

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
TOWN OF ORANGE PARK, FLORIDA
SEPTEMBER 30, 2017**

**TOWN OF ORANGE PARK, FLORIDA
LIST OF TOWN OFFICIALS
AS OF SEPTEMBER 30, 2017**

TOWN COUNCIL

Scott Land, Mayor
Gary Meeks, Vice-Mayor
Connie Thomas
Alan Watt
Ron Raymond

TOWN MANAGER

Sarah Campbell

TOWN CLERK

Courtney Russo

FINANCE DIRECTOR

John Villanueva, C.P.A.

TOWN ATTORNEY

Sam Garrison

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

SEPTEMBER 30, 2017

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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, 2017, 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, 2017, 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, 4, 2018, 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 4, 2018
Gainesville, Florida

**TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017. 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 2017 by \$54.5 million (net position). Of this amount, \$8.3 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- At September 30, 2017, the Town's governmental funds reported a combined ending fund balance of \$9.5 million, an increase of \$1.7 million in comparison with the prior year.
- At September 30, 2017, unassigned fund balance for the General Fund was \$5.754 million or 67% of total General Fund expenditures.
- The governmental activities and the business-type activities have no outstanding debt. The Town paid off the balances of the notes payable and bonded debt in the business-type activities 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, 2017
(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 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, 2017
(Continued)

Government-wide Financial Analysis

Below is a summary Statement of Net Position for the Town as of September 30, 2017 and 2016.

Statement of Net Position						
(In thousands)						
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,631	\$ 9,375	\$ 5,222	\$ 5,505	\$ 15,853	\$ 14,880
Capital assets	20,727	20,002	23,005	22,627	43,732	42,629
Total assets	31,358	29,377	28,227	28,132	59,585	57,509
Deferred outflows of resources	2,421	2,631	189	291	2,610	2,922
Long-term liabilities outstanding	3,782	5,091	558	1,098	4,340	6,189
Other liabilities	1,037	1,298	810	774	1,847	2,072
Total liabilities	4,819	6,389	1,368	1,872	6,187	8,261
Deferred inflows of resources	1,158	316	370	83	1,528	399
Net assets:						
Net Investment in						
Capital Assets	20,727	20,002	23,005	22,627	43,732	42,629
Restricted	2,404	2,325	0	0	2,404	2,325
Unrestricted	4,671	2,976	3,673	3,841	8,344	6,817
Total net position	<u>\$ 27,802</u>	<u>\$ 25,303</u>	<u>\$ 26,678</u>	<u>\$ 26,468</u>	<u>\$ 54,480</u>	<u>\$ 51,771</u>

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 \$54.5 million at the close of the fiscal year ended September 30, 2017.

By far, the largest portion of the Town's net position (80.3%) 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, \$2.4 million (4.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8.4 million (15.3%), 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, 2017 and 2016:

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Changes in Net Position
(In thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,054	\$ 839	\$ 5,511	\$ 5,399	\$ 6,565	\$ 6,238
Operating grants and contributions	328	217	82	0	410	217
Capital grants and contributions	3	1,018	0	0	3	1,018
General revenues:						
Property taxes	3,038	2,891	0	0	3,038	2,891
Other taxes	3,631	3,536	0	0	3,631	3,536
Franchise fees	852	883	0	0	852	883
Other State shared revenues	963	915	0	0	963	915
Investment earnings	30	(2)	38	12	68	10
Miscellaneous	119	91	0	1	119	92
Total revenues	<u>10,018</u>	<u>10,388</u>	<u>5,631</u>	<u>5,412</u>	<u>15,649</u>	<u>15,800</u>
Expenses:						
General government	2,283	2,353	0	0	2,283	2,353
Public safety	5,164	4,811	0	0	5,164	4,811
Public works	927	1,526	0	0	927	1,526
Cultural/recreation	375	309	0	0	375	309
Water and sewer	0	0	3,459	3,264	3,459	3,264
Sanitation	0	0	731	559	731	559
Interest on long-term debt	0	0	0	23	0	23
Total expenses	<u>8,749</u>	<u>8,999</u>	<u>4,190</u>	<u>3,846</u>	<u>12,939</u>	<u>12,845</u>
Increase (decrease) in net assets before transfers	1,269	1,389	1,441	1,566	2,710	2,955
Transfers	1,230	474	(1,230)	(474)	0	0
Change in net position	<u>2,499</u>	<u>1,863</u>	<u>211</u>	<u>1,092</u>	<u>2,710</u>	<u>2,955</u>
Net position - beginning	<u>25,303</u>	<u>23,440</u>	<u>26,467</u>	<u>25,376</u>	<u>51,770</u>	<u>48,816</u>
Net position - ending	<u>\$ 27,802</u>	<u>\$ 25,303</u>	<u>\$ 26,678</u>	<u>\$ 26,468</u>	<u>\$ 54,480</u>	<u>\$ 51,771</u>

Governmental activities. Governmental activities net position increased by \$2,499,000. This is primarily due to increased property, sales and utility service taxes, and Federal Emergency Management Agency reimbursements due to Hurricane Matthew which occurred in October 2016.

Business-type activities. Business-type activities net position increased \$211,000 accounting for 0.8% increase in the business-type activities net position. This increase is due to normal business operations of the enterprise funds.

Overall financial position. The overall financial position of the Town has been stable. Net position increased by \$2,710,000 thereby accounting for a total increase of 5.2%. 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, 2017
(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 2017, the Town's governmental funds reported combined ending fund balances of \$9.5 million, an increase of \$1,702,000 in comparison with the prior year.

The General Fund is the primary operating fund of the Town. At the end of fiscal year 2017, unassigned fund balance of the General Fund was \$5.8 million. Unassigned fund balance represents 68.7% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$775,000 during the fiscal year ended September 30, 2017 (compared to a 2016 increase of \$492,000). This is due in part to net increase in revenues of \$698,000, a net increase in expenditures of \$354,000, a net decrease in transfers in of \$51,400, and a net increase in transfers out of \$9,202.

Changes in revenue consisted of the following:

- Increase in ad valorem tax revenue of \$147,000;
- Increase in communications services tax revenue of \$47,000;
- Decrease in utility service tax on electricity of \$13,000;
- Increase in red light camera revenue of \$121,000;
- Decrease in franchise fee – electricity of \$27,000;
- Increase in investment earnings revenue of \$27,000;
- Increase in miscellaneous revenues of \$31,000;
- Increase in cardroom tax of \$36,000;
- Increase in FL Department of Transportation Revenue Sharing of \$26,000;
- Increase in interfund charges of \$265,000.

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 increased \$574,000 or 29% due to decreased expenditures in capital outlay. Major capital projects expenditures during the year were for the Plainfield Avenue project, the Village Way & Chelsea Place Improvements, the River Road Roadway & Utilities Improvements, and improvements to the Orange Park Athletic Association sports complex. There was also \$395,000 expended on equipment purchases.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$810,000. The net increase in fund balance during the current year for non-major governmental funds was \$353,000.

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 \$3.1 million or 12.0% 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 \$535k or 98.0% of total net position.

TOWN OF ORANGE PARK, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

The Water and Sewer fund reported an increase in net position of \$1.1 million or 4.6% and the Sanitation Fund reported a decrease in net position of \$929,000 or 63% for fiscal year ended September 30, 2017, due to a transfer of \$800,000 to the Sales Tax Capital Projects Fund.

General Fund Budgetary Highlights

- All of the Town's departments combined spent \$189,507 less than budgeted. The amount saved was between 0.7% and 11% per function.
- The Town fund balance increased \$775,103 in fiscal year 2016-2017.
- The Town received 105.9% 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, 2017, amounts to \$43.7 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,453	\$ 1,453	\$ 122	\$ 122	\$ 1,575	\$ 1,575
Construction in progress	3,623	2,124	1,758	1,209	5,381	3,333
Buildings and improvements	6,347	6,338	293	269	6,640	6,607
Improvements other than buildings	2,556	2,508	33,199	32,475	35,755	34,983
Equipment	5,108	5,032	729	679	5,837	5,711
Infrastructure	21,545	21,498	0	0	21,545	21,498
Less accumulated depreciation	(19,905)	(18,951)	(13,096)	(12,127)	(33,001)	(31,078)
Totals	\$ 20,727	\$ 20,002	\$ 23,005	\$ 22,627	\$ 43,732	\$ 42,629

Major capital projects during the 2016-17 fiscal year included:

- Plainfield Avenue
- Village Way and Chelsea Place Improvements
- Chablis Court and Gabriel Drive Improvements
- Wynegate Lift Station Improvements
- Morgan Street Lift Station Improvements
- Birdwood Drive Sewer Improvements
- Water Meter Replacement Program
- Kingsley Streetscape Improvements
- River Road Roadway and Utilities Improvements

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 2017, 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, 2017
(Concluded)

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, 2017, for the municipal service area was 3.6%. This compared favorably with the state's average unemployment rate of 4.0% and with the national average unemployment rate of 4.2%.
- Since the Town is effectively built out, new construction is not expected to produce significant annual increases in property assessments. Currently, about thirty-five percent (35.0%) 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 \$831,000 in revenue in fiscal year 2017. 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 59% of the General Fund Expenditures, down from the prior year at 60%.

