October 1, 2015 was 24 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption.
Cost-of-living adjustments	The Plan provisions contain a 3.00% COLA.
Mortality:	
<i>Pre-retirement</i>	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
<i>Healthy annuitants</i>	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
<i>Disabled annuitants</i>	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females.

*¹The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 1.50% was used for amortization purposes in the October 1, 2017 valuation.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

Valuation date	October 1, 2017
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll, using 0.68% annual increases*
Remaining amortization period	All new bases are amortized over 30 years. Effective period for combined bases as of October 1, 2015 was 23 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption. The inflation component of the salary increase assumption was adjusted to reflect bargained increases over the next three years.
Cost-of-living adjustments	The Plan provisions contain a 3.00% COLA.
Mortality:	
Pre-Retirement	10% RP2000 Combined Healthy White Collar and 90% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy annuitants	10% RP2000 White Collar Annuitant and 90% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled annuitants	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females.

* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5) (a) of Florida Statutes, an assumption of 0.68% was used for amortization purposes in the October 1, 2017 valuation.

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

CITY OF JACKSONVILLE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(in thousands)

Fiscal Year	City's	City's Proportion	City's Covered	City's Net Pension	Plan Fiduciary Net
	Proportional	of Net Pension	Employee Payroll	Liability as	Position as a % of
	Share Percentage	Liability		Percentage of	Total Pension
				Covered	Liability
				Employee Payroll	
2017	46.37%	473,462	118,506	399.53%	63.71%
2016	47.61%	511,380	118,973	429.83%	63.00%
2015	48.78%	476,737	121,601	392.05%	64.03%
2014	49.72%	411,669	128,869	319.45%	69.06%
2013	49.72%	393,677	129,951	302.94%	68.64%

FLORIDA STATE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(in thousands)

Fiscal Year	City's	City's Proportion	City's Covered	City's Net Pension	Plan Fiduciary Net
	Proportional	of Net Pension	Employee Payroll	Liability as	Position as a % of
	Share Percentage	Liability		Percentage of	Total Pension
				Covered	Liability
				Employee Payroll	
2018	0.022%	8,863	2,043	433.82%	79.86%
2017	0.022%	8,970	2,048	437.99%	83.89%
2016	0.022%	8,143	2,072	393.00%	84.88%
2015	0.029%	5,015	2,175	230.57%	92.00%
2014					
2013					

Prior year information is unavailable

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – FOR LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

FYE	Actuarially required City contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess) *	Covered employee payroll	Contribution as a percentage of covered employee payroll
2018	135,648	135,691	(43)	155,558	87.23%
2017	165,772	177,788	(12,016)	132,735	133.94%
2016	154,540	154,540	-	135,600	113.97%
2015	153,604	153,936	(332)	132,735	115.97%
2014	142,433	149,159	(6,726)	134,521	110.88%
2013	99,997	122,580	(22,583)	130,972	93.59%
2012	73,729	70,599	3,130	133,611	52.84%
2011	77,065	75,903	1,162	148,968	50.95%
2010	77,182	82,197	(5,015)	158,047	52.01%
2009	50,564	50,235	329	155,558	32.29%

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

Valuation date: October 1, 2018

Methods used to determine contribution rates:

- Actuarial cost method: Individual entry age
- Amortization method: Level Percent of Payroll, Closed
- Remaining amortization period: 30 Years
- Asset valuation method: Market Value
- Inflation: 2.5%
- Salary increases: 10% in 2017 and 2018, 10.5% in 2019, then 3.5% per year in 2020 and forward
- Investment rate of return: 7.00%
- Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition.
- Mortality : RP-2000 combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality) with mortality improvements projected to all future years after 2000 using scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collare adjustment. For females, the base mortality rates include a 100% white collare adjustment.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER – FOR LAST 10 FISCAL YEARS
POLICE AND FIRE PENSION FUND – SENIOR STAFF VOLUNTARY RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

Plan Year Ending September 30	Annual Required City Contribution	Employer Contributions	Contribution Deficiency/ (excess)*	Covered employee payroll	Contribution as a % of covered payroll
2009	219	183	36	508	36.10%
2010	135	247	(112)	506	48.90%
2011	142	101	41	484	20.87%
2012	523	117	406	355	33.09%
2013	28	248	(220)	290	85.59%
2014	28	7	21	298	2.41%
2015	-	-	-	307	0.00%
2016*	-	-	-	-	N/A
2017*	-	-	-	-	N/A
2018*	-	-	-	-	N/A

* No contribution amount was required because the Plan has no active employees for FY 2017

NOTES:

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

Methods used to determine contribution rates:

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

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

	2017	2016	2015
Total pension liability			
Service Cost (BOY)	\$45,257	\$44,087	\$46,663
Interest on total pension liability	233,338	217,546	210,943
Changes in Benefit Terms	26,818	-	(28,685)
Experience deviations including buybacks	24,031	3,566	24,831
Changes of assumptions	232,927	97,813	24,514
Benefit payments, including refunds of member contributions	(171,277)	(159,726)	(148,628)
Net change in total pension liability	391,094	203,286	129,638
Total pension liability -- beginning	3,345,515	3,142,229	3,012,590
Total pension liability -- ending(a)	3,736,609	3,345,515	3,142,228
Fiduciary net position Contributions--employer			
Contributions--employer	184,526	157,494	154,665
Contributions--member	13,571	12,831	12,062
Net investment income	243,422	154,313	(62,884)
Benefit payments, including refunds of member contributions	(171,277)	(159,726)	(148,628)
Administrative expense	(2,174)	(3,519)	(2,228)
Chapter 175/185	10,875	10,681	10,578
Court Fines	759	833	921
Other	51	122	327
Net change in fiduciary net position	279,753	173,029	(35,187)
Fiduciary net position -- beginning	1,613,044	1,437,777	1,473,097
Fiduciary net position -- ending	1,892,797	1,613,044	1,437,910
less Reserve Accounts and Sr. Staff Assets	(127,638)	(99,646)	(83,502)
Total fiduciary net position -- ending(b)	1,765,159	1,513,398	1,354,408
City's fiduciary net pension liability--ending(a)-(b)	1,971,450	1,832,117	1,787,820
Fiduciary net position as a percentage of the total pension liability	47.24%	45.24%	43.10%
Covered-employee payroll	\$149,490	\$135,600	\$132,735
City's fiduciary net pension liability as a percentage of covered- employee payroll	1318.78%	1351.12%	1346.91%

