

**JACKSONVILLE
TRANSPORTATION
AUTHORITY**

**Basic Financial
Statements,
Supplementary Information
and Single Audit Report**

**Year ended
September 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority, as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and the other post-employment benefits and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Authority's basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, Rules of *the Auditor General*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and State Financial Assistance, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

March 24, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Jacksonville Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

September 30, 2016

This discussion and analysis is designed to provide insight into the Jacksonville Transportation Authority's (the "JTA" or the "Authority") annual financial report by discussing significant financial issues and changes in financial position based on currently known facts in order to better explain material changes in the Authority's financial position and performance during the Fiscal Year ended September 30, 2016 as compared to September 30, 2015.

The information contained herein is designed to assist the reader in assessing the Authority's financial position. We encourage readers to consider the information contained in this discussion in conjunction with all of the other sections of the Authority's financial statements.

Financial Highlights

The financial highlights section will serve as background in understanding the more detailed explanations that follow:

- The Authority's total net position of combined governmental and business type activities on the Statement of Net Position was \$300.9 million, which consisted of net investment in capital assets of \$226.7 million and an unrestricted net position of \$74.1 million.
- The Authority's increase in federal and state expenditures during FY16 was primarily attributable to bus purchases and major project initiatives. Some of those major projects include capital investments for the Authority's newest mode of service - the St. Johns River Ferry, an upcoming Park N 'Ride at the Avenues Walk and future phases of the First Coast Flyer (Bus Rapid Transit).
- Total capital assets net of accumulated depreciation increased from \$195.3 million in 2015 to \$226.7 million in 2016, an increase of 16%. The increase in capital assets was primarily due to an increase in construction in process for the Authority's major project initiatives previously mentioned and the Authority's new mode of service - the St. Johns' River Ferry.

Overview of the Financial Statements

This discussion is to introduce the Jacksonville Transportation Authority's basic financial statements. The basic financial statements are comprised of three components: government-wide statements, fund financial statements, and notes to the financial statements.

The government-wide financial statements are the first two statements that focus on the Authority as a whole and provide both long-term and short-term information about the Authority's overall financial condition. These statements provide readers with a broad view of the Authority's finances, similar to a private sector business.

The fund financial statements are the remaining statements. They are similar to traditional governmental financial statements. These statements report on individual parts of the Authority's operations and include more detail than the government-wide statements.

Government-wide Financial Statements (continued)

The government-wide statements report on the Authority as a whole using accounting rules very similar to those used by private companies. There are two government-wide statements. The first is the statement of net position, which combines and reports all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources. The second is the statement of activities. It combines and reports all of the Authority's revenues and expenses regardless of when cash is paid or received. These two financial statements demonstrate how the Authority's net position has changed. Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources and is one way of assessing the Authority's current financial condition. Increases or decreases in net position are good indicators of whether the Authority's financial health is improving or deteriorating over time. Other non-financial factors, such as changes in local economic conditions, regulations, and government legislation, are important in evaluating the Authority's overall financial condition.

The government-wide financial statements are grouped into two categories:

Governmental activities: Include road construction and general engineering administration.

Business-type activities: The Authority's Bus, Automated Skyway Express (the "ASE"), Community Transportation Coordinator (the "CTC"), and Other Business Types (the "Ferry") operations are classified here. In these activities, the Authority charges customers fees to cover a portion of the cost of providing these goods and services.

Fund Financial Statements

The Authority's fund statements report in greater detail than the government-wide statements on the Authority's most significant funds. A fund is a group of related accounts used to exercise control over specific resources set apart for specific activities. The Authority, 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. The Authority maintains several individual governmental funds. The General Fund and the Special Revenue Fund are presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances. In addition, the Authority maintains several individual proprietary funds. The Bus, Skyway (the "ASE"), Connexion (the "CTC"), and Other Business Types Funds (the "Ferry") are presented separately in the proprietary fund balance sheet and in the statement of revenues, expenses, and changes in fund balance.

All of the Authority's funds are classified in one of the following categories.

Governmental funds tell how basic governmental services were paid for in the short-term as well as what remains for near future spending. These funds account for essentially the same services as those reported as governmental activities in the government-wide statements. Because the fund view does not include the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances that explains the differences between the two views.

Fund Financial Statements (continued)

Proprietary funds report on business type operations such as Bus, ASE, CTC, and Other Business Types operations (Ferry), where the fees typically cover a portion of the costs of operations. These statements offer both long and short-term financial information. The Authority's enterprise funds, one type of proprietary fund, are a more detailed reporting of the amounts classified as business-type activities in the government-wide statements.

Notes to the Financial Statements

The notes provide additional information and explanation that is necessary for a full understanding of both the government-wide and fund statements.

Government-wide Financial Analysis

Our analysis of the Authority's financial statements begins below. The Statement of Net Position and the Statement of Activities, in summary format, follow. These two statements report the net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the Authority's Net Position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, regulation, and new government legislation.

To begin our analysis, a summary of the Authority's balance sheet is presented in Table A-1.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 186,606,099	\$ 212,051,517	\$ 37,009,369	\$ 27,690,381	\$ 223,615,468	\$ 239,741,898
Noncurrent assets	25,388,058	34,734,636	1,930,767	2,318,449	27,318,825	37,053,085
Capital assets	24,123,413	15,188,250	202,605,079	180,143,085	226,728,492	195,331,335
Total assets	236,117,570	261,974,403	241,545,215	210,151,915	477,662,785	472,126,318
Deferred outflows of resources - pension and revenues	7,883,089	4,071,639	7,884,367	8,218,960	15,767,456	12,290,599
Current liabilities	8,664,913	2,736,291	17,519,648	9,296,437	26,184,561	12,032,728
Long-term liabilities	157,215,478	145,996,225	5,437,115	6,287,149	162,652,593	152,283,374
Total liabilities	165,880,391	148,732,516	22,956,763	15,583,586	188,837,154	164,316,102
Deferred inflows of resources - pension	1,816,503	2,568,214	1,913,824	103,250	3,730,327	2,671,464
Net position:						
Net investment in capital assets	24,123,413	15,188,250	202,605,079	180,143,085	226,728,492	195,331,335
Unrestricted	52,180,352	99,557,062	21,953,916	22,540,954	74,134,268	122,098,016
Total net position	\$ 76,303,765	\$ 114,745,312	\$ 224,558,995	\$ 202,684,039	\$ 300,862,760	\$ 317,429,351

Statement of Net Position 2016 vs. 2015

The Authority's governmental activities show a decrease of \$25.9 million or (9.87%) in total assets from 2015. Included in governmental activities are custodial assets which represent the sum total of planning, design and construction of assets that are built for others. In Fiscal year 2016, the change in total assets is attributable to a reduction in amounts due from other governments.

Statement of Net Position 2016 vs. 2015 (continued)

Total liabilities for governmental activities increased by \$17.1 million or 11.53%. The primary contributors to the increase were increased accounts payable, revenue bonds payable and the activity in custodial projects liabilities that are related to the transfer of custodial assets. Construction projects that will be turned over to the state or city upon completion are included in the custodial assets line item as an estimated liability. The Governmental activities change in net position was a net decrease of \$38.4 million from the prior year.

Total assets for the Authority's business type activities' increased \$31.4 million or 14.94% compared to 2016. This increase is attributable to acquiring the St. Johns River Ferry and an increase in amounts due from other governments.

Total liabilities for business type activities increased to \$7.4 million or 3.9% compared to 2015. This increase is centered in the current liabilities section for the Authority's accounts payable and internal balances related to capital activity.

A condensed summary of the Authority's revenues and expenses follows in Table A-2. While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes.

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenue:						
Charges for services	\$ -	\$ -	\$ 24,757,447	\$ 24,051,046	\$ 24,757,447	\$ 24,051,046
Operating grants and contributions	-	1,073,929	10,916,243	10,422,011	10,916,243	11,495,940
Capital grants and contributions	571,843	2,770,000	36,555,255	26,610,460	37,127,098	29,380,460
General revenue:						
Sales taxes	62,768,028	79,498,976	-	-	62,768,028	79,498,976
Intergovernmental	-	-	75,765,078	69,257,329	75,765,078	69,257,329
Investment earnings	1,541,374	648,103	77,730	52,965	1,619,104	701,068
Other general revenues	243,713	207,147	-	-	243,713	207,147
Total revenue	65,124,958	84,198,155	148,071,753	130,393,811	213,196,711	214,591,966
Expenses:						
General government	8,248,556	3,400,002	-	-	8,248,556	3,400,002
Transportation and infrastructure projects	10,236,027	1,266,412	-	-	10,236,027	1,266,412
Intergovernmental:						
City of Jacksonville	81,289,042	76,224,174	-	-	81,289,042	76,224,174
Interest on long-term debt	4,099,870	2,627,354	-	-	4,099,870	2,627,354
Bus	-	-	100,693,137	92,209,596	100,693,137	92,209,596
Automated skyway express	-	-	11,094,393	9,705,330	11,094,393	9,705,330
Community transportation	-	-	16,450,442	16,193,460	16,450,442	16,193,460
Ferry	-	-	1,285,736	-	1,285,736	-
Total expenses	103,873,495	83,517,942	129,523,708	118,108,386	233,397,203	201,626,328
Change in net position before transfers and special items	(38,748,537)	680,213	18,548,045	12,285,425	(20,200,492)	12,965,638
Transfers	-	(1,234,135)	-	1,234,135	-	-
Special item	-	-	3,633,901	-	3,633,901	-
Change in net position	(38,748,537)	(553,922)	22,181,946	13,519,560	(16,566,591)	12,965,638
Net position, beginning	115,052,302	115,299,234	202,377,049	189,164,479	317,429,351	304,463,713
Net position, ending	\$ 76,303,765	\$ 114,745,312	\$ 224,558,995	\$ 202,684,039	\$ 300,862,760	\$ 317,429,351

Statement of Activities 2016 vs. 2015 (continued)

For the Governmental activities, revenues decreased \$19.1 million or (22.65%) from the prior year. The decrease is attributable to a change in the distribution of sales tax revenue per the internal local agreement with the City of Jacksonville. In this agreement, the City of Jacksonville will retain funding for the payment of the existing Better Jacksonville Plan (the "Plan" or "BJP") debt service and transfer the related net revenues to the business type funds of the Authority.

Expenditures for Governmental activities increased by \$20.4 million or 24.37% compared to the previous year from \$83.5 million in 2015 to \$103.9 million in 2016. Governmental activities included increases in transportation and infrastructure projects and interest on long-term debt and an increase in intergovernmental expense to the City of Jacksonville.

Total revenues for Business-type activities increased by \$17.7 million or 13.5%. The increased revenue is primarily due to an overall increase of capital grants in 2016 for the Authority's major project initiatives and intergovernmental revenue.

Expenditure for Business-type activities increased by \$11.4 million or 9.7%. The increased expenditure is primarily due to attributable to bus purchases and major project initiatives.

Financial Analysis of the Authority's Funds

General Fund Budgetary Highlights

Of the Jacksonville Transportation Authority's Government Funds, the General Fund is primary. Total Intergovernmental Revenues for the General fund (the sales tax before any debt service payments are made) were budgeted at \$84.4 million; actual sales tax received were \$62.8 million due to a change in the interlocal agreement with the City of Jacksonville for sales tax revenue distribution. However, actual receipts as compared to the Final Budget were lower by \$1.5M or (.02%) compared to the budget for all funds.

General Government Expenditures for the General fund were budgeted (final) at \$2.14 million; the actual amount of expenditures was \$2.04 million. The final budget for Intergovernmental expenditures was \$82.85 million. The actual amount was \$81.3 million. The General Fund expenditures were favorable by \$1.6M or (.02%) compared to the final budget, primarily due to decreased expenditures to the City of Jacksonville based on actual sales tax receipts. The Authority continued to have positive expenditure variance (\$98K) in the general government expenditure line. Continued increase in activity for capital outlay and other related expenses from the JTA Mobility Works program and other major project initiatives contribute to the reduction in the General Fund's salary and benefit costs. These general administration costs were appropriated to the project whose activities are reimbursed by Federal, State or internal bond sources.

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2016, the Authority showed \$226.7 million in both the governmental and business-type activities in a broad range of Land, Buildings, Vehicles, Equipment and Construction in Progress as shown in Table A-3.

At the end of Fiscal Year 2015, the Authority showed \$195.3 million in both the governmental and business-type activities in a broad range of Land, Buildings, Vehicles, Equipment and Construction in Progress as shown in Table A-3.

Capital Assets (continued)

Table A-3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 13,512,437	\$ 13,512,437	\$ 24,812,801	\$ 23,885,451	\$ 38,325,238	\$ 37,397,888
Land improvements	-	-	8,883,084	6,622,280	8,883,084	6,622,280
Building and improvements	18,023	24,343	61,795,351	59,857,342	61,813,374	59,881,685
Vehicles	-	-	48,359,814	40,704,316	48,359,814	40,704,316
Furniture and office equipment	-	-	1,209,057	920,952	1,209,057	920,952
Other equipment	-	-	13,816,001	9,560,289	13,816,001	9,560,289
Construction in progress	10,592,953	1,651,470	43,728,971	38,592,455	54,321,924	40,243,925
Total	\$ 24,123,413	\$ 15,188,250	\$ 202,605,079	\$ 180,143,085	\$ 226,728,492	\$ 195,331,335

Debt Administration

In January of 2015, the Authority issued \$97,485,000 in local option gas tax bonds, Series 2015. The bonds are being used for financial expenditures relating to the cost of transportation projects for mobility work projects and to fund a debt service reserve. The maturity date of the Series 2015 issuance is 2036. The Authority has an outstanding balance of the debt of \$97,485,000 of which \$3,975,171 is due in the coming year. The interest rate of the bond range is from 3% to 5%. The revenues related to the local option gas tax are pledged as collateral and has a municipal bond issue insurance policy. The Authority has a total revenue bond payable of \$115,888,424 and \$4,748,900 paid in debt service related to interest for 2016.

Next Year's Budget

The Authority's Board of Directors approved the Fiscal Year (FY) 2017 Budget in May 2016. The budget was subsequently approved by the City of Jacksonville in September 2016.

The Authority's FY17 budget continues to ensure that appropriate resources are allocated to the mission critical areas and JTA will operate and serve our customers in the most effective and efficient manner possible. The FY17 operating and capital budget is balanced and supports a fiscally responsible strategic business plan.