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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 9,364,771	\$ 4,303,451	\$ 13,668,222
Receivables, Net	46,873	454,202	501,075
Internal Balances	2,760	(2,760)	0
Due from Other Governments	1,117,214	81,676	1,198,890
Other Current Assets	99,710	113,159	212,869
Restricted Equity in Pooled Cash and Investments	0	272,001	272,001
Capital Assets:			
Land	1,452,946	122,549	1,575,495
Construction in Progress	3,622,425	1,757,509	5,379,934
Buildings and Improvements	6,347,375	292,717	6,640,092
Improvements Other than Buildings	2,555,657	33,199,084	35,754,741
Equipment	5,108,412	728,841	5,837,253
Infrastructure	21,545,226	0	21,545,226
Accumulated Depreciation	(19,904,851)	(13,095,955)	(33,000,806)
Capital Assets, Net	<u>20,727,190</u>	<u>23,004,745</u>	<u>43,731,935</u>
Total Assets	<u>31,358,518</u>	<u>28,226,474</u>	<u>59,584,992</u>
Deferred Outflows of Resources			
Pension Related	<u>2,420,849</u>	<u>188,975</u>	<u>2,609,824</u>
Total Deferred Outflows of Resources	<u>2,420,849</u>	<u>188,975</u>	<u>2,609,824</u>
Liabilities			
Accounts Payable and Accrued Liabilities	916,098	537,321	1,453,419
Due to Other Governments	36,274	0	36,274
Unearned Revenue	84,612	0	84,612
Payable from Restricted Assets:			
Deposits	0	272,001	272,001
Noncurrent Liabilities:			
Due Within One Year	305,039	49,072	354,111
Due in More than One Year	718,661	108,801	827,462
Net Pension Liability	<u>2,758,780</u>	<u>400,273</u>	<u>3,159,053</u>
Total Liabilities	<u>4,819,464</u>	<u>1,367,468</u>	<u>6,186,932</u>
Deferred Inflows of Resources			
Pension Related	<u>1,157,992</u>	<u>370,149</u>	<u>1,528,141</u>
Total Deferred Inflows of Resources	<u>1,157,992</u>	<u>370,149</u>	<u>1,528,141</u>
Net Position			
Net Investment in Capital Assets	20,727,190	23,004,745	43,731,935
Restricted for:			
Capital Projects	1,740,785	0	1,740,785
Transportation	439,068	0	439,068
Law Enforcement	157,592	0	157,592
Memorial Day Services	23,079	0	23,079
Building Department	43,324	0	43,324
Unrestricted	<u>4,670,873</u>	<u>3,673,087</u>	<u>8,343,960</u>
Total Net Position	<u>\$ 27,801,911</u>	<u>\$ 26,677,832</u>	<u>\$ 54,479,743</u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 2,283,410	\$ 23,476	\$ 0	\$ 0	\$ (2,259,934)	\$ 0	\$ (2,259,934)
Public Safety	5,164,426	986,222	10,897	0	(4,167,307)	0	(4,167,307)
Public Works	926,802	0	243,687	0	(683,115)	0	(683,115)
Culture/Recreation	375,129	43,958	73,591	3,525	(254,055)	0	(254,055)
Total Governmental Activities	8,749,767	1,053,656	328,175	3,525	(7,364,411)	0	(7,364,411)
Business-type Activities							
Water and Sewer	3,459,495	4,967,103	61,210	0	0	1,568,818	1,568,818
Sanitation	731,494	544,227	20,466	0	0	(166,801)	(166,801)
Interest on Long-term Debt	74	0	0	0	0	(74)	(74)
Total Business-type Activities	4,191,063	5,511,330	81,676	0	0	1,401,943	1,401,943
Total Primary Government	\$ 12,940,830	\$ 6,564,986	\$ 409,851	\$ 3,525	(7,364,411)	1,401,943	(5,962,468)
General Revenues							
Property Taxes					3,037,653	0	3,037,653
Insurance Premium Tax					232,951	0	232,951
Sales Tax					1,572,054	0	1,572,054
Utility Service Tax					830,864	0	830,864
Communication Services Tax					614,875	0	614,875
Motor Fuel Tax					294,402	0	294,402
Local Business Tax					85,884	0	85,884
Franchise Fees					851,940	0	851,940
Other State Shared Revenues					963,029	0	963,029
Investment Earnings					30,268	38,463	68,731
Miscellaneous					119,070	0	119,070
Transfers					1,229,847	(1,229,847)	0
Total General Revenues and Transfers					9,862,837	(1,191,384)	8,671,453
Change in Net Position					2,498,426	210,559	2,708,985
Net Position, Beginning of Year					25,303,485	26,467,273	51,770,758
Net Position, End of Year					\$ 27,801,911	\$ 26,677,832	\$ 54,479,743

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<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	\$ 5,806,569	\$ 2,752,620	\$ 805,582	\$ 9,364,771
Receivables	46,873	0	0	46,873
Due from Other Funds	2,790	0	0	2,790
Due from Other Governments	743,739	324,839	48,636	1,117,214
Inventories	35,527	0	0	35,527
Prepaid Items	64,183	0	0	64,183
Total Assets	<u>6,699,681</u>	<u>3,077,459</u>	<u>854,218</u>	<u>10,631,358</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	360,368	511,674	44,056	916,098
Due to Other Governments	36,274	0	0	36,274
Due to Other Funds	0	0	30	30
Unearned Revenue	84,612	0	0	84,612
Total Liabilities	<u>481,254</u>	<u>511,674</u>	<u>44,086</u>	<u>1,037,014</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>81,322</u>	<u>0</u>	<u>0</u>	<u>81,322</u>
Fund Balances				
Nonspendable:				
Inventories	35,527	0	0	35,527
Prepaid Items	64,183	0	0	64,183
Restricted for:				
Infrastructure	0	1,740,785	0	1,740,785
Transportation	0	0	439,068	439,068
Law Enforcement	0	0	157,592	157,592
Memorial Day Services	23,079	0	0	23,079
Building Department	0	0	43,324	43,324
Committed:				
Transportation	0	0	22,950	22,950
Cemetery Care and Maintenance	0	0	147,198	147,198
Assigned:				
Subsequent Year's Budget	259,921	0	0	259,921
Unassigned	5,754,395	825,000	0	6,579,395
Total Fund Balances	<u>6,137,105</u>	<u>2,565,785</u>	<u>810,132</u>	<u>9,513,022</u>
Total Liabilities and Fund Balances	<u>\$ 6,699,681</u>	<u>\$ 3,077,459</u>	<u>\$ 854,218</u>	<u>\$ 10,631,358</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, 2017

Fund Balance - Total Governmental Funds \$ 9,513,022

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	\$ 40,632,041	
(Accumulated Depreciation)	<u>(19,904,851)</u>	20,727,190

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	2,420,849	
Deferred Inflows Related to Pensions	<u>(1,157,992)</u>	1,262,857

Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end		81,322
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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	(677,864)	
Net OPEB Obligation	(345,836)	
Net Pension Liability	<u>(2,758,780)</u>	<u>(3,782,480)</u>

Net Position of Governmental Activities		<u>\$ 27,801,911</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, 2017

	General	Capital Project Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,802,228	\$ 1,572,054	\$ 294,402	\$ 6,668,684
Permits, Fees, and Assessments	892,371	0	190,643	1,083,014
Intergovernmental	1,146,292	269,435	0	1,415,727
Charges for Services	132,159	0	1,680	133,839
Fines and Forfeitures	721,416	0	10,264	731,680
Investment Income	20,378	9,287	599	30,264
Miscellaneous	139,749	0	0	139,749
Interfund Charges	802,200	0	0	802,200
Total Revenues	<u>8,656,793</u>	<u>1,850,776</u>	<u>497,588</u>	<u>11,005,157</u>
Expenditures				
Current:				
General Government	2,206,868	57,530	0	2,264,398
Public Safety	4,937,783	0	83,203	5,020,986
Public Works	1,035,075	37,019	0	1,072,094
Culture and Recreation	160,133	49,547	0	209,680
Capital Outlay	41,831	1,957,643	0	1,999,474
(Total Expenditures)	<u>(8,381,690)</u>	<u>(2,101,739)</u>	<u>(83,203)</u>	<u>(10,566,632)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>275,103</u>	<u>(250,963)</u>	<u>414,385</u>	<u>438,525</u>
Other Financing Sources (Uses)				
Transfers in	525,000	825,000	0	1,350,000
Transfers (out)	(25,000)	0	(62,000)	(87,000)
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>825,000</u>	<u>(62,000)</u>	<u>1,263,000</u>
Net Changes in Fund Balance	<u>775,103</u>	<u>574,037</u>	<u>352,385</u>	<u>1,701,525</u>
Fund Balances, Beginning of Year	<u>5,362,002</u>	<u>1,991,748</u>	<u>457,747</u>	<u>7,811,497</u>
Fund Balances, End of Year	<u>\$ 6,137,105</u>	<u>\$ 2,565,785</u>	<u>\$ 810,132</u>	<u>\$ 9,513,022</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, 2017