*Prior years information is unavailable

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

2014	2013	2012*	2011
\$47,915	\$46,109	\$47,570	
203,577	195,520	190,344	
-	-	-	Prior years information is unavailable
22,671	(4,676)	(12,513)	
-	5,333	227,333	
(138,179)	(128,656)	(116,955)	
135,984	113,630	335,779	
2,876,606	2,762,977	2,427,198	
\$3,012,590	\$2,876,606	\$2,762,977	
150,520	121,822	72,643	
11,584	10,754	11,611	
147,333	169,202	181,653	
(138,179)	(128,656)	(116,955)	Prior years information is unavailable
(2,224)	(2,506)	(2,352)	
10,110	9,667	9,276	
881	758	770	
142	1,187	55	
180,167	182,229	156,702	
1,292,930	1,110,737	954,036	
1,473,097	1,292,966	1,110,737	
(83,349)	(64,835)	(31,831)	
1,389,748	1,228,131	1,078,907	
1,622,842	1,648,475	1,684,070	
46.13%	42.69%	39.05%	
\$134,521	\$130,972	\$133,611	
1206.38%	1258.65%	1260.42%	

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST 10 FISCAL YEARS
POLICE AND FIRE PENSION FUND - SENIOR STAFF VOLUNTARY RETIREMENT PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(in thousands)

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

CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN – LAST 10 FISCAL YEARS
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(net of investment expense)

Fiscal Year Ended <u>September 30</u>	Police and Fire <u>Retirement System</u>
2018	10.00%
2017	14.27%
2016	10.00%
2015	-3.95%
2014	10.73%
2013	14.29%
2012	18.25%
2011	0.64%
2010	8.45%
2009	1.70%

**CITY OF JACKSONVILLE, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
 SCHEDULE OF CITY CONTRIBUTIONS – LAST TWO FISCAL YEARS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the Determined Contribution</u>	<u>Contribution Deficiency or (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2017	\$18,347,728	\$5,231,223	\$13,116,505	\$366,392,949	3.60%
2018	\$20,177,634	\$6,060,000	\$14,117,634	\$379,216,702	1.60%

Other: This schedule is presented for the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for the years for which information is available.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
SCHEDULE OF CHANGES IN THE CITY’S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 11,293,019	\$ 10,839,911
Interest	\$ 8,884,615	\$ 7,507,817
Changes of benefit terms	\$ -	\$ -
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	\$ (30,714,455)	\$ (7,431,307)
Benefit payments	<u>\$ (6,060,000)</u>	<u>\$ (5,231,223)</u>
Net change in total OPEB liability	\$ (16,596,821)	\$ 5,685,198
Total OPEB liability – beginning	<u>\$ 204,287,693</u>	<u>\$ 198,602,495</u>
Total OPEB liability – ending (a)	\$ 187,690,872	\$ 204,287,693
 Plan fiduciary net position		
Contributions – employer	\$ 6,060,000	\$ 5,231,223
Net investment income	\$ -	\$ -
Benefit payments	\$ (6,060,000)	\$ (5,231,223)
Administrative expense	\$ -	\$ -
Net change in plan fiduciary net position	\$ -	\$ -
Plan fiduciary net position – beginning	\$ -	\$ -
Plan fiduciary net position -ending (b)	\$ -	\$ -
 City’s net OPEB liability – ending (a) – (b)	\$ 187,690,872	\$ 204,287,693
 Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
 Covered payroll	\$ 379,216,702	\$ 366,392,949
 City net OPEB liability as a percentage of covered employee payroll	49.50%	55.70%

Other: This schedule is presented for the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for the years for which information is available.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Actuarial Assumptions and Methods:

- 1) Valuation Date: September 30, 2018
- 2) Discount Rate: 3.06% as of 10/1/16, 3.63% as of 9/30/2017,
4.18% - Bond Buyer 20-Bond GO Index
- 3) Salary Increase Rate: 3.5% per annum
- 4) Medical Consumer Price Index Trend 3.0% per annum
- 5) Inflation Rate 3.0% per annum
- 6) Census Data The census is as of September 1, 2017,
as provided by the City.
- 7) Marriage Rate The assumed number of eligible dependents is
based on the current proportions of single and
Family contracts in the census provided.
- 8) Spouse Age Spouse dates of birth were provided by the City.
Where this information is missing, male spouses are
assumed to be three years older than female
spouses.
- 9) Medicare Eligibility All current and future retirees are assumed to be
Eligible for Medicare at age 65.
- 10) Actuarial Cost Method Entry Age Normal based on level percentage of
projected salary.
- 11) Amortization Method Experience gains and losses are amortized over
a closed period of 9 years starting October 1, 2016,
equal to the average remaining service of active and
inactive plan members (who have no future
service).
- 12) Plan Participation Percentage That 60% of future pre 65 retirees will
participate in the pre-65 medical plan and 15%
(30% for those hired prior to 1/1/1987) continue
upon Medicare eligibility. This assumes that a one-
time irrevocable election to participate is made at
retirement.
- 13) Mortality Rates RP-2014 generational table scaled using MP-17
and applied on a gender-specific basis.

**CITY OF JACKSONVILLE, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Actuarial Assumptions and Methods: (continued)

14) Health Care Cost Trend Rate

The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the HCA Consulting trend study, and are applied on a select and ultimate basis. Select trends are reduced 0.5% each year until reaching the ultimate trend rate.

<u>Expense Type (FY2017)</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.0%	4.5%
Medicare Benefits	6.0%	4.5%
Administrative Fees	4.5%	4.5%

15) Per Capita Health Care Cost Trend Rate

Expected annual claim costs were developed from a blend of the previous valuations' claim costs with historical claim experience through October 2017. The age 60 and age 70 adjusted claim costs are as follows:

<u>Rate Tier</u>	<u>Age 60</u>	<u>Age 70 (Medicare)</u>	<u>(Non-Medicare)</u>
HMO 48	\$12,198	\$7,809	\$15,935
HDHP 65	\$ 9,330	\$5,314	\$12,152
PPO	\$13,793	\$8,256	\$18,019
Future Retirees	\$12,349	\$7,815	\$16,131

16) Non-Claim Expenses

Non-claim expenses are based on the current amounts charged per retired employee as of January 1, 2017. The amounts are provided in the table below and are trended at the levels shown in the "Health Care Cost Trend Rate" table in 14) above.

