

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
TOWN OF ORANGE PARK, FLORIDA
SEPTEMBER 30, 2016**

**TOWN OF ORANGE PARK, FLORIDA
LIST OF TOWN OFFICIALS
AS OF SEPTEMBER 30, 2016**

TOWN COUNCIL

Eugene Nix, Mayor
Scott Land, Vice-Mayor
Connie Thomas
Steve Howard
Gary Meeks

TOWN MANAGER

Jim Hanson

TOWN CLERK

Sarah Campbell

FINANCE DIRECTOR

John Villanueva, C.P.A.

TOWN ATTORNEY

Sam Garrison

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
TOWN OF ORANGE PARK, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Town Council and Town Manager
Town of Orange Park, 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 Town of Orange Park, Florida (the Town) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 Town'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 Town'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT AUDITORS' REPORT
(Continued)

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 Town, 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 the management's discussion and analysis, and required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Council and Town Manager
Town of Orange Park, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 10, 2017, on our consideration of the Town'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 Town's internal control over financial reporting and compliance.


May 10, 2017
Gainesville, Florida

**TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The management of the Town of Orange Park, Florida (the "Town"), offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of fiscal year 2016 by \$51.7 million (net position). Of this amount, \$6.8 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- At September 30, 2016, the Town's governmental funds reported a combined ending fund balance of \$7.8 million, a decrease of \$693,000 in comparison with the prior year.
- At September 30, 2016, unassigned fund balance for the General Fund was \$5.243 million or 65% of total General Fund expenditures.
- The governmental activities have no outstanding debt. The business-type activities outstanding notes payable and bonded debt decreased by \$1,651,000 or 100% during fiscal year 2016. This decrease was due to the Town paying the balances of the notes payable and bonded debt in October 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are made up of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, and culture and recreation. The business-type activities of the Town include water and sewer and sanitation services.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near term financing decisions. Reconciliations are provided between the governmental fund balance sheet and the statement of net position and the governmental fund statement of revenues, expenditures, and changes in fund balances and statement of activities to facilitate this comparison between governmental funds and governmental activities.

The Town maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Sales Tax Fund, which are considered to be major funds. Financial information for the other seven governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The Town maintains two proprietary or "enterprise funds." Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer Fund and Sanitation Fund.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund, considered to be major funds of the Town.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of those individuals that have retired from the Town and those that will retire in the future (e.g., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits.

Other Supplementary Information. The combining fund statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Government-wide Financial Analysis

Below is a summary Statement of Net Position for the Town as of September 30, 2016 and 2015.

Statement of Net Position

(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,375	\$ 9,343	\$ 5,505	\$ 6,781	\$ 14,880	\$ 16,124
Capital assets	20,002	18,069	22,627	21,697	42,629	39,766
Total assets	29,377	27,412	28,132	28,478	57,509	55,890
Deferred outflows of resources	2,631	1,334	291	324	2,922	1,658
Long-term liabilities outstanding	5,091	3,940	1,098	2,781	6,189	6,721
Other liabilities	1,298	839	774	484	2,072	1,323
Total liabilities	6,389	4,779	1,872	3,265	8,261	8,044
Deferred inflows of resources	316	527	83	161	399	688
Net assets:						
Net Investment in						
Capital Assets	20,002	18,069	22,627	20,065	42,629	38,134
Restricted	2,325	3,490	0	883	2,325	4,373
Unrestricted	2,976	1,881	3,841	4,428	6,817	6,309
Total net position	\$ 25,303	\$ 23,440	\$ 26,468	\$ 25,376	\$ 51,771	\$ 48,816

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$51.7 million at the close of the fiscal year ended September 30, 2016.

By far, the largest portion of the Town's net position (82%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position, \$2.3 million (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6.8 million (13%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Below is a summary of the changes in net position for the Town during the fiscal years ended September 30, 2016 and 2015:

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Changes in Net Position
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 839	\$ 707	\$ 5,399	\$ 5,374	\$ 6,238	\$ 6,081
Operating grants and contributions	217	183	0	0	217	183
Capital grants and contributions	1,018	32	0	0	1,018	32
General revenues:						
Property taxes	2,891	2,877	0	0	2,891	2,877
Other taxes	3,536	3,032	0	0	3,536	3,032
Franchise fees	883	913	0	0	883	913
Other State shared revenues	915	897	0	0	915	897
Investment earnings	(2)	13	12	33	10	46
Miscellaneous	91	64	1	1	92	65
Total revenues	<u>10,388</u>	<u>8,718</u>	<u>5,412</u>	<u>5,408</u>	<u>15,800</u>	<u>14,126</u>
Expenses:						
General government	1,816	1,606	0	0	1,816	1,606
Public safety	4,811	4,676	0	0	4,811	4,676
Public works	2,063	1,337	0	0	2,063	1,337
Cultural/recreation	309	234	0	0	309	234
Water and sewer	0	0	3,264	3,240	3,264	3,240
Sanitation	0	0	559	554	559	554
Interest on long-term debt	0	0	23	94	23	94
Total expenses	<u>8,999</u>	<u>7,853</u>	<u>3,846</u>	<u>3,888</u>	<u>12,845</u>	<u>11,741</u>
Increase (decrease) in net assets before transfers	1,389	865	1,566	1,520	2,955	2,385
Transfers	<u>474</u>	<u>384</u>	<u>(474)</u>	<u>(384)</u>	<u>0</u>	<u>0</u>
Change in net position	<u>1,863</u>	<u>1,249</u>	<u>1,092</u>	<u>1,136</u>	<u>2,955</u>	<u>2,385</u>
Net position - beginning	<u>23,440</u>	<u>22,191</u>	<u>25,376</u>	<u>24,240</u>	<u>48,816</u>	<u>46,431</u>
Net position - ending	<u>\$ 25,303</u>	<u>\$ 23,440</u>	<u>\$ 26,468</u>	<u>\$ 25,376</u>	<u>\$ 51,771</u>	<u>\$ 48,816</u>

Governmental activities. Governmental activities net position increased by \$1,864,000. This is primarily due to increased property, sales and utility service taxes, and increased grant contributions which includes grants for the Floyd Circle project and the skate park.

Business-type activities. Business-type activities net position increased \$1,092,000 accounting for 4% increase in the business-type activities net position. This increase is due to normal business operations of the enterprise funds and a decrease in interest on long-term debt from paying off the revenue bonds and long-term notes.

Overall financial position. The overall financial position of the Town has been stable. Net position increased by \$2,955,000 thereby accounting for a total increase of 6%. This was attributable to the explanations given above for governmental activities and business-type activities.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Financial Analysis of the Town's Funds

As noted earlier the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2016, the Town's governmental funds reported combined ending fund balances of \$7.8 million, a decrease of \$693,000 in comparison with the prior year.

The General Fund is the primary operating fund of the Town. At the end of fiscal year 2016, unassigned fund balance of the General Fund was \$5.2 million. Unassigned fund balance represents 65% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$492,000 during the fiscal year ended September 30, 2016 (compared to a 2015 decrease of \$254,000). This is due in part to a net increase in revenues of \$469,000, a net increase in expenditures of \$42,000, and transfers to the water/sewer sinking fund, sanitation fund, and the sales tax capital projects fund totaling \$16,000.

Changes in revenue consisted of the following:

- Increase in ad valorem tax revenue of \$14,000;
- Increase in communications services tax revenue of \$15,000;
- Increase in utility service tax on electricity of \$399,000;
- Increase in red light camera revenue of \$109,000;
- Decrease in franchise fee – electricity of \$32,000;
- Decrease in state grant revenue of \$10,000;
- Decrease in miscellaneous revenues of \$12,000;
- Decrease in investment income of \$9,000.

The Sales Tax Fund is a major governmental fund. This fund includes capital projects requested by and approved by the Town Council funded by sales taxes. Fund balance for the Sales Tax Fund decreased \$1,206,000 or 38% due to increased expenditures in capital outlay. Major capital projects expenditures during the year were for the Plainfield Avenue project, the Chablis Court improvements project, the Gabriel Drive improvements project, the Floyd Circle improvements project, the Village Way and Chelsea Place improvements project, the new skate park, and improvements to the Orange Park Athletic Association sports complex.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$458,000. The net increase in fund balance during the current year for non-major governmental funds was \$21,000.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2.4 million or 9.6% of total net position. Net position is accumulated in the Water and Sewer Fund to fund future capital projects that are of long-term duration.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$1.5 million or 99% of total net position.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

The Water and Sewer fund reported an increase in net position of \$1.2 million or 5.1% and the Sanitation fund reported a decrease in net position of \$107,000 or 6.8% for fiscal year ended September 30, 2016, due to a transfer of \$100,000 to the general fund for street repaving.

General Fund Budgetary Highlights

- All of the Town's departments combined spent \$242,178 less than budgeted. The amount saved was between 1% and 16% per function.
- The Town fund balance increased \$492,000 in fiscal year 2015-2016.
- The Town received 102.9% of budgeted revenue.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$42.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements which are other than buildings, equipment, and construction in progress.

Capital Assets at Year-End

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,453	\$ 1,453	\$ 122	\$ 122	\$ 1,575	\$ 1,575
Construction in progress	2,124	1,125	1,209	612	3,333	1,737
Buildings and improvements	6,338	5,910	269	269	6,607	6,179
Improvements other than buildings	2,508	2,279	32,475	31,319	34,983	33,598
Equipment	5,032	5,034	679	569	5,711	5,603
Infrastructure	21,498	20,095	0	0	21,498	20,095
Less accumulated depreciation	(18,951)	(17,827)	(12,127)	(11,194)	(31,078)	(29,021)
Totals	\$ 20,002	\$ 18,069	\$ 22,627	\$ 21,697	\$ 42,629	\$ 39,766

Major capital projects during the 2015-16 fiscal year included:

- Plainfield Avenue
- Floyd Circle Improvements
- Chablis Court and Gabriel Drive Improvements
- Village Way and Chelsea Place Improvements
- New Skate Park
- OPAA and Gano Park Improvements
- Water Meter Replacement Program
- Orange Avenue Lift Station
- Milwaukee Street Lift Station

Additional information on the Town's capital assets can be found in Note 5 of the notes to the financial statements.

Long-term debt. At the end of fiscal year 2016, the Town had no outstanding debt. The Town's long-term debt of bonds and the Florida Department of Environmental Protection loans were paid in full in October 2015.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Concluded)

Outstanding Debt at Year-end
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$ 0	\$ 0	\$ 0	\$ 397	\$ 0	\$ 397
State Revolving Funds	0	0	0	1,254	0	1,254
Total	\$ 0	\$ 0	\$ 0	\$ 1,651	\$ 0	\$ 1,651

The Water and Sewer Enterprise Fund debt decreased by \$1,651,000 (100%) during the current fiscal year. The decrease was due to pay off of the debt in October 2015.

Under *Florida Statutes*, no debt limit margin is placed on local governments.

Additional information on the Town's long-term debt can be found in Note 6 of the notes to the financial statements of this report.

Economic Factors and Future Budgets and Rates

The State of Florida, by Constitution, does not have a state personal income tax and therefore the State operates primarily using sales tax revenue, gasoline tax revenue, and corporate income taxes. Local governments (cities and counties) primarily rely on property assessments combined with a limited array of authorized other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) to support their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring (one time) grants from both state and Federal government agencies.

- The unemployment rate as of September 30, 2016, for the municipal service area was 4.7%. This compared favorably with the state's average unemployment rate of 4.9% and with the national average unemployment rate of 5.0%.
- Since the Town is effectively built out, new construction is not expected to produce significant annual increases in property assessments. Currently, about thirty-six percent (36%) of the General Fund's annual revenues are from property taxes. The Town implemented a utility service tax on electricity which went into effect on April 1, 2015, and generated \$844,000 in revenue in fiscal year 2016. Other current revenues are not expected to increase significantly, and many of these are beyond the Town's control. Continued diversification of revenues where possible could help to alleviate pressure on property tax rates.
- Although the Town is constantly being challenged by increasing costs for employee benefits it does not face demand to add personnel in order to extend current levels of services to new areas.
- Public Safety-related activities, such as Police and Fire Services, make up 60% of the General Fund Expenditures, down from the prior year at 63%.

Requests for Information

This financial report is designed to provide a general overview for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Orange Park, Finance Director, 2042 Park Avenue, Orange Park, Florida, 32073.