Net Change in Fund Balance - Total Governmental Funds \$ 1,701,525

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	\$ 1,999,474	
Loss On Disposal of Assets	(1,319)	
(Less Current Year Depreciation)	(1,273,260)	724,895

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.		402,538
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Certain revenues reported in the statement of activities are not considered current financial resources, and, therefore, are not reported as revenue in the governmental funds. Prior unavailable revenues subsequently collected and recognized as revenue in the governmental funds in the current period are not reported in the statement of activities.		(184,613)
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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	(106,725)	
Change in Other Postemployment Benefits	(39,194)	(145,919)

Change in Net Position of Governmental Activities		\$ 2,498,426
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See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Assets			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 3,614,561	\$ 688,890	\$ 4,303,451
Restricted Equity in Pooled Cash and Investments	196,346	75,655	272,001
Receivables, Net	444,227	9,975	454,202
Due from Other Governments	61,210	20,466	81,676
Inventories	94,305	0	94,305
Prepaid Items	18,854	0	18,854
Total Current Assets	4,429,503	794,986	5,224,489
Noncurrent Assets:			
Capital Assets, Net:			
Land	122,549	0	122,549
Construction in Progress	1,757,509	0	1,757,509
Building and Improvements	245,426	47,291	292,717
Improvements Other than Buildings	33,199,084	0	33,199,084
Equipment	727,741	1,100	728,841
(Accumulated Depreciation)	(13,058,388)	(37,567)	(13,095,955)
Total Capital Assets, Net	22,993,921	10,824	23,004,745
Total Assets	27,423,424	805,810	28,229,234
Deferred Outflow of Resources			
Pension Related	188,975	0	188,975
Total Deferred Outflow of Resources	188,975	0	188,975
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	353,048	184,273	537,321
Due to Other Funds	2,760	0	2,760
Current Liabilities Payable from Restricted Assets:			
Customer Deposits	196,346	75,655	272,001
Current Portion of Compensated Absences	49,072	0	49,072
Total Current Liabilities	601,226	259,928	861,154
Noncurrent Liabilities:			
Compensated Absences	59,977	0	59,977
Other Postemployment Benefits	48,824	0	48,824
Net Pension Liability	400,273	0	400,273
Total Noncurrent Liabilities	509,074	0	509,074
Total Liabilities	1,110,300	259,928	1,370,228
Deferred Inflows of Resources			
Pension Related	370,149	0	370,149
Net Position			
Net Investment in Capital Assets	22,993,921	10,824	23,004,745
Unrestricted	3,138,029	535,058	3,673,087
Total Net Position	\$ 26,131,950	\$ 545,882	\$ 26,677,832

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, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Operating Revenues			
Charges for Services	\$ 4,967,103	\$ 544,227	\$ 5,511,330
Total Operating Revenues	<u>4,967,103</u>	<u>544,227</u>	<u>5,511,330</u>
Operating Expenses			
Personnel Services	813,287	0	813,287
Utilities	287,461	0	287,461
Supplies, Materials, and Other	196,915	0	196,915
Professional and Contractual Services	85,142	589,177	674,319
General and Administrative	662,200	140,000	802,200
Depreciation and Amortization	1,005,330	2,317	1,007,647
Repairs and Maintenance	352,073	0	352,073
Insurance	57,087	0	57,087
(Total Operating Expenses)	<u>(3,459,495)</u>	<u>(731,494)</u>	<u>(4,190,989)</u>
Operating Income (Loss)	<u>1,507,608</u>	<u>(187,267)</u>	<u>1,320,341</u>
Nonoperating Revenues (Expenses)			
Operating Grants	61,210	20,466	81,676
Investment Revenue	33,804	4,659	38,463
Interest/Amortization Expense	(54)	(20)	(74)
Total Nonoperating Revenues (Expenses)	<u>94,960</u>	<u>25,105</u>	<u>120,065</u>
Income Before Capital Contributions and Transfers	1,602,568	(162,162)	1,440,406
Transfers in	0	33,153	33,153
Transfers (out)	<u>(463,000)</u>	<u>(800,000)</u>	<u>(1,263,000)</u>
Change in Net Position	<u>1,139,568</u>	<u>(929,009)</u>	<u>210,559</u>
Net Position, Beginning of Year	<u>24,992,382</u>	<u>1,474,891</u>	<u>26,467,273</u>
Net Position, End of Year	<u>\$ 26,131,950</u>	<u>\$ 545,882</u>	<u>\$ 26,677,832</u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 4,962,488	\$ 550,184	\$ 5,512,672
Cash Paid to Suppliers	(1,034,127)	(442,543)	(1,476,670)
Cash Paid to Employees	(931,503)	0	(931,503)
Cash Payments for Interfund Services Used	(662,200)	(172,898)	(835,098)
Net Cash Provided by (Used in)			
Operating Activities	<u>2,334,658</u>	<u>(65,257)</u>	<u>2,269,401</u>
Cash Flows from Noncapital Financing Activities			
Due to/from Other Funds	(401)	(80)	(481)
Transfers in (out)	(463,000)	(766,847)	(1,229,847)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(463,401)</u>	<u>(766,927)</u>	<u>(1,230,328)</u>
Cash Flows from Capital and Related Financing Activities			
Interest Paid	(54)	(20)	(74)
Acquisition and Construction of Capital Assets	(1,385,839)	0	(1,385,839)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,385,893)</u>	<u>(20)</u>	<u>(1,385,913)</u>
Cash Flows from Investing Activities			
Interest Received	33,804	4,659	38,463
Net Cash Provided by (Used in) Investing Activities	<u>33,804</u>	<u>4,659</u>	<u>38,463</u>
Net Increase (Decrease) in Cash and Cash Equivalents	519,168	(827,545)	(308,377)
Cash and Cash Equivalents, Beginning of Year	<u>3,291,739</u>	<u>1,592,090</u>	<u>4,883,829</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,810,907</u></u>	<u><u>\$ 764,545</u></u>	<u><u>\$ 4,575,452</u></u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Concluded)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Sanitation	Total
<u>Reconciliation of Cash and Cash Equivalents to</u> <u>Statement of Net Position</u>			
Equity in Pooled Cash and Investments	\$ 3,614,561	\$ 688,890	\$ 4,303,451
Restricted Equity in Pooled Cash and Investments in Noncurrent Assets	196,346	75,655	272,001
Total Cash and Cash Equivalents	\$ 3,810,907	\$ 764,545	\$ 4,575,452
<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided by (Used in) Operating Activities</u>			
Operating Income (Loss)	\$ 1,507,608	\$ (187,267)	\$ 1,320,341
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	1,005,330	2,317	1,007,647
Decrease (Increase) in Assets:			
Accounts Receivable, Net	12,349	1,028	13,377
Inventory	42,534	0	42,534
Prepaid Items	1,520	0	1,520
Deferred Outflows of Resources	95,026	7,446	102,472
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Liabilities	(97,983)	146,634	48,651
Customer Deposits	(18,484)	4,929	(13,555)
Compensated Absences	(3,806)	(7,486)	(11,292)
Other Postemployment Benefits	7,009	(6,969)	40
Net Pension Liability	(505,258)	(23,736)	(528,994)
Deferred Inflows of Resources	288,813	(2,153)	286,660
Net Cash Provided by (Used in) Operating Activities	\$ 2,334,658	\$ (65,257)	\$ 2,269,401

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	<u>Pension Trust Funds</u>
Assets	
Cash and Cash Equivalents	\$ 717,708
Receivables:	
Employee Contribution	9,010
Employer and State Contributions	213,923
Accrued Income	38,320
Other Receivables	23,955
Total Receivables	<u>285,208</u>
Investments:	
Florida Municipal Pension Trust Fund	10,364,620
U.S. Government and Agency Securities	4,368,366
Corporate Bonds	2,681,610
Domestic Stocks	8,192,839
International Stocks	1,328,597
Mutual Funds	5,827,872
Unit Investment Funds	96,556
Total Investments	<u>32,860,460</u>
Total Assets	<u><u>33,863,376</u></u>
Liabilities	
Accounts Payable	19,953
Prepaid Contribution	20,546
Total Liabilities	<u>40,499</u>
Net Position Held in Trust for Pension Benefits	<u><u>\$ 33,822,877</u></u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Pension Trust Funds
Additions	
Contributions:	
Employee Contributions	\$ 199,454
Employer Contributions	959,298
State Contributions	232,951
Total Contributions	<u>1,391,703</u>
Investment Earnings:	
Change in Fair Value of Investments	3,354,483
Interest Income	522,530
Total Investment Earnings	<u>3,877,013</u>
(Less Investment Expense)	<u>(133,094)</u>
Net Investment Income	<u>3,743,919</u>
Total Additions	<u>5,135,622</u>
Deductions	
Benefits	1,438,312
Administrative Expenses	89,805
Total Deductions	<u>(1,528,117)</u>
Change in Net Position	3,607,505
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>30,215,372</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u><u>\$ 33,822,877</u></u>

See accompanying notes.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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. 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, 2017
(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 Capital Projects - 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, 2017
(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, deferred outflows, liabilities, and deferred inflows 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 fund:

- **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. 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, 2017
(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. The budgetary information presented for the general fund is prepared 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 budget 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, 2017
(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 in the governmental funds 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, 2017
(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, 2017
(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, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

(q) Fund Balance/Net Position (Concluded)

- **Net Position**—Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, 2017
(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) Future Adoption of New Accounting Standards

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows or resources, deferred inflows of resources, and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB. The Town is currently evaluating the impact that adoption of this statement will have on its financial statements. This statement is effective in fiscal year 2018.