<u>Rate Tier</u>	<u>Age 60</u>
ASO-PEPM	\$27.70
Stop Loss – PEPM	\$ 9.04

17) Plan Election Percentage

Future eligible retirees are assumed to elect coverage based on the following percentages:

<u>Rate Tier</u>	<u>Age 60</u>
HMO 48	81%
HDHP 65	3%
PPO	16%

18) Age Based Morbidity

The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study.

**CITY OF JACKSONVILLE, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Actuarial Assumptions and Methods: (continued)

19) Termination and Retirement Age

The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2016, City of Jacksonville Correctional Officer Retirement System Valuation as of October 1, 2016, the City of Jacksonville General Employees Retirement Plan Valuation as of October 1, 2016, and the City of Jacksonville Police & Fire Pension Fund Actuarial Valuation as of October 1, 2016. The annual termination probability is dependent on an employee's age, gender, and years of service.

20) Valuation of Excise Tax

A retiree pre-65 plan cost is projected at health care cost trend and compared to the excise tax cost threshold beginning in 2020 and continuing thereafter. The City will be liable for 40% of the difference between plan costs and the cost threshold, when the plan costs are greater than the cost threshold.

21) Excise Tax Thresholds

The 2020 annual threshold costs for excise tax are as follows:

Pre-65 Retiree Single \$11,850
Pre-65 Retiree Family \$30,950

On December 18, 2015, a bill was signed delaying the excise tax for two years. The above thresholds will soon be updated to reflect this two-year delay. The active and pre-65 retiree thresholds have been weighted by current census headcounts. The threshold is assumed to increase at health CPI trend each year.

Notes to the Required Supplementary Information (RSI) OPEB:

There are not any assets in trust to pay OPEB benefits.

There are not any changes in the trends that affect the assumptions used by the actuary to develop the OPEB liability.

Single Audit

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018

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	\$ 1,954	\$ -
Child and Adult Care Food Program	10.558	A1109	3,105,472	-
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
<i>Child Nutrition Cluster</i>				
Summer Food Service Program for Children	10.559	04-0851	4,864	-
Summer Food Service Program for Children	10.559	04-0851	990,605	-
<i>Total Child Nutrition Cluster</i>			<u>995,469</u>	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE				
Cooperative Forestry Assistance	10.664	024138	12,200	-
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 4,115,095</u>	<u>\$ -</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grant Entitlement Grant	14.218	*	\$ 3,980,811	\$ 1,683,404
Community Development Block Grant Neighborhood Stabilization Program	14.218	*	134,041	64,591
<i>Total CDBG - Entitlement Grants Cluster</i>			<u>4,114,852</u>	<u>1,747,995</u>
Emergency Solutions Grant Program	14.231	*	824,308	767,646
Home Investment Partnerships Program	14.239	*	5,544,668	1,584,338
Housing Opportunities for Persons with AIDS	14.241	*	2,799,991	2,707,470
Fair Housing Assistance Program-State & Local	14.401	*	109,666	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 13,393,485</u>	<u>\$ 6,807,449</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018**

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:				
Community-Based Violence Prevention Program	16.123	*	\$ 50,810	\$ -
Supervised Visitation, Safe Heavens for Children	16.527	2011-CW-AX-K013	70,476	-
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	2015-FW-AX-K002	65,186	-
Drug Court Discretionary Grant Program	16.585	2012-DC-BX-0065	10,635	-
Bulletproof Vest Partnership Program	16.607	*	793	-
Public Safety Partnership and Community Policing Grants	16.710	2014ULWX0036	679,538	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0960	103,046	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0299	55,061	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0929	10,282	-
National Sexual Assault Kit Initiative	16.833	2016-AK-BX-K008	181,518	-
PASSED THROUGH STATE DEPARTMENT OF LEGAL AFFAIRS-OFFICE OF ATTORNEY GENERAL:				
Crime Victim Assistance	16.575	VOCA-2017-Jacksonville Sheriff's Of-00448	85,925	-
Crime Victim Assistance	16.575	VOCA-2017-City of Jacksonville, Vic-00137	128,956	-
PASSED THROUGH FLORIDA DEPARTMENT OF LAW ENFORCEMENT:				
Public Safety Partnership and Community Policing Grants	16.710	2014-UL-WX-0036	250,000	-
Public Safety Partnership and Community Policing Grants	16.710	2019-SFA-GAA-16-5P-002	249,999	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAGC-DUVA-6-R3-019	21,854	-
National Sexual Assault Kit Initiative	16.833	2016-PREA-DUVAL-1V2-001	196,683	-
TOTAL DEPARTMENT OF JUSTICE			<u>\$ 2,160,762</u>	<u>\$ -</u>

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018

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	HV-30882-1760512	\$ 203,112	\$ 28,000
Homeless Veterans Reintegration Project	17.805	HV-32076-1860512	<u>24,779</u>	<u>-</u>
TOTAL DEPARTMENT OF LABOR			<u>\$ 227,891</u>	<u>\$ 28,000</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
PASSED THROUGH STATE DEPARTMENT OF TRANSPORTATION:				
<i>Highway Planning & Construction Cluster</i>				
Highway Planning and Construction	20.205	*	\$ 594	\$ -
Highway Planning and Construction	20.205	*	200	-
Highway Planning and Construction	20.205	*	30,751	-
Highway Planning and Construction	20.205	AS213	363,529	-
Highway Planning and Construction	20.205	*	490,937	-
Highway Planning and Construction	20.205	BDV25	<u>21,935</u>	<u>-</u>
<i>Total Highway & Planning Construction Cluster</i>			907,946	-
Recreational Trails Program	20.219	*	105	-
National Priority Safety Programs	20.616	M5CS-18-06-03	<u>8,012</u>	<u>-</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>\$ 916,063</u>	<u>\$ -</u>
<u>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>				
DIRECT PROGRAMS:				
Employment Discrimination-State & Local Fair Employment	30.002	*	<u>\$ 44,700</u>	<u>\$ -</u>
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u>\$ 44,700</u>	<u>\$ -</u>
<u>FEDERAL OFFICE OF LIBRARY SERVICES</u>				
PASSED THROUGH STATE DEPARTMENT OF STATE:				
Grants to States	45.310	*	<u>\$ 52,211</u>	<u>\$ -</u>
TOTAL FEDERAL OFFICE OF LIBRARY SERVICES			<u>\$ 52,211</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018**