During FY17, the Authority continues to implement Blueprint 2020 - a forward thinking five-year strategic plan to complete several major initiatives including the Jacksonville Regional Transportation Center (JRTC), First Coast Flyer (Bus Rapid Transit-BRT) and additional Park N' Ride facilities. All of the Authority's major initiatives are designed to enhance the economic viability of the greater Jacksonville and Northeast Florida.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Finance Department
Jacksonville Transportation Authority 121 West Forsyth Street
Jacksonville, FL 32202

Jacksonville Transportation Authority

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities	Business -Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,753,432	\$ 5,701,762	\$ 22,455,194
Investments	154,805,903	-	154,805,903
Internal balances	12,217,519	(12,217,519)	-
Due from other governments	2,820,313	37,660,383	40,480,696
Accounts receivable, net	5,620	2,589,495	2,595,115
Inventory	-	3,145,258	3,145,258
Prepays	3,312	129,990	133,302
Noncurrent assets:			
Restricted cash and cash equivalents	9,699,205	-	9,699,205
Restricted investments	9,520,849	-	9,520,849
Restricted due from other governments	6,168,004	-	6,168,004
Net pension asset	-	1,930,767	1,930,767
Capital assets (net of accumulated depreciation):			
Land	13,512,437	24,812,801	38,325,238
Construction in progress	10,592,953	43,728,971	54,321,924
Land improvements	-	8,883,084	8,883,084
Buildings and improvements	18,023	61,795,351	61,813,374
Vehicles	-	48,359,814	48,359,814
Furniture and office equipment	-	1,209,057	1,209,057
Other equipment	-	13,816,001	13,816,001
Total assets	236,117,570	241,545,215	477,662,785
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts for pensions	7,883,089	7,884,367	15,767,456
LIABILITIES			
Current liabilities:			
Accounts payable	3,149,673	15,243,289	18,392,962
Accrued expenses	598,586	1,988,384	2,586,970
Claims payable	-	162,277	162,277
Accrued compensated absences - current	150,000	125,698	275,698
Accrued interest	791,483	-	791,483
Revenue bonds payable	3,975,171	-	3,975,171
Noncurrent liabilities:			
Claims payable	-	4,000,198	4,000,198
Accrued compensated absences - noncurrent	211,856	659,917	871,773
Net pension liability	13,894,731	777,000	14,671,731
Revenue bonds payable	111,913,253	-	111,913,253
OPEB obligation	417,000	-	417,000
Custodial projects - due to other governments	30,778,638	-	30,778,638
Total liabilities	165,880,391	22,956,763	188,837,154
DEFERRED INFLOW OF RESOURCES			
Deferred amounts for pensions	1,816,503	1,913,824	3,730,327
NET POSITION			
Net investment in capital assets	24,123,413	202,605,079	226,728,492
Unrestricted	52,180,352	21,953,916	74,134,268
Total net position	\$ 76,303,765	\$ 224,558,995	\$ 300,862,760

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental	Business-Type	Total
Transportation Authority:							
Governmental activities:							
General government	\$ 8,248,556	\$ -	\$ -	\$ -	\$ (8,248,556)	\$ -	\$ (8,248,556)
Transportation and infrastructure projects	10,236,027	-	-	571,843	(9,664,184)	-	(9,664,184)
City of Jacksonville	81,289,042	-	-	-	(81,289,042)	-	(81,289,042)
Interest on long-term debt	4,099,870	-	-	-	(4,099,870)	-	(4,099,870)
Total governmental activities	103,873,495	-	-	571,843	(103,301,652)	-	(103,301,652)
Business-type activities:							
Bus system	100,693,137	12,656,755	8,837,623	30,096,436	-	(49,102,323)	(49,102,323)
Automated skyway express	11,094,393	194,232	1,100,000	734,146	-	(9,066,015)	(9,066,015)
Community transportation coordinator	16,450,442	11,080,298	978,620	966,205	-	(3,425,319)	(3,425,319)
Ferry	1,285,736	826,162	-	4,758,468	-	4,298,894	4,298,894
Total business-type activities	129,523,708	24,757,447	10,916,243	36,555,255	-	(57,294,763)	(57,294,763)
Total Transportation Authority	\$ 233,397,203	\$ 24,757,447	\$ 10,916,243	\$ 37,127,098	(103,301,652)	(57,294,763)	(160,596,415)
General revenues:							
Sales taxes					62,768,028	-	62,768,028
Intergovernmental revenues					-	75,765,078	75,765,078
Investment earnings					1,541,374	77,730	1,619,104
Other					243,713	-	243,713
Special Item - Ferry					-	3,633,901	3,633,901
Total general revenues					<u>64,553,115</u>	<u>79,476,709</u>	<u>144,029,824</u>
Change in net position					(38,748,537)	22,181,946	(16,566,591)
Net position - beginning of year					<u>115,052,302</u>	<u>202,377,049</u>	<u>317,429,351</u>
Net position - end of year					<u>\$ 76,303,765</u>	<u>\$ 224,558,995</u>	<u>\$ 300,862,760</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority
GOVERNMENTAL FUNDS - BALANCE SHEET

September 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,501,148	\$ -	\$ 3,252,284	\$ -	\$ 16,753,432
Investments	61,299,110	-	93,506,793	-	154,805,903
Due from other funds	15,270,955	-	-	-	15,270,955
Due from other governments	484,788	2,320,327	-	-	2,805,115
Accounts receivable	5,620	-	-	-	5,620
Prepaid expenses	3,312	-	-	-	3,312
Restricted assets:					
Cash and cash equivalents	-	9,699,205	-	-	9,699,205
Investments	-	-	-	9,520,849	9,520,849
Due from other governments	-	6,168,004	-	-	6,168,004
Total assets	<u>\$ 90,564,933</u>	<u>\$ 18,187,536</u>	<u>\$ 96,759,077</u>	<u>\$ 9,520,849</u>	<u>\$ 215,032,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 878,019	\$ 551,978	\$ 1,709,782	\$ 9,894	\$ 3,149,673
Accrued expenses	598,586	-	-	-	598,586
Due to other funds	-	2,265,104	788,332	-	3,053,436
Total liabilities	<u>1,476,605</u>	<u>2,817,082</u>	<u>2,498,114</u>	<u>9,894</u>	<u>6,801,695</u>
Deferred inflows of resources:					
Unavailable revenue	<u>169,404</u>	<u>8,418,103</u>	<u>-</u>	<u>-</u>	<u>8,587,507</u>
Fund balances:					
Nonspendable:					
Prepays	3,312	-	-	-	3,312
Spendable:					
Restricted	-	6,933,592	94,260,963	9,510,955	110,705,510
Assigned	69,556,000	-	-	-	69,556,000
Unassigned	19,359,612	18,759	-	-	19,378,371
Total fund balances	<u>88,918,924</u>	<u>6,952,351</u>	<u>94,260,963</u>	<u>9,510,955</u>	<u>199,643,193</u>
Total liabilities, deferred inflows of resource and fund balances	<u>\$ 90,564,933</u>	<u>\$ 18,187,536</u>	<u>\$ 96,759,077</u>	<u>\$ 9,520,849</u>	<u>\$ 215,032,395</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2016

Fund balances - total governmental funds	\$ 199,643,193
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.	24,123,413
Net liabilities for other post-employment benefits resulting from underfunding are not due and payable in the current period and, therefore, are not reported in the funds.	(417,000)
Net pension liability pertaining to the Florida Retirement System is not due and payable in the current period and, therefore, is not reporting in the funds.	(13,894,731)
Deferred outflows (inflows) of resources are reported in the statement of net position but not in the governmental funds:	
Deferred outflows - pensions	7,883,089
Deferred inflows - pensions	(1,816,503)
Unavailable revenues are financial resources not available for use in current operations and therefore, are reported in the funds.	8,602,705
Long-term obligations related to custodial construction projects are not due and payable in the current period and, therefore, are not reported in the funds.	(30,778,638)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:	
Revenue bonds payable	(115,888,424)
Accrued interest	(791,483)
Accrued compensated absences	(361,856)
Net position of governmental activities	<u><u>\$ 76,303,765</u></u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUE:					
Intergovernmental:					
Sales taxes	\$ 62,768,028	\$ -	\$ -	\$ -	\$ 62,768,028
Federal and state grants	-	526,842	-	-	526,842
City of Jacksonville	-	-	45,001	-	45,001
Investment earnings	783,814	27,869	660,715	68,976	1,541,374
Miscellaneous	243,008	705	-	-	243,713
Total revenues	63,794,850	555,416	705,716	68,976	65,124,958
EXPENDITURES					
Current:					
General government	2,041,637	-	-	-	2,041,637
Transportation and infrastructure projects	-	536,657	8,415,916	-	8,952,573
Intergovernmental, on-behalf payments:					
City of Jacksonville	81,289,042	-	-	-	81,289,042
Debt Service:					
Interest and fiscal charges	-	-	-	4,738,956	4,738,956
Total expenditures	83,330,679	536,657	8,415,916	4,738,956	97,022,208
Net change in fund balances	(19,535,829)	18,759	(7,710,200)	(4,669,980)	(31,897,250)
Other financing sources (uses):					
Transfers in	-	-	47,295	-	47,295
Transfers out	(47,295)	-	-	-	(47,295)
Total other financing sources (uses)	(47,295)	-	47,295	-	-
Net change in fund balances	(19,583,124)	18,759	(7,662,905)	(4,669,980)	(31,897,250)
Fund balances, beginning of year	108,502,048	6,933,592	101,923,868	14,180,935	231,540,443
Fund balances, end of year	\$ 88,918,924	\$ 6,952,351	\$ 94,260,963	\$ 9,510,955	\$ 199,643,193

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Net change in fund balances, total governmental funds	\$ (31,897,250)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay 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.	
Current year capital outlay	8,941,483
Current year depreciation expense	(6,320)
Other post employment benefits (OPEB) are recorded as an increase in expenses and an increase in the net OPEB liability on the statement of net position and are not recorded in the fund financial statements.	(14,000)
Costs associated with transportation and infrastructure projects constructed pursuant to agreements with the State of Florida and the City of Jacksonville are held as custodial assets until such time as the projects are completed, accepted and turned over to the State or City.	(10,224,937)
Changes in the net pension liability are not reported in the governmental funds because it does not require the use of current financial resources. These balances are reported in the government wide financial statements with the associated deferred inflows and outflows:	
Net effect of pension contribution expense	(1,042,388)
Some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of premium on revenue bonds	639,085
Compensated absences	4,976
Bad debt expense	(5,149,186)
Change in net position of governmental activities	<u>\$ (38,748,537)</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

September 30, 2016

	Bus	ASE	CTC	Other Business Types (Ferry)	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,695,824	\$ 208,950	\$ 402,834	\$ 394,154	\$ 5,701,762
Accounts receivable, net	765,675	8,225	1,593,070	222,525	2,589,495
Due from other funds	850,720	692,671	-	4,020,212	5,563,603
Due from other governments	33,037,419	2,593,090	892,584	1,137,290	37,660,383
Inventories	1,933,587	1,211,671	-	-	3,145,258
Prepaid expenses	12,691	110,025	5,344	1,930	129,990
Total current assets	41,295,916	4,824,632	2,893,832	5,776,111	54,790,491
Noncurrent assets:					
Net pension asset	1,930,767	-	-	-	1,930,767
Capital assets, net of accumulated depreciation	116,491,994	71,194,246	5,836,240	9,082,599	202,605,079
Total noncurrent assets	118,422,761	71,194,246	5,836,240	9,082,599	204,535,846
Total assets	159,718,677	76,018,878	8,730,072	14,858,710	259,326,337
Deferred outflows of resources					
Deferred amounts for pension	7,884,367	-	-	-	7,884,367
LIABILITIES					
Current liabilities:					
Accounts payable	11,571,951	2,072,705	668,249	930,384	15,243,289
Accrued expenses	1,789,503	103,469	95,412	-	1,988,384
Due to other funds	10,073,262	1,164,395	603,675	5,939,790	17,781,122
Claims payable	162,277	-	-	-	162,277
Accrued compensated absences	104,619	11,290	9,789	-	125,698
Total current liabilities	23,701,612	3,351,859	1,377,125	6,870,174	35,300,770
Noncurrent liabilities:					
Net pension obligation	777,000	-	-	-	777,000
Claims payable	3,963,942	36,256	-	-	4,000,198
Accrued compensated absences	549,251	59,274	51,392	-	659,917
Total noncurrent liabilities	5,290,193	95,530	51,392	-	5,437,115
Total liabilities	28,991,805	3,447,389	1,428,517	6,870,174	40,737,885
Deferred inflows of resources					
Deferred amounts for pension	1,913,824	-	-	-	1,913,824
Net position					
Net investment in capital assets	116,491,994	71,194,246	5,836,240	9,082,599	202,605,079
Unrestricted (deficit)	20,205,421	1,377,243	1,465,315	(1,094,063)	21,953,916
Total net position	\$ 136,697,415	\$ 72,571,489	\$ 7,301,555	\$ 7,988,536	\$ 224,558,995

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Year Ended September 30, 2016

	Bus	ASE	CTC	Other Business Types (Ferry)	Totals
Operating revenues:					
Passenger	\$ 11,547,752	\$ -	\$ 1,074,061	\$ 826,162	\$ 13,447,975
Agency	-	-	10,006,237	-	10,006,237
Charter	22,858	-	-	-	22,858
Auxiliary transportation	558,105	-	-	-	558,105
Non-transportation	528,040	194,232	-	-	722,272
Total operating revenues	<u>12,656,755</u>	<u>194,232</u>	<u>11,080,298</u>	<u>826,162</u>	<u>24,757,447</u>
Operating expenses:					
Labor	31,344,424	2,288,181	2,740,732	45,533	36,418,870
Fringe benefits	17,290,270	1,067,932	1,179,064	-	19,537,266
Materials and supplies	9,762,624	878,242	1,831,409	-	12,472,275
Services	19,768,557	1,571,231	7,935,413	1,133,828	30,409,029
Casualty and insurance	699,271	421,961	16,109	-	1,137,341
Taxes and licenses	114,908	-	-	-	114,908
Other	3,191,668	1,504,841	300,283	-	4,996,792
Depreciation expense	18,521,415	3,362,005	2,447,432	106,375	24,437,227
Total operating expenses	<u>100,693,137</u>	<u>11,094,393</u>	<u>16,450,442</u>	<u>1,285,736</u>	<u>129,523,708</u>
Operating loss	<u>(88,036,382)</u>	<u>(10,900,161)</u>	<u>(5,370,144)</u>	<u>(459,574)</u>	<u>(104,766,261)</u>
Nonoperating revenues:					
Public funding					
United States government	4,306,435	1,100,000	978,620	-	6,385,055
State of Florida	4,531,188	-	-	-	4,531,188
City of Jacksonville	74,568,163	-	1,196,915	-	75,765,078
Investment earnings	75,230	2,398	102	-	77,730
Total nonoperating revenues	<u>83,481,016</u>	<u>1,102,398</u>	<u>2,175,637</u>	<u>-</u>	<u>86,759,051</u>
Loss before capital contributions, transfers and special items	(4,555,366)	(9,797,763)	(3,194,507)	(459,574)	(18,007,210)
Capital contributions	30,096,436	734,146	966,205	4,758,468	36,555,255
Special items	-	-	-	3,633,901	3,633,901
Transfers in	-	4,728,116	321,609	362,731	5,412,456
Transfers out	(5,412,456)	-	-	-	(5,412,456)
Change in net position	<u>20,128,614</u>	<u>(4,335,501)</u>	<u>(1,906,693)</u>	<u>8,295,526</u>	<u>22,181,946</u>
Net position, beginning of year	<u>116,568,801</u>	<u>76,906,990</u>	<u>9,208,248</u>	<u>(306,990)</u>	<u>202,377,049</u>
Net position, end of year	<u>\$ 136,697,415</u>	<u>\$ 72,571,489</u>	<u>\$ 7,301,555</u>	<u>\$ 7,988,536</u>	<u>\$ 224,558,995</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year Ended September 30, 2016