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 Statute 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, 2017
(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, 2017, 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)	\$ 259,398
Money Markets	<u>4,512,047</u>
Total Investment Controlled by the Town	<u>4,771,445</u>
 Cash Deposits	 <u>9,168,781</u>
 Total Cash and Investments	 <u>\$ 13,940,226</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, 2017, the carrying amount of the Town's cash deposits was \$9,168,781 and the bank balance was \$9,363,224. 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, 2017, Standard & Poor's ratings service assigned an "AAAm" rating to the Florida Prime.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2017, is 51 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 6.10 and 7.40 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)	\$ 259,398	\$ 0	\$ 259,398	\$ 0	\$ 0	\$ 0
Money Markets	4,512,047	0	4,512,047	0	0	0
Total Investments Controlled by the Town	\$ 4,771,445	\$ 0	\$ 4,771,445	\$ 0	\$ 0	\$ 0
Pension Plan Investments:						
Firefighters, Police Officers, and General Employees:						
U.S. Government and Agency						
Securities	\$ 4,368,366	\$ 0	\$ 795,504	\$ 1,187,627	\$ 706,139	\$ 1,679,096
Corporate Bonds	2,681,610	0	50,016	2,122,445	509,149	0
Domestic Stocks	8,192,839	8,192,839	0	0	0	0
International Stocks	1,328,597	1,328,597	0	0	0	0
Mutual Funds	5,827,872	5,827,872	0	0	0	0
Unit Investment Trust	96,556	96,556	0	0	0	0
FMIvT Broad Market High Quality						
Bond Fund	1,633,780	0	0	0	1,633,780	0
FMIvT Core Plus Fixed Income Fund	2,403,843	0	0	0	2,403,843	0
FMIvT High Quality Growth Portfolio	832,500	832,500	0	0	0	0
FMIvT Diversified Small to Mid Cap	1,144,687	1,144,687	0	0	0	0
FMIvT Russell 1000 Enhanced Index	2,424,655	2,424,655	0	0	0	0
FMIvT International Blend	1,103,062	1,103,062	0	0	0	0
FMIvT Diversified Value	822,093	822,093	0	0	0	0
Total Pension Plan Investments	\$ 32,860,460	\$ 21,772,861	\$ 845,520	\$ 3,310,072	\$ 5,252,911	\$ 1,679,096

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2017:

Investment Type	Quality Ratings											
	AAA	AA-	AA	AA+	A-	A	A+	BB	BB+	BBB	BBB+	Unrated
Investment Controlled by the Town:												
Florida Prime	\$ 259,398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Money Markets	0	0	0	0	0	0	0	0	0	0	0	4,512,047
	<u>\$ 259,398</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>\$ 4,512,047</u>
Pension Plan Investments												
U.S. Government and Agency Securities:	\$ 697,851	\$ 72,297	\$ 0	\$ 2,654,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 943,380
Corporate Bonds	79,594	294,755	235,818	60,361	495,269	487,208	199,135	0	0	161,142	618,311	50,017
Domestic Stocks	0	0	0	0	0	0	0	0	0	0	0	8,192,839
International Stocks	0	0	0	0	0	0	0	0	0	0	0	1,328,597
Mutual Funds	0	0	0	0	0	0	0	0	0	0	0	5,827,872
Unit Investment Trust	0	0	0	0	0	0	0	0	0	0	0	96,556
Florida Municipal Investment Trust	0	0	0	0	0	0	0	0	0	0	0	10,364,620
	<u>\$ 777,445</u>	<u>\$ 367,052</u>	<u>\$ 235,818</u>	<u>\$ 2,715,199</u>	<u>\$ 495,269</u>	<u>\$ 487,208</u>	<u>\$ 199,135</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161,142</u>	<u>\$ 618,311</u>	<u>\$ 26,803,881</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, 2017
(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, 2017, is as follows:

<u>Asset Allocation</u>	<u>Asset Allocation Percentage</u>
Cash and Money Market	0.4%
Broad Market High Quality Bond Portfolio	15.7%
Core Plus	23.1%
High Quality Growth Portfolio	8.0%
Large Cap Diversified Value Portfolio	7.9%
Russell 1000 Index Portfolio	23.3%
Diversified Small Cap Equity Portfolio	10.9%
International Equity Portfolio	10.7%
Total	<u>100.0%</u>

As of September 30, 2017, 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, 2017
(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, 2017:

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	\$ 1,633,780	\$ 0	\$ 1,633,780	\$ 0
FMIvT Core Plus	2,403,843	0	2,403,843	0
FMIvT High Quality Growth	832,500	0	832,500	0
FMIvT Diversified Small to Mid Cap	1,144,687	0	1,144,687	0
FMIvT Russell 1000 Enhanced Index	2,424,655	0	2,424,655	0
FMIvT International Blend	1,103,062	0	1,103,062	0
FMIvT Diversified Value	822,093	0	822,093	0
Subtotal - General Employees' Pension Plan	10,364,620	0	10,364,620	0
Firefighters' Pension Plan:				
U.S. Government and Agency Securities	1,110,895	0	1,110,895	0
Corporate Bonds	983,532	0	983,532	0
Foreign Bonds	129,610	0	129,610	0
ETF - Fixed Income	85,680	85,680	0	0
Mutual Funds	2,534,978	2,534,978	0	0
Common Stock	1,899,871	1,899,871	0	0
Unit Investment Trusts	96,556	96,556	0	0
Subtotal - Firefighters' Pension Plan	6,841,122	4,617,085	2,224,037	0
Police Officers' Pension Plan:				
U.S. Government and Agency Securities	3,257,471	0	3,257,471	0
Corporate Bonds	1,568,468	0	1,568,468	0
Domestic Stocks	6,292,968	6,292,968	0	0
International Stocks	1,328,597	1,328,597	0	0
Mutual Funds	3,207,214	3,207,214	0	0
Subtotal - Police Officers' Pension Plan	15,654,718	10,828,779	4,825,939	0
Total Investments Measured at Fair Value	\$ 32,860,460	\$ 15,445,864	\$ 17,414,596	\$ 0

Investments Measured at the Net Asset Value (NAV)	Amount	Weighted Average Maturity	Credit Risk
Governmental Funds:			
State Board of Administration (SBA):			
Florida PRIME	\$ 259,398	51 Days	AAAm (S&P)

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2017, consist of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Nonmajor Funds</u>	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Receivables						
Accounts Receivable, Net	\$ 46,873	\$ 0	\$ 0	\$ 444,227	\$ 9,975	\$ 501,075
Due from Other Governments	743,739	324,839	48,636	61,210	20,466	1,198,890
Total	<u>\$ 790,612</u>	<u>\$ 324,839</u>	<u>\$ 48,636</u>	<u>\$ 505,437</u>	<u>\$ 30,441</u>	<u>\$ 1,699,965</u>

Included in accounts receivable are water and sewer usage fees earned but not billed of \$316,026 as of September 30, 2017.