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Air Pollution Control Program Support	66.001	*	\$ 537,053	\$ -
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	96495915	63,133	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00D32815	<u>158,982</u>	<u>-</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 759,168</u>	<u>\$ -</u>
<u>DEPARTMENT OF EDUCATION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF EDUCATION:				
Twenty-First Century Community Learning Centers	84.287	DCPS	\$ 1,019	\$ -
Twenty-First Century Community Learning Centers	84.287	DCPS	<u>434,045</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 435,064</u>	<u>\$ -</u>
<u>ELECTION ASSISTANCE COMMISSION</u>				
PASSED THROUGH FLORIDA DEPARTMENT OF STATE				
Help America Vote Act Requirements Payments	90.401	5H79TI023850-03	<u>\$ 228,186</u>	<u>\$ -</u>
TOTAL ELECTION ASSISTANCE COMMISSION			<u>\$ 228,186</u>	<u>\$ -</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
DIRECT PROGRAMS:				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	5U79SM062446-03	\$ 1,124,896	\$ 1,040,331
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79TI025921-02	33,870	-
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	*	123,325	-
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	1H79TI026673-01	85,606	-
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,405,741	2,251,206
HIV Emergency Relief Project Grants	93.914	H89HA00039	2,831,232	2,626,707

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</u>				
PASSED THROUGH STATE OF FLORIDA DEPARTMENT OF REVENUE:				
Child Support Enforcement	93.563	COC16	761,299	-
PASSED THROUGH STATE OF FLORIDA, DEPARTMENT OF HEALTH:				
<i>TANF Cluster</i>				
Temporary Assistance for Needy Families	93.558	HF152002	812,391	506,920
Temporary Assistance for Needy Families	93.558	HF152002	<u>229,203</u>	<u>145,048</u>
<i>Total TANF Cluster</i>			<u>1,041,594</u>	<u>651,968</u>
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
<i>Aging Cluster</i>				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	A018CJ	273,426	-
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	A018CJ	<u>282,083</u>	-
Total Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers			555,509	-
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	A018CJ	635,897	-
Nutrition Services Incentive Program	93.053	A018CJ	123,836	-
Nutrition Services Incentive Program	93.053	A018CJ	<u>44,745</u>	-
Total Nutrition Services Incentive Program			<u>168,581</u>	-
<i>Total Aging Cluster</i>			1,359,987	-
Low-Income Home Energy Assistance	93.568	P017CJ	<u>199,982</u>	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 9,967,532</u>	<u>\$ 6,570,212</u>

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
DIRECT PROGRAMS:				
Retired & Senior Volunteer Retired & Senior Volunteer Program	94.002	16SRSFL003	\$ 32,481	\$ -
Retired & Senior Volunteer Program	94.002	16SRSFL003	<u>21,762</u>	<u>-</u>
Total Retired & Senior Volunteer			54,243	-
<i>Foster Grandparent / Senior Companion Cluster</i> Foster Grandparent Program	94.011	18SFSFL002	311,974	-
PASSED THROUGH DEPARTMENT OF ELDER AFFAIRS:				
Senior Companion Program	94.016	AF6E8E	<u>1,998</u>	<u>-</u>
Total Foster Grandparent / Senior Companion Cluster			<u>313,972</u>	<u>-</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			<u>\$ 368,215</u>	<u>\$ -</u>

FEDERAL EMERGENCY MANAGEMENT AGENCY

PASSED THROUGH DIVISION OF
EMERGENCY MANAGEMENT:

Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	13-DB-73-04-26-01-570	\$ 387,086	\$ -
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	17-PA-US-04-26-01-085	<u>24,006,345</u>	<u>-</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>\$ 24,393,431</u>	<u>\$ -</u>

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2018

FEDERAL/STATE AGENCY, PASS-THROUGH ENTITY, FEDERAL PROGRAM/STATE PROJECT	CFDA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
DIRECT PROGRAMS:				
Assistance to Firefighters Grant	97.044	EMW-2015-FO-02818	\$ 446,045	\$ -
Port Security Grant Program	97.056	EMW-2017-PU-00160	309,763	-
Port Security Grant Program	97.056	EMW-2016-PU-00096-S01	119,790	-
Port Security Grant Program	97.056	EMW-2017-PU-00084	<u>15,254</u>	<u>-</u>
Total Port Security Grant Program			444,807	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW2013FH00592	2,297,466	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00233	<u>1,473,841</u>	<u>-</u>
Total Staffing for Adequate Fire and Emergency Response			3,771,307	-
Homeland Security Biowatch Program	97.091	DHS-18-OHA-091	188,398	-
Homeland Security Biowatch Program	97.091	DHS-19-OHA-091	<u>50,350</u>	<u>-</u>
Total Homeland Security Biowatch Program			238,748	-
PASSED THROUGH STATE DEPARTMENT OF COMMUNITY AFFAIRS:				
Flood Mitigation Assistance	97.029	15FM-HP-0426-02-472	764	-
Homeland Security Grant Program	97.067	15DS-P4-0426-01-451	78,989	-
PASSED THROUGH STATE DEPARTMENT OF FINANCIAL SERVICES				
Homeland Security Grant Program	97.067	17-DSV-4042601	46,465	-
Homeland Security Grant Program	97.067	17-DSV-4042601	80,071	-
PASSED THROUGH DIVISION OF EMERGENCY MANAGEMENT:				
Flood Mitigation Assistance	97.042	18-FG-04-26-01-089	190,679	-
Homeland Security Grant Program	97.067	EMW-2015-SS-00083-S01	37,177	-
Homeland Security Grant Program	97.067	EMW-2015-SS-00083-S01	<u>197,386</u>	<u>-</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 5,532,438</u>	<u>\$ -</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 62,594,241</u>	<u>\$ 13,405,661</u>