	Bus	ASE	CTC	Other Business Type (Ferry)	Totals
Cash flows from operating activities:					
Receipts from customers	\$ 12,395,151	\$ 191,514	\$ 9,760,575	\$ 603,637	\$ 22,950,877
Payments to suppliers	(26,336,747)	(3,633,757)	(10,255,718)	(203,444)	(40,429,666)
Payments to employees	(47,322,094)	(3,301,822)	(3,926,363)	(45,533)	(54,595,812)
Other receipts (payments)	122,824	153,917	(1,314)	(1,930)	273,497
Net cash (used in) operating activities	(61,140,866)	(6,590,148)	(4,422,820)	352,730	(71,801,104)
Cash flows from noncapital financing activities:					
Operating grants received	83,405,786	1,100,000	2,175,535	3,633,901	90,315,222
Receipts (payments) of interfund balances	(14,580,137)	1,677,732	3,384,889	475,298	(9,042,218)
Other receipts (payments)	89,925	8,999	13,961	-	112,885
Transfers from other funds	-	4,728,116	321,609	362,731	5,412,456
Transfers (to) other funds	(5,412,456)	-	-	-	(5,412,456)
Net cash provided by noncapital financing activities	63,503,118	7,514,847	5,895,994	4,471,930	81,385,889
Cash flows from capital and related financing activities:					
Capital contributions	30,096,436	734,146	966,205	4,758,468	36,555,255
Acquisition and construction of capital assets	(34,999,624)	(1,771,416)	(2,314,878)	(9,188,974)	(48,274,892)
Net cash (used in) capital and related financing activities	(4,903,188)	(1,037,270)	(1,348,673)	(4,430,506)	(11,719,637)
Cash flows from investing activities:					
Interest on investments	75,230	2,398	102	-	77,730
Net change in cash and cash equivalents	(2,465,706)	(110,173)	124,603	394,154	(2,057,122)
Cash and cash equivalents, beginning of year	7,161,530	319,123	278,231	-	7,758,884
Cash and cash equivalents, end of year	\$ 4,695,824	\$ 208,950	\$ 402,834	\$ 394,154	\$ 5,701,762

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year Ended September 30, 2016

	Bus	ASE	CTC	Other Business Type (Ferry)	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	\$ (88,036,382)	\$ (10,900,161)	\$ (5,370,144)	\$ (459,574)	\$ (104,766,261)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	18,521,415	3,362,005	2,447,432	106,375	24,437,227
Loss on disposal of capital assets					
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	(261,604)	(2,718)	(1,319,723)	(222,525)	(1,806,570)
Inventory	227,962	156,456	-	-	384,418
Prepaid expenses	160,208	(22)	(1,315)	(1,930)	156,941
Net pension asset	387,682	-	-	-	387,682
Deferred outflows	334,593	-	-	-	334,593
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable	7,200,281	742,518	(172,503)	930,384	8,700,680
Accrued expenses	(247,116)	58,970	(6,998)	-	(195,144)
Accrued compensated absences	(10,213)	(4,679)	431	-	(14,461)
Net pension obligation	(962,920)	-	-	-	(962,920)
Claims payable	(265,346)	(2,517)	-	-	(267,863)
Deferred inflows	1,810,574	-	-	-	1,810,574
Net cash provided by (used in) operating activities	<u>\$ (61,140,866)</u>	<u>\$ (6,590,148)</u>	<u>\$ (4,422,820)</u>	<u>\$ 352,730</u>	<u>\$ (71,801,104)</u>
Noncash capital and financing activities:					
Accounts payable for capital acquisitions	<u>\$ 1,373,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,493</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUND

September 30, 2016

	JTM Salaried Employees
<hr/>	
Assets	
Cash and cash equivalents	\$ 455,140
Investments:	
Mutual funds	53,616
Government securities	151,929
Equity securities	513,596
Total assets	<u>\$ 1,174,281</u>
Net position	
Restricted for pensions	<u>\$ 1,174,281</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUND

Year Ended September 30, 2016

	JTM Salaried Employees
Additions:	
Employer contribution	\$ 230,825
Deductions:	
Benefit payments	66,406
Net depreciation in fair value of investments	<u>17,145</u>
Total	<u>83,551</u>
Net change in plan net position	147,274
Net position restricted for pensions, beginning of year	<u>1,027,007</u>
Net position restricted for pensions, end of year	<u>\$ 1,174,281</u>

The accompanying notes are an integral part of the financial statements.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - REPORTING ENTITY

Established by the Florida Legislature in 1955, the Jacksonville Transportation Authority (the "JTA" or the "Authority") is a public body and corporate agency of the State of Florida under Chapter 349, as amended, Florida Statutes. The Authority is empowered to acquire, construct, operate and lease a mass transit system; it may plan, coordinate and recommend methods and facilities for the parking of vehicles and the movement of pedestrians and vehicular traffic; and it may issue evidences of indebtedness and secure payment thereof by pledge of its revenues.

It is also empowered to construct, improve, operate and lease the Jacksonville Expressway System and improvements thereto, to fix and collect rates, rentals and other charges for the services and facilities of such system; and to secure bonds by a pledge of such revenues and all or part of Duval Authority gasoline tax and sales tax funds pursuant to a lease-purchase agreement between the Authority and the State of Florida Department of Transportation (the "FDOT"). The FDOT maintains responsibility for the operation of the Expressway System with the exception of certain contract maintenance functions.

In fiscal year 2000, the Authority entered into an Interlocal Agreement ("ILA") with the City of Jacksonville (the "City") for the purpose of constructing the roadway and infrastructure projects of the Better Jacksonville Plan (the "Plan" or "BJP"), as defined in the ILA. Pursuant to this agreement, the Authority pledged its sales tax and the City pledged its Constitutional Gas Tax to the payment of bonds issued by the City to implement the Program (the "Bonds"). The Bonds are an obligation of the City and there is no guarantee by the Authority or any other Authority's revenues or assets pledged for such bonds except the sales tax. The ILA commenced on October 1, 2000 and continues in effect until all of the Bonds have been duly paid in full or defeased in accordance with their terms. The terms of the ILA also requires that the City make available its Local Option Gas Tax to the Authority for the Authority's operation of its mass transit division. Any excess funds calculated pursuant to the terms of the ILA (as amended) will be allocated entirely to the Authority. The Authority may use these funds for any lawful purpose.

The Authority is fiscally dependent on the City under Section 14 of the City Charter through approval of its budget and there is a financial benefit/burden relationship between the two entities. Accordingly, the Authority has been determined to be a component unit of the City under Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Authority's governing body has seven members. Three members are appointed by the Governor and confirmed by the Senate; three members are appointed by the City's Mayor and confirmed by the City Council; and the seventh member is the District Two Secretary of the Florida Department of Transportation.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - REPORTING ENTITY (continued)

As required by generally accepted accounting principles, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Authority's operation and so data from these units are combined with data of the primary government.

Blended component unit

Jacksonville Transit Management, Inc. (the "JTM") is a not for profit, corporate entity responsible for the management of payroll and related benefits for drivers, mechanics and certain other employees who support the enterprise activities of the Authority. The Authority owns all of the stock of JTM, members of JTM's board of directors are appointed by the Authority, services are exclusively provided to JTA, and management of the Authority has operational responsibility for the component unit. The transactions of JTM are blended with the primary government, the Authority, and are included in the expenses of the Authority's enterprise funds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements include both government-wide and fund level statements. The government-wide statements report on all of the non-fiduciary activities of the Authority. Both the government-wide and fund level statements classify primary activities of the Authority as either governmental activities, which are primarily supported by taxes and intergovernmental revenues, or business-type activities, which are partially supported by user fees and charges.

The government-wide statement of net position reports all assets and liabilities of the Authority, including both long-term assets and long-term debt and other obligations. Net position, the difference between assets, liabilities, and deferred inflows/outflows of resources, are subdivided into three categories: net investment in capital assets, restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

The statement of activities reports the degree to which direct expenses of Authority functions are offset by program revenues. Program revenues consist of charges for services, operating grants and contributions and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular 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, unrestricted intergovernmental revenue and investment earnings.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fund level statements report on governmental, proprietary and fiduciary activities, even though the latter are excluded from the government-wide financial statements. 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 government-wide 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 fund level statement which briefly explains the adjustments necessary to convert the fund level statements into the government-wide governmental column presentations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this is the Bus Fund's payments to the Community Transportation Coordinator (the "CTC") Fund in the amount of \$8,319,828 for services provided to the transportation disadvantaged. Elimination of these charges would distort the direct costs and program revenues reported for these funds.

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

Fund structure: The Authority's accounts are maintained in accordance with the principles of fund accounting to enable 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, revenues and expenditures/expenses and fund equity. For financial statement presentation, funds with similar characteristics are grouped into generic classifications as required by accounting principles generally accepted in the United States of America. A brief description of Major Fund classifications are as follows:

Governmental funds: These funds report transactions related to resources received and used for those services traditionally provided by governmental agencies. The following are major governmental funds used by the Authority:

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

Special revenue fund: The Special Revenue Fund receives money from other governmental agencies, primarily the State of Florida (the State) and the City of Jacksonville, to fund major capital improvement projects for those respective governments. Upon completion, ownership of the assets constructed (the accumulated costs of such assets) is transferred to the State or City.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital projects fund: accounts for and reports resources to be used for the construction of various transportation projects that are not accounted for in the proprietary funds.

Proprietary funds: These funds are used to account for the financing of services to the public on a continuing basis with funding provided by Federal and State grants, local sales and fuel taxes and costs recovered partially through user charges. Major proprietary funds include:

Bus: Bus Fund is used to account for the operation of the Authority's bus services. Operating revenue is provided through Federal and State grants, local sales and fuel taxes and passenger fares.

ASE: Automated Skyway Express Fund is used to account for the Authority's local train service. Operating revenue is provided through passenger fares. During fiscal 2012, the Authority temporarily suspended the passenger fares to study the effect on ridership and the cost to operate the system. This suspension was in effect for all of fiscal 2016. Presently the Authority has not made a determination as to whether the user fees will be reinstated or if the suspension will become permanent. Because a determination has not yet been made, the Authority will continue to present the ASE fund as a proprietary fund in 2016.

CTC: Community Transportation Coordinator Fund is used to account for paratransit service for disabled and transportation for disadvantaged riders. Operating revenue is provided through governmental grants and other sources.

Proprietary funds distinguish operating revenue and expenses from nonoperating 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 Authority's proprietary funds are charges to customers for sales and services. Since the rate structure of these funds is not sufficient to generate revenues to fully fund operating expenses or to fund acquisition, replacement and future expansion of property and equipment, the Authority is compelled to seek contributions-in-aid from local, state and federal sources, which are reported as nonoperating revenues. Operating expenses include direct expenses of providing the goods or services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the significant accounting policies applicable to the Authority:

1. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Intergovernmental revenues, grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met. Taxes such as sales and gas taxes are recognized based on the date of the underlying sales transactions.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally 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 is the amount of the transaction can be determined and available is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, the Authority considers a 90 day availability period for revenue recognition.

Major revenues that are determined to be susceptible to accrual include taxes, intergovernmental revenue when eligibility requirements are met, charges for services and investment income. Taxes such as sales and gas taxes are recognized based on the date of the underlying sales transactions and if received within the Authority's period of availability for governmental funds.

Expenditures of governmental funds are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Expenditures related to pensions and other post-employment benefits (OPEB) are recognized when the Authority has made a decision to fund those obligations with current available resources.

2. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes bank demand accounts, money market funds and investments with an original maturity of three months or less when purchased.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Investments

Investments with a maturity date greater than one year from the purchase date are reported at fair value as determined by quoted market prices, and investments with a maturity date less than one year from the purchase date are reported at amortized cost, which approximates fair value.

During fiscal year 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which applied GASB accounting concepts of fair value measurement to JTA's valuation. The statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. GASB Statement No. 72 also requires identification of transactions that are not orderly. The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value with three levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs-other than quoted prices-included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. The implementation of this standard does not have a material effect on the Agency's reporting as the fair value measurement is already maintained by the Authority.

The Authority's pricing for investments with various levels in the fair value hierarchy.

4. Accounts receivable and due from other governments

Customer accounts receivable consist of amounts owed from private individuals, organizations or agencies of the government for services. The allowance method is used to account for bad debt expense. All accounts receivable balances are shown net of the allowance for uncollectibles. The allowance is based on management's estimates using historical experience and current economic conditions. The allowance for doubtful accounts was approximately \$409,975 for the Bus fund at September 30, 2016, and all other receivables are considered fully collectible in the other funds. In addition, the Authority has recorded a due from other governments of \$46,648,700, net of an allowance for doubtful accounts of \$5,149,186 related to a \$13,565,102 amount due from the City of Jacksonville within the Special Revenue fund.