BASIC FINANCIAL STATEMENTS

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 7,389,494	\$ 4,598,273	\$ 11,987,767
Receivables, Net	51,607	467,579	519,186
Internal Balances	3,241	(3,241)	0
Due from Other Governments	1,836,621	0	1,836,621
Other Current Assets	94,252	157,213	251,465
Restricted Equity in Pooled Cash and Investments	0	285,556	285,556
Capital Assets:			
Land	1,452,946	122,549	1,575,495
Construction in Progress	2,123,770	1,209,290	3,333,060
Buildings and Improvements	6,338,548	268,917	6,607,465
Improvements Other than Buildings	2,507,814	32,474,773	34,982,587
Equipment	5,032,025	678,766	5,710,791
Infrastructure	21,498,387	0	21,498,387
Accumulated Depreciation	(18,951,195)	(12,127,742)	(31,078,937)
Capital Assets, Net	<u>20,002,295</u>	<u>22,626,553</u>	<u>42,628,848</u>
Total Assets	<u>29,377,510</u>	<u>28,131,933</u>	<u>57,509,443</u>
Deferred Outflows of Resources			
Pension Related	<u>2,630,676</u>	<u>291,447</u>	<u>2,922,123</u>
Total Deferred Outflows of Resources	<u>2,630,676</u>	<u>291,447</u>	<u>2,922,123</u>
Liabilities			
Accounts Payable and Accrued Liabilities	1,127,800	488,670	1,616,470
Due to Other Governments	63,034	0	63,034
Unearned Revenue	106,949	0	106,949
Payable from Restricted Assets:			
Deposits	0	285,556	285,556
Noncurrent Liabilities:			
Due Within One Year	257,012	54,154	311,166
Due in More than One Year	620,769	114,971	735,740
Net Pension Liability	<u>4,213,043</u>	<u>929,267</u>	<u>5,142,310</u>
Total Liabilities	<u>6,388,607</u>	<u>1,872,618</u>	<u>8,261,225</u>
Deferred Inflows of Resources			
Pension Related	<u>316,094</u>	<u>83,489</u>	<u>399,583</u>
Total Deferred Inflows of Resources	<u>316,094</u>	<u>83,489</u>	<u>399,583</u>
Net Position			
Net Investment in Capital Assets	20,002,295	22,626,553	42,628,848
Restricted for:			
Capital Projects	1,991,748	0	1,991,748
Transportation	144,666	0	144,666
Law Enforcement	164,216	0	164,216
Memorial Day Services	23,928	0	23,928
Unrestricted	<u>2,976,632</u>	<u>3,840,720</u>	<u>6,817,352</u>
Total Net Position	<u>\$ 25,303,485</u>	<u>\$ 26,467,273</u>	<u>\$ 51,770,758</u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 1,815,750	\$ 35,473	\$ 0	\$ 0	\$ (1,780,277)	\$ 0	\$ (1,780,277)
Public Safety	4,811,247	762,591	12,419	0	(4,036,237)	0	(4,036,237)
Public Works	2,062,745	0	135,093	579,757	(1,347,895)	0	(1,347,895)
Culture/Recreation	308,941	40,570	69,602	437,905	239,136	0	239,136
Total Governmental Activities	8,998,683	838,634	217,114	1,017,662	(6,925,273)	0	(6,925,273)
Business-type Activities							
Water and Sewer	3,263,879	4,857,910	0	0	0	1,594,031	1,594,031
Sanitation	558,457	540,656	0	0	0	(17,801)	(17,801)
Interest on Long-term Debt	22,541	0	0	0	0	(22,541)	(22,541)
Total Business-type Activities	3,844,877	5,398,566	0	0	0	1,553,689	1,553,689
Total Primary Government	\$ 12,843,560	\$ 6,237,200	\$ 217,114	\$ 1,017,662	(6,925,273)	1,553,689	(5,371,584)
General Revenues							
Property Taxes					2,891,030	0	2,891,030
Insurance Premium Tax					224,396	0	224,396
Sales Tax					1,518,075	0	1,518,075
Utility Service Tax					843,757	0	843,757
Communication Services Tax					567,828	0	567,828
Motor Fuel Tax					301,229	0	301,229
Local Business Tax					81,483	0	81,483
Franchise Fees					882,647	0	882,647
Other State Shared Revenues					914,764	0	914,764
Investment Earnings					(2,177)	11,816	9,639
Miscellaneous					91,475	649	92,124
Transfers					474,402	(474,402)	0
Total General Revenues and Transfers					8,788,909	(461,937)	8,326,972
Change in Net Position					1,863,636	1,091,752	2,955,388
Net Position, Beginning of Year					23,439,849	25,375,521	48,815,370
Net Position, End of Year					\$ 25,303,485	\$ 26,467,273	\$ 51,770,758

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Project Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pool Cash and Investments	\$ 5,242,261	\$ 1,694,043	\$ 453,190	\$ 7,389,494
Receivables	51,607	0	0	51,607
Due from Other Funds	23,387	0	0	23,387
Due from Other Governments	878,089	909,650	48,882	1,836,621
Inventories	26,568	0	0	26,568
Prepaid Items	67,684	0	0	67,684
Total Assets	<u>6,289,596</u>	<u>2,603,693</u>	<u>502,072</u>	<u>9,395,361</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	757,611	346,010	24,179	1,127,800
Due to Other Governments	63,034	0	0	63,034
Due to Other Funds	0	0	20,146	20,146
Unearned Revenue	106,949	0	0	106,949
Total Liabilities	<u>927,594</u>	<u>346,010</u>	<u>44,325</u>	<u>1,317,929</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>0</u>	<u>265,935</u>	<u>0</u>	<u>265,935</u>
Fund Balances				
Nonspendable:				
Inventories	26,568	0	0	26,568
Prepaid Items	67,684	0	0	67,684
Restricted for:				
Infrastructure	0	1,991,748	0	1,991,748
Transportation	0	0	144,666	144,666
Law Enforcement	0	0	164,216	164,216
Memorial Day Services	23,928	0	0	23,928
Committed:				
Transportation	0	0	22,864	22,864
Cemetery Care and Maintenance	0	0	146,147	146,147
Unassigned	5,243,822	0	(20,146)	5,223,676
Total Fund Balances	<u>5,362,002</u>	<u>1,991,748</u>	<u>457,747</u>	<u>7,811,497</u>
Total Liabilities and Fund Balances	<u>\$ 6,289,596</u>	<u>\$ 2,603,693</u>	<u>\$ 502,072</u>	<u>\$ 9,395,361</u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund Balance - Total Governmental Funds \$ 7,811,497

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:

Governmental Capital Assets	\$ 38,953,490	
(Accumulated Depreciation)	<u>(18,951,195)</u>	20,002,295

Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension plan made after the measurement date:

Deferred Outflows Related to Pensions	2,630,676	
Deferred Inflows Related to Pensions	<u>(316,094)</u>	2,314,582

Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end		265,935
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Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated Absences	(571,139)	
Net OPEB Obligation	(306,642)	
Net Pension Liability	<u>(4,213,043)</u>	<u>(5,090,824)</u>

Net Position of Governmental Activities		<u>\$ 25,303,485</u>
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See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Capital Project Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,608,494	\$ 1,518,075	\$ 301,229	\$ 6,427,798
Permits, Fees, and Assessments	898,106	0	72,254	970,360
Intergovernmental	1,081,396	740,322	0	1,821,718
Charges for Services	661,645	0	300	661,945
Fines and Forfeitures	607,421	0	53,180	660,601
Investment Income	(6,594)	4,188	230	(2,176)
Miscellaneous	108,736	10,000	0	118,736
Total Revenues	<u>7,959,204</u>	<u>2,272,585</u>	<u>427,193</u>	<u>10,658,982</u>
Expenditures				
Current:				
General Government	2,277,763	0	0	2,277,763
Public Safety	4,784,640	0	17,622	4,802,262
Public Works	803,126	305,469	296,000	1,404,595
Culture and Recreation	141,239	0	0	141,239
Capital Outlay	21,189	3,178,880	0	3,200,069
(Total Expenditures)	<u>(8,027,957)</u>	<u>(3,484,349)</u>	<u>(313,622)</u>	<u>(11,825,928)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(68,753)</u>	<u>(1,211,764)</u>	<u>113,571</u>	<u>(1,166,946)</u>
Other Financing Sources (Uses)				
Transfers in	576,400	6,200	0	582,600
Transfers (out)	(15,798)	0	(92,400)	(108,198)
Total Other Financing Sources (Uses)	<u>560,602</u>	<u>6,200</u>	<u>(92,400)</u>	<u>474,402</u>
Net Changes in Fund Balance	491,849	(1,205,564)	21,171	(692,544)
Fund Balances, Beginning of Year	<u>4,870,153</u>	<u>3,197,312</u>	<u>436,576</u>	<u>8,504,041</u>
Fund Balances, End of Year	<u>\$ 5,362,002</u>	<u>\$ 1,991,748</u>	<u>\$ 457,747</u>	<u>\$ 7,811,497</u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2016

Net Change in Fund Balance - Total Governmental Funds	\$	(692,544)
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of these assets
is depreciated over their estimated useful lives:

Capital Outlay	\$ 3,174,056		
(Less Current Year Depreciation)	<u>(1,240,669)</u>		1,933,387

The changes in net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the statement of activities, but not in the governmental fund statements.	436,742
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Some revenues have been deferred in the governmental funds because they were not available at year-end, but have been recognized in the statement of activities.	265,935
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Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds:

Change in Compensated Absences	(28,728)		
Change in Other Postemployment Benefits	<u>(51,156)</u>		<u>(79,884)</u>

Change in Net Position of Governmental Activities	\$	<u>1,863,636</u>
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See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 3,076,909	\$ 1,521,364	\$ 4,598,273
Restricted Equity in Pooled Cash and Investments	214,830	70,726	285,556
Receivables, Net	456,576	11,003	467,579
Inventories	136,839	0	136,839
Prepaid Items	20,374	0	20,374
Total Current Assets	3,905,528	1,603,093	5,508,621
Noncurrent Assets:			
Capital Assets, Net:			
Land	122,549	0	122,549
Construction in Progress	1,209,290	0	1,209,290
Building and Improvements	221,626	47,291	268,917
Improvements Other than Buildings	32,474,773	0	32,474,773
Equipment	677,666	1,100	678,766
(Accumulated Depreciation)	(12,092,492)	(35,250)	(12,127,742)
Total Capital Assets, Net	22,613,412	13,141	22,626,553
Total Assets	26,518,940	1,616,234	28,135,174
Deferred Outflow of Resources			
Pension Related	284,001	7,446	291,447
Total Deferred Outflow of Resources	284,001	7,446	291,447
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	451,031	37,639	488,670
Due to Other Funds	3,161	80	3,241
Current Liabilities Payable from Restricted Assets:			
Customer Deposits	214,830	70,726	285,556
Current Portion of Compensated Absences	50,785	3,369	54,154
Total Current Liabilities	719,807	111,814	831,621
Noncurrent Liabilities:			
Compensated Absences	62,070	4,117	66,187
Other Postemployment Benefits	41,815	6,969	48,784
Net Pension Liability	905,531	23,736	929,267
Total Noncurrent Liabilities	1,009,416	34,822	1,044,238
Total Liabilities	1,729,223	146,636	1,875,859
Deferred Inflows of Resources			
Pension Related	81,336	2,153	83,489
Net Position			
Net Investment in Capital Assets	22,613,412	13,141	22,626,553
Unrestricted	2,378,970	1,461,750	3,840,720
Total Net Position	\$ 24,992,382	\$ 1,474,891	\$ 26,467,273

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating Revenues			
Charges for Services	\$ 4,857,910	\$ 540,656	\$ 5,398,566
Miscellaneous	0	649	649
Total Operating Revenues	4,857,910	541,305	5,399,215
Operating Expenses			
Personnel Services	1,031,434	31,472	1,062,906
Utilities	310,591	0	310,591
Supplies, Materials, and Other	122,599	0	122,599
Professional and Contractual Services	78,642	415,524	494,166
General and Administrative	428,000	109,000	537,000
Depreciation and Amortization	931,726	2,461	934,187
Repairs and Maintenance	309,469	0	309,469
Insurance	51,418	0	51,418
(Total Operating Expenses)	(3,263,879)	(558,457)	(3,822,336)
Operating Income	1,594,031	(17,152)	1,576,879
Nonoperating Revenues (Expenses)			
Investment Revenue	8,619	3,197	11,816
Interest/Amortization Expense	(22,541)	0	(22,541)
Total Nonoperating Revenues (Expenses)	(13,922)	3,197	(10,725)
Income Before Capital Contributions and Transfers	1,580,109	(13,955)	1,566,154
Transfers In	2,740	6,858	9,598
Transfers (out)	(384,000)	(100,000)	(484,000)
Change in Net Position	1,198,849	(107,097)	1,091,752
Net Position, Beginning of Year	23,793,533	1,581,988	25,375,521
Net Position, End of Year	\$ 24,992,382	\$ 1,474,891	\$ 26,467,273

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 4,816,913	\$ 545,576	\$ 5,362,489
Cash Paid to Suppliers	(628,388)	(413,433)	(1,041,821)
Cash Paid to Employees	(1,129,483)	(28,513)	(1,157,996)
Cash Payments for Interfund Services Used	(428,000)	(109,000)	(537,000)
Net Cash Provided by (Used in) Operating Activities	2,631,042	(5,370)	2,625,672
Cash Flows from Noncapital Financing Activities			
Due to/from Other Funds	(31,713)	(647)	(32,360)
Transfers in (out)	(381,260)	(93,142)	(474,402)
Net Cash Provided by (Used in) Noncapital Financing Activities	(412,973)	(93,789)	(506,762)
Cash Flows from Capital and Related Financing Activities			
Principal Payments on Loans and Bonds	(1,650,782)	0	(1,650,782)
Interest Paid	(12,827)	0	(12,827)
Acquisition and Construction of Capital Assets	(1,863,917)	0	(1,863,917)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,527,526)	0	(3,527,526)
Cash Flows from Investing Activities			
Interest Received	8,619	3,196	11,815
Net Cash Provided by (Used in) Investing Activities	8,619	3,196	11,815
Net Increase (Decrease) in Cash and Cash Equivalents	(1,300,838)	(95,963)	(1,396,801)
Cash and Cash Equivalents, Beginning of Year	4,592,577	1,688,053	6,280,630
Cash and Cash Equivalents, End of Year	\$ 3,291,739	\$ 1,592,090	\$ 4,883,829

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
<u>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</u>			
Equity in Pooled Cash and Investments	\$ 3,076,909	\$ 1,521,364	\$ 4,598,273
Restricted Equity in Pooled Cash and Investments in Noncurrent Assets	214,830	70,726	285,556
Total Cash and Cash Equivalents	\$ 3,291,739	\$ 1,592,090	\$ 4,883,829
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>			
Operating Income (Loss)	\$ 1,594,031	\$ (17,152)	\$ 1,576,879
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	931,726	2,461	934,187
Decrease (Increase) in Assets:			
Accounts Receivable, Net	(58,793)	(486)	(59,279)
Inventory	(28,378)	0	(28,378)
Prepaid Items	(1,472)	10	(1,462)
Deferred Outflows of Resources	13,750	357	14,107
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Liabilities	272,835	2,091	274,926
Customer Deposits	19,268	4,747	24,015
Compensated Absences	(10,643)	1,635	(9,008)
Other Postemployment Benefits	(8,563)	3,371	(5,192)
Net Pension Liability	(17,370)	(451)	(17,821)
Deferred Inflows of Resources	(75,349)	(1,953)	(77,302)
Net Cash Provided by (Used in) Operating Activities	\$ 2,631,042	\$ (5,370)	\$ 2,625,672

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	<u>Pension Trust Funds</u>
Assets	
Cash and Cash Equivalents	\$ 819,587
Receivables:	
Employee Contribution	30,923
Employer and State Contributions	387,476
Accrued Income	40,127
Other Receivables	2,010
Total Receivables	<u>460,536</u>
Investments:	
Florida Municipal Pension Trust Fund	9,058,762
U.S. Government and Agency Securities	4,551,124
Corporate Bonds	2,036,575
Domestic Stocks	8,347,813
International Stocks	1,009,211
Mutual Funds	3,869,852
Unit Investment Funds	96,051
Total Investments	<u>28,969,388</u>
Total Assets	<u><u>30,249,511</u></u>
Liabilities	
Accounts Payable	<u>34,139</u>
Total Liabilities	<u>34,139</u>
Net Position Held in Trust for Pension Benefits	<u><u>\$ 30,215,372</u></u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employee Contributions	\$ 198,825
Employer Contributions	1,148,548
State Contributions	224,396
Total Contributions	<u>1,571,769</u>
Investment Earnings:	
Change in Fair Value of Investments	2,920,701
Interest Income	706,570
Total Investment Earnings	<u>3,627,271</u>
(Less Investment Expense)	<u>(133,825)</u>
Net Investment Income	<u>3,493,446</u>
Total Additions	<u>5,065,215</u>
Deductions	
Benefits	1,356,249
Administrative Expenses	102,075
Total Deductions	<u>(1,458,324)</u>
Change in Net Position	3,606,891
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>26,608,481</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u><u>\$ 30,215,372</u></u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Orange Park, Florida (the Town) have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The more significant of the Town's accounting policies are described below. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

(a) Reporting Entity

The Town was first incorporated on February 18, 1879. There was considerable controversy over the original date of incorporation so the Florida Legislature passed Bill Number 86 on June 1, 1981, to confirm the 1879 Act. The Town operates under an elected mayor-council form of government under the administration of an appointed Town Manager and provides the following services: police and fire rescue services, street maintenance and construction, water and sewer services, sanitation, planning, zoning, culture and recreation, and economic development.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types governed by the Council of the Town (the Town Council), the reporting entity of government for which the Town Council is considered to be financially accountable. There are no potential component units or related organizations of the Town that meet the criteria for inclusion in the Town's basic financial statements.

