

**TOWN OF ORANGE PARK, FLORIDA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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**TOWN OF ORANGE PARK, FLORIDA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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**TOWN OF ORANGE PARK, FLORIDA  
LIST OF TOWN OFFICIALS  
SERVING AS OF SEPTEMBER 30, 2010**

TOWN COUNCIL

Bob Standifer, Mayor

Pete Morgan, Vice Mayor

Steve Howard

Gary Meeks

Jim Renninger

TOWN MANAGER

Cynthia Hall

TOWN CLERK

Sarah Campbell

FINANCE DIRECTOR

Connie Wolfe

TOWN ATTORNEY

Robert M. Bradley, Jr.

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, Town Council Members, and Town Manager,  
Town of Orange Park, Florida:

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, as of and for the year ended September 30, 2010, which collectively comprise the Town of Orange Park, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Orange Park, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

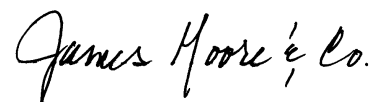
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Orange Park, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, on our consideration of the Town of Orange Park, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orange Park, Florida's financial statements as a whole. The combining nonmajor fund statements, additional disclosures for series 2002 bonds, and the schedule of revenue bond coverage for water and sewer revenue bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, and is also not a required part of the financial statements. The combining nonmajor fund statements and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The additional disclosures for series 2002 bonds and the schedule of revenue bond coverage for water and sewer revenue bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The image shows a handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the main body of text.

Daytona Beach, Florida  
February 28, 2011

## TOWN OF ORANGE PARK, FLORIDA

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, 2010. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal year 2010 by \$47,839 (net assets). Of this amount, \$12,503 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- At September 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$10,719, an increase of \$13 in comparison with the prior year.
- At September 30, 2010, unreserved fund balance for the General Fund was \$5,946 or 78.4% of total General Fund expenditures.
- The General Fund's outstanding notes payable decreased by \$670 or 100% during fiscal year 2010. The decrease was due to the Town paying off the loan in September 2010. The Water and Sewer Enterprise Fund's outstanding notes payable and bonded debt decreased by \$590 or 10.6% during fiscal year 2010. This decrease was due to scheduled debt payments made by the Town for this fiscal year.

### 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 Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. The government-wide financial statements can be found on pages 16 and 17 of this report.

**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 assets 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 eight 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 Capital Project Funds, which are considered to be major funds. Data from the other five governmental funds are 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.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget.

**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 the Sanitation Fund.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. 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. The basic proprietary fund financial statements can be found on pages 22 and 23 of this report.

**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. The basic fiduciary fund financial statements can be found on pages 26 and 27 of this report.

**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. The notes to the financial statements can be found on pages 29 – 58 of this report.

**Other 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. Required supplementary information can be found on pages 60 - 64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the pension funds. Combining and individual fund statements and schedules can be found on pages 67 and 68 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$47,839 at the close of the fiscal year ended September 30, 2010.

By far the largest portion of the Town's net assets (62.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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.

### Town of Orange Park's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,090	\$ 11,234	\$ 8,518	\$ 9,443	\$ 19,608	\$ 20,677
Capital assets	15,882	15,884	18,902	18,302	34,784	34,186
Total assets	<u>26,972</u>	<u>27,118</u>	<u>27,420</u>	<u>27,745</u>	<u>54,392</u>	<u>54,863</u>
Long-term liabilities outstanding	704	1,424	5,089	5,719	5,793	7,143
Other liabilities	274	420	486	1,446	760	1,866
Total liabilities	<u>978</u>	<u>1,844</u>	<u>5,575</u>	<u>7,165</u>	<u>6,553</u>	<u>9,009</u>
Net assets:						
Invested in capital assets, net of related debt	15,882	15,214	14,122	12,897	30,004	28,111
Restricted	4,575	5,063	757	742	5,332	5,805
Unrestricted	5,537	4,997	6,966	6,941	12,503	11,938
Total net assets	<u>\$ 25,994</u>	<u>\$ 25,274</u>	<u>\$ 21,845</u>	<u>\$ 20,580</u>	<u>\$ 47,839</u>	<u>\$ 45,854</u>

A portion of the Town's net assets, \$5,332 (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$12,503, may be used to meet the government's ongoing obligations to citizens and creditors. The change for the Governmental activities is in part attributed to paying off the SunTrust loan for \$489,135 and a decrease in expenses.