* Not Available

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2018**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>EXECUTIVE OFFICE OF GOVERNOR</u>				
DIRECT PROGRAMS:				
Emergency Management Programs	31.063	18BG-W9-04-26-01-220	\$ 123,717	\$ -
Emergency Management Projects	31.067	*	<u>29,183</u>	<u>-</u>
TOTAL EXECUTIVE OFFICE OF GOVERNOR			<u>\$ 152,900</u>	<u>\$ -</u>
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
DIRECT PROGRAMS:				
Beach Management Funding Assistance Program	37.003	*	\$ 176,934	\$ -
Local Government Cleanup Contracting	37.024	S0481	<u>1,305,712</u>	<u>-</u>
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>\$ 1,482,646</u>	<u>\$ -</u>
<u>DEPARTMENT OF ECONOMIC OPPORTUNITY</u>				
DIRECT PROGRAMS:				
Economic Development Partnerships	40.040	*	<u>\$ 104,043</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF ECONOMIC OPPORTUNITY			<u>\$ 104,043</u>	<u>\$ -</u>
<u>FLORIDA HOUSING FINANCE CORPORATION</u>				
DIRECT PROGRAMS:				
State Housing Initiatives Partnership Program	40.901	HFC01	<u>\$ 6,070,857</u>	<u>\$ 2,023,616</u>
TOTAL FLORIDA HOUSING FINANCE CORPORATION			<u>\$ 6,070,857</u>	<u>\$ 2,023,616</u>

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2018

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES</u>				
DIRECT PROGRAMS:				
Mosquito control	42.003	13071	\$ 52,567	\$ -
TOTAL DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			\$ 52,567	\$ -
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u>				
DIRECT PROGRAMS:				
Cultural Facilities Grant Program	45.014	*	\$ 46,133	\$ -
State Aid to Libraries	45.030	12ST22	543	-
State Aid to Libraries	45.030	14ST24	82,995	-
State Aid to Libraries	45.030	16ST23	331,265	-
State Aid to Libraries	45.030	17ST22	506,415	-
Total State Aid to Libraries			921,218	-
Acquisition, Restoration of Historic Properties	45.032	*	17,000	-
TOTAL DEPARTMENT OF STATE AND SECRETARY OF STATE			\$ 984,351	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
DIRECT PROGRAMS:				
Florida Highway Beautification Council Grant	55.003	*	\$ 14,629	\$ -
County Incentive Grant Program (CIGP)	55.008	*	11,993	-
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 26,622	\$ -

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

CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2018

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF CHILDREN AND FAMILIES</u>				
DIRECT PROGRAMS:				
Public Safety Mental Health & Sub Abuse Criminal Justice, Mental Health, and Substance Abuse Reinvestment Grant Program	60.115	*	\$ 133,159	\$ 132,733
Reinvestment Grant Program	60.115	JHZ58	<u>\$ 292,326</u>	<u>270,001</u>
TOTAL DEPARTMENT OF CHILDREN AND FAMILIES			<u>\$ 425,485</u>	<u>\$ 402,734</u>
<u>DEPARTMENT OF HEALTH</u>				
DIRECT PROGRAMS:				
County Grant Awards	64.005	C2016	<u>\$ 124,682</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF HEALTH			<u>\$ 124,682</u>	<u>\$ -</u>
<u>DEPARTMENT OF ELDER AFFAIRS</u>				
DIRECT PROGRAMS:				
Respite for Elders Living in Everyday Families (RELIEF)	65.006	R017CJ	\$ 20,349	\$ -
Respite for Elders Living in Everyday Families (RELIEF)	65.006	R018CJ	<u>84,786</u>	<u>-</u>
TOTAL DEPARTMENT OF ELDERLY AFFAIRS			<u>\$ 105,135</u>	<u>\$ -</u>
<u>DEPARTMENT OF CORRECTIONS</u>				
DIRECT PROGRAMS:				
Transitional Services-Post Release	70.011	*	<u>\$ 285,475</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF CORRECTIONS			<u>\$ 285,475</u>	<u>\$ -</u>

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

**CITY OF JACKSONVILLE, FLORIDA
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2018**

STATE AGENCY	CSFA NUMBER	CONTRACT/ GRANT NUMBER	EXPENDITURES	TRANSFER TO SUB RECIPIENT
<u>DEPARTMENT OF LAW ENFORCEMENT</u>				
DIRECT PROGRAMS:				
Criminal Justice Training	71.001	D0058	194,336	-
Criminal Justice Training	71.001	D0058	51,979	-
SHOT-SPOTTER Pilot Program	71.020	G1607	<u>325,000</u>	<u>-</u>
TOTAL DEPARTMENT OF LAW ENFORCEMENT			<u>\$ 571,315</u>	<u>\$ -</u>
<u>DEPARTMENT OF MANAGEMENT SERVICES</u>				
DIRECT PROGRAMS:				
Wireless 911 Emergency Telephone System Rural County Grant Program	72.001	*	<u>\$ 77,687</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF MANAGEMENT SERVICES			<u>\$ 77,687</u>	<u>\$ -</u>
<u>DEPARTMENT OF REVENUE</u>				
DIRECT PROJECTS:				
Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise	73.016	*	<u>\$ 2,000,004</u>	<u>\$ -</u>
TOTAL DEPARTMENT OF REVENUE			<u>\$ 2,000,004</u>	<u>\$ -</u>
<u>FLORIDA FISH & WILDLIFE CONSERVATION COM</u>				
DIRECT PROJECTS:				
Derelict Vessel Removal Program	77.005	ICW-DU-JA-16-01	<u>\$ 8,250</u>	<u>\$ -</u>
TOTAL FLORIDA FISH & WILDLIFE CONSERVATION COM			<u>\$ 8,250</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 12,472,019</u>	<u>\$ 2,426,350</u>

* not available

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

City of Jacksonville, Florida
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the fiscal year end September 30, 2018

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance includes certain federal and state grant activity of the City of Jacksonville, Florida (the “City”) for the year ended September 30, 2018. The schedules do not include the federal and state grant activity of the City’s discretely presented component units the JEA, Jacksonville Port Authority, and the Jacksonville Transportation Authority, which received approximately \$0, \$19.6 million, and \$53.8 million, respectively. Federal and state grant activity for the discretely presented component units is reported on separately. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position or cash flows of the City. The City’s reporting entity is defined in Note 1 of the City’s basic financial statements.