(b) Basic Financial Statements

The government-wide and fund financial statements, along with the notes to the financial statements, comprise the basic financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Town's water and sewer and sanitation functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Net position is reported as one of three categories: (1) Net Investment in Capital Assets; (2) Restricted; or (3) Unrestricted.

The Statement of Activities demonstrates the degree that direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods; (2) services or privileges provided by a given function or segment; and (3) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(b) Basic Financial Statements (Concluded)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, 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 financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, pension expense, and claims and judgments, are recorded only when payment is due.

Taxes, licenses and permits, intergovernmental revenue, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Town has presented the following governmental funds:

- **Major Governmental Funds**—The General Fund is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Sales Tax Fund is also considered a major fund. This capital projects fund accounts for resources accumulated and payments made for the acquisition and construction of major capital facilities.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Concluded)

- **Nonmajor Governmental Funds**—Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes. Nonmajor special revenue funds include the Gas Tax Fund, Confiscated Property Fund, Police Education Fund, Magnolia Cemetery Fund, Police Investigative and Evidentiary Fund, Building Fund, and the Fair Share Fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of operating income and changes in net position, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The Town's proprietary funds are all classified as enterprise funds. The Town has presented the following proprietary funds:

- **Major Proprietary Funds**—The Water and Sewer Fund accounts for the activities of the Town's water distribution system, sewage treatment plant, sewage pumping stations, and collections systems. The Sanitation Fund accounts for the activities of the Town's sanitation and recycling services.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets and amortization of intangible assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the Town reports the following fund type:

- **Fiduciary Fund Type**—This fund type accounts for the activities of the Town of Orange Park, Florida General Employees' Pension Plan Fund, the Firefighters' Pension Plan Fund, and the Police Officers' Pension Plan Fund (collectively, Pension Trust Funds), which accumulate resources for pension and disability benefit payments to retired or disabled employees.

(d) Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for all funds except for the Magnolia Cemetery Fund and Police Investigative and Evidentiary Fund. The legally adopted budgets are prepared on a basis consistent with GAAP.

The Town's procedures in establishing the budgetary data reflected in the financial statements generally are as follows:

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(d) Budgets and Budgetary Accounting (Concluded)

On or before August 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Budget changes during the fiscal year are approved by the Town Council. Appropriations lapse at the end of the fiscal year. Expenditures may not legally exceed appropriations for each budgeted department of the Town; however, the Town Manager is authorized to transfer budgeted amounts within a department. The legal level of budgetary control is the department level.

The budgets are integrated into the accounting system, and the budgetary data, as presented in these financial statements for all funds with annual budgets, compare the expenditures with the final amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedule for the General Fund presents actual expenditures in accordance with GAAP in the United States of America on a basis consistent with the legally adopted budgets as amended.

(e) Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. The cash and cash equivalents presented on the Statement of Cash Flows—Proprietary Funds are composed of restricted and unrestricted cash and cash equivalents and equity in pooled investments presented on the Statement of Net Position—Proprietary Funds.

(f) Investments

Investments of the Town and within the pension trust funds are made through financial brokers, are held with trustees, and are stated at fair value.

(g) Receivables and Interfund Obligations

Receivables consist of trade receivables, amounts due from other governments, and interest receivables and are shown net of an allowance for uncollectible accounts. Uncollectible accounts receivable allowances are based on historical trends.

The unbilled portion of water and sewer revenue accrued at year-end is based upon prorating the October billing cycle.

Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(h) Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

(i) Inventories

Inventories are valued at cost, which approximates market value, using the first-in first-out (FIFO) method. In the fund financial statements, the cost of the inventory is recorded as an expenditure when consumed, rather than when purchased. An offsetting nonspendable fund balance is reported to indicate that the asset is not available for appropriation or expenditure.

(j) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting nonspendable fund balance is reported to indicate that the asset is not available for appropriation or expenditure.

(k) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers.

(l) Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The Town reports deferred outflows and inflows of resources related to pension-related deferred inflows and outflows of resources.

Unavailable Revenues – revenues which are measurable, but not available, are recorded as deferred inflows or resources in governmental funds financial statements.

Pension Related – the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension liability and the differences between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense as disclosed in Note 7. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(m) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Where cost could not be determined from the available records, estimated historical costs were used to record the estimated value of the assets. Assets acquired by gift or bequests are recorded at their fair market value at the date of transfer.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. General infrastructure assets acquired subsequent to June 30, 1980, are included in the governmental activities in the basic financial statements.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-40
Improvements other than buildings	5-40
Infrastructure	10-30
Equipment	3-10

(n) Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize premiums/discounts and issuance costs during the current period. The face amount of debt issued and premiums received are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as expenditures.

(o) Compensated Absences

Town employees are entitled to certain compensated absences (personal leave) based on their length of employment. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported. For the governmental activities, compensated absences and other postemployment benefits are generally liquidated by the General Fund.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(p) Pension Plans

The Town records pension contributions in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Plan assets are valued at fair value. The net pension liability and pension related deferred outflows and inflows of resources, as well as the changes in these accounts are recognized in the government-wide financial statements and in the proprietary fund statements.

(q) Fund Balance/Net Position

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

■ **Fund Balance**—Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable*—Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e. items that are not expected to be converted to cash such as inventory and prepaid items); or (b) legally or contractually required to be maintained intact.
- *Restricted*—Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Committed*—Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of an ordinance. Only the Town Council may modify or rescind the commitment. These self-imposed limitations must be set in place prior to the end of the fiscal year.
- *Assigned*—Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is stipulated by the Town Council or an official for whom that authority has been given by Town Council. With the exception of the General Fund, amounts in all other governmental funds that are not nonspendable, restricted, or committed will be considered to be assigned. Also, at fiscal year-end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year’s budget is considered to be an assignment of fund balance.
- *Unassigned*—Fund balances reported as unassigned are the residual amount of balances that do not meet any of the above criteria. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(q) Fund Balance/Net Position (Concluded)

- **Net Position**—Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position that does not meet the definition of net investment in capital assets or restricted is classified as unrestricted.
- **Flow Assumptions**—When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses, it is the Town's policy to use restricted amounts first and then unrestricted amounts, as they are needed.

For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and then unassigned.

- **Minimum Fund Balance Policy**—The Town has established the following minimum fund balance policy for each of the respective funds.
 - **General Fund**—The unassigned fund balance shall not be less than 33% and not more than 67% of the total budgeted expenditures of the General Fund budget.
 - **Water and Sewer Fund**—The unrestricted net asset balance shall not be less than 33% and not more than 67% of the total budgeted operating expenses including debt repayment, bond coverage, and transfer/charges to other funds, but excluding depreciation.
 - **Sanitation Fund**—The unrestricted net asset balance shall not be less than 33% and not more than 67% of the total budgeted operating expenses including debt repayment, bond coverage, and transfer/charges to other funds, but excluding depreciation.

(r) Property Taxes

The assessment of all properties and the collection of all property taxes are made through the Property Appraiser and Tax Collector of Clay County, Florida. General property taxes are recorded when received in cash, which approximates tax levied, less discounts, for the current fiscal year.

Details of the tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

(r) Property Taxes (Concluded)

Installment Payments

First Installment	No later than June 30
Second Installment	No later than September 30
Third Installment	No later than December 31
Fourth Installment	No later than March 31

Regular Payments

Discount Periods	November through February
No Discount Period	After March 1
Delinquent Date	April 1

(s) Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(t) New Accounting Pronouncements

During the year ended September 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that: (a) a government holds primarily to generate income or profit and (b) has a present service capacity based solely on that asset's ability to generate cash or to generate cash when sold. Governmental entities are required to record investments at fair value unless an exception applies and disclose the fair value measurement and hierarchy.

During the year ended September 30, 2016, the City also implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement allows qualifying external investment pools to elect to measure all investments at amortized cost if the pool meets certain criteria.

Note 2 - Cash Deposits and Investments

The Town maintains a cash and investment pool for all funds. Each fund's portion of this pool is included in the balance sheet account "Equity in pooled cash and investments." Interest earnings are allocated in accordance with the participating fund's relative percentage of investments.

The Town does not have a written investment policy and follows the State of Florida investment policy as set forth in Florida Statutes 218.415. Florida Statutes authorize the Town to invest in Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA), direct obligations of the United States Treasury, interest bearing time deposits or savings accounts in qualified public depositories, and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments *(Continued)*

Both the Firefighters' and Police Officers' Pension Plans have written investment policies.

The Firefighters' Pension Plan is authorized to invest in equities, fixed income, and money market funds, subject to certain restrictions. The Police Officers' Pension Plan is authorized to invest in equities, fixed income, pooled funds, and money market funds, subject to certain restrictions. The General Employee Pension Plan invests in the Florida Municipal Investment Trust local government investment pool.

At September 30, 2016, the Town's equity in pooled cash and investments included the following:

Investment Controlled by the Town:	
SBA Local Government Surplus Funds	
Trust Funds (Florida Prime)	\$ 256,611
Money Markets	<u>2,379,239</u>
Total Investment Controlled by the Town	<u>2,635,850</u>
Cash Deposits	<u>9,637,473</u>
Total Cash and Investments	<u>\$ 12,273,323</u>

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty, the Town will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At September 30, 2016, the carrying amount of the Town's cash deposits was \$9,637,473 and the bank balance was \$9,941,902. Included in the carrying amount of the Town's deposits is \$750 in petty cash. All of the Town's cash deposits are fully insured by the Federal Deposit Insurance Corporation or collateralized in accordance with *Florida Security for Public Deposits Act* (the Act). Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

The Town's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), currently known as Florida Prime, is similar to money market funds in which shares are owned in the fund rather than the underlying investments. Florida Prime is administered by the SBA pursuant to Section 218.405 of the Florida Statutes.

The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2016, Standard & Poor's ratings service assigned an "AAAm" rating to the Florida Prime.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments (Continued)

Custodial Credit Risk: (Concluded)

All of the investments of the Firefighters', Police Officers', and General Employees' Pension Plan Funds are held with a third-party custodian, and all securities purchased by, and collateral obtained by each plan is properly designated as plan assets. The General Employees' Pension Plan funds are held with the Florida Municipal Pension Trust Fund (FMPTF). The FMPTF invests the General Employees' Pension Plan funds through the Florida Municipal Investment Trust (FMIVT). The FMIVT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool for GASB reporting requirements.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a written investment policy on interest rate risk. Information about the sensitivity of the fair values of the Town's investments (including investments held by the pension trustee) to market interest rate fluctuations is provided by the following table that shows the Town's investments and the distribution by maturity for those that have scheduled maturity dates. The dollar weighted average days to maturity (WAM) of Florida Prime at September 30, 2016, is 50 days. The General Employees' Pension Plan is invested with the FMIVT, which is an external investment pool. The FMIVT investment portfolio includes the FMIVT Broad Market High Quality Bond Fund and the FMIVT Core Plus Fixed Income which have dollar weighted average days to maturity (WAM) of 5.90 and 6.84 years, respectively.

		Investment Maturities (in Years)				
	Fair Value	No Specific Maturity	Less than 1	1-5	6-10	More than 10
Investments Controlled by the Town:						
SBA Local Government Surplus						
Funds Trust Funds (Florida Prime)	\$ 256,611	\$ 0	\$ 256,611	\$ 0	\$ 0	\$ 0
Money Markets	2,379,239	0	2,379,239	0	0	0
Total Investments Controlled by the Town	\$ 2,635,850	\$ 0	\$ 2,635,850	\$ 0	\$ 0	\$ 0
Pension Plan Investments:						
Firefighters, Police Officers, and General Employees:						
U.S. Government and Agency						
Securities	\$ 4,551,124	\$ 0	\$ 380,845	\$ 1,739,197	\$ 1,339,400	\$ 1,091,682
Corporate Bonds	2,036,575	0	137,934	1,367,763	478,440	52,438
Domestic Stocks	8,347,813	8,347,813	0	0	0	0
International Stocks	1,009,211	1,009,211	0	0	0	0
Mutual Funds	3,869,852	3,869,852	0	0	0	0
Unit Investment Trust	96,051	96,051	0	0	0	0
FMIVT Broad Market High Quality						
Bond Fund	1,424,564	0	0	1,424,564	0	0
FMIVT Core Plus Fixed Income Fund	2,173,372	0	0	0	2,173,372	0
FMIVT High Quality Growth Portfolio	694,018	694,018	0	0	0	0
FMIVT Diversified Small to Mid Cap	1,031,895	1,031,895	0	0	0	0
FMIVT Russell 1000 Enhanced Index	2,091,186	2,091,186	0	0	0	0
FMIVT International Blend	894,918	894,918	0	0	0	0
FMIVT Diversified Value	748,809	748,809	0	0	0	0
Total Pension Plan Investments	\$ 28,969,388	\$ 18,783,753	\$ 518,779	\$ 4,531,524	\$ 3,991,212	\$ 1,144,120

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The investment policies for the Firefighters' and Police Officers' Pension Plans permit investments limited to credit quality ratings from nationally recognized rating agencies as follows:

- All fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service.
- Money market funds should have a minimum rating of Standard & Poor's A1 or Moody's P1.