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

Following is a summary of activities for the Town during the fiscal year ended September 30, 2010 and 2009:

### Town of Orange Park's Change in Net Assets

(in thousands)

	Governmental activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 239	\$ 279	\$ 5,503	\$ 5,630	\$ 5,742	\$ 5,909
Operating grants and contributions	455	453	-	-	455	453
Capital grants and contributions	240	69	635	81	875	150
General revenues:						
Taxes	5,017	5,148	-	-	5,017	5,148
Franchise, licenses and fines	862	875	-	-	862	875
Intergovernmental revenue	1,120	1,076	-	-	1,120	1,076
Interest revenue	75	147	63	122	138	269
Miscellaneous	40	145	24	33	64	178
Transfers	329	(73)	(329)	73	-	-
Total revenues	<u>8,377</u>	<u>8,119</u>	<u>5,896</u>	<u>5,939</u>	<u>14,273</u>	<u>14,058</u>
Expenses:						
General government	1,107	1,132	-	-	1,107	1,132
Public safety	4,480	4,774	-	-	4,480	4,774
Public works	1,383	1,449	-	-	1,383	1,449
Parks and recreation	668	729	-	-	668	729
Water and sewer	-	-	2,831	2,878	2,831	2,878
Sanitation	-	-	1,800	1,822	1,800	1,822
Interest on long-term debt	20	27	-	-	20	27
Total expenses	<u>7,658</u>	<u>8,111</u>	<u>4,631</u>	<u>4,700</u>	<u>12,289</u>	<u>12,811</u>
Change in net assets	<u>719</u>	<u>8</u>	<u>1,265</u>	<u>1,239</u>	<u>1,984</u>	<u>1,247</u>
Net assets-beginning	<u>25,275</u>	<u>25,267</u>	<u>20,580</u>	<u>19,341</u>	<u>45,855</u>	<u>44,608</u>
Net assets-ending	<u>\$ 25,994</u>	<u>\$ 25,275</u>	<u>\$ 21,845</u>	<u>\$ 20,580</u>	<u>\$ 47,839</u>	<u>\$ 45,855</u>

**Governmental activities.** Governmental activities increased the Town's net assets by \$719. This was primarily due the \$200 FRDAP Grant for the Skateboard Park and a decrease in expenses of \$454 or 5.6%.

**Business-type activities.** Business-type activities increased the Town's net assets by \$1,265 accounting for 6.1% increase in business-type activities net assets. This increase is primarily due to normal business operations of the enterprise funds and in part attributed to completion of the Advanced Wastewater Treatment plant and a decrease in expenses.

**Overall financial position.** The overall financial position of the Town has been stable. Net assets increased by \$1,984, thereby accounting for a total increase of 4.3%. This was attributable to the explanations given above for governmental activities and business-type activities.

### **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, unreserved 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 2010, the Town's governmental funds reported combined ending fund balances of \$10,719, an increase of \$13 in comparison with the prior year.

The General Fund is the primary operating fund of the Town. At the end of fiscal year 2010, unreserved fund balance of the General Fund was \$5,946. Unreserved fund balance represents 78.4% of the total General Fund expenditures. The fund balance of the Town's General Fund increased by \$446 during the fiscal year ended September 30, 2010. This is due in part to controlling expenditures in the face of uncertain revenues.

The Capital Projects Funds are two other major governmental funds. They have recorded within them all the capital projects requested by and approved by the Town Council. These projects are funded by sales and gas taxes.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$448. The net increase in fund balance during the current year in non-major governmental funds was \$3.

**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 assets of the Water and Sewer Fund at the end of the year amounted to \$5,711. The net assets accumulated in the Water and Sewer Fund are due to capital projects being of long term duration, due to the length of time required to plan, design and obtain the necessary environmental permits.

### **General Fund Budgetary Highlights**

- Actual revenues received were 103% of budgeted.
- Actual expenditures were less than budgeted for each of the Departments between 3.6% and 13.2%.
- The Town returned to the fund balance \$446 in FY 2009-2010.
- The changes in the General Fund original budget and the final budget were primarily needed due to paying of the SunTrust loan of \$489,135 and the receipt of the \$200,000 FRDAP grant funds.

