

**St. Johns River Power Park System
Employees' Retirement Plan**
Financial Statements, Required Supplementary
Information and Reports Required
by *Government Auditing Standards*

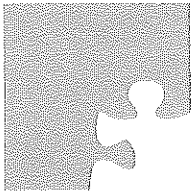
**For the Year Ended
September 30, 2015**

**KBLD, LLC
6960 Bonneval Road, Suite 302
Jacksonville, Florida 32216
(904) 208-4659 Phone
(904) 641-1171 Fax**

**St. Johns River Power Park System
Employees' Retirement Plan
Financial Statements, Required Supplementary Information and
Reports Required by *Government Auditing Standards*
September 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statement of Fiduciary Net Position	3
Statement of Changes in Fiduciary Net Position	4
Notes to the Financial Statements	5
Required Supplementary Information (Unaudited):	
Schedule of Changes in Net Pension Liability and Related Ratios	13
Schedule of Employer Contributions	14
Schedule of Investment Returns	15
Notes to Required Supplementary Information	16
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 <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses.....	20



KBLD LLC
Certified Public Accountants

Is your business a puzzle?
Let us bring the pieces together

6960 Bonneval Road
#302
Jacksonville, FL 32216

Ph. (904) 208-4659
Fax (904) 641-1171

December 1, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the St. Johns River Power Park System Employees' Retirement Plan
Jacksonville, Florida

We have audited the accompanying financial statements of the St. Johns River Power Park System Employees' Retirement Plan (Plan) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of September 30, 2015, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 13 – 17 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 Plan's internal control over financial reporting compliance.



KBLD, LLC

**St. Johns River Power Park System
Employees' Retirement Plan
Statement of Fiduciary Net Position
September 30, 2015**

ASSETS

Cash and cash equivalents	\$	3,824,691
Investments, at fair value:		
Bonds and notes		56,310,865
Mutual funds		39,278,752
Equities		39,264,656
Total investments		134,854,273
Accrued interest income		372,380
Total assets		139,051,344

LIABILITIES

Due to brokers		149,588
Total liabilities		149,588
Fiduciary net position available for benefits	\$	138,901,756

The accompanying notes are an integral part of these statements.

**St. Johns River Power Park System
Employees' Retirement Plan
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015**

Additions to net position:	
Employer's contributions	\$ 3,508,587
Employees' contributions	648,068
Total contributions	<u>4,156,655</u>
Investment income:	
Unrealized gain/(loss)	(6,532,817)
Realized gain/(loss)	4,253,009
Interest	1,533,347
Dividends	823,635
Other income	85,977
Less investment expenses:	
Trustee fees	(114,028)
Investment management fees	<u>(314,974)</u>
Net investment income	<u>(265,851)</u>
Total additions to fiduciary net position	<u>3,890,804</u>
Deductions from net position:	
Benefits paid directly to participants	10,348,003
Administrative fees	<u>66,231</u>
Total deductions from fiduciary net position	<u>10,414,234</u>
Net decrease in fiduciary net position	(6,523,430)
Fiduciary net position available for benefits - beginning of year	<u>145,425,186</u>
Fiduciary net position available for benefits - end of year	<u><u>\$ 138,901,756</u></u>

The accompanying notes are an integral part of these statements.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

1. Description of Plan

The following description of the St. Johns River Power Park System Employees' Retirement Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan is a single employer contributory defined benefit plan covering employees of the St. Johns River Power Park System (SJRPP, also referred to as Sponsor). The Plan provides for pension, death and disability benefits. Employees who are actively working for SJRPP, except temporary and contract employees, are eligible to participate. The Plan is subject to provisions of Chapter 112, Florida Statutes and the oversight of the Florida Division of Retirement. The Plan is governed by a five-member pension board (Pension Board). The Pension Board members consist of a chairperson who is a Senior Leadership Team member designated by the JEA MD/CEO and four other members consisting of the JEA Controller, the JEA Treasurer, SJRPP Plant Manager and an SJRPP Representative designated by the SJRPP Plant Manager. The Plan is administered by an administrative committee (Committee) consisting of three persons who may be, but need not be, participants. The members of the Committee are appointed by and served at the pleasure of the Sponsor. The Sponsor has the right at any time by action of JEA to amend any or all of the provisions of the Plan or terminate the Plan in its entirety either with respect to itself or any participating affiliate; provided that no amendment shall authorize or permit any part of the Plan funds to be diverted for purposes other than for the exclusive benefit of participants and their beneficiaries.