The General Employees' Pension Fund's investments are held in the FMPTF and invested through the FMIvT. Participating Employers' investments through the FMIvT are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The General Employees' Pension Plan investment is with the pool, not the securities that make up the pool; therefore, no credit rating disclosures are required.

Listed below are the Town's securities rated by Standard & Poor's as of September 30, 2016:

Investment Type	Quality Ratings											
	AAA	AA-	AA	AA+	A-	A	A+	BB	BB+	BBB	BBB+	Unrated
Investment Controlled by the Town:												
Florida Prime	\$ 256,611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Money Markets	0	0	0	0	0	0	0	0	0	0	0	2,379,239
	<u>\$ 256,611</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,379,239</u>
Pension Plan Investments												
U.S. Government and												
Agency Securities:	\$ 0	\$ 0	\$ 0	\$ 4,088,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 462,192
Corporate Bonds	80,776	52,410	108,700	0	225,846	380,275	55,412	0	53,785	316,575	672,396	90,400
Domestic Stocks	0	0	0	0	0	0	0	0	0	0	0	8,347,813
International Stocks	0	0	0	0	0	0	0	0	0	0	0	1,009,211
Mutual Funds	0	0	0	0	0	0	0	0	0	0	0	3,869,852
Unit Investment Trust	0	0	0	0	0	0	0	0	0	0	0	96,051
Florida Municipal												
Investment Trust	0	0	0	0	0	0	0	0	0	0	0	9,058,762
	<u>\$ 80,776</u>	<u>\$ 52,410</u>	<u>\$ 108,700</u>	<u>\$ 4,088,932</u>	<u>\$ 225,846</u>	<u>\$ 380,275</u>	<u>\$ 55,412</u>	<u>\$ 0</u>	<u>\$ 53,785</u>	<u>\$ 316,575</u>	<u>\$ 672,396</u>	<u>\$ 22,934,281</u>

Concentrations 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. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this disclosure requirement.

The investment policies for the Firefighters' and Police Officers' Pension Plans have established asset allocation limits on the following investments which are designed to reduce the concentration of credit risk as follows:

- Investments in corporate common stock and convertible bonds shall not exceed 70% of the plan assets at market.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments (Continued)

Concentrations of Credit Risk: (Concluded)

- Not more than 5% of the plan assets at the time of purchase shall be invested in the common stock, capital stock, or convertible stock of any one issuing company nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- The value of bonds issued by any single corporation shall not exceed 10% of the total fund.
- All equity and fixed income securities must be readily marketable.
- Foreign securities shall not exceed 15% of the plan's market value.

Asset allocation in the FMPTF external investment pool at September 30, 2016, is as follows:

<u>Asset Allocation</u>	<u>Asset Allocation Percentage</u>
Cash and Money Market	0.8%
Broad Market High Quality Bond Portfolio	15.6%
Core Plus	23.8%
High Quality Growth Portfolio	7.6%
Large Cap Diversified Value Portfolio	8.2%
Russell 1000 Index Portfolio	22.9%
Diversified Small Cap Equity Portfolio	11.3%
International Equity Portfolio	9.8%
Total	<u>100.0%</u>

As of September 30, 2016, the Town's investments subject to this disclosure requirement do not exceed 5% of its total investments in any single issuer.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. All foreign securities held by the pension plans are traded in U.S. dollars.

Fair Value Measurements: The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1 Inputs**—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 Inputs**—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 Inputs**—are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments (Continued)

Fair Value Measurements: (Continued)

The Plans' investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above. The fair value measurements for the Plan's operating investments are as follows at September 30, 2016:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fiduciary Funds:				
Florida Municipal Pension Trust Fund				
General Employees' Pension Plan:				
FMIvT Broad Market High Quality Bond Fund	\$ 1,424,564	\$ 0	\$ 1,424,564	\$ 0
FMIvT Core Plus	2,173,372	0	0	2,173,372
FMIvT High Quality Growth	694,018	0	694,018	0
FMIvT Diversified Small to Mid Cap	1,031,895	0	1,031,895	0
FMIvT Russell 1000 Enhanced Index	2,091,186	0	2,091,186	0
FMIvT International Blend	894,918	0	894,918	0
FMIvT Diversified Value	748,809	0	748,809	0
Subtotal - General Employees' Pension Plan	9,058,762	0	6,885,390	2,173,372
Firefighters' Pension Plan:				
U.S. Government and Agency Securities	584,186	527,506	56,680	0
Corporate Bonds	1,065,864	0	1,065,864	0
Foreign Bonds	131,177	0	131,177	0
ETF- Fixed Income	424,947	424,947	0	0
Equities - Mutual Funds	782,970	782,970	0	0
Common Stock	2,875,657	2,875,657	0	0
Foreign Stock	66,092	66,092	0	0
Unit Investment Trusts	96,051	96,051	0	0
Subtotal - Firefighters' Pension Plan	6,026,944	4,773,223	1,253,721	0
Police Officers' Pension Plan:				
U.S. Government and Agency Securities	3,966,937	0	3,966,937	0
Corporate Bonds	839,535	0	839,535	0
Domestic Stocks	5,472,156	5,472,156	0	0
International Stocks	943,119	943,119	0	0
Mutual Funds	2,661,935	2,661,935	0	0
Subtotal - Police Officers' Pension Plan	13,883,682	9,077,210	4,806,472	0
Total Investments Measured at Fair Value	\$ 28,969,388	\$ 13,850,433	\$ 12,945,583	\$ 2,173,372

Investments Measured at the Net Asset Value (NAV)	Amount	Weighted Average Maturity	Credit Risk
Governmental Funds:			
State Board of Administration (SBA):			
Florida Prine	\$ 256,611	50 Days	AAAm (S&P)

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash Deposit and Investments (Concluded)

Fair Value Measurements: (Concluded)

Equities are valued based on prices quoted in active markets and are categorized as Level 1 in the fair value hierarchy. Federal Agency Securities are valued using matrix pricing techniques that value securities based on their relationship to benchmark quoted prices and are categorized as Level 2. Corporate bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. The Florida Municipal Investment Trust Fund is an investment pool that offers both fixed income and equity portfolios. The FMIT portfolios are categorized in the fair value hierarchy depending on their underlying securities. The Florida PRIME SBA is valued at Net Asset Value (NAV), which is included in the information released by Florida PRIME annually in its own financial statements. GASB 72 lists several types of investments, including money markets, which are excluded from the fair value measurement and disclosure requirements. Therefore, the Town's money market investment accounts are recorded at cost and are excluded from fair value measurement and disclosure.

Note 3 - Receivables

Receivables at September 30, 2016, consist of the following:

	General Fund	Sales Tax Fund	Nonmajor Funds	Water and Sewer Fund	Sanitation Fund	Total
Receivables						
Accounts Receivable, Net	\$ 51,607	\$ 0	\$ 0	\$ 456,576	\$ 11,003	\$ 519,186
Due from Other Governments	878,089	909,650	48,882	0	0	1,836,621
Total	<u>\$ 929,696</u>	<u>\$ 909,650</u>	<u>\$ 48,882</u>	<u>\$ 456,576</u>	<u>\$ 11,003</u>	<u>\$ 2,355,807</u>

Included in accounts receivable are water and sewer usage fees earned but not billed of \$280,494 as of September 30, 2016.

The above receivables are net of an allowance for uncollectible accounts, which is based on historical trends and/or the age of the receivable. The allowances at September 30, 2016, are as follows:

Water and Sewer	\$ 28,902
Sanitation	4,576
Total	<u>\$ 33,478</u>

Note 4 - Interfund Transactions

At September 30, 2016, the Town had the following due to/from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 23,387	\$ 0
Nonmajor Funds	0	20,146
Water and Sewer Fund	0	3,161
Sanitation Fund	0	80
Total	<u>\$ 23,387</u>	<u>\$ 23,387</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 4 - Interfund Transactions (Concluded)

Interfund transfers for the year ended September 30, 2016, were as follows:

	Transfers in			
	General Fund	Sales Tax	Water and Sewer	Sanitation Fund
Transfers out				
General Fund	\$ 0	\$ 6,200	\$ 2,740	\$ 6,858
Sanitation Fund	100,000	0	0	0
Water and Sewer Fund	384,000	0	0	0
Nonmajor Funds	92,400	0	0	0
Total	<u>\$ 576,400</u>	<u>\$ 6,200</u>	<u>\$ 2,740</u>	<u>\$ 6,858</u>

Transfers of resources from a fund to the fund through which resources are to be expended, are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

For the year ended September 30, 2016, the General Fund transferred \$6,200 to the Capital Projects Sales Tax Fund for capital purchases. The General Fund transferred \$6,858 to the Sanitation Fund for the administration fees. The Water and Sewer Fund transferred \$384,000 to the General Fund as payment in lieu of taxes. The Sanitation Fund transferred \$100,000 to the General Fund to support general fund operations. The Building Fund transferred \$92,400 to the General Fund to recover salaries and benefits paid by the General Fund on behalf of building department operations.

Note 5 Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 1,124,728	\$ 2,473,257	\$(1,474,215)	\$ 2,123,770
Land	1,452,946	0	0	1,452,946
Total Capital Assets Not Being Depreciated	2,577,674	2,473,257	(1,474,215)	3,576,716
Capital Assets Being Depreciated:				
Buildings and Improvements	5,909,996	428,552	0	6,338,548
Improvements Other than Buildings	2,278,916	228,898	0	2,507,814
Infrastructure	20,095,398	1,402,989	0	21,498,387
Equipment	5,033,672	114,576	(116,223)	5,032,025
Total Capital Assets Being Depreciated	33,317,982	2,175,015	(116,223)	35,376,774
Less Accumulated Depreciation:				
Buildings and Improvements	(1,872,439)	(168,921)	0	(2,041,360)
Improvements Other than Buildings	(898,535)	(186,421)	0	(1,084,956)
Infrastructure	(11,050,650)	(626,279)	0	(11,676,929)
Equipment	(4,005,125)	(259,048)	116,223	(4,147,950)
Total Accumulated Depreciation	(17,826,749)	(1,240,669)	116,223	(18,951,195)
Total Capital Assets Being Depreciated, Net	15,491,233	934,346	0	16,425,579
Governmental Activities Capital Assets, Net	<u>\$ 18,068,907</u>	<u>\$ 3,407,603</u>	<u>\$(1,474,215)</u>	<u>\$ 20,002,295</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 611,490	\$ 1,653,102	\$(1,055,302)	\$ 1,209,290
Land	122,549	0	0	122,549
Total Capital Assets Not Being Depreciated	734,039	1,653,102	(1,055,302)	1,331,839
Capital Assets Being Depreciated:				
Buildings and Improvements	268,917	0	0	268,917
Improvements Other than Buildings	31,318,894	1,155,879	0	32,474,773
Equipment	568,527	110,239	0	678,766
Total Capital Assets Being Depreciated	32,156,338	1,266,118	0	33,422,456
Less Accumulated Depreciation:				
Buildings and Improvements	(116,527)	(10,010)	0	(126,537)
Improvements Other than Buildings	(10,651,036)	(885,471)	0	(11,536,507)
Equipment	(425,992)	(38,706)	0	(464,698)
Total Accumulated Depreciation	(11,193,555)	(934,187)	0	(12,127,742)
Total Capital Assets Being Depreciated, Net	20,962,783	331,931	0	21,294,714
Total Business-type Activities, Net	\$ 21,696,822	\$ 1,985,033	\$(1,055,302)	\$ 22,626,553

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 85,411
Public Safety	265,773
Public Works	712,222
Culture and Recreation	177,263
Total Depreciation Expense - Governmental Activities	\$ 1,240,669
Business-type Activities	
Water and Sewer System	\$ 931,726
Sanitation	2,461
Total Depreciation Expense - Business-type Activities	\$ 934,187

For the year ended September 30, 2016, no interest was capitalized for business-type activities.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Obligations

Change in long-term obligations for the year ended September 30, 2016, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 542,409	\$ 592,182	\$ (563,452)	\$ 571,139	\$ 257,012
Other Postemployment Benefits	255,485	51,157	0	306,642	0
Net Pension Liability	3,142,472	1,070,571	0	4,213,043	0
Total Governmental Activities	\$ 3,940,366	\$ 1,713,910	\$ (563,452)	\$ 5,090,824	\$ 257,012
Business-type Activities					
Bonds Payable:					
Refunding Revenue Bonds	\$ 397,000	\$ 0	\$ (397,000)	\$ 0	\$ 0
Revolving Loans Payable:					
Drinking Water Constuction Loan	879,322	0	(879,322)	0	0
Wastewater Collection Construction Loan	374,460	0	(374,460)	0	0
Total Bonds and Loans Payable	1,650,782	0	(1,650,782)	0	0
Compensated Absences	129,349	78,890	(87,898)	120,341	54,154
Other Postemployment Benefits	53,976	0	(5,192)	48,784	0
Net Pension Liability	947,088	0	(17,821)	929,267	0
Total Business-type Activities	\$ 2,781,195	\$ 78,890	\$ (1,761,693)	\$ 1,098,392	\$ 54,154

For governmental activities, the General Fund is used to liquidate compensated absences, the net pension liability, and the other postemployment liability.