5. Inventory and prepaid items

Inventory consists of materials and supplies and is reported using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and proprietary fund Statement of Net Position. In the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, prepaid items are included in expenditures for the current period, when purchased.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Custodial assets/custodial liabilities

Custodial assets consist of cash and cash equivalents, certain amounts due from the City, and costs of infrastructure assets currently under construction for the benefit of the State and the City. After completion, the City or State, as appropriate, is responsible for maintaining the assets. Therefore, the Authority transfers such assets upon completion of the related construction project.

These assets are reported as custodial assets on the government-wide statement of net position because title of such assets does not transfer until the project is completed and accepted by the State or the City, as appropriate.

As these assets are being held in an agency-like capacity by the Authority, the revenues associated with the funding of these projects are reported as amounts due to other governments (liabilities) on the government-wide statement of net position, reflecting the Authority's obligation to the State or City.

7. Capital assets

Capital assets are stated at historical cost and are defined as assets with an initial individual cost of more than \$500 and an estimated useful life exceeding one year.

The cost of improvements and replacements, which extend the useful lives of assets, are capitalized. Repairs and maintenance costs, which do not improve or extend the useful life of the respective assets, are charged to expense. Depreciation commences when the assets are placed in service. Property and equipment are depreciated by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Land improvements	5 - 10
Buildings and improvements	10 - 40
Vehicles	3 - 25
Furniture and office equipment	3 - 12
Other equipment	3 - 10

As of September 30, 2016, there were no infrastructure assets owned by the Authority other than the custodial assets being constructed for other parties mentioned in Note A-6.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Compensated absences

Employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements as accrued liabilities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The value of accumulated benefits earned by employees, that may be used in subsequent years or paid upon termination or retirement, is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

9. Unearned/unavailable revenues

Payments are recorded as unearned revenue in the government-wide and fund financial statements which have been received but which have not met revenue recognition requirements (not earned). In addition, amounts related to governmental fund receivables that are measurable, but not received within the Authority's period of availability, are recorded as a deferred inflow of resources entitled unavailable revenue in the governmental fund financial statements.

10. Claims liability

Provision for injury and damage losses are charged to operations based on the estimated ultimate cost of settling incurred claims and incurred but not reported claims using past experience adjusted for current trends.

11. Restricted assets

Certain assets of the Authority's governmental and proprietary funds are classified as restricted assets on the financial statements because their use is limited to the construction of capital assets or custodial assets through bond or loan covenants and other legal restrictions.

12. Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense) until that time. These items are reported as a category below the assets on the Statement of Net Position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the Statement of Net Position.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Deferred outflows/inflows of resources (continued)

The Authority reports deferred outflows and deferred inflows of resources that result from the activity in its defined benefit pension plans. This pension activity includes differences between expected and actual experience, and changes in actuarial assumptions, or other inputs. In addition, the Authority records a deferred inflow in its governmental funds for resources that are not available.

13. Net position and fund equity

In the government-wide financial statements and in the proprietary fund statements, net position is classified in the following categories:

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that is attributable to the acquisition, construction or improvement of these assets, if any, reduce this category.

Restricted net position: This category represents the net position of the Authority, which is restricted by creditors, grantors or laws and regulations or legally enforceable enabling legislation which a party external to the Authority (such as citizens, public interest groups, or the judiciary) can compel the Authority to honor.

Unrestricted net position: This category represents the net position of the Authority, which is not restricted for any project or other purpose.

The Authority follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable fund balance: Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance: This category represents the fund balance of the Authority, which is restricted by creditors, grantors or laws and regulations or legally enforceable enabling legislation which a party external to the Authority (such as citizens, public interest groups, or the judiciary) can compel the Authority to honor.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Net position and fund equity (continued)

Committed fund balance: Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Board of Directors through passage of a resolution. Committed amounts cannot be used for any other purpose unless the Authority removes those constraints by taking the same type of action.

Assigned fund balance: Assigned fund balances are amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Board of Directors or (b) the Chief Executive Officer.

Unassigned fund balance: Unassigned fund balance is the residual classification for the General Fund. Unassigned fund balance also includes any residual deficit fund balance of other governmental funds.

The Authority's policy is to expend resources in the following order: restricted, committed, assigned and unassigned.

14. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as the provisions for uninsured losses and pension costs, that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE C - DEPOSITS AND INVESTMENTS

1. Cash and cash equivalents

Custodial credit risk - deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy to address custodial credit risk requires the Authority to maintain all deposits in qualified public depositories as defined in Chapter 280.02, Florida Statutes. Deposits whose value exceeds the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration, securities which have a market value equal to 50% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. At September 30, 2016, the Authority's demand deposits with banks were \$23,650,660 and its reported balances were \$22,746,044. The pension trust fund reported \$455,140 for cash and cash equivalents for the bank and account balances.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued)

2. Investments

The Authority's Board approved its written investment policy on August 28, 2014. The policy complies with Florida Statute 218. The investment policy authorizes the following investments: Money market mutual funds, Florida Local Government Surplus Funds Trust Funds, United States Government Securities, United States Government Agencies, interest-bearing time deposits or savings accounts, repurchase agreements, commercial paper of a high rating A-1 P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's Corporation (S & P) or Moody's, fixed income mutual funds, and intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperative Act. The policy also provides limits on individual issuers and rating requirement standards. Outside portfolio managers must review the portfolios they manage to ensure compliance with the Authority's diversification guidelines on an ongoing basis.

Investments are recorded at fair value (quoted market price or the best available estimate thereof), with the exception of the investments held by the Florida Treasury Investment Pool. The investments held by the Florida Treasury Investment Pool are recorded at amortized cost, which is consistent with the treatment of "2a-7 like" pool securities.

As of September 30, 2016, the Authority has report restricted and unrestricted investments related to government-wide of \$164,326,752 with the \$8,280,313 related to cash equivalents for money markets and \$1,174,281 related to investments for the pension trust. The following is a schedule of investments by type:

Investment Type	Government- wide	Pension Trust Fund
Stocks and EFTS	\$ -	\$ 438,733
U.S. Treasury bills/notes	35,418,102	99,181
Federal agency bonds/notes	78,278,403	52,748
Collateralized mortgage obligations	1,999,469	-
Supernational agency	3,216,699	-
Municipal obligations	1,619,093	-
Corporate notes	13,690,171	74,863
Asset backed securities	5,562,617	-
Commercial paper	6,424,123	-
Money market mutual fund	26,398,388	-
Mutual fund	-	53,616
Cash/bank deposit sweep	-	455,140
Total investments	<u>\$ 172,607,065</u>	<u>\$ 1,174,281</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued)

3. Interest rate risk and price level

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of an investment's fair value is to change in market interest rates. The Authority's investment policy limits the investing of current operating funds to investments with maturities of not more than 12 months. Investment maturities for bond reserves, construction funds, and other non-operating funds are limited to 5 years with the weighted average maturity not to exceed 3 years. This policy limits investment maturities as a means of managing the Authority's exposure to fair value losses arising from increasing interest rates. JTA has adopted GASB No. 72, *Fair Value Measurement and Application* (see Note N). This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

The following table presents the investments as of September 30, 2016. The Authority had the following debt-type investments and maturities and measured at fair value. Investments are recorded at fair value quoted market price or the best available estimate thereof. The pricing for investments is shared between levels in the fair value hierarchy.

Investment type	Remaining maturity (in years)				Fair value
	Less than 1 year	1-5 years	6-10 years	More than 10 years	
U.S. Treasury bills/notes	\$ 17,596,228	\$ 17,821,873	\$ -	\$ -	\$ 35,418,101
Federal agency bonds/notes	42,203,776	36,074,627	-	-	78,278,403
Collateralized mortgage obligations	310,484	1,688,985	-	-	1,999,469
Supernational agency	-	3,216,699	-	-	3,216,699
Municipal obligations	-	1,619,093	-	-	1,619,093
Corporate notes	3,018,113	10,672,058	-	-	13,690,171
Asset backed securities	1,812,831	3,749,786	-	-	5,562,617
Commercial paper	6,424,123	-	-	-	6,424,123
Money market mutual fund	26,398,389	-	-	-	26,398,389
	<u>\$ 97,763,944</u>	<u>\$ 74,843,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,607,065</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued)

4. Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, the Authority's policy is to strictly limit its investments in permitted investment vehicles authorized by the policy, which are generally recognized as elements of a conservative investment portfolio that carries minimal credit risk exposure. U.S. Government securities are backed by the full faith and credit of the U.S. Government, therefore a credit rating is not assigned. The Authority's investments are rated as follows:

<u>Investment type</u>	<u>S&P's Credit Rating</u>	<u>Fair Value</u>
U.S. Treasury bills/notes	AA	\$ 35,418,102
Federal agency bonds/notes	AA	78,278,403
Collateralized mortgage obligations	AA	1,999,469
Municipal obligations	AA	1,619,093
Supernational agency	AAA	3,216,699
Corporate notes	AA	5,480,451
Corporate notes	A	7,384,258
Corporate notes	BBB	825,461
Commercial paper	A-1+	1,245,924
Commercial paper	A-1	5,178,199
Asset backed securities	AAA	5,562,617
Money market mutual fund	AAAm	26,398,389
		<u>\$ 172,607,065</u>

5. Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires securities be held by a third party custodian and be properly designated as an asset of the Authority and held in the Authority's name. As of September 30, 2016, the Authority's investments were held with a third-party custodian as required by the Authority's investment policy.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (continued)

5. Custodial credit risk (continued)

The investment policy authorizes the following maximum permissible concentrations based on book values: United States Government Securities (100%), United States Government Agencies (80%), interest bearing time deposits or savings accounts (25%), repurchase agreements (25%), commercial paper (25%) of a high rating A-1 P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's corporation (S & P) or Moody's, fixed income mutual funds (25%), and intergovernmental investment pools (25%) that are authorized pursuant to the Florida Interlocal Cooperative Act.

The policy further allows that 100% of the portfolio can be comprised of any of the following instruments: money markets mutual funds, Florida Local Government Surplus Funds Trust Funds, United States Government Securities and Federal Instrumentalities.

Investment securities that represent more than 5% of the Authority's investments are listed below:

Issuer	Reported amount	% of Portfolio
Federal home loan bank (FHLB)	\$ 40,259,038	23.32%
U.S. treasury bills/notes	35,418,102	20.52%
Money market mutual fund	26,398,389	15.29%
Federal national mortgage assoc. (FNMA)	23,028,680	13.34%
Federal home loan mortgage corp. (FHLMC)	16,990,153	9.84%
	<u>\$ 142,094,362</u>	<u>82.31%</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D - CAPITAL ASSETS

Capital asset activity of the governmental funds for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 13,512,437	\$ -	\$ -	\$ 13,512,437
Construction in progress	1,651,470	8,941,483	-	10,592,953
Total capital assets, not being depreciated	<u>15,163,907</u>	<u>8,941,483</u>	<u>-</u>	<u>24,105,390</u>
Capital assets, being depreciated				
Land improvements	24,120	-	-	24,120
Buildings and improvements	369,656	-	57,975	311,681
Vehicles	163,098	-	20,784	142,314
Furniture and office equipment	280,185	-	248,776	31,409
Total capital assets, being depreciated	<u>837,059</u>	<u>-</u>	<u>327,535</u>	<u>509,524</u>
Less accumulated depreciation for:				
Land improvements	24,120	-	-	24,120
Buildings and improvements	345,313	6,320	57,975	293,658
Vehicles	163,098	-	20,784	142,314
Furniture and office equipment	280,185	-	248,776	31,409
Total accumulated depreciation	<u>812,716</u>	<u>6,320</u>	<u>327,535</u>	<u>491,501</u>
Total capital assets, being depreciated, net	<u>24,343</u>	<u>6,320</u>	<u>655,070</u>	<u>18,023</u>
Governmental activities capital assets, net	<u>\$ 15,188,250</u>	<u>\$ 8,947,803</u>	<u>\$ 655,070</u>	<u>\$ 24,123,413</u>

Depreciation expense for the year ended September 30, 2016 related to the building and improvements for the general government in the amount of \$6,320.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D - CAPITAL ASSETS (continued)

The following is a schedule of changes in capital assets of the enterprise funds for the year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 23,885,451	\$ 927,350	\$ -	\$ 24,812,801
Construction in progress	38,592,455	45,962,473	40,825,957	43,728,971
Total capital assets, not being depreciated	<u>62,477,906</u>	<u>46,889,823</u>	<u>40,825,957</u>	<u>68,541,772</u>
Capital assets, being depreciated:				
Land improvements	23,581,997	4,860,313	46,639	28,395,671
Buildings and improvements	130,139,507	6,141,494	86,016	136,194,985
Vehicles	100,861,717	19,118,586	5,933,847	114,046,456
Furniture and office equipment	3,232,680	853,744	614,506	3,471,918
Other equipment	87,803,350	12,670,019	4,835,857	95,637,512
Total capital assets, being depreciated	<u>345,619,251</u>	<u>43,644,156</u>	<u>11,516,865</u>	<u>377,746,542</u>
Less accumulated depreciation for:				
Land improvements	16,959,718	2,589,992	37,123	19,512,587
Buildings and improvements	70,282,165	4,202,764	85,295	74,399,634
Vehicles	60,157,403	10,863,605	5,334,366	65,686,642
Furniture and office equipment	2,311,728	522,627	571,494	2,262,861
Other equipment	78,243,058	8,396,205	4,817,752	81,821,511
Total accumulated depreciation	<u>227,954,072</u>	<u>26,575,193</u>	<u>10,846,030</u>	<u>243,683,235</u>
Total capital assets, being depreciated, net	<u>117,665,179</u>	<u>17,068,963</u>	<u>670,835</u>	<u>134,063,307</u>
Business-type activities capital assets, net	<u>\$ 180,143,085</u>	<u>\$ 63,958,786</u>	<u>\$ 41,496,792</u>	<u>\$ 202,605,079</u>

Depreciation expense the year ended September 30, 2016 related to enterprise funds the amounted to:

Bus services	\$ 18,521,415
Automated skyway express	3,362,005
Transportation disadvantaged	2,447,432
Other business types - Ferry	<u>106,375</u>
Total depreciation expense	<u>\$ 24,437,227</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D - CAPITAL ASSETS (continued)

During 2016, the City of Jacksonville transferred to the Authority the operations of the Jacksonville Ferry including the cost of capital assets of \$11,381,548 with an associated accumulated depreciation of \$2,137,963. Current year capital disposal and depreciation related to the Ferry was in the amount of \$54,611 and \$106,375, respectively, resulting in a total capital asset amount of \$9,082,599. In addition, the Authority recognized special items in the amount of \$3,633,901 for the transfer of the operation of the Ferry.