As of September 30, 2015, the Plan reported net position restricted for pensions of \$138,901,756. The Plan had assets of \$139,051,344 offset by total liabilities of \$149,588, which include investments of \$134,854,273, cash and cash equivalents of \$3,824,691 and \$372,380 accrued interest income.

Membership in the Plan consisted of the following at October 1, 2015, the date of the last actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	273
Inactive plan members entitled to but not yet receiving benefits	52
Active plan participants	226
Total participants	551

Plan members are required to contribute 4% of their annual salary in accordance with the provisions of IRC Section 414(h). The Plan requires funding of contributions from SJRPP to be made based upon an actuarial valuation. All employer contributions are irrevocable. All investment related administrative costs are paid for by the Plan and all other administrative costs are paid for by the employer and reimbursed by the Plan.

The Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. According to the Committee, the funding objective of the Plan is to establish and receive contributions, which are intended to bring the Plan's funding ratio to 100% by October 1, 2019.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

Effective February 25, 2013 the Plan was amended to close the Plan to all new employees hired on or after February 25, 2013. The Plan provisions are continued only for employees who as of February 24, 2013 have reached age 60 with 5 years of service or who have completed 20 years of service regardless of age (Tier 1). All participants who had not met the criteria listed in the prior sentence had their benefit accruals frozen and had established an individual Cash Balance Accounts as of February 25, 2013 (Tier 2). Distribution of frozen Tier 1 Benefits was governed by the provisions applicable to Tier 1.

Employee Group	Eligibility Requirement for Participation in Tier (as of February 24, 2013)	Benefit Changes Made
Tier 1a	Active employees Age 65 with 5 Years of Service (YOS), or Age 55 with 20 YOS, or 30 YOS regardless of age	None, Future Benefits Accrue as Stated under Current Defined Benefit (DB) Plan.
Tier 1b	20 YOS but less than 30 YOS and have not yet attained Age 55	Removal of the BACK DROP benefit; All other DB Plan Provisions the same as Tier 1a.
Tier 2	All other members (including members who enter the Plan after February 24, 2013)	Benefits accrued through February 24, 2013 are frozen and are payable under the Provisions of the current DB Plan. These members accrue future benefits in a Cash Balance Plan.

All participants who have completed the (1) five or more years of vesting service (a year in which an employee has completed 1,000 hours of employment) and have attained age 65, (2) 20 years of vesting service and have attained age 55 or (3) 30 years of vesting service are entitled to a monthly plan benefit beginning on the first day of the month following the participant's normal retirement date equal to the accrued monthly benefit date. The Plan permits early retirement for participants who have attained the age of 55 and completed ten years, but less than 20 years of vesting service. Early retirement benefits are paid commencing the month after the early retirement date. A participant may elect, in writing, to defer the commencement of their benefits until a later date after the early retirement date up to the normal retirement date.

BACKDROP benefits are calculated as if the retiree elected to retire up to 5 years earlier. Benefit is based upon the final average earnings (FAE) and Benefit Service as of the beginning of the BACKDROP period and is equal to the accumulation of the retirement benefits that the participant would have received over the BACKDROP period plus interest. Each year interest is credited or debited to the BACKDROP based upon the Plan's Actuarial rate of return for that year. The rate is guaranteed to be no less than -4% and no more than 4% per annum.

Termination benefits are available to any participant who terminated employment other than by retirement or death, after completion of five years of vesting service. The termination benefit is the accrued benefit determined as of the date of termination and payment of that benefit commences monthly on the first month after the participant has attained age 65.

Active participants who become totally and permanently disabled and attain the age of 55 and complete ten years of vesting service will be eligible for retirement.