Early Extinguishment of Debt

During November 2015, the Town paid off early all of its outstanding debt obligations. The Water and Sewer Refunding Revenue Bonds, Series 2011 were issued in 2011 and were set to mature on March 1, 2016. The remaining principal and accrued interest paid during the year was \$397,833. The Drinking Water State Revolving Fund Construction Loan from the Florida Department of Environmental Protection Agency (FDEP) was set to mature on February 15, 2019. The remaining principal balance and accrued interest for Drinking Water Loan paid during the year was \$885,173. The Wastewater Collection System Expansion and Improvement Project Construction Loan from the FDEP was set to mature on May 15, 2018. The remaining principal and accrued interest for the Wastewater Expansion Loan paid during the year was \$379,430.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans

General Employees' Pension Plan

Plan Description

The Town contributes to the General Employees' Pension Plan, which is a single-employer defined benefit public employees' retirement system (PERS), established pursuant to Town Ordinance 11-89 adopted May 2, 1989, and as subsequently amended by Town Council. The PERS does not issue a financial report separate from the Town's financial statements. The plan has three distinct classes of participants:

Group A: Non-union participants (not identified as Local 630 or in a dispatcher position)

Group B: Local 630 participants

Group C: Dispatcher participants

Plan Benefits and Contributions

The General Employees' Pension Plan provides pension and death benefits to its members. As stipulated by Town ordinance, authority to establish and amend benefit provisions of the General Employees' Pension Plan along with the authority to provide for cost of living adjustments rests with the Town Council.

Vesting

All general, full-time, permanent employees who have completed one year of service are eligible to participate in PERS. Under the provisions of the PERS, pension benefits vest upon completion of five years of credited service. An employee may retire at the earlier of age 65 with ten years of service, or age 62 with 20 years of service.

Average Monthly Earnings

Group A:

One-twelfth of the arithmetic average of earnings of the five (5) highest years of service of the ten (10) years immediately preceding retirement or termination, but not less than the highest 3-year average as of June 7, 2016.

Group B:

One-twelfth of the arithmetic average of earnings for the last five (5) years immediately preceding retirement or termination.

Group C:

One-twelfth of the arithmetic average of earnings for the five (5) highest years of service of the ten (10) years immediately preceding retirement or termination.

Accrued Benefit

Group A (Hired prior to 6/7/2016): 2.50% per year

Group A (Hired on or after 6/7/2016): 2.00% per year

Group B: 2.50% per year prior to 10/1/13, 2.00% thereafter

Group C (Hired prior to 6/3/2014): 2.50% per year prior to 6/3/14, 2.25% thereafter

Group C (Hired prior to 6/3/2014): 2.00% per year

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

Plan Benefits and Contributions (Concluded)

Maximum Benefit Accrual:

Group A:	75% of Average Monthly Earnings, but not less than the percentage accrued as of June 7, 2016.
Group B:	75% of Average Monthly Earnings, but not less than the percentage accrued as of September 30, 2013
Group C (Hired prior to 6/3/2014):	90% of Average Monthly Earnings
Group C (Hired on or after 6/3/14):	75% of Average Monthly Earnings

Early Retirement:

Participants are eligible for early retirement upon reaching age 55 and completing ten (10) years of credited service. The accrued benefit is reduced 1/15th each year for the first five (5) years that early retirement precedes normal retirement and 1/30th each year for the next five (5) years.

Pre-retirement Death Benefits:

Benefit Married: If eligible for Early Retirement, 50% of member's accrued benefit had he or she elected the joint and survivorship annuity and retired the day before death, payable to spouse for life.

Benefit Not Married: If eligible for Early Retirement, member's accrued benefit had he or she elected the 10-year certain and life annuity and retired the day before death.

Contributions:

Members are required to contribute as follows:

Group A:	3.0% of earnings, effective June 7, 2016
Group B:	3.0% of earnings
Group C:	5.0% of earnings

Town Contributions:

The Town is required to contribute at an actuarially determined rate (19.69% of valuation payroll for the year ended September 30, 2016).

Plan Investments

The General Employees' Pension Plan was formerly invested in a group annuity contract with New York Life Insurance Company. As of April 25, 2016, the Plan is now invested in a group contract with Florida Municipal Pension Trust Fund. Participants who began receiving benefits prior to October 1, 2010, received an individual allocated annuity contract and accordingly, the related plan assets are not recorded in the pension trust fund and the participants are not included in the actuarial calculation of the pension liability. Participants who began or will begin receiving benefits on or after October 1, 2010, are included in the calculation of the net pension liability.

The Plan did not hold investments in any one organization that represents 5 percent or more of the Pension Plan's Fiduciary Net Position. For the year ended September 30, 2016, the annual money-weighted rate of the return on Pension Plan Investments, net of Pension Plan investment expense, was 28.92 percent.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

Measurement Date

As permitted by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Town elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2015, one year prior to the reporting date. The Town's Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB 67 as of September 30, 2016, are also included below.

Plan Membership

Plan membership in the General Employees' Pension Plan as of October 1, 2015, is as follows:

	October 1, 2015
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	14
Inactive Plan Members Entitled to but not yet Receiving Benefits	52
Active Plan Members	43
Total Retirees and Beneficiaries	<u>109</u>

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2014	\$ 8,602,218	\$ 6,322,445	\$ 2,279,773
Changes for the Year:			
Service Cost	217,717	0	217,717
Interest	604,681	0	604,681
Benefit Changes	(86,307)	0	(86,307)
Differences between Expected and Actual Experience	2,980	0	2,980
Assumption Changes	0	0	0
Contributions - Employer	0	439,208	(439,208)
Contributions - Employee	0	25,606	(25,606)
Net Investment Income	0	342,918	(342,918)
Benefit Payments, Including Refunds of Contributions	(196,624)	(196,624)	0
Administrative Expenses	0	(26,172)	26,172
Net Changes	<u>542,447</u>	<u>584,936</u>	<u>(42,489)</u>
Balances at September 30, 2015	<u>\$ 9,144,665</u>	<u>\$ 6,907,381</u>	<u>\$ 2,237,284</u>

September 30, 2016

Total Pension Liability	\$ 9,829,943
Plan Net Position	<u>(9,134,338)</u>
Net Pension Liability	<u>\$ 695,605</u>

Plan Net Position as a Percentage 92.92%

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

For the year ended September 30, 2016, the Town recognized total pension expense of \$226,489. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflow of Resources

Contributions Made after the Measurement Date	\$ 419,653
Changes in Assumptions	66,046
Differences between Actual and Expected Experience	2,019
Difference between Projected and Actual Earnings on Pension Plan Investments	214,159
Total Deferred Outflow of Resources	\$ 701,877

Deferred Inflow of Resources

Differences between Actual and Expected Experience	\$ 202,739
Total Deferred Inflow of Resources	\$ 202,739

Contributions made after the measurement date (shown above) will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2017	\$ (59,126)
2018	52,713
2019	64,274
2020	21,624
2021	0
Thereafter	0

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods:

Inflation	3.00%
Salary Increases	4.75%
Investment Rate of Return	7.00%
Mortality	For Healthy Participants, the RP 2000 Fully Generational w/ Scale BB; For Disabled Participants, the RP 2000 Disabled Mortality Table

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Concluded)

Discount Rate. A discount rate of 7.0% was used to measure the total pension liability. The discount rate was based on the expected rate of return on Plan investments of 7.0%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future expected benefit payments of current Plan Members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption:

As of September 30, 2016

Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
General Employees' Pension Plan	\$ 1,982,241	\$ 695,605	\$ (366,237)

As of September 30, 2015

Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
General Employees' Pension Plan	\$ 3,445,882	\$ 2,237,284	\$ 1,231,682

Significant Change in Funding Status

During the year ended September 30, 2016, the Town terminated the New York Life contract and moved the General Employees' Pension Plan investments into the Florida Municipal Investment Trust Fund. Significant gains were realized during fiscal year 2016 as a result of the termination of the New York Life contract. The gains resulted in a significant increase to the General Employees' Pension Funds Fiduciary Net Position and as a result a significant decrease in the plan's net pension liability. Due to the Town using a measurement date one year prior to the reporting date, the effects of this increase in funding status will not be recognized until fiscal year ending September 30, 2017.

Firefighters' Pension Plan

Plan Description

The Firefighters' Pension Plan, a single-employer defined benefit plan, was established pursuant to Town Ordinance 8-89 adopted March 21, 1989, and as subsequently amended by the Town Council. Members of the Firefighters' Pension Plan include full-time state certified firefighters. The funding method and determination of benefits payable are provided in various acts of the Florida Legislature (Act), which created funds, including subsequent amendments, thereto. The

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Plan Description (Concluded)

Act provides, in general, that funds are to be accumulated from employee contributions, Town contributions, State appropriations, and income from investment of accumulated funds. The Act also provides that, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the Town shall supplement the fund by an appropriation from current funds or from any revenue which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The Firefighters' Pension Plan is administered by a Board of Trustees. The Board consists of five Trustees, two of whom are legal residents of the Town who are appointed by the Town Council, two of whom are members of the Plan who are elected by the membership, and a fifth member is elected by the other four and appointed by the Town Council. Each Trustee serves a two-year term. Investments are reported at fair value. The Firefighters' Pension Plan does not issue a stand-alone financial report.

Plan Benefits and Contributions

The Firefighters' Pension Plan provides pension, death, and disability benefits to its members. As stipulated by Town ordinance, authority to establish and amend benefit provisions of the Firefighters' Pension Plan along with the authority to provide for cost of living adjustments rests with the Town Council.

Vesting

Each person employed by the Town Fire Department as a full-time Firefighter becomes a member of the Plan. Fire Department employees attaining the earlier of the age of 55 and ten years of credited service or 25 years of credited service regardless of age are considered fully vested in the plan.

Benefit

If hired prior to June 7, 2016, the retirement benefit is equal to 3.00% of average final compensation for each year of credited service. If hired after June 6, 2016, the retirement benefit is equal to 2.75% of average final compensation for each year of credited service.

Maximum Benefit

If hired prior to June 7, 2016, 80% of average final compensation. If hired after June 6, 2016, 75% of average final compensation.

Early Retirement

Members are eligible for early retirement upon reach age 50 and 10 years of credited service. The retirement benefit is based on the accrued benefit, reduced 3.0% per year for each year prior to normal retirement.

Disability Benefits

For service incurred disabilities, active employees receive disability benefits accrued to the date of disability but not less than 42% of average final compensation, subject to the maximum limit. For nonservice incurred disabilities, employees with ten years of credited service receive disability benefits accrued to the date of disability. Disability benefits are payable for life with 120 monthly payments guaranteed, or until recovery, as determined by the Board.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Plan Benefits and Contributions (Concluded)

Pre-Retirement Death Benefits

If an employee dies before completion of five (5) years of continuous service, employee contributions are refunded without interest. If an employee dies after the completion of at least five (5) years of continuous service, the monthly accrued benefits, reduced actuarially, are payable to the designated beneficiary for their lifetime. After retirement, benefits are payable to the beneficiary in accordance with the option selected at retirement.

Contributions

The Town is required to contribute at an actuarially determined rate of (29.40% valuation payroll for the year ended September 30, 2016). The Town and State contributions to the Firefighters' Pension Plan were \$306,051 for the year ended September 30, 2016. Under the provisions of the Town Ordinance, Fire Department employees of the Town are required to contribute 4% (effective June 7, 2016) of their annual compensation to the Firefighters' Pension Plan. The payments are deducted from the employees' wages and remitted by the Town to the Firefighters' Pension Plan bi-weekly.

Administrative costs are funded by contributions made to the Plan. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation. The Town must provide annual contributions sufficient to satisfy any actuarially determined contribution requirements not covered by the State premium tax refunds and employee contributions.

Plan Investments

The Firefighter's Pension Board of Trustees is responsible for establishing and amending the Plans' investments. The Plan's current investment policy gives the Board discretion to allocate assets provided that no more than 60% of the funds at cost are invested in common stock or capital stock.

The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's fiduciary net position. The money-weighted rate of return on Plan investments, net of related investment expenses, was 6.01% for the year ended September 30, 2016.

Measurement Date

As permitted by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Town elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2015, one year prior to the reporting date. The Town's Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB 67 as of September 30, 2016, are also included below.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Plan Membership

Plan membership in the Firefighters' Pension Plan as of October 1, 2015 is as follows:

	October 1, 2015
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	20
Inactive Plan Members Entitled to but not yet Receiving Benefits	7
Active Plan Members	<u>18</u>
Total Retirees and Beneficiaries	<u><u>45</u></u>

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2014	\$ 5,812,122	\$ 5,752,065	\$ 60,057
Changes for the Year:			
Service Cost	223,182	0	223,182
Interest	468,541	0	468,541
Differences between Expected and Actual Experience	168,306	0	168,306
Contributions - Employer	0	319,831	(319,831)
Contributions - State	0	99,592	(99,592)
Contributions - Employee	0	31,176	(31,176)
Net Investment Income	0	(50,813)	50,813
Benefit Payments, including Refunds of Contributions	(251,922)	(251,922)	0
Administrative Expenses	<u>0</u>	<u>(23,140)</u>	<u>23,140</u>
Net Changes	608,107	124,724	483,383
Balances at September 30, 2015	<u><u>\$ 6,420,229</u></u>	<u><u>\$ 5,876,789</u></u>	<u><u>\$ 543,440</u></u>

The components of the net pension liability of the sponsor on September 30, 2016 were as follows:

September 30, 2016	
Total Pension Liability	\$ 6,518,813
Plan Net Position	<u>(6,246,688)</u>
Net Pension Liability	<u><u>\$ 272,125</u></u>

Plan Net Position as a Percentage 95.83%

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

For the year ended September 30, 2016, the Town recognized total pension expense of \$337,998. The Town reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflow of Resources	
Contributions Made after the Measurement Date	\$ 306,051
Differences between Actual and Expected Experience	126,230
Difference between Projected and Actual Earnings on Pension Plan Investments	341,863
Total Deferred Outflow of Resources	\$ 774,144

Contributions made after the measurement date (shown above) will be recognized as a reduction in the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 121,497
2018	121,498
2019	121,498
2020	103,600
2021	0
Thereafter	0

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.75%
Investment Rate of Return	7.75%
Mortality	RP 2000 Generational, Scale BB

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	50%	7.5%
International Equity	15%	8.5%
Broad Market Fixed Income	35%	2.5%

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Concluded)

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Firefighters' Pension Plan Fund, calculated using the discount rate of 7.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

As of September 30, 2016	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension (Asset) Liability	\$ 1,140,732	\$ 272,125	\$ (445,803)

As of September 30, 2015	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension (Asset) Liability	\$ 1,345,235	\$ 543,440	\$ (130,724)

Police Officers' Pension Plan

Plan Description

The Police Officers' Pension Plan, a single-employer defined benefit pension plan, was established pursuant to Town Ordinance 28-82, adopted December 28, 1982, as subsequently amended by the Town Council. Members of the Police Officers' Pension Plan include full-time state certified police officers. The funding method and determination of benefits payable are provided in various acts of the Florida Legislature (the Act), which created funds, including subsequent amendment, thereto. The Act provides, in general, that funds are to be accumulated from employee contributions, Town contributions, State appropriations, and income from investment of accumulated funds. The Act also provides that, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the Town shall supplement the fund by an appropriation from current funds or from any revenue which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The Police Officers' Pension Plan is administered by a Board of Trustees. The Board consists of five Trustees: two citizens of Orange Park appointed by the Town, two full-time Police Officers who are elected by a majority of the Members of the Plan, and a fifth Trustee who is chosen by a majority of the first four Trustees. Each Trustee serves a four-year term. Investments are reported at fair value. The Police Officers' Pension Plan does not issue a stand-alone financial report.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Police Officers' Pension Plan (Continued)

Plan Benefits

The Police Officers' Pension Plan provides pension, death, and disability benefits to its members. As stipulated by Town ordinance, authority to establish and amend benefit provisions of the Police Officers' Plan along with the authority to provide for cost of living adjustments rests with the Town Council. In 2014, the Town passed Ordinance 12-14 amending the Police Pension Plan. The Ordinance amended several key provisions of the Plan as noted throughout the paragraphs below.