Note 2. Basis of Accounting

The schedules are presented using the modified accrual basis of accounting for grants which are accounted for in governmental funds and on the accrual basis of accounting for grants which are accounted for in proprietary funds. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in these schedules is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.500, Rules of the Auditor General. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Program Clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. Accordingly, federal programs and related CFDA numbers reported within the schedule of expenditures include the Child Nutrition Cluster 10.559, CDBG-Entitlement Cluster 14.218, Highway Planning & Construction Cluster 20.205, Aging Cluster 93.044, 93.045, and 93.053, TANF Cluster 93.558, and the Foster Grandparent/Senior Companion Cluster 94.011 and 94.016.

Note 4. Indirect Cost

The City has not elected to use the 10% de minimis indirect cost rate.



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL 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") *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, 2018. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying *Schedule of Findings and Questioned Costs*.

The City's basic financial statements include the operations of Jacksonville Transportation Authority and Jacksonville Port Authority, for which any federal or state grant activity is not included in the schedules of federal awards and state financial assistance. Our audit, described below, did not include the operations of Jacksonville Transportation Authority and Jacksonville Port Authority which received federal awards and state financial assistance of \$53.8 million and \$19.6 million, respectively, because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance and Chapter 10.550 require that we plan and perform the audit to obtain reasonable

assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit involves examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and each of its major state projects for the year ended September 30, 2018.

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 the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 have not been identified. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004, that we consider to be material weaknesses.

The City's response to the internal control over compliance findings 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 the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida

June 26, 2019

Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2018

Part I – Summary of Auditors’ Results

- 1. The auditors’ report on the basic financial statements was unmodified.
2. The audit reported a significant deficiency in internal control over financial reporting.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit reported two material weaknesses in internal control over the major federal programs.
5. The auditors’ report on compliance for the major federal programs and major state projects was unmodified.
6. The audit did disclose findings that were required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.557, Rules of the Auditor General.
7. The City’s major programs/projects were:

Table with 2 columns: Program Name and CFDA/CSFA No. Rows include Federal Programs (Community Development Block Grant, Housing Opportunities, etc.) and State Projects (State Housing Initiatives Partnership, State Aid to Libraries).

- 8. A threshold of \$1,877,827 was used to distinguish between Type A and Type B programs for federal programs and \$374,161 was used for state projects.
9. The City did not qualify as a low-risk auditee as that term is defined in the Uniform Guidance.

Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2018

Part II – Financial Statement Findings

2018-001 - Preparation of the Schedule of Federal Awards and State Financial Assistance (similar to prior year findings 2017-001 and 2017-003)

Criteria: Management is responsible for the preparation of an accurate and complete schedule of expenditures of federal awards (2 CFR 200.508(b)) and state financial assistance (Rule 69I-5.003, F.A.C.).

Condition: Revisions to the original schedule of expenditures of federal awards and state financial assistance were identified and made by management in order to present accurate information.

Cause: Expenditures reported in the departments were not consistently included in the appropriate grant accounts in the financial accounting system.

Effect: Failure to properly prepare the schedule could affect the selection of major programs therefore impact the City's compliance with Uniform Guidance and the Florida Administrative Code.

Recommendation: We recommend the Departments work more closely with the Accounting Division when exceptions and discrepancies are discovered by the departments, i.e. when costs do not match information recorded in specific grants in the City's financial system.

Views of responsible officials: We agree with the recommendation of the auditors. The Accounting Division (GAD) is responsible for preparation of the schedule of expenditures of federal and state awards (SEFA).

During emergency situations, grants were set up in the Financial System to record the expenditures of the Federal Declared Emergencies. While a majority of the expenditures were recorded properly in the grant, some expenditures were charged to department's general fund cost centers. These costs are supposed to be transferred by the coordinating department to the grants when the cost sheets are submitted to the State. This was not done and it held up the preparation of the final SEFA by the Accounting Division. The City will implement the recommendation of the auditors and the Accounting Division will follow up more closely and earlier with the coordinating department.

2018-002 – Temporary Assistance for Needy Families (similar to prior year finding 2017-002)

Criteria: Healthy Families Jacksonville is responsible for complying with the Healthy Families of America Standards. Healthy Families Florida has identified several Healthy Families of America Standards that Healthy Families Jacksonville is not in compliance with.

Condition: The City did not comply with the Criteria listed above.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Families may not be receiving the services that Healthy Families Florida has contracted with Healthy Families Jacksonville to provide.

**Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2018**

Recommendation: We recommend that Healthy Families Jacksonville continue to work closely with the Healthy Families Florida Director to make decisions necessary to bring the level of program services into compliance.

Views of responsible officials: The Kids Hope Alliance (KHA) has absorbed the duties of the Jacksonville Children's Commission (JCC), who administered the grant in FY2018. The KHA worked to keep the Ounce of Prevention Fund of Florida informed throughout the process of removing the underperforming contractor from working on the program and developed in partnership with the Ounce of Prevention Fund of Florida a quality improvement plan to ensure improvement for the Jacksonville Healthy Families Program. This plan includes action steps and responsible parties related to each item. It is important to clarify that this is not a corrective action plan. **The Ounce of Prevention has not put Jacksonville on a corrective action** plan because JCC/KHA has been willing to make the tough decisions needed to ensure program improvement.

This program has not lost any funding for this program and in fact was awarded an additional \$69,000 in 2016 when it was chosen to be part of a mental health enhancement pilot program. This pilot will last a minimum of 4 years from the time of funding.

The Healthy Families Jacksonville program is accredited under a national model, has been asked to present along with the state director at a national conference and employs the State-wide Family Assessment Worker of the year for 2018.

The subcontractor responsible for providing the direct services under this grant is the Northeast Florida Healthy Start Coalition and was awarded the grant as of October 1, 2016.