If a participant should die while in active service, but after early retirement their surviving spouse is entitled to a benefit based on the participant's years of service to the date of death. This benefit is payable on the first day of the month on which the participant could have retired and is based on the 75% joint and survivor's form of payment as of the date of commencement of the benefit.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

Benefit terms provide a 1% annual cost-of-living increase for participants retired on or after October 1, 2003, beginning each October 1 following the fifth anniversary of payment commencement.

2. Summary of Significant Accounting Policies

A. Basis of presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

B. Cash and cash equivalents

The Plan's cash and cash equivalents include cash on hand, bank demand accounts, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

C. Investment valuation and income recognition

Investments in U.S. Treasury, federal agency, corporate bonds, mortgage/asset-backed securities, other fixed income securities and common stock are recorded at fair value as determined by quoted market prices. Investments in money market mutual funds are recorded at cost, which approximates fair value. Realized gains and losses on sales of investments are calculated using the average cost for the fund.

D. Payment of benefits

The Plan's benefit payments to participants are recorded upon distribution.

E. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Recently issued standards

In February 2015, GASB issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to the fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for fiscal years beginning after June 15, 2015.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

In June 2015, GASB issued Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68. The statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions and establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. This Statement is effective for fiscal years beginning after June 15, 2015.

3. Cash and Investments

Cash balances are amounts on deposit with the Plan's trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall be in compliance with the Policy as approved by the Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act (ERISA) and requirements set forth in the Florida Statutes. The trust bank balances are collateralized subject to the Florida Security for Public Deposits Act of Chapter 280, *Florida Statutes*. Amounts subject to Chapter 280, *Florida Statutes* are collateralized by securities deposited by the Plan's trust bank qualified custodians.

The Plan follows GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

At September 30, 2015, the Plan's cash and cash equivalents consist of the following:

Cash on hand	\$	3,914
Cash equivalents:		
Wells Fargo Treasury Plus Money Market Account		3,820,777
Total cash and cash equivalents	\$	3,824,691

The Policy specifies investment objectives and guidelines for the Plan's investment portfolio and provides asset allocation targets for various asset classes.

At September 30, 2015, investments controlled by the Plan, which represent 5% or more of the Plan's net position: AB Domestic Passive Collective Trust with a basis of \$21,845,037 and a fair market value of \$39,278,752. This investments represent 28% of fiduciary net position available for benefits.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Interest rate risk, credit risk, concentration of credit risk, custodial risk and foreign currency risk are discussed in the following paragraphs.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. As of September 30, 2015, the average modified duration of the managed fixed securities portfolio was 3.9 years.

Credit risk

A credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The Plan's rated debt instruments as of September 30, 2015, were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization.

The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent), and the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the Plan's investments are held by the Plan's directed trustee and custodian in the Plan's name, or by an agent in the Plan's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash. The Policy further specifies target allocations for the equity investments among several asset classes.

The fair value of the asset classes and portfolio as of September 30, 2015, and specific target allocations are as follows:

	<u>Fair Value</u>	<u>Actual Percent</u>	<u>Target Percent</u>
U.S. Government Securities and Agencies	\$ 31,828,005	23%	N/A
Corporate bonds - non-convertible	24,482,860	18%	N/A
Wells Fargo Advantage Treasury Plus Money Market/Cash/Accrued income	4,047,484	3%	N/A
Total fixed income	<u>\$ 60,358,349</u>	<u>43%</u>	<u>45%</u>
S&P 500 Index Fund	39,278,752	28%	28%
S&P 400 Mid-Cap Index Fund	16,110,575	12%	15%
Small and Mid-Cap Value Fund	12,185,220	9%	4%
International equities	10,968,860	8%	8%
Total equities	<u>\$ 78,543,407</u>	<u>57%</u>	<u>55%</u>
Total	<u>\$ 138,901,756</u>		

The Policy allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments was (0.19)%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Foreign currency risk

Foreign currency risk is the risk that changes in which the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through its investments in an international equity mutual fund. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 8% of total investments as of September 30, 2015.