Vesting

All Police department employees attaining the earlier of the age of 55 and ten years of credited service or age 52 and 25 years of credited service are entitled to a retirement benefit.

Accrued Benefit

The accrued benefit is a percentage of average monthly earnings, based on the following accrual rates:

<u>Hire Date</u>	<u>Applicable Credited Service</u>	<u>Accrual Rate</u>
Before November 13, 2012	Prior to November 13, 2012	3.75%
11/13/12-06/02/14		3.50%
On and after 06/03/14		3.35%
Between 11/13/12 and 06/02/14	All years of Credited Service	3.25%
Between 06/03/14 and 05/02/16	All years of Credited Service	3.20%
On and After 05/03/16	All years of Credited Service	3.00%

Maximum Benefit

If hired prior to November 13, 2012, 90% of average monthly earnings. If hired after November 13, 2012, 75% of average monthly earnings.

Supplemental Benefit

Each Member hired prior to November 13, 2012, who retires under Normal Retirement shall receive an additional \$200 per month payable for life. For members hired on or after November 13, 2012, the additional benefit shall be \$100 per month payable for life.

Early Retirement

Employees who have attained age 45 and have completed ten (10) years of service are eligible for an early retirement equal to the applicable multiplier times average monthly earnings times years of credited service (excluding the supplement), reduced 3% for each year that early retirement precedes normal retirement.

Disability Benefits

Active employees who become disabled receive disability benefits (upon expiration of accrued sick pay and vacation pay), of 50% of pay on date of disability if service connected. Employees who become disabled from a nonservice connected disability must have ten (10) years of credited service to receive benefits of 25% of pay on date of disability. The minimum disability benefit is

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans *(Continued)*

Police Officers' Pension Plan *(Continued)*

Plan Benefits *(Concluded)*

Disability Benefits (Concluded)

2% of average monthly earnings times years of credited service. The benefits are payable for life, with 120 monthly payments guaranteed, or until recovery, as determined by the Board. If an employee is terminated before completion of five years of continuous service, employee contributions are refunded without interest.

Contributions

The Town is required to contribute at an actuarially determined rate (50.93% of valuation payroll for the year ended September 30, 2016). Town and State contributions to the Plan were \$647,240 for the year ended September 30, 2016. Employees are required to contribute a rate of not less than 6.5% of gross earnings. For employees hired before the effective date of Ordinance 12-14, their contribution is reduced to 3% of gross earnings once such employees reach the maximum accrual of 90% of average monthly earnings.

Plan Investments

The Board of Trustees is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy gives the Board discretion to allocate assets provided that no more than 70% of the total market value of assets of the fund shall at any time be invested in common and/or preferred stocks nor shall the aggregate investment in any one issuing company exceed one percent of the outstanding capital stock of that company. The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's fiduciary net position. The money-weighted rate of return on Plan investments, net of related investment expenses, was 8.37% for the year ended September 30, 2016.

Measurement Date

As permitted by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Town elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2015, one year prior to the reporting date. The Town's Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB 67 as of September 30, 2016, are also included below.

Plan membership in the Police Officer's Pension Plan as of October 1, 2015, is as follows:

	October 1, 2015
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	25
Inactive Plan Members Entitled to but not yet Receiving Benefits	14
Active Plan Members	22
Total Retirees and Beneficiaries	<u>61</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Police Officers' Pension Plan (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2014	\$ 15,536,288	\$ 13,786,560	\$ 1,749,728
Changes for the Year:			
Service Cost	306,760	0	306,760
Interest	1,236,212	0	1,236,212
Differences between Expected and Actual Experience	(295,266)	0	(295,266)
Assumption Changes	182,706	0	182,706
Contributions - Employer	0	584,222	(584,222)
Contributions - State	0	129,319	(129,319)
Contributions - Employee	0	76,183	(76,183)
Net Investment Income	0	64,497	(64,497)
Benefit Payments, including Refunds of Contributions	(780,803)	(780,803)	0
Administrative Expenses	0	(35,667)	35,667
Net Changes	649,609	37,751	611,858
Balances at September 30, 2015	<u>\$ 16,185,897</u>	<u>\$ 13,824,311</u>	<u>\$ 2,361,586</u>

September 30, 2016

Total Pension Liability \$ 17,025,669

Plan Net Position (14,834,345)

Net Pension Liability \$ 2,191,324

Plan Net Position as a Percentage 87.13%

For the year ended September 30, 2016, the Town recognized total pension expense of \$519,609. The Town reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

Deferred Outflow of Resources

Contributions Made after the Measurement Date \$ 647,240

Changes in Assumptions 121,804

Difference between Projected and Actual Earnings
on Pension Plan Investments 677,058

Total Deferred Outflow of Resources \$ 1,446,102

Deferred Inflow of Resources

Differences between Actual and Expected
Experience \$ 196,844

Total Deferred Inflow of Resources \$ 196,844

Contributions made after the measurement date (shown above) will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

Police Officers' Pension Plan (Continued)

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 119,008
2018	119,009
2019	156,529
2020	207,472
2021	0
Total	<u><u>\$ 602,018</u></u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.50%
Salary Increases	6.00%
Discount Rate	7.80%
Investment Rate of Return	7.80%
Mortality	RP2000 Generational, Scale BB
Mortality Disabled	RP2000 Disabled, No Projection Scale

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	55%	7.5%
International Equity	10%	8.5%
Broad Market Fixed Income	35%	2.5%

Discount Rate. The discount rate used to measure the total pension liability was 7.8%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Police Pension Fund, calculated using the discount rate of 7.80%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.80%) or 1-percentage-point higher (8.80%) than the current rate:

As of September 30, 2016

	<u>1% Decrease (6.8%)</u>	<u>Current Discount Rate (7.8%)</u>	<u>1% Increase (8.8%)</u>
Net Pension Liability	\$ 4,437,822	\$ 2,191,324	\$ 350,463

As of September 30, 2015

	<u>1% Decrease (6.9%)</u>	<u>Current Discount Rate (7.9%)</u>	<u>1% Increase (8.9%)</u>
Net Pension Liability	\$ 4,395,254	\$ 2,361,586	\$ 672,056

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Continued)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2016

	General Employees' Pension Plan Fund	Firefighters' Pension Plan Fund	Police Officers' Pension Plan Fund	Total
Assets				
Cash and Cash Equivalents	\$ 73,055	\$ 55,876	\$ 690,656	\$ 819,587
Receivables:				
Employees Contributions	2,522	24,570	3,831	30,923
Employer and State Contributions	0	126,552	260,924	387,476
Accrued Income	0	21,567	18,560	40,127
Other Receivables	0	0	2,010	2,010
Total Receivables	2,522	172,689	285,325	460,536
Investments:				
Florida Municipal Pension Trust Fund:				
FMIvT Broad Market High Quality				
Bond Fund	1,424,564	0	0	1,424,564
FMIvT Core Plus Fixed Income Fund	2,173,372	0	0	2,173,372
FMIvT High Quality Growth Portfolio	694,018	0	0	694,018
FMIvT Diversified Small to Mid Cap	1,031,895	0	0	1,031,895
FMIvT Russell 1000 Enhanced Index	2,091,186	0	0	2,091,186
FMIvT International Blend	894,918	0	0	894,918
FMIvT Diversified Value	748,809	0	0	748,809
U.S. Government and Agency				
Securities	0	584,186	3,966,938	4,551,124
Corporate Bonds	0	1,197,041	839,534	2,036,575
Domestic Stocks	0	2,875,657	5,472,156	8,347,813
International Stocks	0	66,092	943,119	1,009,211
Mutual Funds	0	1,207,917	2,661,935	3,869,852
Unit Investment Funds	0	96,051	0	96,051
Total Investments	9,058,762	6,026,944	13,883,682	28,969,388
Total Assets	9,134,339	6,255,509	14,859,663	30,249,511
Liabilities				
Accounts Payable	0	8,821	25,318	34,139
Total Liabilities	0	8,821	25,318	34,139
Net Position Held in Trust for Pension Benefits	\$ 9,134,339	\$ 6,246,688	\$ 14,834,345	\$ 30,215,372

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Pension Plans (Concluded)

COMBINING STATEMENT OF CHANGES IN FUDICIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Employees' Pension Plan Fund	Firefighters' Pension Plan Fund	Police Officers' Pension Plan Fund	Total
Additions				
Contributions:				
Employee Contributions	\$ 48,259	\$ 67,961	\$ 82,605	\$ 198,825
Employer Contributions	419,653	221,243	507,652	1,148,548
State Contributions	0	84,808	139,588	224,396
Total Contributions	<u>467,912</u>	<u>374,012</u>	<u>729,845</u>	<u>1,571,769</u>
Investment Earnings:				
Change in Fair Value of Investments	1,838,882	218,973	862,846	2,920,701
Interest and Dividends	194,938	171,118	340,514	706,570
Total Investment Earnings	<u>2,033,820</u>	<u>390,091</u>	<u>1,203,360</u>	<u>3,627,271</u>
Less Investment Expense	(23,306)	(41,699)	(68,820)	(133,825)
Net Investment Income	<u>2,010,514</u>	<u>348,392</u>	<u>1,134,540</u>	<u>3,493,446</u>
Total Additions	<u>2,478,426</u>	<u>722,404</u>	<u>1,864,385</u>	<u>5,065,215</u>
Deductions				
Benefits	248,893	297,050	810,306	1,356,249
Administrative Expenses	2,575	55,455	44,045	102,075
Total Deductions	<u>(251,468)</u>	<u>(352,505)</u>	<u>(854,351)</u>	<u>(1,458,324)</u>
Change in Net Position	2,226,958	369,899	1,010,034	3,606,891
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>6,907,381</u>	<u>5,876,789</u>	<u>13,824,311</u>	<u>26,608,481</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 9,134,339</u>	<u>\$ 6,246,688</u>	<u>\$ 14,834,345</u>	<u>\$ 30,215,372</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Deferred Compensation Plans

The Town maintains for its employees two deferred compensation plans under provisions of Internal Revenue Code Section 457 (the Plans). The Plans, available to all full-time employees, allow participants to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Town has very little administrative involvement, performs no investing function and has no fiduciary responsibility for these Plans. All amounts of compensation deferred under the Plans, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the Town's creditors. Accordingly, these Plan assets are not reported as a part of these financial statements.

Note 9 - Other Postemployment Benefits (OPEB)

The Town provides retirees with the option to purchase health and dental insurance (at their own expense) from the Town's single employer, experience rated health insurance plan (the Plan) that provides medical and dental benefits to active and eligible retirees at the Town's group rate as mandated by Florida Statute 112.0801. State law prohibits the Town from separately rating retirees and active employees; therefore, this requirement creates an implicit rate benefit for the retirees' because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. As a result, the Town is subsidizing the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group premium rates. The Plan had approximately 87 active participants and 18 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

Funding Policy

Contribution requirements for the Plan of the Town are established and may be amended by Town Council. The Town has followed the pay-as-you-go funding policy. The Town pays any remaining required amounts after contributions of Plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected and there is no direct Town subsidy. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

As of the most recent actuarial valuation (10/1/2014), the funded status of the Plan is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
\$ 0	\$ 827,839	\$ 827,839	0%	\$ 4,097,324	20.2%

The schedule of funding progress included in the required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 9 - Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the Town's annual OPEB cost, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligations:

<u>OPEB</u>	<u>2016</u>
Annual Required Contribution (ARC)	\$ 83,020
Interest on Plan Obligation	12,378
Adjustment on ARC	<u>(12,059)</u>
Annual Plan OPEB Cost	83,339
Contribution Made	<u>(37,374)</u>
Change in OPEB Obligation	45,965
Net Obligation, Beginning of Year	<u>309,461</u>
Net Obligation, End of Year	<u><u>\$ 355,426</u></u>

As of September 30, 2016, the Town reported an other postemployment liability in the government-wide Statement of Net Position in amount of \$306,642 for the governmental activities and \$48,784 for the business-type activities.

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

<u>Year Ended</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB Cost</u> <u>(AOC)</u>	<u>Percentage of</u> <u>AOC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2016	\$ 83,339	44.8%	\$ 355,426
2015	103,524	33.45%	309,461
2014	99,026	38.65%	255,230

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating 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 and participating members. 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.