FY2018 was a transition year for this program as the Coalition transitioned into the role of provider. During this time, a large staff turnover occurred, impacting the program outcomes as well.

The subcontractor responsible for providing the direct services under this grant is the Northeast Florida Healthy Start Coalition and was awarded the grant as of October 1, 2016. After a recent analysis of program needs, the program has tightened up on its Quality Assurance practices and has formalized the control practices of reviewing files, which includes checking eligibility. A report on the number of files reviews is then submitted monthly to the KHA Director of Special Needs.

A improved monitoring system has been put into place in March and April of 2019, other improvements are still being implemented.

After insufficient progress by the subcontractor (Northeast Florida Healthy Start Coalition), the Kids Hope Alliance had made the decision to put this program out for a competitive bid process in an effort to ensure that the subcontractor is the most qualified to provide these services. This is expected to be put before the KHA Board for approval in August, 2019 and a new contract in place for January 1, 2020.

Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2018

Part III – Findings and Questioned Costs – Federal Programs

2018-003 – Temporary Assistance for Needy Families

CFDA Number 93.558

Contract Number HF152002 2018 and HF152002 2019

Passed Through State of Florida, Department of Children and Families

Passed Through Ounce of Prevention Fund of Florida and Healthy Families Florida

Questioned costs – none.

Criteria: 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over Federal awards, including the requirements for beneficiary eligibility contained in 45 CFR Parts 260 through 265.

Condition: For nine months out of the fiscal year being audited the Eligibility controls were not being performed.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Individuals who are not eligible to receive the services funded by this grant may incorrectly be served.

Recommendation: We recommend that Healthy Families Jacksonville reintroduce the control which was partially in-effect during the year and ensure that it is performed consistently each month.

Views of responsible officials: We agree with the recommendation and the controls are now in place and results are expected to be much improved in FY2019 reporting and compliance.

2018-004 – Temporary Assistance for Needy Families

CFDA Number 93.558

Contract Number HF152002 2018 and HF152002 2019

Passed Through State of Florida, Department of Children and Families

Passed Through Ounce of Prevention Fund of Florida and Healthy Families Florida

Questioned costs – none.

Criteria: Healthy Families Jacksonville is responsible for maintaining controls over the Level of Effort compliance requirement.

**Schedule of Findings and Questioned Costs
For the Fiscal year ended September 30, 2018**

Condition: 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over Federal awards, including the requirements for Maintenance of Effort contained in 45 CFR Parts 260 through 265.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Families may not be receiving the services that Healthy Families Florida has contracted with Healthy Families Jacksonville to provide.

Recommendation: We recommend that Healthy Families Jacksonville continue to work closely with the Healthy Families Florida Director to make decisions necessary to bring the level of program services into compliance.

Views of responsible officials: We agree with the recommendation continue to improve the monitoring and the implementation of improved processes.

Part IV – Findings and Questioned Costs – State Projects

There were no findings related to state projects.

**Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2017**

Recurring prior year findings have been identified in the Schedule of Findings and Questioned Costs. There were no non-recurring prior year finding.



ONE CITY. ONE JACKSONVILLE.

City of Jacksonville, Florida

Lenny Curry, Mayor

City Hall at St. James
117 W. Duval St.
Jacksonville, FL 32202
(904) 630-CITY
www.coj.net

June 28, 2019

Below are corrective action plans for Audit Findings 2018-001, 2018-002, 2018-003, and 2018-004.

2018-001 - Preparation of the Schedule of Federal Awards and State Financial

Criteria: Management is responsible for the preparation of an accurate and complete schedule of expenditures of federal awards (2 CFR 200.508(b)) and state financial assistance (Rule 69I-5.003, F.A.C.).

Condition: Revisions to the original schedule of expenditures of federal awards and state financial assistance were identified and made by management in order to present accurate information.

Cause: Expenditures reported in the departments were not consistently included in the appropriate grant accounts in the financial accounting system.

Effect: Failure to properly prepare the schedule could affect the selection of major programs therefore impact the City's compliance with Uniform Guidance and the Florida Administrative Code.

Recommendation: We recommend the Departments work more closely with the Accounting Division when exceptions and discrepancies are discovered by the departments, i.e. when costs do not match information recorded in specific grants in the City's financial system.

Action Plan - We agree with the recommendation of the auditors. The Accounting Division (GAD) is responsible for preparation of the schedule of expenditures of federal and state awards (SEFA).

During emergency situations, grants were set up in the Financial System to record the expenditures of the Federal Declared Emergencies. While a majority of the expenditures were recorded properly in the grant, some expenditures were charged to department's general fund cost centers. These costs are supposed **to be** transferred by the coordinating department to the grants when the cost sheets are submitted to the State. This was not done and it held up the preparation of the final SEFA by the Accounting Division. The City will implement the recommendation of the auditors and the Accounting Division will follow up more closely and earlier with the coordinating department.

Contact Names Responsible for the plan - Patti Coleman

Anticipated completion date of the plan - September 30, 2019

2018-002 – Temporary Assistance for Needy Families

Criteria: Healthy Families Jacksonville is responsible for complying with the Healthy Families of America Standards. Healthy Families Florida has identified several Healthy Families of America Standards that Healthy Families Jacksonville is not in compliance with.

Condition: The City did not comply with the Criteria listed above.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Families may not be receiving the services that Healthy Families Florida has contracted with Healthy Families Jacksonville to provide.

Recommendation: We recommend that Healthy Families Jacksonville continue to work closely with the Healthy Families Florida Director to make decisions necessary to bring the level of program services into compliance.

Action Plan - The Kids Hope Alliance (KHA) has absorbed the duties of the Jacksonville Children’s Commission (JCC), who administered the grant in FY2018. The KHA worked to keep the Ounce of Prevention Fund of Florida informed throughout the process of removing the underperforming contractor from working on the program and developed in partnership with the Ounce of Prevention Fund of Florida a quality improvement plan to ensure improvement for the Jacksonville Healthy Families Program. This plan includes action steps and responsible parties related to each item. It is important to clarify that this is not a corrective action plan. The Ounce of Prevention has not put Jacksonville on a corrective action plan because JCC/KHA has been willing to make the tough decisions needed to ensure program improvement.