4. Federal Income Taxes

The Plan obtained a determination letter on the Plan documents as of March 4, 1986 and an updated determination letter as of August 21, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan administrator believes the Plan has operated in accordance with the Plan documents and the IRC as a governmental pension plan. The Plan is not subject to the requirements of the Employee Retirement Income Security Act.

5. Net Pension Liability

Total pension liability	\$	155,143,087
Plan fiduciary net position		138,901,756
Plan net pension liability	\$	16,241,331
Plan fiduciary net position as a percentage of the total pension liability		
		89.53%

Significant Assumptions used to Measure the Net Pension Liability

The total pension liability was determined by an actuarial valuation as of October 1, 2014, using the following significant actuarial assumptions, applied to all periods included in the measurement:

Mortality	Mortality Rates used by the Florida Retirement System for classes other than Special Risk, described as follows: Healthy Mortality (Pre-Retirement and Post-Retirement) rates used: <i>Females:</i> RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB. <i>Males:</i> RP2000 Healthy Annuitant rates with 50% White Collar / 50% Blue Collar adjustment, generationally projected from year 2000 using Scale BB.
Salary Increases	2.5% - 12.5% per year, including inflation.
Date of the Most Recent Experience Study:	Other significant actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2003 - September 30, 2012.
Actuarial Valuation Date:	October 1, 2014

A single discount rate of 7% was used to measure the total pension liability as of October 1, 2014 and September 30, 2015. This single discount rate was based solely on the long-term expected rate of return on pension plan investments of 7%, without any requirement to incorporate municipal bond yields.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

6. Actuarial method and assumptions

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees' who have died and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last five years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date).

Benefits payable under all circumstances – retirement, death, disability and termination of employment – are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The annual required contribution was determined by actuarial valuation using the Individual Entry Age Actuarial Cost Method. Under this method, the cost of each participant's projected retirement benefit is funded through a series of annual payments, determined as a level of percentage of each year's earnings, from age at hire to assumed exit age. The actuarial accrued liability (AAL) less the fair value of plan net position available for benefits is the unfunded actuarial accrued liability (UAAL). The actuarial assumptions include: a life expectancy calculation using the RP-2000 Mortality Table using Scale AA; a 7.00% investment rate of return (net of administrative expenses); and projected salary increases, depending on years of service per year, including an inflation component. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Refer to the supplemental schedules to review the actuarial assumptions in more detail. The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the years 2004 – 2012.

7. Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2015, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
\$ 138,901,756	\$ 159,261,274 *	\$ 20,359,518	87.2%	\$ 16,664,648	122.2%

*Reflects a change in the Plan provisions and assumptions.

The schedules of funding progress, presented as required supplemental information (RSI) following the Notes to the Financial Statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to the Financial Statements
September 30, 2015**

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/2015
Actuarial cost method	Individual Entry Age
Amortization method	Level dollar closed
Remaining amortization period	3
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	2.5% - 12.5%
Includes price inflation	2.50%
COLAs	1.00%

8. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease	Current Single Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$32,982,345	\$16,241,331	\$1,927,635

The Total Pension Liability used in calculating the Net Pension Liability presented above is based on the actuarial valuation performed as of October 1, 2014. Actuarial update procedures were used to roll forward the Total Pension Liability to September 30, 2015, the Plan's fiscal year end.

9. Plan Termination

If the Plan terminates, the net position of the Plan will be allocated among participants and their beneficiaries in the following order:

Priority Class A: The portion of the participants' accrued benefits that are derived from participant contributions

Priority Class B: In the case of benefits payable as an annuity, equally among participants and beneficiaries whose benefits were in pay status.

Priority Class C: Equally among active participants who are eligible for normal retirement but have not yet retired.

Priority Class D: Equally among all other vested accrued benefits of both active and terminated participants.

Priority Class E: All other non-vested accrued benefits under the Plan.

