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, 2016

St. Johns River Power Park System
Employees' Retirement Plan
Financial Statements, Required Supplementary Information and
Reports Required by *Government Auditing Standards*
September 30, 2016

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Report of Independent Certified Public Accountants

Senior Management and the Pension Plan Committee
St. Johns River Power Park (SJRPP) Employee's Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of St. Johns River Power Park (SJRPP) Employee's Retirement Plan (the Plan) as of and for the year ended September 30, 2016, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of 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.

Opinion

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, 2016, and the changes in the fiduciary net position for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of employer contributions to the pension plan, and the schedule of investment returns 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 which 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, 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 also have issued our report dated December 1, 2017 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 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 the 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 and compliance.

Ernst + Young LLP

December 1, 2017

St. Johns River Power Park System
Employees' Retirement Plan
Management's Discussion and Analysis

The following discussion and analysis of the Plan's financial performance provides an overview of the financial activities and changes in plan fiduciary net position for the years ended September 30, 2016 and 2015. This discussion and analysis should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The Statement of Fiduciary Net Position presents information on all of the Plan's assets and liabilities with the difference between these two amounts being reported as fiduciary net position available for benefits. Assets and liabilities are segregated based on their nature and liquidity. The Statement of Changes in Fiduciary Net Position presents the current year additions and deductions from the fiduciary net position during the fiscal year. The Required Supplementary Information presents the changes in net pension liability and related ratios, annual employer contributions, as well as a schedule on the money-weighted rate of return on the Plan's assets.

	2016	2015	Increase (Decrease)
Condensed Statement of Fiduciary Net Position			
Total assets	$ 142,310,922	$ 139,051,344	$ 3,259,578
Total liabilities	25,433	149,588	(124,155)
Fiduciary net position available for benefits	$ 142,285,489	$ 138,901,756	$ 3,383,733
Condensed Statement of Changes in Fiduciary Net Position			
Total contributions	$ 2,771,388	$ 4,156,655	$ (1,385,267)
Net investment income	13,412,344	(265,851)	13,678,195
Total additions to fiduciary net position	16,183,732	3,890,804	12,292,928
Total deductions from fiduciary net position	12,799,999	10,414,234	2,385,765
Net change in fiduciary net position	$ 3,383,733	$ (6,523,430)	$ 9,907,163

Total assets increased due to an increase in investment values, which were mostly offset by benefits paid to participants. Total liabilities decreased due to timing of broker settlements regarding investment sales and purchases.

Total contributions decreased as a result of a lower actuarially required contribution. Net investment income increased due to a much improved market performance as compared to the prior year. Deductions from fiduciary net position increased due to increased benefits paid to participants, mainly due to an increase in retirees eligible for benefit payments.

St. Johns River Power Park System
Employees' Retirement Plan
Statement of Fiduciary Net Position
September 30, 2016

Assets	
Cash and cash equivalents	$ 3,132,395
Investments at fair value:	
Mutual funds	40,664,268
Equities	39,403,236
Bonds and notes	58,710,591
Total investments	138,778,095
Accrued interest and dividends	353,895
Receivable from brokers	46,537
Total assets	142,310,922
Liabilities	
Due to brokers	25,433
Total liabilities	25,433
Fiduciary net position available for benefits	$ 142,285,489

St. Johns River Power Park System
Employees' Retirement Plan
Statement of Changes in Fiduciary Net Position
September 30, 2016

Additions to net assets:	
Employer's contributions	$ 2,142,182
Employees' contributions	629,206
Total contributions	2,771,388
Investment Income:	
Gains	11,344,782
Interest	1,620,440
Dividends	795,272
Other income	88,494
Less investment expenses:	
Trustee fees	(131,977)
Investment management fees	(304,667)
Net investment income	13,412,344
Total additions to fiduciary net position	16,183,732
Deductions from net position:	
Benefits paid directly to participants	12,326,033
Administrative fees	473,966
Total deductions from plan net assets	12,799,999
Net change in fiduciary net position	3,383,733
Fiduciary net position available for benefits – beginning of the year	138,901,756
Fiduciary net position available for benefits – end of the year	$ 142,285,489

The accompanying notes are an integral part of these statements.