The Town's annual OPEB cost (expense) is calculated based on the ARC of the employer. The Town has elected to estimate the unfunded actuarial accrued liability and determine the ARC using the entry age normal (level dollar) actuarial cost method. The ARC represents a level of

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 9 - Other Postemployment Benefits (OPEB) (Concluded)

Actuarial Methods and Assumptions (Concluded)

funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. Amortizations are open ended in that they begin a new amortization base at each valuation date. Actuarial assumptions include a 4% discount rate, compounded annually based on the assumption that the Plan will be unfunded. Salaries are expected to increase 3% per year. The annual health care cost trend rate is 7% in 2016 and decreasing annually thereafter 0.5% per year until an ultimate rate of 4.5% per year.

Note 10 - Interlocal Agreement

The Town annually executes agreements with the Board of County Commissioners of Clay County, Florida (the County). The agreements specify services related to transportation, public safety, culture/recreation, and physical environment that will be performed by the Town or reimbursed to the County for their performance of the services. The intent and purpose of the agreements is to ensure that tax dollars collected in the Town are not allocated to pay costs incurred by the County for providing services in unincorporated areas.

Note 11 - Risk Management

The Town is exposed to various risks of loss related to general/professional liability, automobile liability, property damage, and workers' compensation. The Town purchases commercial insurance with various deductibles for the various types of losses. The Town has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Note 12 - Commitments and Contingencies

The Town is subject to various disputes, legal proceedings, and labor relation claims, which arise in the normal course of its operations. Although the outcome of these issues is not presently determinable, it is the opinion of the Town that the resolution of these matters will not have a material adverse effect to the financial condition of the Town.

At September 30, 2016, the Town had the following significant construction contract commitments:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed To-date</u>	<u>Balance</u>
Government Activities:			
Plainfield Avenue Improvements Phase II	\$ 3,400,292	\$ 1,916,703	\$ 1,483,589
Chablis Court/Gabriel Drive Improvements	834,112	647,013	187,099
Total Projects	<u>\$ 4,234,404</u>	<u>\$ 2,563,716</u>	<u>\$ 1,670,688</u>

Note 13 - Other Disclosures

Deficit Fund Balance

The following nonmajor governmental fund had a deficit fund balance as of September 30, 2016:

Building Fund	\$ (20,146)
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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,457,065	\$ 4,464,183	\$ 4,608,494	\$ 144,311
Permits, Fees, and Special Assessments	971,200	1,002,070	898,106	(103,964)
Intergovernmental	1,031,553	1,031,553	1,081,396	49,843
Charges for Services	655,500	655,500	661,645	6,145
Fines and Forfeitures	480,000	480,000	607,421	127,421
Investment Income	10,531	10,531	(6,594)	(17,125)
Miscellaneous	63,000	92,973	108,736	15,763
Total Revenues	<u>7,668,849</u>	<u>7,736,810</u>	<u>7,959,204</u>	<u>222,394</u>
Expenditures				
Current:				
Legislative	197,790	191,686	181,931	9,755
Elections	2,800	204	204	0
Executive	177,350	177,350	159,475	17,875
Finance	446,275	443,375	432,063	11,312
Administration	154,642	198,200	194,979	3,221
Nondepartmental Government Expenditures	735,400	737,541	731,583	5,958
Facilities Maintenance	513,900	511,420	494,098	17,322
Equipment Maintenance	102,035	102,035	96,675	5,360
Police	2,818,850	2,896,653	2,884,644	12,009
Fire	1,892,425	1,802,233	1,789,933	12,300
Building and Code Services	145,575	136,575	115,063	21,512
Magnolia Cemetery	2,500	2,500	2,498	2
Streets, Roads, Drainage	759,285	805,349	789,488	15,861
Recreation and Programs	159,025	159,025	155,323	3,702
(Total Expenditures)	<u>(8,107,852)</u>	<u>(8,164,146)</u>	<u>(8,027,957)</u>	<u>136,189</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(439,003)</u>	<u>(427,336)</u>	<u>(68,753)</u>	<u>358,583</u>
Other Financing Sources (Uses)				
Transfers in	576,400	576,400	576,400	0
Transfers (out)	0	(15,798)	(15,798)	0
Total Other Financing Sources (Uses)	<u>576,400</u>	<u>560,602</u>	<u>560,602</u>	<u>0</u>
Net Change in Fund Balance	<u>137,397</u>	<u>133,266</u>	<u>491,849</u>	<u>358,583</u>
Fund Balance, Beginning of Year	<u>4,033,114</u>	<u>4,033,114</u>	<u>4,870,153</u>	<u>837,039</u>
Fund Balance, End of Year	<u>\$ 4,170,511</u>	<u>\$ 4,166,380</u>	<u>\$ 5,362,002</u>	<u>\$ 1,195,622</u>

TOWN OF ORANGE PARK, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

Note 1 - Budgetary Information

The budget is prepared on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. The Town maintains the legal level of budgetary control at the activity level in the General Fund. Total expenditures may not exceed appropriations without Council approval.

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION PLAN

	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability			
Service Cost	\$ 184,303	\$ 217,717	\$ 181,957
Interest	642,052	604,681	569,116
Benefit Changes	(32,351)	(86,307)	(285,187)
Differences Between Actual and Expected Experience	19,887	2,980	(571,357)
Assumption Changes	120,280	0	186,132
Benefit Payments, Including Refunds of Member Contributions	(248,893)	(196,624)	(194,264)
Net Change in Total Pension Liability	685,278	542,447	(113,603)
Total Pension Liability - Beginning	9,144,665	8,602,218	8,715,821
Total Pension Liability - Ending (a)	9,829,943	9,144,665	8,602,218
Plan Fiduciary Net Position			
Contributions - Town	419,653	439,208	408,449
Contributions - Member	48,259	25,606	9,876
Net Investment Income	2,010,513	342,918	208,290
Benefit Payments, Including Refunds of Member Contributions	(248,893)	(196,624)	(194,264)
Administrative Expenses	(2,575)	(26,172)	(25,993)
Net Change in Plan Fiduciary Net Position	2,226,957	584,936	406,358
Plan Fiduciary Net Position - Beginning	6,907,381	6,322,445	5,916,087
Plan Fiduciary Net Position - Ending (b)	9,134,338	6,907,381	6,322,445
Net Pension Liability - Ending (a) - (b)	\$ 695,605	\$ 2,237,284	\$ 2,279,773
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.92%	75.53%	73.50%
Covered Employee Payroll	\$ 2,131,622	\$ 1,957,935	\$ 1,971,521
Net Pension Liability as a Percentage of Covered Employee Payroll	32.63%	114.27%	115.64%

Additional years will be added to this schedule annually until 10 years of data is presented.

Notes to Schedule:

Changes of Benefit Terms:

For measurement date 9/30/2016, Ordinance 11-16 was adopted by Town Council on June 7, 2016, which amended benefits for employees not represented by Local 630 or in dispatcher positions. The plan changes that were made in conjunction with that Ordinance are as follows:

- Average annual earnings are the average for the highest five years of service for the last ten years preceding retirement, termination, or death. However, average annual earnings cannot be less than the average annual earnings as of June 7, 2016.
- The benefit multiplier is 2.00% for participants hired on or after June 7, 2016.
- The maximum pension benefit is 75% of average earnings but not less than the maximum pension benefit as of June 7, 2016.
- Employee contributions are 3.00% of gross earnings effective June 7, 2016.

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

**TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION PLAN**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 395,500	\$ 439,208	\$ 408,449
Contributions in Relation to the Actuarially Determined Contribution	419,653	439,208	408,449
Contribution Deficiency (Excess)	<u>\$ (24,153)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,131,622	\$ 1,957,935	\$ 1,957,935
Contributions as a Percentage of Covered Employee Payroll	19.69%	22.43%	20.86%

Additional years will be added to this schedule annually until 10 years of data is presented.

NOTES TO SCHEDULE

Valuation Date: October 1, 2015

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

Methods and assumptions used to determine contribution rates:

Cost Method: Entry Age Normal Cost Method
Amortization Method: Level Dollar, Closed
Amortization Period: 30 years
Mortality Rate: RP 2000 Combined Healthy Mortality Table, separate rates for males and females, projected with generational improvements with Scale AA
Investment Rate of Return: 7.0% compounded annually, net of investment expenses
Allowances for Expenses: Previous year's actual administrative expenses
Salary Increase Factors: Current salary is assumed to increase at a rate of 4.75% per year
Assumed Retirement Age: The earlier of (a) age 65 with 10 years of service and (b) age 62 with 20 years of service
Disability Rates: None
Asset Valuation Method: Book Value of New York Life Contract
Employee Withdrawal Rates: Withdrawal rates for males and for females were used in accordance with the following illustrative example:

Withdrawal Rates Per 100		
Employees		
Age	Males	Females
25	14.8	16.5
35	9.1	11.9
45	7.9	10.0
55	6.1	7.9

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION PLAN

	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability			
Service Cost	\$ 197,700	\$ 223,182	\$ 218,749
Interest	496,512	468,541	437,680
Change in Excess State Money	(52,584)	0	0
Changes of Benefit Items	(210,422)	0	0
Differences between Expected and Actual Experience	(201,630)	168,306	0
Changes of Assumptions	132,868	0	0
Contributions - Buy Back	33,190	0	0
Benefit Payments, Including Refunds of Employee Contributions	(297,050)	(251,922)	(298,285)
Net Change in Total Pension Liability	98,584	608,107	358,144
Total Pension Liability - Beginning	6,420,229	5,812,122	5,453,978
Total Pension Liability - Ending (a)	6,518,813	6,420,229	5,812,122
Plan Fiduciary Net Position			
Contributions - Employer	221,243	319,831	386,789
Contributions - State	84,808	99,592	113,263
Contributions - Member	34,771	31,176	30,202
Contributions - Buy Back	33,190	0	0
Net Investment Income	348,392	(50,813)	530,443
Benefit Payments, Including Refunds of Employee Contributions	(297,050)	(251,922)	(298,285)
Administrative Expenses	(55,455)	(23,140)	(27,472)
Net Change in Plan Fiduciary Net Position	369,899	124,724	734,940
Plan Fiduciary Net Position - Beginning	5,876,789	5,752,065	5,017,125
Plan Fiduciary Net Position - Ending (b)	6,246,688	5,876,789	5,752,065
Net Pension Liability - Ending (a) - (b)	\$ 272,125	\$ 543,440	\$ 60,057
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.83%	91.54%	98.97%
Covered Employee Payroll	\$ 1,040,989	\$ 1,157,180	\$ 1,006,749
Net Pension Liability as a Percentage of Covered Employee Payroll	26.14%	46.96%	5.97%

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION PLAN
(Concluded)

Changes of Benefit Terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from the following changes:

1. Ordinance No. 10-16, adopted and effective June 7, 2016, implemented the following benefit changes:
 - An increase in the Member Contribution Rate
 - An increase in the averaging period for calculation of Average Final Compensation
 - A reduced benefit accrual rate for Members, hired after June 6, 2016
 - Maximum benefit limitations for all Members, expressed as a percentage of Average Final Compensation
 - A benefit commencement date upon attainment of age 55 for Vested Terminated Members
2. Ordinance No. 07-16, adopted and effective April 5, 2016, incorporated language for compliance with the Internal Revenue Code. A letter of No Actuarial Impact was submitted for these changes.

Change of Assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from the Experience Study dated 08/08/2016, the Board has adopted the following changes of assumptions:

- Salary Increases
- Mortality Rates
- Normal and Early Retirement Rates
- Withdrawal Rates
- Investment Return
- Payroll Growth

Additionally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF INVESTMENT RETURNS

	September 30, 2016	September 30, 2015	September 30, 2014
Annual Money Weighted Rate of Return			
Net of Investment Expenses	6.01%	-0.90%	10.65%

The data presented above was measured using actuarial methods prescribed by GASB Statements No. 67 and 68.

Additional years will be added to this schedule annually until 10 years of data is presented.

**TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' PENSION PLAN**

	2016	2015	2014
Actuarially Determined Contribution*	\$ 306,051	\$ 419,419	\$ 500,052
Contributions in Relation to the Actuarially Determined Contribution*	306,051	419,423	500,052
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ (4)</u>	<u>\$ 0</u>
Covered Employee Payroll	<u>\$ 1,040,989</u>	<u>\$ 1,157,180</u>	<u>\$ 1,006,749</u>
Contributions as a Percentage of Covered Employee Payroll	29.40%	36.25%	49.67%

*Amounts include the contribution from the State of Florida.

Additional years will be added to this schedule annually until 10 years of data is presented.

NOTES TO SCHEDULE

Valuation Date: October 1, 2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	21 Years (as of 10/01/2014)
Asset Smoothing Methodology:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a de minimis bias that is above or below the Market Value of the Assets.
Inflation:	3.0% per year
Salary Increases:	7.5% per year up to the assumed retirement age
Interest Rate:	8.0% per year compounded annually, net of investment related expenses
Payroll Growth:	3.8% annually
Retirement Age:	Earlier of age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement Age is assumed to continue employment for one additional year.
Early Retirement:	Commencing at the Member's eligibility for Early Retirement (Age 50 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rates:	See table below.
Disability Rates:	See table below. 75% of Disability and Pre-Retirement Deaths are assumed to be service-related.
Mortality:	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Other Information:	Termination and Disability Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN

	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability			
Service Cost	\$ 325,676	\$ 306,760	\$ 293,439
Interest	1,272,407	1,236,212	1,178,306
Differences between Expected and Actual Experience	(291,764)	(295,266)	0
Changes in Assumptions	343,759	182,706	0
Benefit Payments, Including Refunds of Employee Contributions	(810,306)	(780,803)	(741,692)
Net Change in Total Pension Liability	839,772	649,609	730,053
Total Pension Liability - Beginning	16,185,897	15,536,288	14,806,235
Total Pension Liability - Ending (a)	17,025,669	16,185,897	15,536,288
Plan Fiduciary Net Position			
Contributions - Employer	507,652	584,222	625,417
Contributions - State	139,588	129,319	136,125
Contributions - Employee	82,605	76,183	66,554
Net Investment Income	1,134,540	64,497	1,254,819
Benefit Payments, Including Refunds of Employee Contributions	(810,306)	(780,803)	(741,692)
Administrative Expenses	(44,045)	(35,667)	(25,516)
Net Change in Plan Fiduciary Net Position	1,010,034	37,751	1,315,707
Plan Fiduciary Net Position - Beginning	13,824,311	13,786,560	12,470,853
Plan Fiduciary Net Position - Ending (b)	14,834,345	13,824,311	13,786,560
Net Pension Liability - Ending (a) - (b)	\$ 2,191,324	\$ 2,361,586	\$ 1,749,728
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.13%	85.41%	88.74%
Covered Employee Payroll	\$ 1,270,842	\$ 1,205,917	\$ 1,158,944
Net Pension Liability as a Percentage of Covered Employee Payroll	172.43%	195.83%	150.98%

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
(Concluded)

Notes to Schedule:

Changes of Benefit Terms:

For measurement date 09/30/2016, Ordinance 08-16 was adopted by Town Council on May 3, 2016. The plan changes that were made in conjunction with that Ordinance are as follows:

- The benefit accrual rate was reduced from 3.20% to 3.00% per year for future new hires, effective May 3, 2016. The supplemental benefit will be \$100 per month.
- A DROP Plan was established for future retirees. The period of participation shall not exceed sixty (60) months and participant DROP accounts will receive the same net-of-fees investment returns that are realized by the Fund while participating in DROP.
- Pursuant to the requirements of Chapter 2015-39, Laws of Florida, a Share Plan was established. A letter of no actuarial impact for the above plan changes was issued, dated March 29, 2016. Future savings will be realized as the current active membership is replaced with new hires at the lower benefit structure.