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, 2017, are as follows:

Water and Sewer	\$ 29,415
Sanitation	4,129
Total	<u>\$ 33,544</u>

Note 4 - Interfund Transactions

At September 30, 2017, the Town had the following due to/from other funds:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,790	\$ 0
Water and Sewer Fund	0	2,760
Nonmajor Funds	0	30
Total	<u>\$ 2,790</u>	<u>\$ 2,790</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 4 - Interfund Transactions (Concluded)

Interfund transfers for the year ended September 30, 2017, were as follows:

	Transfers in		
	General Fund	Sales Tax	Sanitation Fund
Transfers out			
General Fund	\$ 0	\$ 25,000	\$ 0
Sanitation Fund	0	800,000	0
Water and Sewer Fund	463,000	0	0
Nonmajor Funds	62,000	0	0
Governmental Activities	0	0	33,153
Total	<u>\$ 525,000</u>	<u>\$ 825,000</u>	<u>\$ 33,153</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, 2017, the General Fund transferred \$25,000 to the Capital Projects Sales Tax Fund for capital purchases. The Sanitation Fund transferred \$800,000 to the Capital Projects Sales Tax Fund as budgeted, however in fiscal year 2018, the funds were transferred back to the Sanitation Fund. The Water and Sewer Fund transferred \$463,000 to the General Fund as payment in lieu of taxes. The Building Fund transferred \$62,000 to the General Fund to recover salaries and benefits paid by the General Fund on behalf of building department operations. In the prior year, the sanitation fund had administrative salaries directly allocated to the fund. The general fund now accounts for all the administrative salaries. This resulted in the transfer of the NPL and pension related items, OPEB, and compensated absences liabilities to the General Fund. This resulted in a transfer of \$33,153.

Note 5 Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 2,123,770	\$ 1,498,655	\$ 0	\$ 3,622,425
Land	1,452,946	0	0	1,452,946
Total Capital Assets Not Being Depreciated	<u>3,576,716</u>	<u>1,498,655</u>	<u>0</u>	<u>5,075,371</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	6,338,548	8,827	0	6,347,375
Improvements Other than Buildings	2,507,814	49,803	(1,960)	2,555,657
Infrastructure	21,498,387	46,839	0	21,545,226
Equipment	5,032,025	395,350	(318,963)	5,108,412
Total Capital Assets Being Depreciated	<u>35,376,774</u>	<u>500,819</u>	<u>(320,923)</u>	<u>35,556,670</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,041,360)	(169,566)	0	(2,210,926)
Improvements Other than Buildings	(1,084,956)	(220,237)	1,434	(1,303,759)
Infrastructure	(11,676,929)	(665,903)	0	(12,342,832)
Equipment	(4,147,950)	(217,554)	318,170	(4,047,334)
Total Accumulated Depreciation	<u>(18,951,195)</u>	<u>(1,273,260)</u>	<u>319,604</u>	<u>(19,904,851)</u>
Total Capital Assets Being Depreciated, Net	<u>16,425,579</u>	<u>(772,441)</u>	<u>(1,319)</u>	<u>15,651,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,002,295</u>	<u>\$ 726,214</u>	<u>\$ (1,319)</u>	<u>\$ 20,727,190</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 5 Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 1,209,290	\$ 866,593	\$ (318,374)	\$ 1,757,509
Land	122,549	0	0	122,549
Total Capital Assets Not Being Depreciated	1,331,839	866,593	(318,374)	1,880,058
Capital Assets Being Depreciated:				
Buildings and Improvements	268,917	23,800	0	292,717
Improvements Other than Buildings	32,474,773	724,311	0	33,199,084
Equipment	678,766	89,508	(39,433)	728,841
Total Capital Assets Being Depreciated	33,422,456	837,619	(39,433)	34,220,642
Less Accumulated Depreciation:				
Buildings and Improvements	(126,537)	(9,966)	0	(136,503)
Improvements Other than Buildings	(11,536,507)	(937,076)	0	(12,473,583)
Equipment	(464,698)	(60,605)	39,434	(485,869)
Total Accumulated Depreciation	(12,127,742)	(1,007,647)	39,434	(13,095,955)
Total Capital Assets Being Depreciated, Net	21,294,714	(170,028)	1	21,124,687
Total Business-type Activities, Net	\$ 22,626,553	\$ 696,565	\$ (318,373)	\$ 23,004,745

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 101,692
Public Safety	223,800
Public Works	744,008
Culture and Recreation	203,760
Total Depreciation Expense - Governmental Activities	\$ 1,273,260
Business-type Activities	
Water and Sewer System	\$ 1,005,330
Sanitation	2,317
Total Depreciation Expense - Business-type Activities	\$ 1,007,647

For the year ended September 30, 2017, no interest was capitalized for business-type activities.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 6 - Long-term Obligations

Change in long-term obligations for the year ended September 30, 2017, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 571,139	\$ 642,040	\$ (535,315)	\$ 677,864	\$ 305,039
Other Postemployment Benefits	306,642	39,194	0	345,836	0
Net Pension Liability	4,213,043	0	(1,454,263)	2,758,780	0
Total Governmental Activities	\$ 5,090,824	\$ 681,234	\$ (1,989,578)	\$ 3,782,480	\$ 305,039
Business-type Activities					
Compensated Absences	120,341	85,538	(96,830)	109,049	49,072
Other Postemployment Benefits	48,784	40	0	48,824	0
Net Pension Liability	929,267	0	(528,994)	400,273	0
Total Business-type Activities	\$ 1,098,392	\$ 85,578	\$ (625,824)	\$ 558,146	\$ 49,072

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

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.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

Plan Benefits and Contributions (Continued)

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 on or after 6/3/2014):	2.00% per year

Maximum Benefit Accrual

Group A (Hired prior to 6/7/2016):	75% of Average Monthly Earnings, but not less than the percentage accrued as of June 7, 2016.
Group A (Hired on or after 6/7/2016):	75% of Average Monthly Earnings
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.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

Plan Benefits and Contributions (Concluded)

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 (14.22% of valuation payroll for the year ended September 30, 2017).

Plan Investments

The General Employees' Pension Plan is invested in a group contract with Florida Municipal Pension Trust Fund.

The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's Fiduciary Net Position. For the year ended September 30, 2017, the annual money-weighted rate of the return on Pension Plan Investments, net of Pension Plan investment expense, was 13.42%.

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, 2016, 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, 2017, are also included below.

Plan Membership

Plan membership in the General Employees' Pension Plan as of October 1, 2016, is as follows:

	October 1, 2016
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	20
Inactive Plan Members Entitled to but not yet Receiving Benefits	50
Active Plan Members	46
Total Retirees and Beneficiaries	116

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 9,144,665	\$ 6,907,381	\$ 2,237,284
Changes for the Year:			
Service Cost	184,303	0	184,303
Interest	642,052	0	642,052
Differences between Expected and Actual Experience	19,887	0	19,887
Changes of assumptions	120,280	0	120,280
Changes of Benefit Terms	(32,351)	0	(32,351)
Contributions - Employer	0	419,653	(419,653)
Contributions - Employee	0	48,259	(48,259)
Net Investment Income	0	2,010,513	(2,010,513)
Benefit Payments, Including Refunds of Contributions	(248,893)	(248,893)	0
Administrative Expenses	0	(2,575)	2,575
Net Changes	685,278	2,226,957	(1,541,679)
Balances at September 30, 2016	<u>\$ 9,829,943</u>	<u>\$ 9,134,338</u>	<u>\$ 695,605</u>

September 30, 2017

Total Pension Liability	\$ 10,388,278
Plan Net Position	<u>(10,408,723)</u>
Net Pension Liability	<u><u>\$ (20,445)</u></u>

Plan Net Position as a Percentage 100.20%

For the year ended September 30, 2017, the Town recognized total pension expense of (\$59,060). 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	\$ 311,423
Changes in Assumptions	86,189
Differences between Actual and Expected Experience	<u>14,316</u>
Total Deferred Outflow of Resources	<u><u>\$ 411,928</u></u>

Deferred Inflow of Resources

Differences between Actual and Expected Experience	\$ 18,430
Net Difference between Projected and Actual Earnings	<u>1,065,556</u>
Total Deferred Inflow of Resources	<u><u>\$ 1,083,986</u></u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

General Employees' Pension Plan (Concluded)

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, 2018. 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>
2018	\$ (204,449)
2019	(192,888)
2020	(282,260)
2021	(303,884)
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

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, 2017

<u>Net Pension Liability</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
General Employees' Pension Plan	\$ 918,104	\$ (20,445)	\$ (1,414,340)

As of September 30, 2016

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

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

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 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. Members are considered vested after 5 years of credited service and are entitled to plan benefits. 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, 2017, 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, 2017, 80% of average final compensation. If hired after June 6, 2017, 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.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

Plan Benefits and Contributions (Concluded)

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.

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 (20.40% valuation payroll for the year ended September 30, 2017). The Town and State contributions to the Firefighters' Pension Plan were \$247,724 for the year ended September 30, 2017. 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 Firefighters' 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 12.84% for the year ended September 30, 2017.

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' 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, 2016, 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, 2017, are also included below.