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). SJRPP is a coal-fired power plant jointly owned and operated by JEA (80% ownership interest) and Florida Power & Light (FPL) (20% ownership interest). The Plan provides for pension, death and disability benefits. SJRPP employees who are actively working, 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. A five member Pension Committee (Committee) governs the Plan. The Committee 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 Sponsor has the right at any time, by the action of JEA, to amend any and all of the provisions of the Plan or terminate the Plan in its entirety with respect to itself or any participating affiliate. However, 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.

Membership in the Plan consisted of the following at October 1, 2015:

Inactive plan members or beneficiaries currently receiving benefits	273
Active participants	226
Inactive plan members entitled to but yet receiving benefits	52
Total participants	551

Contributions – 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 be made according to an actuarial valuation. All employer contributions are irrevocable. The Plan pays all investment related administrative costs directly while the employer pays all other administrative costs and receives reimbursement from 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.

1. Description of Plan, continued

Effective February 25, 2013, a Plan amendment closed the Plan to all new employees hired on or after February 25, 2013. The Plan provisions continue only for those employees who have either, as of February 24, 2013, reached age 60 with 5 years of service or completed 20 years of service regardless of age (Tier 1). All other participants had their benefit accruals frozen and had established individual Cash Balance Accounts as of February 25, 2013 (Tier 2). The provisions applicable to Tier 1 govern distributions of the Frozen Tier 1 Benefits.

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.

Benefits Provided – All participants who have met the criteria below 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.

- 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
- 20 years of vesting service and have attained age 55
- 30 years of vesting service

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 begin 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. The 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.

If an active participant becomes totally and permanently disabled, the participant is eligible for retirement if they have attained the age of 55 and completed ten years of vesting service.

1. Description of Plan, continued

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 the participant is retirement eligible and is based on the 75% joint and survivor's form of payment as of the date of commencement of the benefit.

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

2. Summary of Significant Accounting Policies, continued

F. Newly Adopted Standards for Fiscal Year 2016

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurement. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Plan has added note 4, Fair Value Measurements, as a result of this standard.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions – an amendment for GASB Statement No. 27 (GASB 68)*, as well as for the assets accumulated for purposes of providing those pensions. There was no impact on the Plan financial statements from the implementation of this new standard.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 was effective for the Plan in fiscal year 2017, with earlier application encouraged. The Plan early adopted the standard for fiscal year 2016, and the required disclosures have been included in note 6, Net Pension Liability, as a result of this standard.

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 comply 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 by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, *Florida Statutes*.

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, 2016, the Plan's cash and cash equivalents consist of the following:

Cash on hand	$ 2,188
Cash equivalents:	
Wells Fargo Treasury Plus Money Market Account	3,130,207
Total cash and cash equivalents	$ 3,132,395

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

3. Cash and Investments, continued

At September 30, 2016, investments controlled by the Plan that represent 5% or more of the Plan's net position were the Alliance Domestic Passive Collective Trust with a basis of $19,161,334 and a fair value of $40,664,268. This investment represent 29% of the 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 (see discussion in the following paragraphs).

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 the 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, 2016, the average modified duration of the managed fixed securities portfolio was 3.9 years.

Credit risk

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, 2016 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.

3. Cash and Investments, continued

The fair value of the asset classes and portfolio as of September 30, 2016, and specific target allocations are as follows:

	Fair Value	Actual Percent	Target Percent
U.S. Government Securities and Agencies	$ 32,375,822	23%	N/A
Corporate bonds - non-convertible	26,334,769	19%	N/A
Money Market/Cash	3,132,395	2%	N/A
Total fixed income	$ 61,842,986	44%	45%
S&P 500 Index Fund	40,664,268	29%	28%
S&P 400 Mid-Cap Index Fund	15,699,935	11%	15%
Small and Mid-Cap Value Fund	11,656,180	8%	4%
International equities	12,047,121	8%	8%
Total equities	$ 80,067,504	56%	55%
Total	$ 141,910,490		

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

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments was 9.99%. This reflects the changing amounts actually invested.

Foreign currency risk

Foreign currency risk is the risk that changes in 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, 2016.

4. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

4. Fair Value Measurements, continued

The table below summarizes the Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices.