10. Subsequent events

Subsequent events were evaluated through December 1, 2016, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Changes in Employers' Net Pension Liability and Related Ratios
Last 10 Fiscal Years and
For the Year Ended September 30, 2015**

	Fiscal year ending September 30,		
	2015	2014	2013
Total pension liability			
Service cost	\$ 1,274,456	\$ 1,469,834	PRIOR
Interest on the total pension liability	10,271,075	10,026,508	INFORMATION
Difference between actual and expected experience	2,121,557	-	NOT AVAILABLE
Changes in assumptions	3,316,373	-	
Benefit payments	<u>(10,348,003)</u>	<u>(9,509,425)</u>	
Net change in total pension liability	6,635,458	1,986,917	
Total pension liability-beginning	<u>148,507,629</u>	<u>146,520,712</u>	
Total pension liability-ending (a)	<u>\$ 155,143,087</u>	<u>\$ 148,507,629</u>	
Plan fiduciary net position			
Contributions-employer	3,508,587	5,558,821	
Contributions-member	648,068	654,941	
Net investment income	(265,851)	13,763,073	
Benefit payments	(10,348,003)	(9,509,425)	
Administrative expense	<u>(66,231)</u>	<u>(61,357)</u>	
Net change in plan fiduciary net position	(6,523,430)	10,406,053	
Plan fiduciary net position-beginning	<u>145,425,186</u>	<u>135,019,133</u>	
Plan fiduciary net position-ending (b)	<u>\$ 138,901,756</u>	<u>\$ 145,425,186</u>	
Net pension liability-ending (a) - (b)	<u>\$ 16,241,331</u>	<u>\$ 3,082,443</u>	
Plan fiduciary net position as a percentage of the total pension liability	89.53%	97.92%	
Covered-employee payroll	\$ 16,664,648	\$ 21,304,432	
Net pension liability as a percentage of covered-employee payroll	97.46%	14.47%	

See accompanying notes to Required Supplementary Information.

**St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Employer Contributions
Last 10 Fiscal Years and
For the Year Ended September 30, 2015**

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee- Payroll*	Actual Contribution as a % of Covered Payroll
2006	INFORMATION NOT AVAILABLE				
2007	\$ 4,181,312	\$ 4,305,105	\$ (123,793)	\$ 24,026,644	17.92%
2008	10,044,998	10,080,963	(35,965)	21,609,264	46.65%
2009	10,238,757	10,398,136	(159,379)	21,327,140	48.76%
2010	13,452,946	13,565,335	(112,389)	19,430,971	69.81%
2011	8,919,354	9,027,932	(108,578)	19,895,174	45.38%
2012	7,995,205	8,005,178	(9,973)	19,318,374	41.44%
2013	11,845,434	11,884,513	(39,079)	17,761,000	66.91%
2014	5,396,838	5,558,821	(161,983)	21,304,432	26.09%
2015	3,413,998	3,508,587	(94,589)	16,664,648	21.05%

**Payroll amount for FY 2014 represents Covered-Employee Payroll*

Notes to Schedule of Contributions

Timing	Actuarially determined contribution is calculated as of October 1, a beginning of the fiscal year preceding the year which contributions were reported. Assumptions and methods below relate to the October 1, 2013 actuarial valuation with actuarially determined contribution applicable to the year ending September 30, 2015.
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Period	3 years
Asset Valuation Method	The Market Value of Plan Assets
Inflation	2.50% per year.
Salary Increases	2.5% - 12.5% per year, including inflation.
Investment Rate of Return	7.0% per year compounded annually, net of investment expenses.
Retirement Age	Experience-based table of rates based on year of eligibility.
Post Retirement COLA	1.0% increase annually following the fifth anniversary of payment commencement.
Mortality	RP-2000 Table (Combined Healthy) as published by the Society of Actuaries with generational projections using Scale AA.

See accompanying notes to Required Supplementary Information.

**St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Investment Returns
For the Year Ended September 30, 2015**

<u>Year Ended</u>	<u>Investment Rate of Return Market Value Basis</u>
2015	-0.19%
2014	10.32%
2013	12.64%
2012	17.17%
2011	0.41%
2010	10.14%
2009	7.60%
2008	-12.67%
2007	11.89%
2006	7.77%

See accompanying notes to Required Supplementary Information.