Plan Membership

Plan membership in the Firefighters' Pension Plan as of October 1, 2016 is as follows:

	October 1, 2016		
Retirees and Beneficiaries			
Inactive Plan Members or Beneficiaries			
Currently Receiving Benefits		20	
Inactive Plan Members Entitled to but not yet Receiving Benefits		8	
Active Plan Members		20	
Total Retirees and Beneficiaries		<u>48</u>	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 6,420,229	\$ 5,876,789	\$ 543,440
Changes for the Year:			
Service Cost	197,700	0	197,700
Interest	496,512	0	496,512
Change in Excess State Money	(52,584)	0	(52,584)
Differences between Expected and Actual Experience	(201,630)	0	(201,630)
Changes of Assumptions	132,868	0	132,868
Changes of Benefit Terms	(210,422)	0	(210,422)
Contributions - Employer	0	221,243	(221,243)
Contributions - State	0	84,808	(84,808)
Contributions - Employee	0	34,771	(34,771)
Contributions - Buy Back	33,190	33,190	0
Net Investment Income	0	348,392	(348,392)
Benefit Payments, including Refunds of Contributions	(297,050)	(297,050)	0
Administrative Expenses	0	(55,455)	55,455
Net Changes	<u>98,584</u>	<u>369,899</u>	<u>(271,315)</u>
Balances at September 30, 2016	<u>\$ 6,518,813</u>	<u>\$ 6,246,688</u>	<u>\$ 272,125</u>

The components of the net pension liability of the sponsor on September 30, 2017 were as follows:

September 30, 2017	
Total Pension Liability	\$ 6,987,457
Plan Net Position	<u>(6,987,988)</u>
Net Pension Liability	<u>\$ (531)</u>

Plan Net Position as a Percentage 100.01%

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

Firefighters' Pension Plan (Continued)

For the year ended September 30, 2017, the Town recognized total pension expense of \$109,717. The Town reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflow of Resources

Contributions Made after the Measurement Date	\$ 247,724
Changes of Assumptions	99,651
Differences between Actual and Expected Experience	84,154
Difference between Projected and Actual Earnings on Pension Plan Investments	360,530
Total Deferred Outflow of Resources	\$ 792,059

Deferred Inflows of Resources

Differences between Actual and Expected Experience	151,223
Total Deferred Inflows of Resources	\$ 151,223

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>
2018	\$ 128,830
2019	128,829
2020	110,931
2021	24,522
Thereafter	0

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, 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
Mortality Disables	RP 2000 Disabled, no projection scale

<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, 2017
(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, 2017

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension (Asset) Liability	\$ 926,252	\$ (531)	\$ (768,353)

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)

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, 2017
(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 Officers' 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 11/13/12	Prior to 11/13/12	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

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

Police Officers' Pension Plan (Continued)

Plan Benefits (Concluded)

Disability Benefits (Concluded)

is 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 (49.72% of valuation payroll for the year ended September 30, 2017). Town and State contributions to the Plan were \$633,102 for the year ended September 30, 2017. 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 12.00% for the year ended September 30, 2017.

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, 2016, 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, 2017, are also included below.

Plan membership in the Police Officer's Pension Plan as of October 1, 2016, is as follows:

	October 1, 2016
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	25
Inactive Plan Members Entitled to but not yet Receiving Benefits	15
Active Plan Members	21
Total Retirees and Beneficiaries	<u>61</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2015	\$ 16,185,897	\$ 13,824,311	\$ 2,361,586
Changes for the Year:			
Service Cost	325,676	0	325,676
Interest	1,272,407	0	1,272,407
Differences between Expected and Actual Experience	(291,764)	0	(291,764)
Assumption Changes	343,759	0	343,759
Contributions - Employer	0	507,652	(507,652)
Contributions - State	0	139,588	(139,588)
Contributions - Employee	0	82,605	(82,605)
Net Investment Income	0	1,134,540	(1,134,540)
Benefit Payments, including Refunds of Contributions	(810,306)	(810,306)	0
Administrative Expenses	0	(44,045)	44,045
Net Changes	839,772	1,010,034	(170,262)
Balances at September 30, 2016	<u>\$ 17,025,669</u>	<u>\$ 14,834,345</u>	<u>\$ 2,191,324</u>
September 30, 2017			
Total Pension Liability			\$ 17,811,559
Plan Net Position			<u>(16,446,712)</u>
Net Pension Liability			<u>\$ 1,364,847</u>
Plan Net Position as a Percentage			92.34%

For the year ended September 30, 2017, the Town recognized total pension expense of \$599,193. 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	\$ 653,648
Changes in Assumptions	290,074
Difference between Projected and Actual Earnings on Pension Plan Investments	<u>482,661</u>
Total Deferred Outflow of Resources	<u>\$ 1,426,383</u>
Deferred Inflow of Resources	
Differences between Actual and Expected Experience	<u>\$ 292,932</u>
Total Deferred Inflow of Resources	<u>\$ 292,932</u>

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, 2018. 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, 2017
(Continued)

Note 7 - Pension Plans (Continued)

Police Officers' Pension Plan (Concluded)

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 126,872
2019	164,393
2020	198,005
2021	(9,467)
2022	0
Total	<u><u>\$ 479,803</u></u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.50%
Salary Increases	6.00%
Discount Rate	7.70%
Investment Rate of Return	7.70%
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 7.70%. 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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

As of September 30, 2017			
	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Net Pension Liability	<u>\$ 3688,245</u>	<u>\$ 1,364,847</u>	<u>\$ (543,182)</u>
As of September 30, 2016			
	1% Decrease (6.8%)	Current Discount Rate (7.8%)	1% Increase (8.8%)
Net Pension Liability	<u>\$ 4,437,822</u>	<u>\$ 2,191,324</u>	<u>\$ 350,463</u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Continued)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2017

	General Employees' Pension Plan Fund	Firefighters' Pension Plan Fund	Police Officers' Pension Plan Fund	Total
Assets				
Cash and Cash Equivalents	\$ 41,625	\$ 43,097	\$ 632,986	\$ 717,708
Receivables:				
Employees Contributions	2,478	1,872	4,660	9,010
Employer and State Contributions	0	72,814	141,109	213,923
Accrued Income	0	18,659	19,661	38,320
Other Receivables	0	22,877	1,078	23,955
Total Receivables	2,478	116,222	166,508	285,208
Investments:				
Florida Municipal Pension Trust Fund:				
FMIvT Broad Market High Quality				
Bond Fund	1,633,780	0	0	1,633,780
FMIvT Core Plus Fixed Income Fund	2,403,843	0	0	2,403,843
FMIvT High Quality Growth Portfolio	832,500	0	0	832,500
FMIvT Diversified Small to Mid Cap	1,144,687	0	0	1,144,687
FMIvT Russell 1000 Enhanced Index	2,424,655	0	0	2,424,655
FMIvT International Blend	1,103,062	0	0	1,103,062
FMIvT Diversified Value	822,093	0	0	822,093
U.S. Government and Agency				
Securities	0	1,110,895	3,257,471	4,368,366
Corporate Bonds	0	1,113,142	1,568,468	2,681,610
Domestic Stocks	0	1,899,871	6,292,968	8,192,839
International Stocks	0	0	1,328,597	1,328,597
Mutual Funds	0	2,620,658	3,207,214	5,827,872
Unit Investment Funds	0	96,556	0	96,556
Total Investments	10,364,620	6,841,122	15,654,718	32,860,460
Total Assets	10,408,723	7,000,441	16,454,212	33,863,376
Liabilities				
Accounts Payable	0	12,453	7,500	19,953
Prepaid Town Contribution	0	0	20,546	20,546
Total Liabilities	0	12,453	28,046	40,499
Net Position Held in Trust for Pension Benefits	\$ 10,408,723	\$ 6,987,988	\$ 16,426,166	\$ 33,822,877

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

Note 7 - Pension Plans (Concluded)

COMBINING STATEMENT OF CHANGES IN FUDICIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Employees' Pension Plan Fund	Firefighters' Pension Plan Fund	Police Officers' Pension Plan Fund	Total
Additions				
Contributions:				
Employee Contributions	\$ 65,433	\$ 48,573	\$ 85,448	\$ 199,454
Employer Contributions	311,423	158,271	489,604	959,298
State Contributions	0	89,453	143,498	232,951
Total Contributions	<u>376,856</u>	<u>296,297</u>	<u>718,550</u>	<u>1,391,703</u>
Investment Earnings:				
Change in Fair Value of Investments	1,231,364	644,083	1,479,036	3,354,483
Interest and Dividends	0	185,617	336,913	522,530
Total Investment Earnings	<u>1,231,364</u>	<u>829,700</u>	<u>1,815,949</u>	<u>3,877,013</u>
Less Investment Expense	<u>(17,383)</u>	<u>(43,993)</u>	<u>(71,718)</u>	<u>(133,094)</u>
Net Investment Income	<u>1,213,981</u>	<u>785,707</u>	<u>1,744,231</u>	<u>3,743,919</u>
Total Additions	<u>1,590,837</u>	<u>1,082,004</u>	<u>2,462,781</u>	<u>5,135,622</u>
Deductions				
Benefits	316,027	301,842	820,443	1,438,312
Administrative Expenses	426	38,862	50,517	89,805
Total Deductions	<u>(316,453)</u>	<u>(340,704)</u>	<u>(870,960)</u>	<u>(1,528,117)</u>
Change in Net Position	1,274,384	741,300	1,591,821	3,607,505
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>9,134,339</u>	<u>6,246,688</u>	<u>14,834,345</u>	<u>30,215,372</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u><u>\$ 10,408,723</u></u>	<u><u>\$ 6,987,988</u></u>	<u><u>\$ 16,426,166</u></u>	<u><u>\$ 33,822,877</u></u>