	Level 1	Level 2	Level 3	Total
U.S. Government Securities and Agencies	$ 17,852,577	$ 14,523,245	$ –	$ 32,375,822
Corporate bonds - non-convertible	–	26,334,769	–	26,334,769
Total fixed income	$ 17,852,577	$ 40,858,014	$ –	$ 58,710,591
S&P 500 Index Fund	40,664,268	–	–	40,664,268
S&P 400 Mid-Cap Index Fund	15,217,256	482,679	–	15,699,935
Small and Mid-Cap Value Fund	10,962,588	693,592	–	11,656,180
International equities	–	12,047,121	–	12,047,121
Total equities	$ 66,844,112	$ 13,223,392	$ –	$ 80,067,504
Total	$ 84,696,689	$ 54,081,406	$ –	$ 138,778,095

5. 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, complied 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.

6. Net Pension Liability

Total pension liability	$ 158,925,819
Plan fiduciary net position	(142,285,489)
Plan net pension liability	$ 16,640,330
Plan fiduciary net position as a percentage of the total pension liability	89.53%

6. Net Pension Liability, continued

Significant Assumptions used to Measure the Net Pension Liability

An actuarial valuation as of October 1, 2015 determined the total pension liability, 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: • Females: RP2000 Healthy Annuitant rates with 100% White Collar adjustment, generationally projected from year 2000 using Scale BB. • Males: 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, 2015 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, 2015

A single discount rate of 7% was used to measure the total pension liability as of October 1, 2015 and September 30, 2016. 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. The discount rate used to measure TPL was based on the long-term expected rate of return on plan asset assumptions as the discount rate for all years.

7. 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.

7. Actuarial method and assumptions, continued

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 the updated life expectancy calculation to coincide with the change made by the Florida Retirement System for its July 1, 2016 actuarial valuation. The updated calculation uses the RP-2000 Generational Table Scale BB, a 7.00% investment rate of return (net of administrative expenses), and projected salary increases, depending on years of service per year and 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 September 30, 2016 valuation were based on the results of an actuarial experience study for the years 2004 – 2012.

8. Funded Status and Funding Progress

The funded status of the Plan as of September 30, 2016, the most recent measurement date, is as follows:

Fiduciary Net Position of Plan	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
$ 142,285,489	$ 162,028,867	$19,743,378	87.8%	$15,489,302	127.5%

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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/2016
Actuarial cost method	Individual Entry Age
Amortization method	Goal-oriented
Remaining amortization periods	2
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%

9. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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 (6%) or 1% higher (8%) than the current rate:

1% Decrease 6%	Current Single Rate Assumption 7%	1% Increase 8%
$ 33,649,502	$ 16,640,330	$ 2,206,018

The Total Pension Liability used in calculating the Net Pension Liability presented above is based on the actuarial valuation performed as of October 1, 2015. Actuarial update procedures were used to roll forward the Total Pension Liability to September 30, 2016, the Plan's fiscal year end.

10. 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.

11. Subsequent events

On March 17, 2017, JEA announced its intent to close the St. Johns River Power Park electric plant as early as January 1, 2018, pending approval by JEA's board of directors and other regulatory agencies as well as completion of certain transmission upgrades. On May 16, 2017, JEA's board of directors approved the asset transfer and contract termination agreement, with its operating partner, FPL, which outlined the terms of the retirement, decommissioning, and dismantling of the plant. The week following, FPL filed a petition with the Florida Public Service Commission for approval to shut down SJRPP, requesting a decision by December 2017. If the closure is approved, the Plan will be closed to new participants as of December 31, 2017. Following the shutdown date, JEA shall assume all payment obligations due to be deposited into the Plan. The financial effects of this decision cannot be determined at this time.