NOTE E - CUSTODIAL PROJECTS

Custodial projects are reported in the governmental activities on the statement of net position. The following is a schedule of changes in custodial construction projects until completion, acceptance and transfer of title for the year ended September 30, 2016:

	Beginning balance	Current year project costs/ increases	Completed projects/ decreases	Ending balance
Restricted cash and cash equivalents	\$ 9,236,511	\$ 462,694	\$ -	\$ 9,699,205
Restricted due from other governments	6,168,004	526,842	-	6,694,846
Custodial assets - construction projects	-	9,235,401	-	9,235,401
	<u>\$ 15,404,515</u>	<u>\$ 10,224,937</u>	<u>\$ -</u>	<u>\$ 25,629,452</u>

A schedule of the obligation to other governments associated with the funding of these projects until completion, acceptance and transfer of title for the year ended September 30, 2016, follows:

	Beginning balance	Current year funding	Completed projects	Ending balance
Custodial projects - due to other governments	<u>\$ 15,404,515</u>	<u>\$ 10,224,937</u>	<u>\$ -</u>	<u>\$ 25,629,452</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F - INTERFUND BALANCES AND TRANSFERS

During the normal course of operations, numerous transactions occur between funds. The following is a schedule of interfund balances at September 30, 2016:

	Receivable Fund:				
	General fund	Bus fund	ASE fund	Other Business Types - Ferry	Total
Payable Fund:					
General fund	\$ -	\$ 11,301	\$ -	\$ 773	12,074
Special revenue fund	531,457	124,177	-	-	655,634
Capital projects fund	265,144	565,242	-	-	830,386
Enterprise fund - Bus	13,222,456	150,000	692,671	4,019,439	18,084,566
Enterprise fund - ASE	658,857	-	-	-	658,857
Enterprise fund- CTC	593,039	-	-	-	593,039
	<u>\$ 15,270,953</u>	<u>\$ 850,720</u>	<u>\$ 692,671</u>	<u>\$ 4,020,212</u>	<u>\$ 20,834,556</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenses occur, transactions are recorded in the accounting system, and payments between funds are made. These balances also include the amount of working capital loans made that are expected to be collected in the subsequent year.

Transfers of net resources from a fund receiving revenue to a fund in which the resources are to be expended are recorded as operating transfers.

	Transfers to				
	Other Governmental Fund	ASE Fund	CTC Fund	Other Business Types - Ferry	Total
Transfer from					
General fund	\$ 47,295	\$ -	\$ -	\$ -	\$ 47,295
Enterprise fund - Bus	-	4,728,116	321,609	362,731	5,412,456
	<u>\$ 47,295</u>	<u>\$ 4,728,116</u>	<u>\$ 321,609</u>	<u>\$ 362,731</u>	<u>\$ 5,459,751</u>

Interfund transfers were made from the Bus fund to support the operating activities of the ASE, CTC, and other business type funds (Ferry). The transfer from the Capital General Fund to the Other Governmental Fund was to establish the required debt service reserves of the local option gas tax revenue bonds.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - LONG TERM LIABILITIES

Long term debt and other liability activity for the year ended September 30, 2016 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Revenue bonds	\$ 97,485,000	\$ -	\$ -	\$ 97,485,000	\$ 3,055,000
Unamortized original issue premium	19,042,510	281,085	(920,171)	18,403,424	920,171
Accrued interest	791,483	791,483	(791,483)	791,483	791,483
Total bonds payable	117,318,993	1,072,568	(1,711,654)	116,679,907	4,766,654
Accrued compensated absences	366,832	302,213	(307,189)	361,856	150,000
Net pension liability	8,289,182	5,605,549	-	13,894,731	-
OPEB liability	403,000	19,000	(5,000)	417,000	-
Custodial projects - due to other governments	20,553,701	10,224,937	-	30,778,638	-
Governmental activities long-term liabilities	\$ 146,931,708	\$ 17,224,267	\$ (2,023,843)	\$ 162,132,132	\$ 4,916,654
Business-type activities:					
Accrued compensated absences	\$ 700,791	\$ 96,150	\$ (11,326)	\$ 785,615	\$ 125,698
Claims payable	4,416,737	609,168	(863,430)	4,162,475	162,277
Net pension liability	1,739,920	-	(962,920)	777,000	-
Business activities long-term liabilities	\$ 6,857,448	\$ 705,318	\$ (1,837,676)	\$ 5,725,090	\$ 287,975

In January 2015, the Authority issued \$97,485,000 in local option gas tax revenue bonds, Series 2015. The bonds will be used to: (i) finance expenditures relating to the cost of transportation projects identified in the Authority's mobility program, and (ii) fund a debt service reserve. The Series 2015 issue has a final maturity of 2036. The outstanding balance as of September 30, 2016 was \$97,485,000 of which \$3,975,171 is due in the coming year. Interest rates range from 3% to 5%. The revenues of the local option gas tax have been pledged as collateral and the payments of the bonds are insured with a municipal bond issue insurance policy. The amount of the pledge is equal to the remaining principal and interest of \$156,119,400. During 2016, \$29,154,419 of local option gas tax was recognized and \$4,748,900 was paid for debt service related to interest.

The Authority recognized two months of accrued interest in the amount of \$791,483 for an interest payment due on February 1, 2017. Accrued interest payments have remained constant due to the first principal payment in the amount of \$3,055,000 due on August 1, 2017. In addition, the Authority recorded the current portion of the bond premium in the amount of \$920,171 related to the current portion of the amortization. The current portion of the revenue bonds payable including the current amortization of the bond premium is \$3,975,171 as presented in the accompanying statement of net position, governmental activities.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE G - LONG TERM LIABILITIES (continued)

Debt Maturities

<u>Years ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,055,000	\$ 4,748,900	\$ 7,803,900
2018	3,150,000	4,657,250	7,807,250
2019	3,275,000	4,531,250	7,806,250
2020	3,405,000	4,400,250	7,805,250
2021	3,575,000	4,230,000	7,805,000
2022-2026	20,750,000	18,282,250	39,032,250
2027-2031	26,480,000	12,550,250	39,030,250
2032-2036	33,795,000	5,234,250	39,029,250
	<u>\$ 97,485,000</u>	<u>\$ 58,634,400</u>	<u>\$ 156,119,400</u>

NOTE H - OPERATING LEASE

On July 28, 2015, the Authority entered into a second operating lease for the Church Street premises, an 18 month period expiring on January 31, 2017. On November 30, 2016, an amendment to the lease was made extending the terms of the lease for an additional 12 months expiring on January 30, 2018. For the year end September 30, 2016, total cost for the Church Street lease was \$62,863.

On July 1, 2014, the Authority entered into a 60 month operating lease for the 121 Atlantic Place expiring on August 1, 2019, with three year renewal options. For the year end September 30, 2016, total cost for the building lease was \$574,907.

The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30:</u>	<u>Church Street</u>	<u>121 Atlantic Place</u>
2017	\$ 48,000	\$ 596,913
2018	16,000	613,417
2019	-	622,642
	<u>\$ 64,000</u>	<u>\$ 1,832,972</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to injury and damage claims arising from operations. The Authority is self-insured for general liability and automobile liability and purchases stop loss insurance which caps the Authority's liability at \$300,000 per claim. Stop loss insurance is limited to \$2 million for product liability (automobile) and \$1 million for personal injury. The Authority purchases commercial insurance for group health insurance, workers compensation and destruction of property.

Claim liabilities include an amount for known claims and claims that have been incurred but not reported (IBNRs) for which a loss is probable. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability is reported in the Enterprise Funds. During fiscal year 2016, individual injury and damage claims in excess of \$200,000 and \$300,000 per occurrence were subject to the Florida Sovereign Immunity Law.

Changes in the estimated liability for the self-insurance program consisted of the following:

Fiscal year ended September 30,	Beginning Balance	Current year claims and changes in estimates	Claims paid	Ending Balance
2015	\$ 4,249,594	\$ 864,049	\$ 696,906	\$ 4,416,737
2016	\$ 4,416,737	\$ 609,168	\$ 863,430	\$ 4,162,475

NOTE J - COMMITMENTS AND CONTINGENCIES

Construction commitments: The Authority as a whole had construction and construction-related commitments related to the Custodial Assets discussed at Note E amounting to approximately \$21,206,064 at September 30, 2016.

Better Jacksonville Plan: As of October 1, 2000, the Authority and the City of Jacksonville entered into an ILA for the purpose of constructing roadway projects as defined in the Better Jacksonville Plan. As of the effective date of the ILA, the Authority pledged its Duval Authority sales tax revenues to pay the debt service on transportation revenue bonds issued by the City of Jacksonville to fund such roadway projects under the Better Jacksonville Plan. All such bonds are revenue obligations, secured solely by the Transportation Discretionary Sales Surtax and Constitutional Gas Taxes collected in Duval Authority, and there is no guarantee by the Authority or any other Authority revenues or assets pledged for such bonds.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE J - COMMITMENTS AND CONTINGENCIES (continued)

Grant funding: Federal and State grant awards are audited in accordance with the requirements of the Uniform Guidance and the Florida Single Audit Act. These grant awards are subject to audit by the respective grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. It is management's opinion that no material liabilities will result from any such grantor audits.

Union contracts: At September 30, 2015, the Authority employed a total of 797 employees. The 62% or 495 of the Authority's employees are covered under union contracts. The Amalgamated Transit Local Union No. 1197 covers bus operators. Its three-year contract, representing 348 employees, expires October 31, 2017.

Additionally, 147 mechanics and utility employees operate under a contract with the International Association of Machinists and Aerospace Workers Local Union No. 759. This three-year contract expires November 5, 2017.

Purchase commitment: On November 25, 2014 the Authority entered into a 15-year purchase agreement with a third party vendor for compressed natural gas. This agreement was amended on September 30, 2016. The amended agreement requires the purchase of compressed natural gas starting at a rate of \$1.257 per diesel gas equivalent (DGE) and increasing to \$1.346 per DGE. There is a minimum annual volume that must be purchased starting at 126,563 DGE's and increasing to a total of 843,750 DGE's at the end of the 15 year period. The Authority has estimated the 15 year cost of this agreement, based on the minimum purchase requirements, will be approximately \$23.5 million (including infrastructure costs), as compared to a cost of \$28.5 if diesel fuel continued to be used.

NOTE K - EMPLOYEE BENEFITS

Pension plan of the primary government: The administrative employees of the Authority participate in the Florida Retirement System (the "FRS") defined benefit pension plan, a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the Authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Benefits are determined by category and length of service and the applicable contribution rates are as follows:

Membership category	Benefit	Vesting	July 1, 2016 Employer contribution rate	July 1, 2015 Employer contribution rate
Regular	1.6% times years of service times average compensation (8 highest years) if age 65 or 33 years of services at any age.	Choice Pension - after 6 years of creditable service, or Investment - after 1 year of creditable service.	7.52%	7.26%
Senior Management	2.0% times years of service times average compensation (8 highest years) if age 65 or 33 years of services at any age	Choice Pension - after 6 years of creditable service, or Investment - after 1 year of creditable service.	21.77%	21.43%
Deferred Retirement Option Program (DROP)	Accumulated FRS benefits earn 1.3% effective annual interest compounded monthly for a period up to 60 months after becoming vested, having reached normal retirement date, and remaining employed.	Subject to normal system vesting provision for membership category	12.99%	12.88%

All of the above employer contribution rates include 1.66% for a post-retirement health insurance subsidy as part of the Health Insurance Subsidy (HIS) Plan. The Regular and Senior Management rates also include .06% for an administrative and educational fee.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Employee contribution rates are 3% for regular employees and senior management. There is no employee contribution for employees enrolled in DROP.

Contributions to the FRS were \$977,735 for the year ended September 30, 2016, which was equal to the required contributions for each year.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Governmental Accounting Standards Board Statement No. 68

As a participating employer, the Authority applies GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans.

The Florida Retirement System Pension Plan (Pension Plan)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2016, the Authority reported a liability of \$8,558,525 for its proportionate share of the plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .0339% of the net pension liability which was .0016% increase from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Authority recognized the FRS Plan pension expense of \$977,735. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 655,306	\$ 79,686
Change of assumptions	517,765	-
Net difference between projected and actual earnings on FRS pension plan investments	3,937,238	1,724,663
Change in proportion and differences between Authority FRS contributions and proportional share of contributions	915,514	-
Authority FRS contributions subsequent to the measurement date	229,343	-
	<u>\$ 6,255,166</u>	<u>\$ 1,804,349</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

The deferred outflows of resources related to pensions, totaling \$229,343 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:	Deferred Outflows/ (inflows), net
2017	\$ 847,513
2018	847,513
2019	847,513
2020	757,179
2021	668,666
Thereafter	252,789

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, Including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB with details in the 7/1/16 FRS valuation report.

The long-term expected rate of return on pension plan investments was based on assumptions developed by Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

<u>Asset class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic return</u>	<u>Compound annual (geometric) return</u>	<u>Standard deviation</u>
Cash	1%	3.20%	3.10%	1.70%
Fixed income	18%	4.80%	4.70%	4.70%
Global equity	53%	8.50%	7.20%	17.70%
Real estate (property)	10%	6.80%	6.20%	12.00%
Private equity	6%	11.90%	8.20%	30.00%
Strategic investments	12%	6.70%	6.10%	11.40%
Total	<u>100%</u>			
Assumed inflation - mean		2.60%		1.90%

Note: (1) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.60%. The FRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate:

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60%) or 1 percentage-point higher (8.60%) than the current rate:

	1% Decrease 6.60%	Current rate 7.60%	1% Increase 8.60%
Net Pension (Asset) Liability - FRS	\$ 15,756,824	\$ 8,558,525	\$ 2,566,892

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

The Retiree Health Insurance Subsidy Program (HIS)

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum HIS payment is \$30 and the maximum HIS payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS Plan benefits, a retiree under a State administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Authority's contributions to the HIS Plan were \$230,032 for the year ended September 30, 2016 which was equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At September 30, 2016, the Authority reported a net pension liability of \$5,336,207 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .0458%, which was an increase of .0055 from its proportionate share measured as of June 30, 2015.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

For the fiscal year ended June 30, 2016, the Authority recognized the HIS Plan pension expense of \$230,032. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

Description	Deferred outflow of resources	Deferred inflow of resources
Change of assumptions	\$ 837,386	\$ 12,154
Net difference between projected and actual earnings on HIS pension plan investments	2,698	-
Change in proportion and differences between Authority HIS contributions and proportional share of contributions	734,809	-
Authority HIS contributions subsequent to the measurement date	53,030	-
	\$ 1,627,923	\$ 12,154

The deferred outflows of resources related to pensions, totaling \$53,030 for 2016 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:	Deferred outflows/ (Inflows), net
2017	\$ 248,879
2018	248,879
2019	248,879
2020	248,879
2021	223,286
Thereafter	343,937

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85%

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB with details in the 7/1/16 HIS valuation report.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate: The discount rate used to measure the total pension liability relating to the HIS Plan was 2.85% for 2016. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following presents the Authority's proportionate share of the net pension liability, for the HIS Plan, calculated using the discount rate of 2.85%, as well as what the Authority's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1 percentage-point lower (1.85%) or 1 percentage-point higher (3.85%) than the current rate:

	1% Decrease 1.85%	Current rate 2.85%	1% Increase 3.85%
Net pension liability - HIS	\$ 6,121,841	\$ 5,336,207	\$ 4,684,173

Pension Plan Fiduciary Net Position: Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Pension plans of Jax Transit Management Corp. (JTM)

JTM (a component unit) maintains two single-employer defined benefit pension plans, which cover general (salaried) employees and bus operators for the Authority's proprietary activities. Contributions are also made to a multi-employer defined benefit pension plan for the JTM employees (mechanics) represented by the International Association of Machinists union.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

International Association of Machinists (IAM) Pension Plan

Mechanics and other technicians whose job classification is within the bargaining unit represented by the International Association of Machinists (“IAM”) union participate in the IAM defined benefit pension plan, a cost-sharing multiple-employer retirement plan administered by the union to provide retirement and survivor benefits to participating employees. As of September 30, 2016, 147 of the Authority’s employees were covered under this plan. The plan documents for the IAM National Pension Fund establish the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The plan does not issue a publically available financial report.