This program has not lost any funding for this program and in fact was awarded an additional \$69,000 in 2016 when it was chosen to be part of a mental health enhancement pilot program. This pilot will last a minimum of 4 years from the time of funding.

The Healthy Families Jacksonville program is accredited under a national model, has been asked to present along with the state director at a national conference and employs the State-wide Family Assessment Worker of the year for 2018.

The subcontractor responsible for providing the direct services under this grant is the Northeast Florida Healthy Start Coalition and was awarded the grant as of October 1, 2016.

FY2018 was a transition year for this program as the Coalition transitioned into the role of provider. During this time, a large staff turnover occurred, impacting the program outcomes as well.

The subcontractor responsible for providing the direct services under this grant is the Northeast Florida Healthy Start Coalition and was awarded the grant as of October 1, 2016. After a recent analysis of program needs, the program has tightened up on its Quality Assurance practices and has formalized the control practices of reviewing files, which includes checking eligibility. A report on the number of files reviews is then submitted monthly to the KHA Director of Special Needs.

An improved monitoring system has been put into place in March and April of 2019, other improvements are still being implemented.

After insufficient progress by the subcontractor (Northeast Florida Healthy Start Coalition), the Kids Hope Alliance had made the decision to put this program out for a competitive bid process in an effort to ensure that the subcontractor is the most qualified to provide these services. This is expected to be put before the KHA Board for approval in August, 2019 and a new contract in place for January 1, 2020.

Contact Names Responsible for the plan - Mary Nash

Anticipated completion date of the plan - September 30, 2019

2018-003 – Temporary Assistance for Needy Families
CFDA Number 93.558

Contract Number HF152002 2018 and HF152002 2019

Passed Through State of Florida, Department of Children and Families

Passed Through Ounce of Prevention Fund of Florida and Healthy Families Florida

Questioned costs – none.

Criteria: 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over Federal awards, including the requirements for beneficiary eligibility contained in 45 CFR Parts 260 through 265.

Condition: For nine months out of the fiscal year being audited the Eligibility controls were not being performed.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Individuals who are not eligible to receive the services funded by this grant may incorrectly be served.

Recommendation: We recommend that Healthy Families Jacksonville reintroduce the control which was partially in-effect during the year and ensure that it is performed consistently each month.

Action Plan - We agree with the recommendation and the controls are now in place and results are expected to be much improved in FY2019 reporting and compliance.

Contact Names Responsible for the plan - Mary Nash

Anticipated completion date of the plan - September 30, 2019

2018-004 – Temporary Assistance for Needy Families

CFDA Number 93.558

Contract Number HF152002 2018 and HF152002 2019

Passed Through State of Florida, Department of Children and Families

Passed Through Ounce of Prevention Fund of Florida and Healthy Families Florida

Questioned costs – none.

Criteria: Healthy Families Jacksonville is responsible for maintaining controls over the Level of Effort compliance requirement.

Condition: 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over Federal awards, including the requirements for Maintenance of Effort contained in 45 CFR Parts 260 through 265.

Cause: The program is rebuilding after turnover in providers and the necessary hiring and training of new Family Support Workers.

Effect: Families may not be receiving the services that Healthy Families Florida has contracted with Healthy Families Jacksonville to provide.

Recommendation: We recommend that Healthy Families Jacksonville continue to work closely with the Healthy Families Florida Director to make decisions necessary to bring the level of program services into compliance.

Action Plan - We agree with the recommendation and continue to improve the monitoring and the implementation of improved processes.

Contact Names Responsible for the plan - Mary Nash

Anticipated completion date of the plan - September 30, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL

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

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2018, which collectively comprise the City's basic financial statements and have issued our report thereon date June 26, 2018. Our report on the basic financial statements included reference to the reports of other auditors. This management letter does not include the findings and recommendations of the other auditors that are reported on separately by those auditors.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of Jacksonville Transportation Authority and Jacksonville Port Authority, discrete component units of the City and the Police and Fire Rescue Pension Plan Trust Fund.

Other Reports and Schedules

We have issued our Independent Auditors' 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 Auditors' Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control over Compliance in Accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General of the State of Florida; Schedule of Findings and Questioned Costs; and Independent Accountant's Reports on examinations conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions were not taken to address the prior year findings made in the preceding financial audit report. There were no findings in the second preceding financial report. This procedure does not include any matters that were reported on by other auditors identified above.

Official Title and Legal Authority

Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5b, Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2018, 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, 2018. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Jacksonville, Florida

June 26, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Jacksonville, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Jacksonville, Florida
June 26, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIncpa.com

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTIONS 365.172(10) AND 365.173(2)(d), FLORIDA STATUTES

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

We have examined the City of Jacksonville, Florida's (the "City") compliance with the requirements of Section 365.172(10), Florida Statutes, *Authorized Expenditures of E911 Fee*, and Section 365.173(2)(d), Florida Statutes, *Distribution and Use of (E911) Funds*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements Section 365.172(10), Florida Statutes, *Authorized Expenditures of E911 Fee*, and Section 365.173(2)(d), Florida Statutes, *Distribution and Use of (E911) Funds*, for the year ended September 30, 2018.

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

Carr, Riggs & Ingram, L.L.C.

Jacksonville, Florida

June 26, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTIONS 28.35 AND 28.36, FLORIDA STATUTES

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

We have examined the City of Jacksonville, Florida's (the "City") compliance with the requirements of Section 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*, and Section 28.36, Florida Statutes, *Budget Procedure*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 28.35, Florida Statutes, *Florida Clerks of Court Operations Corporation*, and Section 28.36, Florida Statutes, *Budget Procedure*, for the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Jacksonville, Florida

June 26, 2019



Carr, Riggs & Ingram, LLC
637 Park Street
Jacksonville, Florida 32204

(904) 356-6023
(904) 353-5836 (fax)
CRIcpa.com

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 61.181, FLORIDA STATUTES

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

We have examined the City of Jacksonville, Florida's (the "City") compliance with the requirements of Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support Payments; Fees*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 61.181, Florida Statutes, *Depository for Alimony Transactions, Support, Maintenance, and Support Payments; Fees*, for the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Jacksonville, Florida
June 26, 2019