## 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, 2010, amounts to \$ 34,784 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following construction projects:

- Advanced Wastewater Treatment Plant Construction
- Paving at Clarke Park
- Sidewalk Improvements

### Town of Orange Park's Capital Assets

(in thousands)

	Governmental activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital assets not being depreciated- land and construction in progress	\$ 1,967	\$ 1,971	\$ 143	\$ 7,606	\$ 2,110	\$ 9,577
Buildings and improvements	3,804	3,830	196	206	4,000	4,036
Improvements other than buildings	1,291	1,071	18,343	10,138	19,634	11,209
Infrastructure	6,991	6,907	-	-	6,991	6,907
Equipment	1,828	2,105	220	351	2,048	2,456
Total	<u>\$ 15,881</u>	<u>\$ 15,884</u>	<u>\$ 18,902</u>	<u>\$ 18,301</u>	<u>\$ 34,783</u>	<u>\$ 34,185</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 40 and 41 of this report.

**Long-term debt.** At the end of fiscal year 2010, the Town had total outstanding debt of \$4,969. The Town's long term debt includes existing bonds and Florida Department of Environmental Protection loans secured solely by specified revenue sources (i.e., revenue bonds).

### Town of Orange Park's Outstanding Debt

(in thousands)

	Governmental activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$ -	\$ -	\$ 2,110	\$ 2,410	\$ 2,110	\$ 2,410
State Revolving Fund	-	-	2,859	3,150	2,859	3,150
SunTrust Bank	-	670	-	-	-	670
Total	<u>\$ -</u>	<u>\$ 670</u>	<u>\$ 4,969</u>	<u>\$ 5,560</u>	<u>\$ 4,969</u>	<u>\$ 6,230</u>

The Water and Sewer Enterprise Fund debt decreased by \$590 (10.6%) during the current fiscal year. The decrease was due to principal loan repayment. The General Fund debt decreased by \$670 (100%) during the current fiscal year due to the Town paying off the loan in September, 2010.

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 on pages 41 - 43 of this report.

### **Economic Factors and Next Year's 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. Another economic factor affecting the Town is the redesign and construction of the new Advanced Wastewater Treatment Plant.

- The unemployment rate as of September 30, 2010, for the municipal service area is 10.5%. This compares favorably with the state's average unemployment rate but unfavorably with the national average unemployment rate.
- Since the Town is effectively built-out, new construction is not expected to produce large annual increases in property tax receipts. It is important to the Town's future that property tax revenues be maintained or increase from year-to year because they make up about forty six (46%) percent of the General Fund's annual revenues. In addition, other revenues are not likely to increase significantly and since most of those sources are beyond the Town's control, property taxes remain the most promising source of future funding.
- Although the Town is being challenged by increasing costs for employee benefits (primarily health insurance and pension contributions) it does not face demand to add personnel in order to extend current levels of services to new areas.
- 55% of the General Fund Expenditures are for Public Safety related activities such as the Police and Fire Services.