Benefits are determined by category and length of service as follows:

Participating employer contributions are based upon the collective bargaining agreement in effect through November 5, 2017, that expressed as an hourly rate, are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

The payments made to the IAM plan in the years ended September 30, 2016, 2015, and 2014 were \$1,055,119, \$1,126,134 and \$1,084,162, respectively, which were equal to the required contributions for each year.

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.

Plan descriptions: The Authority contributes to the Jax Transit Management Corp. (JTM) Retirement Plan for Salaried Employees, a single-employer defined benefit plan which covers all salaried employees on JTM’s payroll whose job classifications are not represented by unions. The Salaried Employees plan was established by JTM on January 1, 1963. A committee comprised of three JTM employees and three employees of the Authority administer the Salaried Employees Plan.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

**Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.
(continued)**

The Authority also contributes to the Amalgamated Jax Transit Management, Corp. Pension-Disability Plan (Drivers), a single-employer defined benefit plan which covers all full and part-time bus operators on JTM's payroll whose job classification is within the bargaining unit represented by the Amalgamated Transit Union Local 1197. The Drivers Plan was established on May 1, 1964 by JTM. The plan is administered by a six-member Board of Control. The Authority has no fiduciary responsibility for the plan assets of the Drivers plan, thus the net position of this plan is not reported as a pension trust fund. The plan issues an available financial report which may be obtained by writing or calling the plan administrator, Reliance Trust at 1000 Abernathy Rd. NE, Suite 400, Atlanta GA 30328-5634 or (404) 965-7234.

As of December 31, 2015, employee membership data related to these plans was as follows:

	Salaried Employees	Drivers Plan
Active employees:		
Nonvested	-	124
Partially vested	5	-
Fully vested	7	224
Retirees and beneficiaries currently receiving benefits	1	211
Terminated plan members entitled to but not yet receiving benefits	18	143
	<u>31</u>	<u>702</u>

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp. (continued)

The following is a summary of funding policies, contribution methods and benefit provisions:

	Salaried Employees	Drivers Plan
Determination of contribution requirements	Actuarially determined	Contracted pursuant to union negotiations
Employer	Paid quarterly	\$2.66 per hour
Funding of administrative costs	Paid by JTM	Paid by plan assets
Period required to vest	6 years	5 years
Postretirement benefit increases	Not applicable	Not applicable
Eligibility for distribution	Normal retirement date = Age 65 and 5 years participation; Early retirement date = Age 55 and 5 years of participation	The earlier of the Anniversary Date on which the Participant completes 30 Years of Vesting Service or latter of attainment of age 65 and 5 years of participation or attainment of age 62 and 20 plan years of service or any age with 30 plan years of service
Benefit provisions	1.5% average monthly compensation multiplied by total years of service (up to 60 years)	\$48 per month multiplied by years of service limited to 30 years

Funding policies: The following table provides information concerning funding policies:

	Salaried employees	Drivers Plan
Valuation date	December 31, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization period	10 years	10 years
Actuarial asset valuation method	Market value	Market value
Actuarial assumptions:		
Assumed rate of return on investments	6% per annum	7% per annum
Projected salary increases	Assumed 4% per year	2.5% per year
Mortality rates	IRC 430(h) combined table for 2015	SOA RP-2014 blue collar mortality projected on a generational basis
Postretirement benefit increases (maximum)	None	None
Inflation	2.0%	2.5%

The Salaried Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll contribution rates are determined using the modified unit credit method. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation described above.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

**Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.
(continued)**

Investments - Salaried Employee Plan

A committee comprised of three JTM employees and three Authority employees administers the Jax Transit Management, Corp. Salaried Employee Plan. The committee has the authority to establish and amend investment policy including decisions regarding asset allocation. It is the policy of the committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the committee's adopted asset allocation policy as of September 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Interest bearing cash	7%
Corporate bonds	10%
Bond mutual funds	5%
U.S. Treasury bills/notes	15%
Equity securities	63%
	<u>100%</u>

The expected return on investments is determined from a building block approach that includes components for inflation, real risk-free return, and risk premium. It is calculated by summing the weighted average of the total return for each asset class.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp. (continued)

Net Pension Liability - Salaried Employee Plan

The components of the net pension liability of the Authority's Jax Transit Management, Corp. (Salaried Employee) plan at September 30, 2016, were as follows:

	(Increase) Decrease		
	Total Pension Liability	Plan fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at September 30, 2015	\$ 2,766,927	\$ 1,027,007	\$ 1,739,920
Changes for the year:			
Service cost	103,635	-	103,635
Interest	109,510	-	109,510
Differences between expected and actual experience	(431,921)	-	(431,921)
Assumption changes	(599,633)	-	(599,633)
Contributions-employer	-	230,703	(230,703)
Contributions-employee	25,561	-	25,561
Net investment income	-	(17,723)	17,723
Benefit payments	(22,798)	(22,798)	-
Administrative expense	-	(37,297)	37,297
Investment expense	-	(5,611)	5,611
Net changes	(815,646)	147,274	(962,920)
Balance at September 30, 2016	<u>\$ 1,951,281</u>	<u>\$ 1,174,281</u>	<u>\$ 777,000</u>

Discount rate - Salaried Employee Plan

The discount used to measure the Jax Transit Management, Corp. (Salaried Employee) plan total pension liability was 6% as of December 31, 2015.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp. (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Salaried Employee Plan

The following table illustrates the sensitivity of the Jax Transit Management, Corp. (Salaried Employee) plan net pension liability as of December 31, 2015 to changes in the discount rate:

	1% Decrease 5%	Current Rate 6%	1% Increase 7%
Net pension liability - salaried	\$ 1,171,327	\$ 777,000	\$ 530,291

Pension Expense and Deferred Outflows (Inflows) of Resources Related to Jax Transit Management, Corp. (Salaried Employee) plan Pensions are as follows:

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on salaried pension plan investments	\$ 83,044	\$ -
Experience (gains) losses	-	431,921
Change in assumption	-	599,633
Authority contributions subsequent to the measurement date	172,428	-
	<u>\$ 255,472</u>	<u>\$ 1,031,554</u>

The deferred outflows of resources related to pensions, totaling \$172,428 for 2016 resulting from Authority contributions to the Jax Transit Management, Corp. (Salaried Employee) plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

**Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.
(continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending September 30:</u>	<u>Deferred outflow/ (inflow), net</u>
2017	\$ (184,033)
2018	(184,033)
2019	(184,033)
2020	(184,033)
2021	(184,033)
Thereafter	(28,345)

Drivers Plan

The Jax Transit Management Corp. Drivers Plan's funding policy provides for periodic employer contributions at contractually negotiated rates that, expressed as an hourly rate, are sufficient to accumulate sufficient assets to pay benefits when due. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation described above.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

**Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp.
(continued)**

Investments - Drivers Plan

The Jax Transit Management Corp. Drivers plan is administered by a six-member Board of Control. The Board has the authority to establish and amend investment policy including decisions regarding asset allocation. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of September 30, 2016:

<u>Asset class</u>	<u>Target allocation</u>
Interest bearing cash	7%
U.S. government securities	20%
Corporate debt	9%
Corporate stock	57%
Mututal funds	7%
	<u>100%</u>

The long-term expected rate of return on plan investments is developed for each major asset class by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Interest bearing cash	2.5%
U.S. government securities	3.5%
Corporate debt	6.5%
Corporate stock	9.5%
Mutual funds	9.3%

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp. (continued)

Changes in Net Pension Asset - Jax Transit Management Corp. Drivers Plan

	(Increase) Decrease		
	Total Pension Liability (a)	Plan Fiduciary net Position (b)	Net pension (Asset) (a) - (b)
Balance at September 30, 2015	\$ 34,106,754	\$ 36,425,203	\$ (2,318,449)
Changes for the year:			
Service cost	849,498	-	849,498
Interest	2,385,590	-	2,385,590
Differences between expected and actual experience	(182,348)	-	(182,348)
Assumption changes	(853,399)	-	(853,399)
Contributions-employer	-	2,429,423	(2,429,423)
Net investment income	-	(244,632)	244,632
Benefit payments	(1,782,954)	(1,782,954)	-
Administrative expense	-	(373,132)	373,132
Net changes	416,387	28,705	387,682
Balance at September 30, 2016	<u>\$ 34,523,141</u>	<u>\$ 36,453,908</u>	<u>\$ (1,930,767)</u>

Discount rate- Jax Transit Management Corp. Drivers Plan

The discount rate used to measure the total pension liability was 7% as of December 31, 2015. This rate was based on the expected rate of return on pension plan investments of 7%. The projected cash flows used to determine the discount rate assumed the Authority's contributions will be made at the current contribution rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - EMPLOYEE BENEFITS (continued)

Defined Benefit Pension Plans Sponsored by Jax Transit Management Corp. (continued)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate- Jax Transit Management Corp. Drivers Plan

The following table illustrates the sensitivity of the Jax Transit Management Corp. Drivers plan net pension liability as of December 31, 2015, to changes in the discount rate:

	1% Decrease 6%	Current Rate 7%	1% Increase 8%
Net Pension (Asset) liability - Drivers	\$ 1,969,142	\$ (1,930,767)	\$ (5,229,334)

Pension Expense and Deferred Outflows (Inflows) of Resources Related to Pensions - Jax Transit Management Corp. Drivers Plan

Description	Deferred Outflow of Resources	Deferred Inflow of Resources
Change of assumptions	\$ 3,039,655	\$ 671,825
Net difference between projected and actual earnings on drivers pension plan investments	2,905,514	
Experience (gains) losses	-	210,445
Authority contributions subsequent to the measurement date	1,683,726	-
	<u>\$ 7,628,895</u>	<u>\$ 882,270</u>

The deferred outflows of resources related to Jax Transit Management Corp. Drivers plan pensions, totaling \$1,638,726 for 2016 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability or an increase to the net pension asset in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:	Deferred Outflows/ (Inflows), net
2017	\$ 1,369,227
2018	1,369,227
2019	1,369,225
2020	955,220

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - OTHER POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.081, Florida Statutes, the Authority is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. This results in an implicit subsidy to retirees.

Plan description: The Authority's OPEB Plan (the "OPEB Plan") is a single employer defined benefit healthcare (medical and dental) plan which offers health insurance for retired employees. The published insurance rates are based primarily on the healthcare usage of active employees. Retirees pay 100 percent of the published rates. Since retirees use healthcare at a rate much higher than active employees, using these blended rates creates a subsidy for the retiree group. Employees who terminate their employment prior to retirement eligibility are not eligible to participate in the plan. Dependents, including surviving spouses, are permitted access to the plan.

Benefits for employees of JTM subject to union negotiations do not currently include any health benefits after retirement and are not considered by this Plan.

As of September 30, 2016, employee membership data related to the Plan was as follows:

Current retirees	
Under age 65	1
Over age 65	1
Dependents	-
Total current retirees	<u>2</u>
Active employees	214
Active employees fully eligible for benefits	202
Active employees not yet fully eligible for benefits	<u>12</u>
Total active employees	<u>214</u>
Total number of participants	<u><u>216</u></u>

Actuarial assumptions, methods and valuation

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status could result in actual costs being greater or less than estimated.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial assumptions, methods and valuation (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Funding policy: The Board is authorized to establish benefit levels, subject to the minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The Board establishes the contribution requirements of plan members and the Authority. These contributions are neither mandated nor guaranteed. The retiree pays the full cost of the premium each month for themselves, spouses and other dependents who are also eligible for coverage. The Authority does not subsidize any member premiums. Benefits are funded on a pay-as-you-go basis.

Annual required contribution (ARC): In accordance with GASB Statement No. 45, an actuarial study was prepared calculating the postemployment healthcare costs as of September 30, 2016. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) of \$155,000 and an Annual Required Contribution (ARC) of \$21,000.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liability amounts over a period not to exceed 30 years.