TOWN OF ORANGE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2017
(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>2017</u>
Annual Required Contribution (ARC)	\$ 88,959
Interest on Plan Obligation	14,217
Adjustment on ARC	<u>(13,851)</u>
Annual Plan OPEB Cost	89,325
Contribution Made	<u>(50,091)</u>
Change in OPEB Obligation	39,234
Net Obligation, Beginning of Year	<u>355,426</u>
Net Obligation, End of Year	<u><u>\$ 394,660</u></u>

As of September 30, 2017, the Town reported an other postemployment liability in the government-wide Statement of Net Position in amount of \$345,836 for the governmental activities and \$48,824 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>
2017	\$ 89,325	56.1%	\$ 394,660
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, 2017
(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 6.5% in 2017 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, 2017, the Town had the following significant construction contract commitment:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed To-date</u>	<u>Balance</u>
Plainfield Avenue Improvements Phase II	\$ 3,492,540	\$ 3,319,068	\$ 173,472

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,582,809	\$ 4,581,760	\$ 4,802,228	\$ 220,468
Permits, Fees, and Special Assessments	916,200	916,200	892,371	(23,829)
Intergovernmental	1,066,053	1,066,053	1,146,292	80,239
Charges for Services	916,150	916,150	934,359	18,209
Fines and Forfeitures	15,000	592,056	721,416	129,360
Investment Income	4,200	4,200	20,378	16,178
Miscellaneous	95,200	98,200	139,749	41,549
Total Revenues	<u>7,595,612</u>	<u>8,174,619</u>	<u>8,656,793</u>	<u>482,174</u>
Expenditures				
Current:				
Legislative	203,981	216,901	211,817	5,084
Executive	160,346	177,346	175,661	1,685
Finance	454,219	445,357	432,353	13,004
Economic and Community Development	174,628	176,893	169,503	7,390
Nondepartmental Government Expenditures	414,400	721,342	693,479	27,863
Facilities Maintenance	495,959	459,938	442,451	17,487
Equipment Maintenance	164,590	99,365	93,358	6,007
Police	2,967,709	3,003,046	2,969,811	33,235
Fire	1,895,951	1,922,144	1,908,131	14,013
Memorial Day	1,000	1,000	895	105
Building and Code Services	78,105	72,840	64,978	7,862
Streets, Roads, Drainage	695,472	794,959	743,286	51,673
Public Works Administration	292,170	295,721	295,454	267
Recreation and Programs	184,345	184,345	180,513	3,832
(Total Expenditures)	<u>(8,182,875)</u>	<u>(8,571,197)</u>	<u>(8,381,690)</u>	<u>189,507</u>
Excess of Revenues Over Expenditures	<u>(587,263)</u>	<u>(396,578)</u>	<u>275,103</u>	<u>671,681</u>
Other Financing Sources (Uses)				
Transfers in	525,000	525,000	525,000	0
Transfers (out)	(25,000)	(25,000)	(25,000)	0
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Net Change in Fund Balance	<u>(87,263)</u>	<u>103,422</u>	<u>775,103</u>	<u>671,681</u>
Fund Balance, Beginning of Year	<u>4,170,511</u>	<u>4,060,391</u>	<u>5,362,002</u>	<u>1,301,611</u>
Fund Balance, End of Year	<u>\$ 4,083,248</u>	<u>\$ 4,163,813</u>	<u>\$ 6,137,105</u>	<u>\$ 1,973,292</u>

TOWN OF ORANGE PARK, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

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, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability				
Service Cost	\$ 214,252	\$ 184,303	\$ 217,717	\$ 181,957
Interest	689,944	642,052	604,681	569,116
Benefit Changes	0	(32,351)	(86,307)	(285,187)
Differences Between Actual and Expected Experience	(29,834)	19,887	2,980	(571,357)
Assumption Changes	0	120,280	0	186,132
Benefit Payments, Including Refunds of Member Contributions	(316,027)	(248,893)	(196,624)	(194,264)
Net Change in Total Pension Liability	558,335	685,278	542,447	(113,603)
Total Pension Liability - Beginning	9,829,943	9,144,665	8,602,218	8,715,821
Total Pension Liability - Ending (a)	10,388,278	9,829,943	9,144,665	8,602,218
Plan Fiduciary Net Position				
Contributions - Town	311,423	419,653	439,208	408,449
Contributions - Member	65,433	48,259	25,606	9,876
Net Investment Income	1,213,981	2,010,513	342,918	208,290
Benefit Payments, Including Refunds of Member Contributions	(316,027)	(248,893)	(196,624)	(194,264)
Administrative Expenses	(425)	(2,575)	(26,172)	(25,993)
Net Change in Plan Fiduciary Net Position	1,274,385	2,226,957	584,936	406,358
Plan Fiduciary Net Position - Beginning	9,134,338	6,907,381	6,322,445	5,916,087
Plan Fiduciary Net Position - Ending (b)	10,408,723	9,134,338	6,907,381	6,322,445
Net Pension Liability - Ending (a) - (b)	\$ (20,445)	\$ 695,605	\$ 2,237,284	\$ 2,279,773
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.20%	92.92%	75.53%	73.50%
Covered Employee Payroll	\$ 2,189,775	\$ 2,131,622	\$ 1,957,935	\$ 1,971,521
Net Pension Liability as a Percentage of Covered Employee Payroll	-0.93%	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 09/30/2017, 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 257,642	\$ 395,500	\$ 439,208	\$ 408,449
Contributions in Relation to the Actuarially Determined Contribution	311,423	419,653	439,208	408,449
Contribution Deficiency (Excess)	<u>\$ (53,781)</u>	<u>\$ (24,153)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,189,775	\$ 2,131,622	\$ 1,957,935	\$ 1,971,521
Contributions as a Percentage of Covered Employee Payroll	14.22%	19.69%	22.43%	20.72%

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

NOTES TO SCHEDULE

Valuation Date: October 1, 2016

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: For females, RP 2000 Annuitant Healthy Participant Mortality Tables with 100%, White Collar adjustment, projected with generational improvements with Scale BB. For males, RP 2000 Annuitant Healthy Participant Mortality Tables with 50% White Collar/ 50% Blue Collar adjustment, projected with generational improvements with Scale BB.

Investment Rate of Return: 7.0% compounded annually, net of investment expenses

Salary Increases: 4.75%

Assumed Retirement Age: Experience - based table of rates that are specific to the type of eligibility condition

Disability Rates: None

Asset Valuation Method: Fair Market Value

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, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability				
Service Cost	\$ 197,883	\$ 197,700	\$ 223,182	\$ 218,749
Interest	508,848	496,512	468,541	437,680
Change in Excess State Money	0	(52,584)	0	0
Changes of Benefit Items	0	(210,422)	0	0
Differences between Expected and Actual Experience	63,754	(201,630)	168,306	0
Changes of Assumptions	0	132,868	0	0
Contributions - Buy Back	0	33,190	0	0
Benefit Payments, Including Refunds of Employee Contributions	(301,841)	(297,050)	(251,922)	(298,285)
Net Change in Total Pension Liability	468,644	98,584	608,107	358,144
Total Pension Liability - Beginning	6,518,813	6,420,229	5,812,122	5,453,978
Total Pension Liability - Ending (a)	6,987,457	6,518,813	6,420,229	5,812,122
Plan Fiduciary Net Position				
Contributions - Employer	158,271	221,243	319,831	386,789
Contributions - State	89,453	84,808	99,592	113,263
Contributions - Member	48,573	34,771	31,176	30,202
Contributions - Buy Back	0	33,190	0	0
Net Investment Income	785,707	348,392	(50,813)	530,443
Benefit Payments, Including Refunds of Employee Contributions	(301,841)	(297,050)	(251,922)	(298,285)
Administrative Expenses	(38,863)	(55,455)	(23,140)	(27,472)
Net Change in Plan Fiduciary Net Position	741,300	369,899	124,724	734,940
Plan Fiduciary Net Position - Beginning	6,246,688	5,876,789	5,752,065	5,017,125
Plan Fiduciary Net Position - Ending (b)	6,987,988	6,246,688	5,876,789	5,752,065
Net Pension Liability - Ending (a) - (b)	\$ (531)	\$ 272,125	\$ 543,440	\$ 60,057
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.01%	95.83%	91.54%	98.97%
Covered Employee Payroll	\$ 1,214,329	\$ 1,040,989	\$ 1,157,180	\$ 1,006,749
Net Pension Liability as a Percentage of Covered Employee Payroll	-0.04%	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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual Money Weighted Rate of Return				
Net of Investment Expenses	12.84%	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**