### **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.

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**BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in pooled cash and investments	\$ 5,717,987	\$ 7,175,937	\$ 12,893,924
Accounts receivable, net	1,932	218,106	220,038
Due from other governments	943,157	19,487	962,644
Other current assets	98,371	54,740	153,111
Unamortized bond issue costs	-	58,217	58,217
Restricted equity in pooled cash and investments	4,294,926	991,768	5,286,694
Net pension asset	33,965	-	33,965
Capital assets not being depreciated:			
Land	1,452,946	122,549	1,575,495
Construction in progress	513,791	20,685	534,476
Capital assets net of accumulated depreciation:			
Buildings and improvements	3,804,602	196,041	4,000,643
Improvements other than buildings	1,291,020	18,342,817	19,633,837
Equipment	1,827,680	220,291	2,047,971
Infrastructure	6,991,863	-	6,991,863
<b>Total Assets</b>	<u>\$ 26,972,240</u>	<u>\$ 27,420,638</u>	<u>\$ 54,392,878</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 166,227	\$ 250,981	\$ 417,208
Contracts payable	-	-	-
Due to pension trust fund	90,945	-	90,945
Deferred revenue	17,300	-	17,300
Payable from restricted assets:			
Deposits	-	207,352	207,352
Interest payable	-	27,178	27,178
Noncurrent liabilities:			
Due within one year	267,932	685,356	953,288
Due in more than one year	435,571	4,404,308	4,839,879
Total liabilities	<u>977,975</u>	<u>5,575,175</u>	<u>6,553,150</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	15,881,902	14,122,418	30,004,320
Restricted for:			
Capital projects	4,247,430	405,510	4,652,940
Debt service	-	351,728	351,728
Cemetery care and maintenance	144,004	-	144,004
Law enforcement	183,593	-	183,593
Unrestricted	5,537,336	6,965,807	12,503,143
Total net assets	<u>25,994,265</u>	<u>21,845,463</u>	<u>47,839,728</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 26,972,240</u>	<u>\$ 27,420,638</u>	<u>\$ 54,392,878</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 1,106,805	\$ 108,508	\$ -	\$ -	\$ (998,297)	\$ -	\$ (998,297)
Public safety	4,480,194	85,602	10,537	3,196	(4,380,859)	-	(4,380,859)
Public works	1,382,870	45,355	424,596	37,401	(875,518)	-	(875,518)
Culture/recreation	668,703	200	19,825	199,308	(449,370)	-	(449,370)
Interest on long-term debt	20,385	-	-	-	(20,385)	-	(20,385)
<b>Total governmental activities</b>	<u>7,658,957</u>	<u>239,665</u>	<u>454,958</u>	<u>239,905</u>	<u>(6,724,429)</u>	<u>-</u>	<u>(6,724,429)</u>
<b>Business-type activities</b>							
Water and sewer	2,831,518	3,493,969	-	634,886	-	1,297,337	1,297,337
Sanitation	1,800,076	2,009,248	-	-	-	209,172	209,172
Total business-type activities	4,631,594	5,503,217	-	634,886	-	1,506,509	1,506,509
<b>Total primary government</b>	<u>\$ 12,290,551</u>	<u>\$ 5,742,882</u>	<u>\$ 454,958</u>	<u>\$ 874,791</u>	<u>(6,724,429)</u>	<u>1,506,509</u>	<u>(5,217,920)</u>
<b>General revenues</b>							
Property taxes					3,056,020	-	3,056,020
Sales tax					1,164,525	-	1,164,525
Telecommunications service tax					796,486	-	796,486
Intergovernmental revenue					1,119,834	-	1,119,834
Franchise fees					861,990	-	861,990
Interest revenue					74,821	62,946	137,767
Miscellaneous					40,615	24,923	65,538
Transfers					329,200	(329,200)	-
<b>Total general revenues and transfers</b>					<u>7,443,491</u>	<u>(241,331)</u>	<u>7,202,160</u>
<b>Change in net assets</b>					<u>719,062</u>	<u>1,265,178</u>	<u>1,984,240</u>
<b>Net assets, beginning of year</b>					25,275,203	20,580,285	45,855,488
<b>Net assets, end of year</b>					<u>\$ 25,994,265</u>	<u>\$ 21,845,463</u>	<u>\$ 47,839,728</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Sales Tax</u>	<u>Gas Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in pooled cash and investments	\$ 5,717,987	\$ -	\$ -	\$ -	\$ 5,717,987
Accounts receivable	1,682	239	-	11	1,932
Due from other governments	652,618	233,025	57,092	422	943,157
Inventories	32,077	-	-	-	32,077
Prepaid items	66,294	-	-	-	66,294
Restricted assets					
Equity in pooled cash and investments	-	3,821,002	26,125	447,799	4,294,926
<b>Total Assets</b>	<u>\$ 6,470,658</u>	<u>\$ 4,054,266</u>	<u>\$ 83,217</u>	<u>\$ 448,232</u>	<u>\$ 11,056,373</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 155,539	\$ 7,041	\$ -	\$ 3,647	\$ 166,227
Contracts payable	-	-	-	-	-
Due to other funds	90,945	-	-	-	90,945
Deferred revenue	79,754	-	-	-	79,754
Total liabilities	<u>326,238</u>	<u>7,041</u>	<u>-</u>	<u>3,647</u>	<u>336,926</u>
Fund balances:					
Reserved for:					
Inventories	32,077	-	-	-	32,077
Law enforcement	-	-	-	183,593	183,593
Prepaid items	66,294	-	-	-	66,294
Unreserved:					
Designated for:					
Insurance deductible	100,000	-	-	-	100,000
Undesignated, reported in:					
General fund	5,946,049	-	-	-	5,946,049
Capital project funds	-	4,047,225	83,217	-	4,130,442
Special revenue funds	-	-	-	260,992	260,992
Total fund balances	<u>6,144,420</u>	<u>4,047,225</u>	<u>83,217</u>	<u>444,585</u>	<u>10,719,447</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,470,658</u>	<u>\$ 4,054,266</u>	<u>\$ 83,217</u>	<u>\$ 448,232</u>	<u>\$ 11,056,373</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