The following table provides information concerning funding policies:

Valuation date	October 1, 2015
Actuarial cost method	Projected unit credit
Amortization method for UAAL	Level dollar payment, closed
Amortization period	24 years
Actuarial assumptions:	
Assumed rate of return on investments	4.0% per annum
Payroll increase	3.0% per annum
Healthcare cost trend rate(s)	4.5% for 2014/15 graded to 4.8% by 2050

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - OTHER POST-EMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Liability

The following table shows the components of the Authority's annual OPEB cost, amount actually contributed and changes in net OPEB obligation for the year:

Annual required contribution	\$ 23,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contribution	<u>(20,000)</u>
Annual OPEB cost	19,000
Contributions made	<u>(5,000)</u>
Change in net OPEB obligation (asset)	14,000
Net OPEB obligation (asset), beginning of year	<u>403,000</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 417,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal year ended	Actual Contributed	Annual OPEB Cost	%	Net OPEB Obligation
September 30, 2016	\$ 5,000	\$ 19,000	26.3%	\$ 417,000
September 30, 2015	14,000	18,000	77.8%	403,000
September 30, 2014	22,000	71,000	31.0%	399,000

Funded Status: The following is the funded status of the plan as of September 30, 2016:

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c)
October 1, 2015	\$ -	\$ 161,000	\$ 161,000	0.0%	\$ 812,770	19.8%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE M - FUND BALANCE

A schedule of Authority fund balances is provided below:

	General Fund	Special Revenue Fund	Capital Projects Fund	Other Governmental Funds
Nonspendable:				
Prepays:	\$ 3,312	\$ -	\$ -	\$ -
Spendable:				
Restricted for State and City construction projects	-	6,933,592	-	-
Restricted for capital projects	-	-	94,260,963	-
Restricted for debt service	-	-	-	9,510,955
Assigned to:				
Transit operations	38,491,000	-	-	-
Operating reserves	1,600,000	-	-	-
Legal costs	2,150,000	-	-	-
Right of way acquisition	3,000,000	-	-	-
Construction projects	24,315,000	-	-	-
Unassigned	19,359,612	18,759	-	-
Total fund balance	<u>\$ 88,918,924</u>	<u>\$ 6,952,351</u>	<u>\$ 94,260,963</u>	<u>\$ 9,510,955</u>

NOTE N - ACCOUNTING STANDARDS ADOPTED

In fiscal year 2016, the Authority adopted the following statements of financial accounting standards issued by the GASB Statement No. 72, *Fair Value Measurement and Application*. The object of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting, establishing general principles, and enhancing disclosures about the fair value measurements. See Note C.

NOTE O - BUDGETED REVENUE FORECAST EXCEEDING ACTUAL REVENUES

The general fund reported budgeted revenues exceeding actual revenues in the amount of \$21,646,270. The difference is attributable to a change in the distribution of sales tax revenue per the internal local agreement with the City of Jacksonville. In this agreement, the City of Jacksonville will retain funding for the payment of the existing Better Jacksonville Plan debt service and transfer the related net revenues to the business type funds of the Authority. The general fund reported an excess of budgeted appropriations over expenditures in the amount of \$1,660,928.

Jacksonville Transportation Authority

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE P - POLLUTION REMEDIATION

The Authority has a pollution remediation event for the required regulatory assessments and monitoring for a site. Based on the uncertainty of the amount of the remediation and any offsetting insurance or City reimbursement, the associated cost have not been accrued for and reflected in the accompanying financial statements. The estimated potential cost of the remediation is \$300,000.

NOTE Q - SUBSEQUENT EVENT

The Authority has evaluated subsequent events through March 24, 2017; the date on which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements, except as follow:

- On December 8, 2016, the Authority's Board approved the contract award for design-build for St. Johns River ferry bridge bulkhead and stopping mechanism to complete design, permitting, and construction of the ferry bridge in the amount of \$3.3 million.
- On December 8, 2016, the Authority's Board approved the contract renewal for bus shelter installation and capital maintenance of continued service in the amount of \$1,650,000 for an additional one-year term.

REQUIRED SUPPLEMENTARY INFORMATION

Jacksonville Transportation Authority

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental				
Sales taxes	\$ 82,791,036	\$ 84,414,413	\$ 62,768,028	\$ (21,646,385)
Investment earnings	59,492	783,814	783,814	-
Miscellaneous	85,000	242,893	243,008	115
Total revenues	<u>82,935,528</u>	<u>85,441,120</u>	<u>63,794,850</u>	<u>(21,646,270)</u>
Expenditures:				
Current				
General government	2,049,366	2,139,824	2,041,637	98,187
Intergovernmental				
City of Jacksonville	80,886,162	82,851,783	81,289,042	1,562,741
Total expenditures	<u>82,935,528</u>	<u>84,991,607</u>	<u>83,330,679</u>	<u>1,660,928</u>
Excess of revenues over expenditures	-	449,513	(19,535,829)	(19,985,342)
Other financing uses:				
Transfers out	-	-	(47,295)	47,295
Net change in fund balance	<u>-</u>	<u>449,513</u>	<u>(19,583,124)</u>	<u>(19,938,047)</u>
Fund balances, beginning of year	<u>108,502,048</u>	<u>108,502,048</u>	<u>108,502,048</u>	<u>-</u>
Fund balances, end of year	<u>\$ 108,502,048</u>	<u>\$ 108,951,561</u>	<u>\$ 88,918,924</u>	<u>\$ (19,938,047)</u>

See accompanying note to required supplementary information.

Jacksonville Transportation Authority

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2016

NOTE A - BUDGET AND BUDGETARY ACCOUNTING

The Authority prepares an annual budget for its General Fund. The Custodial Project Special Revenue Fund adopts project-length budgets rather than annual budgets. Accordingly, a budget and actual schedule is not presented for this fund. The Authority is authorized to transfer appropriated funds, from one of the purposes for which funds are appropriated, to another, if, in the discretion of the Authority, such transfer is necessary to carry out all of the purposes for which funds are appropriated, subject to applicable law. Thus, the legal level of budgetary control is at the fund level. All budgets are adopted in accordance with accounting principles generally accepted in the United States. Encumbrances outstanding at year-end for unfilled obligations are canceled and re-appropriated in the succeeding year's budget. Such amounts, if material, are disclosed in the notes to financial statements under "Commitments and Contingencies." In addition, the Authority is not legally required to establish a budget for proprietary funds.

Jacksonville Transportation Authority

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)**

September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered payroll	UAAL as a % of Covered Payroll
10/01/15	\$ -	\$ 161,000	\$ 161,000	0.0%	\$ 812,770	19.8%
10/01/14	-	155,000	155,000	0.0%	939,195	16.5%
10/01/13	-	491,000	491,000	0.0%	923,246	53.2%
10/01/12	-	447,000	447,000	0.0%	1,403,725	31.8%
10/01/11	-	407,000	407,000	0.0%	1,004,313	40.5%
10/01/10	-	666,000	666,000	0.0%	1,009,137	66.0%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

Jacksonville Transportation Authority

SCHEDULE OF CHANGES IN NET PENSION - LIABILITIES AND RELATED RATIOS

September 30, 2016

	Salaried Employees Pension Plan 2016	Drivers Pension Plan 2016	Salaried Employees Pension Plan 2015	Drivers Pension Plan 2015
** Plan Year Ended June 30:				
Total pension liability				
Service cost	\$ 103,635	\$ 849,498	\$ 152,631	\$ 649,593
Interest	109,510	2,385,590	84,248	2,252,854
Participant contributions	25,561	-	-	-
Difference between expected and actual experience	(431,921)	(182,348)	581,390	(103,250)
Changes of assumptions	(599,633)	(853,399)	-	4,691,641
Benefit payments, including refunds of member contributions	(22,798)	(1,782,954)	(5,172)	(1,756,530)
Net change in total pension liability	(815,646)	416,387	813,097	5,734,308
Total pension liability-beginning	2,766,927	34,106,754	1,953,830	28,372,446
Total pension liability-ending (a)	<u>\$ 1,951,281</u>	<u>\$ 34,523,141</u>	<u>\$ 2,766,927</u>	<u>\$ 34,106,754</u>
Plan fiduciary net position				
Contributions-Authority	\$ 230,703	\$ 2,429,423	\$ 322,276	\$ 2,249,162
Net investment income	(17,723)	(244,632)	15,750	1,947,074
Benefit payments, including refunds of member contributions	(22,798)	(1,782,954)	(74,893)	(1,756,530)
Administrative expenses	(37,297)	(373,132)	(225)	(631,238)
Investment expenses	(5,611)	-	-	-
Net change in plan fiduciary net position	147,274	28,705	262,908	1,808,468
Plan fiduciary net position-beginning	1,027,007	36,425,203	764,099	34,616,735
Plan fiduciary net position-ending (b)	<u>\$ 1,174,281</u>	<u>\$ 36,453,908</u>	<u>\$ 1,027,007</u>	<u>\$ 36,425,203</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 777,000</u>	<u>\$ (1,930,767)</u>	<u>\$ 1,739,920</u>	<u>\$ (2,318,449)</u>
Plan fiduciary net position as a percentage of the total pension liability	60.18%	105.59%	37.12%	106.80%
Covered-employee payroll	751,943	N/A*	962,567	N/A*
Net pension liability as a percentage of covered-employee payroll	103.33%	N/A*	180.76%	N/A*

*As the contribution formula is not pay related, earnings information has not been collected

** The amount presented for each year were determined as of June 30.

Notes to Schedule:

This schedule is presented to illustrate the requirements of GASB 68. Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

Jacksonville Transportation Authority

SCHEDULE OF CONTRIBUTIONS

Year Ended September 30, 2016

Salaried Employees Pension Plan

** Plan Year Ended June 30:	2016	2015	2014
Actuarially determined contribution	\$ 167,906	\$ 380,399	\$ 391,415
Contribution made in relation to the actuarially determined contribution	414,692	291,591	293,733
Contribution deficiency (excess)	\$ (246,786)	\$ 88,808	\$ 97,682
Covered-employee payroll	\$ 759,686	\$ 962,567	\$ 1,135,662
Contributions as a percentage of covered-employees payroll	54.6%	30.3%	25.9%

Drivers Pension Plan

** Plan Year Ended June 30:	2016	2015	2014
Actuarially determined contribution	\$ 2,429,423	\$ 2,289,802	\$ 210,659
Contribution made in relation to actuarially determined contribution	2,429,423	2,332,063	2,111,750
Contribution (excess)	\$ -	\$ (42,261)	\$ (1,901,091)
Covered -employee payroll	N/A*	N/A*	N/A*
Contributions as a percentage of covered-employees payroll	N/A*	N/A*	N/A*

*As the contribution formula is not pay related, earnings information has not been collected.

** The amount presented for each year were determined as of June 30.

Notes to Schedule:

This schedule is presented to illustrate the requirements of GASB 68. Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

Jacksonville Transportation Authority

NOTES TO SCHEDULE OF CONTRIBUTIONS

Year Ended September 30, 2016

	Salaried Employees Pension Plan 2016	Drivers Pension Plan 2016	Salaried Employees Pension Plan 2015	Drivers Pension Plan 2015
Notes to Schedule:				
Valuation Date:	December 31, 2015	December 31, 2015	December 31, 2014	December 31, 2014
Measurement Date:	December 31, 2015	December 31, 2015	December 31, 2014	December 31, 2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period	10 years	10 years	10 years	10 years
Asset valuation method	Market value	Market value	Market value	Market value
Actuarial assumptions:				
Investment rate of return	6% per annum	7% per annum	4% per annum	7% per annum
Assumed annual salary increases	Assumed 4% per year	Assumed 2.5% per year	Assumed 4% per year	Assumed 2.5% per year
Inflation	4.0%	2.5%	4.0%	2.5%
Cost of living adjustments	None	None	None	None
Mortality rates	IRC 430(h) combined table for 2015	SOA RP-2014 Blue CollarMortality with Scale SSA	IRC 430(h) combined table for 2015	SOA RP-2014 Blue CollarMortality with Scale SSA

This schedule is presented to illustrate the requirements of GASB 68.
Data for fiscal years prior to September 30, 2014, is not available.

Notes to Schedule:

This schedule is presented to illustrate the requirements of GASB 68. Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

Jacksonville Transportation Authority
SCHEDULE OF INVESTMENT RETURNS
Year Ended September 30, 2016

Salaried Employees Pension Plan

* Plan Year Ended June 30:	2016	2015	2014
Annual money-weighted rate of return			
Net of investment expenses	-2.63%	5.5%	8.7%

The annualized compounded rate of return is -2.6%

Drivers Pension Plan

* Plan Year Ended June 30:	2016	2015	2014
Annual money-weighted rate of return			
Net of investment expenses	-0.30%	1.8%	16.7%

The annualized compounded rate of return is -.3%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

* The amount presented for each year were determined as of June 30.

Jacksonville Transportation Authority

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN

Year Ended September 30, 2016

* Plan Year Ended June 30:	2016	2015	2014
Authority's proportion of the FRS net pension liability	0.034%	0.032%	0.030%
Authority's proportionate share of the FRS net pension liability	\$ 8,558,525	\$ 4,178,293	\$ 1,798,478
Authority's covered-employee payroll	\$ 13,875,348	\$ 13,375,131	\$ 11,555,666
Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	61.68%	31.24%	15.56%
FRS Plan fiduciary net position as a percentage of the total pension liability	85.00%	92.00%	96.09%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

* The amount presented for each year were determined as of June 30.

Jacksonville Transportation Authority

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY PENSION (HIS) PLAN

Year Ended September 30, 2016

* Plan Year Ended June 30:	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.0458%	0.0403%	0.038%
Authority's proportionate share of the HIS net pension liability	\$ 5,336,207	\$ 4,110,889	\$ 3,542,705
Authority's covered-employee payroll	\$ 13,983,538	\$ 13,375,131	\$ 11,555,666
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	38.16%	30.74%	30.66%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

* The amount presented for each year were determined as of June 30.

Jacksonville Transportation Authority

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEMS PENSION PLAN

Year Ended September 30, 2016

* Plan Year Ended June 30:	2016	2015	2014
Contractually required pension contribution	\$ 977,735	\$ 1,257,792	\$ 1,159,359
Pension contributions in relation to the contractually required pension contribution	<u>977,735</u>	<u>1,257,792</u>	<u>1,159,359</u>
Pension contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 13,857,348	\$ 13,375,131	\$ 11,555,666
Pension contributions as a percentage of cover-employee payroll	7.06%	9.40%	10.03%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

* The amount presented for each year were determined as of June 30.

Jacksonville Transportation Authority

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN**

Fiscal Year Ended September 30, 2016

* Plan Year Ended June 30:	2016	2015	2014
Contractually required pension contribution	\$ 230,032	\$ 208,514	\$ 192,196
HIS contributions in relation to the contractually required pension contribution	230,032	208,514	192,196
Pension contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 13,857,348	\$ 13,375,131	\$ 11,555,666
Pension contributions as a percentage of cover-employee payroll	1.66%	1.56%	1.66%

Notes to Schedule:

Information is required to be presented for 10 Years. However, until a full 10 years trend is compiled, the Authority will present information for only those years for which information is available.

* The amount presented for each year were determined as of June 30.