Changes of Assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions are as follows:

- The investment return assumption was lowered from 7.90% to 7.80% per year, net of investment related expenses. Additionally, the Board adopted the following assumption changes for future valuations:

Valuation Date	Investment Return Assumption
10/1/2017	7.70%
10/1/2018	7.60%
10/1/2019	7.50%

- The payroll growth assumption was lowered from 0.90% to 0.80% per year in order to comply with the requirements of Part VII of Chapter 112, Florida Statutes.
- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from RP-2000 Combined Healthy Tables to the mortality tables for special risk employees used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation
- The assumed rate of annual COLA increases was lowered from 3.00% to 2.50% per year, equal to the expected long-term inflation rate as provided by the plan's investment consultant.
- For measurement date 9/30/2015, amounts reported as changes of assumption were resulted from lowering the investment rate of return from 8.00% to 7.90%.

SCHEDULE OF INVESTMENT RETURNS

	September 30, 2016	September 30, 2015	September 30, 2014
Annual Money Weighted Rate of Return			
Net of Investment Expenses	10.24%	0.48%	8.37%

The data presented above was measured using actuarial methods prescribed by GASB Statements No. 67 and 68.

Additional years will be added to this schedule annually, until 10 years of data is presented.

**TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN**

	2016	2015	2014
Actuarially Determined Contribution	\$ 647,240	\$ 713,541	\$ 761,542
Contributions in Relation to the Actuarially Determined Contribution	647,240	713,541	761,542
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	<u>\$ 1,270,842</u>	<u>\$ 1,205,917</u>	<u>\$ 1,158,944</u>
Contributions as a Percentage of Covered Employee Payroll	50.93%	59.17%	65.71%

Additional years will be added to this schedule annually until 10 years of data is presented.

NOTES TO SCHEDULE

Valuation Date: October 1, 2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	29 Years (as of 10/01/14)
Salary Increases:	6.0% per year up to the assumed retirement age. Projected salary in the year of retirement is increased 20% to account for non-regular compensation.
Interest Rate:	8.0% per year, compounded annually
Payroll Growth Assumption:	0.9% per year
Post Retirement COLA:	3.0% per year, beginning at age 55
Retirement Age:	Earlier of age 55 and 10 years of service or age 52 and 25 years of service.
Early Retirement:	Commencing with the earliest Early Retirement Age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rates:	See table below.
Disability Rates:	See table below. 75% of disablements are assumed to service related.
Mortality:	RP-2000 Table with no Projection (Disabled lives set forward 5 years)
Other Information:	Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	9.3%	0.14%
30	7.9%	0.18%
40	4.3%	0.30%
50	1.1%	1.00%

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SEPTEMBER 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date October 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2014	\$ 0	\$ 827,839	\$ 827,839	0.00%	\$ 4,097,324	20.2%
2011	0	837,012	837,012	0.00%	4,722,174	17.7%
2008	0	938,800	938,800	0.00%	3,963,048	23.7%

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF ORANGE PARK, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes:

- *Gas Tax Fund*—This fund accounts for revenue derived from fuel taxes. These funds are used for transportation expenditures.
- *Confiscated Property Fund*—This fund accounts for revenue derived from confiscated property and cash. Proceeds are used to augment police activities.
- *Police Education Fund*—This fund accounts for revenue derived from county court costs. Expenditures are used to provide criminal justice education degree programs and training courses for police department personnel.
- *Magnolia Cemetery Fund*—This fund accounts for revenues derived from the operations of the cemetery.
- *Police Investigative/Evidentiary Fund*—This fund accounts for revenue ordered by the courts and administered by the police department for use in officer investigations where it is necessary to protect the identity of the source of funds.
- *Building Department Fund*—This fund accounts for various fees charged to be used to fund the building department.
- *Fair Share Fund*—This fund accounts for proportionate fair share revenue to address the impact of development on transportation facilities. Expenditures are used toward funding of scheduled improvements in the Capital Improvements Element of the Comprehensive Plan.

**TOWN OF ORANGE PARK, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds						Total
	Gas Tax	Confiscated Property	Police Education	Magnolia Cemetery	Police Investigative/ Evidentiary	Building Department	Nonmajor Governmental Funds
Assets							
Equity in Pooled Cash and							
Investments	\$ 95,784	\$ 39,182	\$ 91,663	\$ 146,147	\$ 57,550	\$ 0	\$ 453,190
Due from Other Governments	48,882	0	0	0	0	0	48,882
Total Assets	<u>144,666</u>	<u>39,182</u>	<u>91,663</u>	<u>146,147</u>	<u>57,550</u>	<u>0</u>	<u>502,072</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued							
Liabilities	0	24,179	0	0	0	0	24,179
Due to Other Funds	0	0	0	0	0	20,146	20,146
Total Liabilities	<u>0</u>	<u>24,179</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,146</u>	<u>44,325</u>
Fund Balances							
Restricted:							
Transportation	144,666	0	0	0	0	0	144,666
Law Enforcement	0	15,003	91,663	0	57,550	0	164,216
Committed:							
Cemetery Care and Maintenance	0	0	0	146,147	0	0	146,147
Transportation	0	0	0	0	0	22,864	22,864
Unassigned	0	0	0	0	0	(20,146)	(20,146)
Total Fund Balances	<u>144,666</u>	<u>15,003</u>	<u>91,663</u>	<u>146,147</u>	<u>57,550</u>	<u>(20,146)</u>	<u>457,747</u>
Total Liabilities and Fund Balances	<u>\$ 144,666</u>	<u>\$ 39,182</u>	<u>\$ 91,663</u>	<u>\$ 146,147</u>	<u>\$ 57,550</u>	<u>\$ 0</u>	<u>\$ 502,072</u>

TOWN OF ORANGE PARK, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Gas Tax	Confiscated Property	Police Education	Magnolia Cemetery	Police Investigative/ Evidentiary	Building Department	Fair Share
Revenues							
Taxes	\$ 301,229	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges and Services	0	0	0	300	0	0	0
Fines and Forfeitures	0	0	7,223	0	45,957	0	0
Investment Income	0	0	176	10	0	0	44
Permits, Fees, and Assessments	0	0	0	0	0	72,254	0
Total Revenues	<u>301,229</u>	<u>0</u>	<u>7,399</u>	<u>310</u>	<u>45,957</u>	<u>72,254</u>	<u>44</u>
Expenditures							
Current:							
Public Safety	0	0	10,140	0	7,482	0	0
Public Works	296,000	0	0	0	0	0	0
Total Expenditures	<u>(296,000)</u>	<u>0</u>	<u>(10,140)</u>	<u>0</u>	<u>(7,482)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,229	0	(2,741)	310	38,475	72,254	44
Other Financing Sources (Uses)							
Transfers (out)	0	0	0	0	0	(92,400)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(92,400)</u>	<u>0</u>
Change in Fund Balances	5,229	0	(2,741)	310	38,475	(20,146)	44
Fund Balances, Beginning of Year	139,437	15,003	94,404	145,837	19,075	0	22,820
Fund Balances, End of Year	<u>\$ 144,666</u>	<u>\$ 15,003</u>	<u>\$ 91,663</u>	<u>\$ 146,147</u>	<u>\$ 57,550</u>	<u>\$ (20,146)</u>	<u>\$ 22,864</u>

OTHER REPORTS

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

Town Council and Town Manager
Town of Orange Park, 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 Town of Orange Park, Florida (the Town), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 10, 2017.

Internal Control Over Financial Reporting

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

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Town Council and Town Manager
Town of Orange Park, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



May 10, 2017
Gainesville, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Town Council and Town Manager
Town of Orange Park, Florida

We have examined the Town of Orange Park, Florida's (the Town) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town'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 Town'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 legal determination of the Town's compliance with specified requirements.

In our opinion, the Town 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and pass-through entities, the Mayor, and Town Council members, and applicable management, and is not intended and should not be used by anyone other than these specified parties.


May 10, 2017
Gainesville, Florida

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MANAGEMENT LETTER

Town Council and Town Manager
Town of Orange Park, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Orange Park, Florida (the Town), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 10, 2017.

Auditors' Responsibility

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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' 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, which are dated May 10, 2017, should be considered in conjunction with the 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 report except for finding 14-5 noted below.

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 included 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 Town 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 Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants

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MANAGEMENT LETTER
(Continued)

Financial Condition (Concluded)

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

Annual Financial Report

Sections 10.554(1)(i)5.(b.) 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 the annual financial report for the Town for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.(d.), *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that there were no special district component units that were required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

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 have the following recommendations:

■ **14-5—Water System Line Loss**

Condition – As part of our procedures for the audit, we calculated the line loss of the Town's water utility based upon gallons billed to customers versus metered gallons pumped from the water treatment plant. The line loss calculated for the fiscal year was a line loss of approximately 1.5% (in fiscal year 2015, it was a gain of 0.48%). In 2013, the United States Environmental Protection Agency reported that average unaccounted for line loss in water systems was approximately 16%. We noted that management is aware of the issue, has examined possible causes, and has started a meter change out program.

Recommendation – We recommend that the Town continue to implement the meter change out program and continue to monitor and investigate the issue.

Current Status – The Town continues to investigate the line gain issue. During fiscal years 2015 and 2016, the Town changed out a significant amount of large commercial meters. The Town is approximately 33% through the change out process and the water system is now flat and no longer recording a line gain. We recommend that the Town continues to investigate this issue. The Town will continue to change out its water meters and monitor the water system line usage readings.

Town Council and Town Manager
Town of Orange Park, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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 Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



May 10, 2017
Gainesville, Florida



Town of Orange Park

2042 Park Avenue • Orange Park, Florida 32073 • (904) 264-9565 • Fax: (904) 278-3039

May 10, 2017

Purvis Gray & Company, CPA
222 NE 1st Street
Gainesville, FL 32606

Thank you for the opportunity to respond to the Town of Orange Park's *Management Letter* dated May 10, 2017. We are pleased to present the Town's response to this letter.

Other Matters – 14-5 Water System Line Loss

Condition – As part of our procedures for the audit, we calculated the line loss of the Town's water utility based upon gallons billed to customers versus metered gallons pumped from the water treatment plant. The line loss calculated for the fiscal year was a line loss of approximately 1.5% (in FY15, it was a gain of 0.48%). In 2013, the United States Environmental Protection Agency reported that average unaccounted for line loss in water systems was approximately 16%. We noted that management is aware of the issue, has examined possible causes, and has started a meter change out program.

Recommendation – We recommend that the Town continue to implement the meter change out program and continue to monitor and investigate the issue.

Current Status – The Town continues to investigate the line gain issue. During fiscal year 2015 and 2016, the Town changed out a significant amount of large commercial meters. The Town is approximately 33% through the change out process and the water system is now flat and no longer recording a line gain. We recommend that the Town continues to investigate this issue. The Town will continue to change out its water meters and monitor the water system line usage readings.

Management Response to Other Matters – 14-5 Water System Line Loss

The Town continues to investigate this matter and has taken several steps to resolve it, but more needs to be done. Steps have included meter testing and replacement, checking our utility billing system for errors, investigating the possibility of cross connections with an adjoining utility, checking for possible backflow from private wells into the public water system and utilizing outside consultants to find the reason(s) for the water loss.

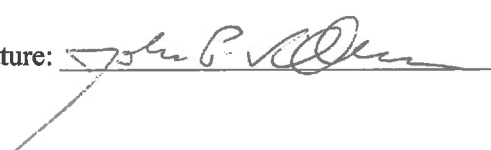

A meter replacement program has been ongoing for the last three years and will continue for the next two years until all meters are within their normal, recommended lifespans. All large well and production meters have been independently tested at both water treatment plants, including many large meters out in the distribution system over the last three years. Smaller meters have been checked also to obtain an estimate of the accuracy of those being replaced. We estimate that about half of the smaller meters being replaced are out of calibration by ten (10%) percent or more, including about as many reading fast than slow.

The Orange Park water system is adjacent to that of the Clay County Utility Authority (CCUA). Old, private systems were acquired by both systems over the years and the remaining two water suppliers often have lines that are close in proximity to each other. Pressure test readings and ground penetrating radar were used to find possible cross connections and have been conducted with cooperation between utilities over the past couple of years. Additional work is ongoing as of the time of writing this response.

Knowing that several residents and some businesses have private wells for non-potable water supply, meters and back flow preventers to those customers have been checked to ensure that water from their wells does not flow into the public system. No instances of backflows have been found.

Last, consultants have been engaged to help find the reason for water system gains. A report was prepared by an engineering company about two years ago but failed to identify any reasons for the water gain. More recently, a different consultant has been engaged and is currently working on the same issue.

The management of Orange Park is committed to finding the reason(s) for the water gain and correcting any problems found.

Signature: 	Signature: 
Title: <u>FINANCE DIRECTOR</u>	Title: <u>TOWN MANAGER</u>