	2017	2016	2015	2014
Actuarially Determined Contribution*	\$ 247,723	\$ 306,051	\$ 419,419	\$ 500,052
Contributions in Relation to the Actuarially Determined Contribution*	247,724	306,051	419,423	500,052
Contribution Deficiency (Excess)	\$ (1)	\$ 0	\$ (4)	\$ 0
Covered Employee Payroll	\$ 1,214,329	\$ 1,040,989	\$ 1,157,180	\$ 1,006,749
Contributions as a Percentage of Covered Employee Payroll	20.40%	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, 2015

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:	30 Years (as of 10/01/2015)
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:	2.07% annually. This assumption is limited by statute to the ten-year payroll growth avg
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.
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, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total Pension Liability				
Service Cost	\$ 340,830	\$ 325,676	\$ 306,760	\$ 293,439
Interest	1,322,590	1,272,407	1,236,212	1,178,306
Differences between Expected and Actual Experience	(289,995)	(291,764)	(295,266)	0
Changes in Assumptions	232,908	343,759	182,706	0
Benefit Payments, Including Refunds of Employee Contributions	(820,443)	(810,306)	(780,803)	(741,692)
Net Change in Total Pension Liability	785,890	839,772	649,609	730,053
Total Pension Liability - Beginning	17,025,669	16,185,897	15,536,288	14,806,235
Total Pension Liability - Ending (a)	17,811,559	17,025,669	16,185,897	15,536,288
Plan Fiduciary Net Position				
Contributions - Employer	510,150	507,652	584,222	625,417
Contributions - State	143,498	139,588	129,319	136,125
Contributions - Employee	85,448	82,605	76,183	66,554
Net Investment Income	1,744,231	1,134,540	64,497	1,254,819
Benefit Payments, Including Refunds of Employee Contributions	(820,443)	(810,306)	(780,803)	(741,692)
Administrative Expenses	(50,517)	(44,045)	(35,667)	(25,516)
Net Change in Plan Fiduciary Net Position	1,612,367	1,010,034	37,751	1,315,707
Plan Fiduciary Net Position - Beginning	14,834,345	13,824,311	13,786,560	12,470,853
Plan Fiduciary Net Position - Ending (b)	16,446,712	14,834,345	13,824,311	13,786,560
Net Pension Liability - Ending (a) - (b)	\$ 1,364,847	\$ 2,191,324	\$ 2,361,586	\$ 1,749,728
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.34%	87.13%	85.41%	88.74%
Covered Employee Payroll	\$ 1,314,581	\$ 1,270,842	\$ 1,205,917	\$ 1,158,944
Net Pension Liability as a Percentage of Covered Employee Payroll	103.82%	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:

<u>Valuation Date</u>	<u>Investment Return Assumption</u>
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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual Money Weighted Rate of Return				
Net of Investment Expenses	12.00%	8.37%	0.48%	10.24%

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**

	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 633,102	\$ 647,240	\$ 713,541	\$ 761,542
Contributions in Relation to the Actuarially Determined Contribution	653,648	647,240	713,541	761,542
Contribution Deficiency (Excess)	\$ (20,546)	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 1,314,581	\$ 1,270,842	\$ 1,205,917	\$ 1,158,944
Contributions as a Percentage of Covered Employee Payroll	49.72%	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, 2015

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: 28 Years (as of 10/01/15)
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: 7.9% per year, compounded annually (prior assumption 8.0)%
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%

Marriage Assumption: 100% of participants are assumed to be married, with husbands 3 years older than wives
Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value retrun. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

TOWN OF ORANGE PARK, FLORIDA
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS
FROM EMPLOYER
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SEPTEMBER 30, 2017

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, 2017**

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, 2017**

	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	\$ 390,432	\$ 39,304	\$ 87,416	\$ 147,198	\$ 58,123	\$ 60,159	\$ 805,582
Due from Other Governments	48,636	0	0	0	0	0	48,636
Total Assets	<u>439,068</u>	<u>39,304</u>	<u>87,416</u>	<u>147,198</u>	<u>58,123</u>	<u>60,159</u>	<u>854,218</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued							
Liabilities	0	24,301	0	0	2,950	16,805	44,056
Due to Other Funds	0	0	0	0	0	30	30
Total Liabilities	<u>0</u>	<u>24,301</u>	<u>0</u>	<u>0</u>	<u>2,950</u>	<u>16,835</u>	<u>44,086</u>
Fund Balances							
Restricted:							
Transportation	439,068	0	0	0	0	0	439,068
Law Enforcement	0	15,003	87,416	0	55,173	0	157,592
Building Department	0	0	0	0	0	43,324	43,324
Committed:							
Cemetery Care and Maintenance	0	0	0	147,198	0	0	147,198
Transportation	0	0	0	0	0	22,950	22,950
Total Fund Balances	<u>439,068</u>	<u>15,003</u>	<u>87,416</u>	<u>147,198</u>	<u>55,173</u>	<u>43,324</u>	<u>810,132</u>
Total Liabilities and Fund Balances	<u>\$ 439,068</u>	<u>\$ 39,304</u>	<u>\$ 87,416</u>	<u>\$ 147,198</u>	<u>\$ 58,123</u>	<u>\$ 60,159</u>	<u>\$ 854,218</u>

TOWN OF ORANGE PARK, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Gas Tax	Confiscated Property	Police Education	Magnolia Cemetery	Police Investigative/ Evidentiary	Building Department	Fair Share
Revenues							
Taxes	\$ 294,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges and Services	0	0	0	1,050	0	630	0
Fines and Forfeitures	0	0	7,039	0	3,225	0	0
Investment Income	0	0	329	1	0	183	86
Permits, Fees, and Assessments	0	0	0	0	0	190,643	0
Total Revenues	<u>294,402</u>	<u>0</u>	<u>7,368</u>	<u>1,051</u>	<u>3,225</u>	<u>191,456</u>	<u>86</u>
Expenditures							
Current:							
Public Safety	0	0	11,615	0	5,602	65,986	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>(11,615)</u>	<u>0</u>	<u>(5,602)</u>	<u>(65,986)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	294,402	0	(4,247)	1,051	(2,377)	125,470	86
Other Financing Sources (Uses)							
Transfers (out)	0	0	0	0	0	(62,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62,000)</u>	<u>0</u>
Change in Fund Balances	294,402	0	(4,247)	1,051	(2,377)	63,470	86
Fund Balances, Beginning of Year	144,666	15,003	91,663	146,147	57,550	(20,146)	22,864
Fund Balances, End of Year	<u>\$ 439,068</u>	<u>\$ 15,003</u>	<u>\$ 87,416</u>	<u>\$ 147,198</u>	<u>\$ 55,173</u>	<u>\$ 43,324</u>	<u>\$ 22,950</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, 2017, 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 4, 2018.

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 4, 2018
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, 2017, 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, 2017.

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.

Purvis, Gray and Company, LLP

May 4, 2018
Gainesville, Florida

Certified Public Accountants

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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, 2017, and have issued our report thereon dated May 4, 2018.

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 Reporting Requirements

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 AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 4, 2018, 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.

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 and Management

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 and Management (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.

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

■ **2017-01 – Retainage Payable**

Condition – During our testing of capital asset additions, we noted that the Town had not accrued retainage payable relating to a construction project. Retainage payable and capital outlay expenses should be recorded as the project progresses; instead of being recorded as expenses when paid. Management has calculated and corrected this error.

Effect – If left uncorrected, capital outlay expense and payables would have been understated in the financial statements.

Recommendation – We recommend that management evaluate their procedures for tracking construction projects to ensure retainage payable is properly accrued.

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, 2017, 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, 2017. 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.

Additional Matters

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.

Town Council and Town Manager
Town of Orange Park, Florida

MANAGEMENT LETTER
(Concluded)

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.

Purvis, Gray and Company, LLP

May 4, 2018
Gainesville, Florida



Town of Orange Park

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

May 4, 2018

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 4, 2018. We are pleased to present the Town's response to this letter.

2017-01 – Retainage Payable

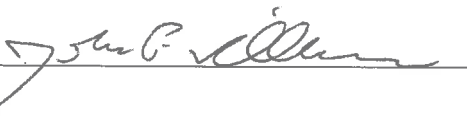
Condition – During our testing of capital asset additions we noted that the Town had not accrued retainage payable relating to a construction project. Retainage payable and capital outlay expense should be recorded as the project progresses; instead of being recorded as an expense when paid. Management has calculated and corrected the error.

Effect – If left uncorrected, capital outlay expense and payables would have been understated in the financial statements.

Recommendation – We recommend that management evaluate their procedures for tracking construction projects to ensure retainage payable is properly accrued.

Management Response to Other Matters – 2017-01 – Retainage Payable

The Town will immediately implement procedures that will include a complete review and analysis of all ongoing construction projects at the end of each fiscal year. This will help ensure that any retainage payables will be properly recorded in the proper fiscal period.

Signature: 

Signature: 

Title: FINANCE DIRECTOR

Title: Tori Mangan