The Plan obtained an updated determination letter on the plan documents as of June 1, 2017, in which the Internal Revenue Service stated that the Plan, as then designed, complied with the applicable requirements of the IRC.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Changes in the Employers' Net Pension Liability and Related Ratios (unaudited)

	2016	2015	2014	2013
Total pension liability				
Service cost	$ 1,210,258	$ 1,274,456	$ 1,469,834	PRIOR
Interest	10,513,323	10,271,075	10,026,508	INFORMATION
Changes in benefit terms	(59,081)	–	–	NOT
Difference between actual and expected experience	713,869	2,121,557	–	AVAILABLE
Changes in assumptions	3,730,396	3,316,373	–	
Benefit payments	(12,326,033)	(10,348,003)	(9,509,425)	
Net change in total pension liability	3,782,732	6,635,458	1,986,917	
Total pension liability - beginning	$ 155,143,087	$ 148,507,629	$ 146,520,712	
Total pension liability - ending	$ 158,925,819	$ 155,143,087	$ 148,507,629	
Plan fiduciary net position				
Contributions - employer	$ 2,142,182	$ 3,508,587	$ 5,558,821	
Contributions - employee	629,206	648,068	654,941	
Net investment income	13,378,244	(265,851)	13,763,073	
Benefit payments	(12,326,033)	(10,348,003)	(9,509,425)	
Administrative expense	(439,866)	(66,231)	(61,357)	
Net change in plan fiduciary net position	3,383,733	(6,523,430)	10,406,053	
Plan fiduciary net position - beginning	$ 138,901,756	$ 145,425,186	$ 135,019,133	
Plan fiduciary net position - ending	$ 142,285,489	$ 138,901,756	$ 145,425,186	
Net pension liability - ending	$ 16,640,330	$ 16,241,331	$ 3,082,443	
Plan fiduciary net position as a percentage of total pension liability	89.53%	89.53%	97.92%	
Covered payroll	$15,730,150	$16,664,648	$21,304,432	
Net pension liability as a percentage of covered payroll	105.79%	97.46%	14.47%	

* These schedules are presented to illustrate the requirement for ten years. However, until a full ten year trend is compiled, only available information is shown. All information is on a measurement year basis.

Changes in assumptions – The assumed mortality rates have been revised for this valuation from RP-2000 Combined Healthy Mortality Tables for Males and Females generationally projected from the year 2000 using Mortality Projection Scale AA used in the previous valuation to rates developed in a recent comprehensive assumption review by the Florida Retirement System. All rates are generationally projected from year 2000 using Scale BB. These rates will be mandated by the State Statutes to be used in actuarial valuations as of October 1, 2016. As such, amortization payments developed in accordance with the funding objective need to automatically reflect this anticipated change in assumption.

See accompanying notes to Required Supplementary Information.

St. Johns River Power Park System
Employees' Retirement Plan
Schedule of Employer Contributions (unaudited)

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
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%
2016	2,049,942	2,142,182	(92,240)	15,730,150	13.62%

* Payroll amount for FY 2014 represents Covered-Employee Payroll
Payroll amount for FY 2015 is the same as the valuation payroll for the 10/1/2015 valuaton
Payroll amount for FY 2016 represents covered payroll and is based on the employee contributions reported that year.

Notes to Schedule of Employer Contributions

Valuation Date:	October 1, 2014
Timing:	Actuarially determined contribution is calculated as of October 1, a beginning of the fiscal year preceding the year which contributions are reported. Assumptions and methods below relate to the October 1, 2014 actuarial valuation with actuarially determined contribution applicable to the year ending September 30, 2016.
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Closed, Level Dollar Method
Remaining Amortization Period:	2 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 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 (unaudited)

Year Ended	Investment Rate of Return Market Value Basis
2007	11.89%
2008	(12.67%)
2009	7.60%
2010	10.14%
2011	0.41%
2012	17.17%
2013	12.64%
2014	10.32%
2015	(0.19%)
2016	9.99%

See accompanying notes to Required Supplementary Information.

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, 2016. 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 BB.

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	20.0%
1 - 1.999	17.5%
2 - 2.999	15.0%
3 - 3.999	13.0%
4 - 4.999	11.0%
5 and over	10.0%

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

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

Service	Regardless of Age	Sample Ages	5 and Over Years of
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:

Age	Males	Females
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 The Market Value of Plan assets.

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Report of Independent Certified Public Accountants 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*

Senior Management and the Pension Plan Committee
St. Johns River Power Park (SJRPP) Employee's Retirement Plan

We have audited, in accordance with auditing standards generally accepted in the United States 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 St. Johns River Power Park (SJRPP) Employee's Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 1, 2017.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the 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.

Ernst & Young LLP

December 1, 2017