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to Required Supplementary Information
September 30, 2015**

1. Plan Description and Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date of October 1, 2015. Significant actuarial assumptions used are as follows:

- A. Investment rate of return per annum including inflation is assumed to be 7.00%
- B. Wage inflation rate per annum is assumed to be 3.0%. Price inflation rate is assumed to be 2.5% per year.
- C. The rates of salary increases (including price of inflation) are as follows:

Years of Service	Rate
0 - 1	12.50%
2	7.50%
3	5.50%
4	4.50%
5 - 6	3.50%
7 - 9	3.00%
10 - 14	2.75%
15 and over	2.50%

- D. The mortality rates used were based on the RP-2000 Mortality Table for males and females, with generational projections using Scale AA.
- E. The rates of retirement used to measure the probability of eligible members retiring under normal retirement eligibility during the next year were as follows:

Year of Eligibility	Retirement Rates
0-0.999	20.00%
1-1.999	17.50%
2-2.999	15.00%
3-3.999	13.00%
4-4.999	11.00%
5 and over	10.00%

- F. Employees are assumed to retire no later than upon attaining age 70. In addition 75% of employees eligible to elect BACKDROP at retirement are assumed to do so. BACKDROP assumed elections are as follows:

Years Since First Eligibility	BACKDROP Period (Years)
0	0.0
1	0.5
2	1.0
3	1.5
4	2.0
5 and over	2.5

**St. Johns River Power Park System
Employees' Retirement Plan
Notes to Required Supplementary Information
September 30, 2015**

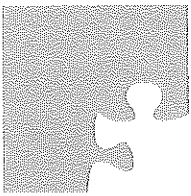
G. Rates of separation which measures the probabilities of members remaining in employment are as follows:

<u>Service</u>	<u>Regardless of Age</u>	<u>Sample Ages</u>	<u>5 and Over Years of</u>
0-0.999	13.00%	25	5.60%
1-1.999	11.00%	30	4.30%
2-2.999	9.00%	35	3.00%
3-3.999	7.00%	40	2.20%
4-4.999	5.00%	45	1.40%
		50	0.95%
		55	0.50%

H. Rates of disability among active members are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
25	0.022%	0.013%
30	0.031%	0.026%
35	0.040%	0.039%
40	0.066%	0.063%
45	0.092%	0.087%
50	0.168%	0.151%
55	0.243%	0.215%

I. Actuarial value of assets is assumed to be Market Value of Plan assets.



KBLD LLC
Certified Public Accountants

Is your business a puzzle?
Let us bring the pieces together

6960 Bonneval Road
#302
Jacksonville, FL 32216

Ph (904) 208-4659
Fax (904) 641-1171

December 1, 2016

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 of Trustees of the St. Johns River Power Park System Employees' Retirement Plan
Jacksonville, FL

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 St. Johns River Power Park System Employees' Retirement Plan (Plan) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KBLD, LLC

**St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Findings and Responses
For the Year September 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the St. Johns River Power Park System Employees' Retirement Plan (Plan) were prepared in accordance with GAAP.
2. No significant deficiencies were identified during the audit of the financial statements or reported in the 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. No material weaknesses were identified.
3. No instances of noncompliance material to the financial statements of the Plan, which would be required to be reported in accordance with Government Auditing Standards, were noted during the audit.

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiencies Communicated in Prior Year

Finding 2014-001 (As reported in the audited financial statements delivered October 9, 2015)

Condition: Lack of procedures in place to insure benefits are paid to the correct person and that the payee has not deceased.

Criteria: Internal controls should be in place that provided reasonable assurance that benefits are being paid to the correct person.

Cause: There are no procedures in place to insure benefits are reaching the correct person.

Effect: Fraudulent payments could occur.

Recommendation: Procedures should be implemented requiring recipients to notarize a verification of their existence on an annual basis. If such notarization is not returned, payments should be cut off until the reason for it not being returned is determined.

Views of Responsible Officials and Planned Corrective Actions: Management agrees and will implement procedures as needed.

Auditor's Response to Prior Year Planned Corrective Action: Although not fully implemented as of September 30, 2015, during our audit, we noted that procedures requiring recipients to notarize a verification of their existence on an annual basis were fully implemented during the fiscal year ending September 30, 2016.