COMPLIANCE SECTION

Jacksonville Transportation Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2016

Federal/State Agency/Pass-Through Entity, Federal Program or Cluster Title/State Project	CFDA/CSFA Number	Contract/Grant Number	Federal Expenditures	Paid to Subrecipients
United States of Department of Transportation:				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	FL-03-0343	\$ 3,310,370	\$ -
	20.500	FL-04-0184	2,497,692	-
	20.500	FL-03-0338	2,372,927	-
	20.500	FL-03-0339	1,243,259	-
	20.500	FL-2016-029-00	5,301,520	-
Total Capital Investment Grants			<u>14,725,768</u>	<u>-</u>
Bus and Bus Facility Discretionary Grants	20.500	FL-04-0111	103,424	-
	20.500	FL-04-0165	156,566	-
	20.500	FL-04-0155	137,670	-
	20.500	FL-04-0128	58,239	-
Total Bus and Bus Facility Discretionary Grants			<u>455,899</u>	<u>-</u>
Modernization Formula Grants	20.500	FL-05-0106	4,100	-
	20.500	FL-05-0406-02	30,548	-
Total Modernization Formula Grants			<u>34,648</u>	<u>-</u>
Passenger Ferry Discretionary Grants	20.507	FL-2016-023-00	3,903,065	-
	20.507	FL-2016-050-00	772,655	-
Total Passenger Ferry Discretionary Grants			<u>4,675,720</u>	<u>-</u>
Ferry Boat Discretionary Grants (FHWA)	20.205	FL-2016-039-00	82,748	-
Federal Transit Formula Grants	20.507	FL-90-X600-01	57,533	-
	20.507	FL-90-X561-00	7,050	-
	20.507	FL-90-X643-01	285,486	-
	20.507	FL-90-X683-01	114,712	-
	20.507	FL-90-X711-01	407,025	-
	20.507	FL-90-X742-01	37,585	-
	20.507	FL-90-X774-00	288,718	-
	20.507	FL-90-X802-00	898,805	-
	20.507	FL-90-X879-00	2,321,471	-
	20.507	FL-95-X089-00	865,334	-
	20.507	1085-2016-5	5,303,401	-
Total Federal Transit Formula Grants			<u>10,587,120</u>	<u>-</u>
State of Good Repairs Formula Grant	20.525	FL-54-0001-00	148,211	-
Bus and Bus Facilities Formula Grant	20.526	FL-34-0001-00	2,206,797	-
Total Federal Transit Cluster			<u>\$ 32,916,911</u>	<u>\$ -</u>

Jacksonville Transportation Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (continued)

Year Ended September 30, 2016

Federal/State Agency/Pass-Through Entity, Federal Program or Cluster Title/State Project	CFDA/CSFA Number	Contract/Grant Number	Federal Expenditures	Paid to Subrecipients
Direct Programs (continued):				
Public Transportation Research Grants	20.514	FL-37-X068	3,644	-
	20.514	FL-37-X068	68,698	-
Total Public Transportation Research Grants			<u>72,342</u>	<u>-</u>
Job Access Reverse Commute Grants	20.516	FL-37-X051-01	27,381	-
	20.516	FL-37-X068-00	251,404	224,030
Total Job Access Reverse Commute Grants			<u>278,785</u>	<u>224,030</u>
New Freedom Grants	20.521	FL-57-X013-00	4,981	-
	20.521	FL-57-X022-01	40,264	-
	20.521	FL-57-X037-02	136,214	36,327
Total New Freedom Grants			<u>181,459</u>	<u>36,327</u>
Total Direct Programs			<u>33,449,497</u>	<u>260,357</u>
Passthrough:				
Indirect Programs				
State of Florida Department of Transportation:				
Highway Planning and Construction Grants	20.205	ARO09 / 341A	321,982	-
	20.205	ARO09 / 342A	201,023	-
	20.205	GO563	3,837	-
Total Highway Planning and Construction Grants			<u>526,842</u>	<u>-</u>
Formula Grants for Other Than Urbanized Areas	20.509	AQH20	20,885	-
	20.509	AQU00	49,247	-
	20.509	AR920	10,056	-
	20.509	ARS96	112,653	-
Total Formula Grants for Other Than Urbanized Areas			<u>192,841</u>	<u>-</u>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	FL16X038	90,811	-
	20.513	FL-37-X051	21,898	-
	20.513	FL16X009	95,700	-
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>208,409</u>	<u>-</u>
North Florida Transportation Planning Organization	20.505	ARL90	44,571	-
Total Indirect Programs			<u>972,663</u>	<u>-</u>
Total United States Department of Transportation			<u>\$ 34,422,160</u>	<u>\$ 260,357</u>

Jacksonville Transportation Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (continued)

Year Ended September 30, 2016

Federal/State Agency/Pass-Through Entity, Federal Program or Cluster Title/State Project	CFDA/CSFA Number	Contract/Grant Number	Federal Expenditures	Paid to Subrecipients
State of Florida Department of Transportation:				
Commission for the Transportation Disadvantaged (CTD)				
Trip and Equipment Grant Program	55.001	G0137	\$ 1,120,662	\$ -
	55.001	GOB14	399,660	-
Total Commission for the Transportation Disadvantaged CTD)			1,520,322	-
Public Transit Block Grant Program	55.010	GO372	4,085,410	-
Public Transit Service Development Program				
	55.012	ARS30	29,456	-
	55.012	AR989	135,825	-
	55.012	GO639	76,898	-
	55.012	GO640	326,656	-
Total Public Transit Service Development Program			568,835	-
Transportation Corridor Program	55.013	AQK51	27,805	-
New Starts Program				
	55.017	AQ732	264,866	-
	55.017	AQN86	988,307	-
	55.017	G0047	399,219	-
Total New Starts Program			1,652,392	-
Transportation Planning Consultants Program				
	55.030	AQN82	40,450	-
	55.030	AQN83	40,493	-
Total Transportation Planning Consultants Program			80,943	-
Transportation Regional Incentive Program	55.026	ARH96	596,802	-
Total State Expenditures			\$ 8,532,509	\$ -

Jacksonville Transportation Authority

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

September 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule Capital of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of the Jacksonville Transportation Authority (the "Authority"). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the basic financial statements. Because the schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position or cash flows of the Authority.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures recognized in the schedule are reported on the accrual basis of accounting for the proprietary funds and on the modified accrual basis of accounting for the governmental funds, which are described in Note B to the Authority's financial statements. Such expenditures are reported following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts in the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C - INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

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

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jacksonville Transportation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 24, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General

To the Board Members
Jacksonville Transportation
Authority Jacksonville, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the Jacksonville Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Authority's major Federal programs and State projects for the year ended September 30, 2016. The Authority's major Federal program and State projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations and the terms and conditions of its Federal awards and State projects applicable to its Federal programs and State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority'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; and the audit requirements of the Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the Authority'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 the major Federal program and State projects. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program and State Projects

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program and State projects for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal programs or States 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 programs and State projects 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 Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program or State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

March 24, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Jacksonville Transportation Authority

SCHEDULE OF FINDINGS AND QUESTIONED COST

September 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None noted**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.156(a) **No**

Identification of major programs:

Federal Transit Cluster

CFDA Nos. 20.500, 20.507, 20.525, 20.526

The threshold for distinguishing types A and B programs was **\$1,032,665**

Did the auditee qualify as a low-risk auditee? **No**

State Financial Assistance

Internal control over major projects:

Material weakness identified? **No**

Significant deficiency identified? **None reported**

Type of auditor's report issued on compliance for major projects: **Unmodified**

Any audit findings disclosed that are required to be reported with Chapter 10.550, Rules of the Florida Auditor General? **None reported**

Identification of major projects:

Public Transit Block Grant Program CSFA No. 55.010

Public Transit Service Development Program CSFA No. 55.012

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

Jacksonville Transportation Authority

SCHEDULE OF FINDINGS AND QUESTIONED COST

September 30, 2016

B. FINANCIAL STATEMENT FINDINGS

None Reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None Reported.

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None Reported.

Jacksonville Transportation Authority

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

September 30, 2016

2015-001 Financial Reporting

Condition: During the current year, we noted the following group of transactions that had to be adjusted to fairly present the financial statements:

- a) We noted amounts recorded as grant revenue and receivables in the Bus Fund which did not have sufficient supporting documentation resulting in an adjustment to reduce grant revenue and amounts due from other governments.
- b) We noted intergovernmental revenues in the Authority's General Fund which were received and recorded prior to September 30th but the related receivable and deferred inflow for unavailable revenues were not removed resulting in a gross up of the balance sheet of approximately \$6.7 million which was subsequently adjusted and removed.
- c) While recording the required bond reserves for the new debt issuance in the Debt Service Fund, the Authority recorded the transfer of funds from the Capital Projects Fund as an expense rather than a transfer out. In the Debt Service Fund the receipt of financial resources was recorded as a liability rather than a transfer in. As a result, in the Debt Service Fund, liabilities were overstated and fund balance and transfers in were understated by approximately \$16.5 million. Subsequently, the related interest payment was incorrectly recorded against the liability previously mentioned. As a result debt service expenditures were understated.
- d) During 2015, the Jacksonville Electrical Authority (the "JEA") contributed funds for a project. The Authority improperly recorded the receipt of this contribution in the same account in which they had recorded the proceeds of the LOGT Bonds. As a result, proceeds from borrowing were overstated and intergovernmental revenue was understated.
- e) We assisted in preparing the necessary accounting entries to record the adoption of Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.
- f) The CTC Fund reported a due to other funds of approximately \$7.3 million at year end. Upon inquiry with management and discussions regarding continuance of the past practices and the ability of the fund to repay the short term borrowing, it was agreed that the advance should be reported as a transfer.

Jacksonville Transportation Authority

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

September 30, 2016

2015-001 Financial Reporting (continued)

- g) In fiscal 2015, the Authority recorded a transfer of infrastructure projects that had been constructed on behalf of the City of Jacksonville and the State of Florida. Prior to transfer these infrastructure projects had been recorded in the governmental activities of the Authority as both a custodial asset and a custodial liability in the approximate amount of \$77 million. Although there was no effect on the statement of revenues and expenses or net position of the Authority the reporting period in which these transfers occurred was not determinable.
- h) There were four other audit adjustments required in various funds. The combined net effect on net position in the various funds of less than \$100 thousand.

Recommendation: We recommend that Authority review its current policies and procedures over accounting and financial reporting including both the monthly and the year-end closing processes. Also, procedures should be put in place to monitor and reconcile significant accounts throughout the year to provide management with more accurate information from which to make decision and prepare internal or externally available financial information. The frequency of the monitoring reviews should be designated by management based on the nature of the accounts and frequency of activities within the accounts. Frequent review of accounting activity by individuals with the appropriate experience in governmental financial reporting and sufficient time available to perform the reviews will provide management and the Authority with more timely and accurate financial information.

Additionally, we recommend that the Authority consider establishing a financial reporting function and/or hiring a financial reporting manager/supervisor with the appropriate experience and time available to perform these activities.

Current Year Status: Cleared in the current year.

2015-002 Preparation of the Schedule of Expenditures of Federal Awards and State Financial Assistance

Condition: Upon testing of the schedule provided for audit, we noted errors that had to be corrected to properly reflect the total amount of expenditures of federal awards and state financial assistance for fiscal year 2015.

Recommendation: We recommend the Authority review its current policies and procedures and add enhancements to improve the controls over the accounting and financial reporting for grants during the year and as part of the year end closing process and preparation of the schedule.

Current Year Status: Cleared in the current year.

Jacksonville Transportation Authority

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

September 30, 2016

2015-003 Unbudgeted Transfers

Condition: The Authority recorded a transfer between the General Fund to the Special Revenue Fund which was not authorized in the annually adopted budget or through board action.

Recommendation: We recommend that the Authority review its current policies and procedures to make sure individuals responsible for approving journal entries possess the appropriate level of knowledge and understanding.

Current Year Status: Cleared in the current year.

2015-004 Construction in Progress Records

Condition: We noted items included in construction in process that were either completed or should not have been recorded in CIP and should have been recorded in depreciable capital asset account.

Recommendation: We recommend that the Authority review its current process for recording of construction in process and determine if system modifications can be made through the accounting system or other procedures can be established to determine that CIP accounts are timely reviewed and completed assets are timely placed into service and depreciated.

Current Year Status: Cleared in the current year.

2015-005 Reporting

Division of Community Development (CSFA No. 40.038)

Condition: The Authority's processes and controls for identifying reports required by grantors did not identify all reports required by the Division of Community Development project. As a result, the Authority did not submit quarterly progress reports for the quarters ended June 30, 2015 and September 30, 2015 although the project was ongoing.

Recommendation: We recommend that the Authority communicate with the DEO to establish an appropriate corrective action plan as determined by the grantor. In the future, if the Authority is not certain of whether a report is required to be filed or not, it should communicate with the granting agency to obtain clarification in writing from the grantor.

Current Year Status: Cleared in the current year.

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

To the Board Members
Jacksonville Transportation
Authority Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jacksonville Transportation Authority (the Authority) as of and for the year ended September 30, 2016, and have issued our report thereon dated March 24, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements performed in accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 24, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective Actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations. The status of recommendations made in the preceding annual financial audit report has been addressed in the summary of prior year's findings and questions cost as listed on the table of contents to this report.

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 A in the notes to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to sections 10.554(1)(i)5c and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the same.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

1. During the closing of the financial information for year end, the Authority Staff, in advance of year end, should reconcile with the City all interlocal items associated with sales tax, transfers, receivables and joint projects.
2. A preparation of a crosswalk of the modified accrual financial statement to the full accrual in preparation of government-wide financial statements.
3. A reconciliation of final financial statement information to the budget related to the Skyway and Ferry as both fund level actuals exceeded the budgeted amounts. Overall, the total of actuals of all funds did not exceed the budgeted amounts.
4. Accuracy in preparation of audit support, including roll forward schedules that reconcile to final trial balance amounts.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board Members and applicable management of the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

March 24, 2017
Melbourne, Florida

*Berman Hopkins Wright & LaHam
CPAs and Associates, LLP*

**Independent Accountant's Report on
Compliance with Section 218.415**

To the Board Members
Jacksonville Transportation Authority
Jacksonville, Florida

We have examined the Jacksonville Transportation Authority's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the Jacksonville Transportation Authority's compliance with those requirements. Our responsibility is to express an opinion on the Jacksonville Transportation Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Jacksonville Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Jacksonville Transportation Authority's compliance with specified requirements.

In our opinion, the Jacksonville Transportation Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Jacksonville Transportation Authority and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

March 24, 2017
Melbourne, Florida

*Berman Hopkins Wright & LaHam
CPAs and Associates, LLP*