<b>Fund Balances - Total Governmental Funds</b>		\$ 10,719,447
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Governmental capital assets	28,915,033	
Accumulated depreciation	<u>(13,033,131)</u>	15,881,902
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated absences	(658,291)	
Net OPEB obligation	<u>(45,212)</u>	(703,503)
Because some taxes will not be collected within 60 days after the close of City's fiscal year-end, they are not considered as "available" revenue in the governmental funds, and therefore, reported as deferred revenue. In the statement of net assets, which is on the accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.		
		62,454
The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the Statement of Net Assets, which is presented on the accrual basis, an asset is reported.		
		33,965
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 25,994,265</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General</u>	<u>Sales Tax</u>	<u>Gas Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,852,506	\$ 1,164,525	\$ 341,120	\$ -	\$ 5,358,151
Franchise fees	861,990	-	-	-	861,990
Charges for services	429,268	-	-	200	429,468
Licenses and permits	150,910	-	-	-	150,910
Intergovernmental	1,202,822	-	-	-	1,202,822
Fines and forfeitures	54,685	-	-	9,007	63,692
Investment income	45,186	27,976	-	1,659	74,821
Grants and donations	34,762	237,401	-	-	272,163
Miscellaneous	57,656	-	-	-	57,656
Total revenues	<u>6,689,785</u>	<u>1,429,902</u>	<u>341,120</u>	<u>10,866</u>	<u>8,471,673</u>
<b>Expenditures</b>					
Current:					
General government	1,463,566	-	-	-	1,463,566
Public safety	4,115,245	-	-	3,699	4,118,944
Public works	770,081	-	-	-	770,081
Culture/recreation	516,785	3,395	-	-	520,180
Capital outlay	20,632	1,143,528	55,877	3,600	1,223,637
Debt service:					
Principal	670,369	-	-	-	670,369
Interest	20,385	-	-	-	20,385
Total expenditures	<u>7,577,063</u>	<u>1,146,923</u>	<u>55,877</u>	<u>7,299</u>	<u>8,787,162</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(887,278)</u>	<u>282,979</u>	<u>285,243</u>	<u>3,567</u>	<u>(315,489)</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,334,200	-	-	-	1,334,200
Transfers out	-	(230,000)	(775,000)	-	(1,005,000)
Total other financing sources (uses)	<u>1,334,200</u>	<u>(230,000)</u>	<u>(775,000)</u>	<u>-</u>	<u>329,200</u>
<b>Net change in fund balances</b>	<u>446,922</u>	<u>52,979</u>	<u>(489,757)</u>	<u>3,567</u>	<u>13,711</u>
<b>Fund balances, beginning of year</b>	5,697,498	3,994,246	572,974	441,018	10,705,736
<b>Fund balances, end of year</b>	<u>\$ 6,144,420</u>	<u>\$ 4,047,225</u>	<u>\$ 83,217</u>	<u>\$ 444,585</u>	<u>\$ 10,719,447</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**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  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Net Change in Fund Balances - Total Governmental Funds** \$ 13,711

Amounts reported for governmental activities in the statement of net assets 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.

Expenditures for capital assets	1,110,050	
Less: Current year depreciation	<u>(1,101,431)</u>	8,619

The repayment of the principal of long-term debt consumes the financial resources of the governmental fund. However, it has no effect on net assets. 670,369

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is recorded for each disposal. (11,251)

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.

Compensated absences	95,391	
Net OPEB obligation	<u>(45,212)</u>	50,179

Some taxes will not be collected within 60 days after the close of the City's year-end, and therefore they are not considered as "available" revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized. (11,855)

In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the Statement of Net Assets, which is presented on the accrual basis, an asset is reported. (710)

**Change in Net Assets of Governmental Activities** \$ 719,062

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments	\$ 5,866,562	\$ 1,309,375	\$ 7,175,937
Restricted equity in pooled cash and investments	933,848	57,920	991,768
Accounts receivable, net	181,288	36,818	218,106
Due from other governments	18,166	1,321	19,487
Inventories	30,385	-	30,385
Prepaid items	9,228	15,127	24,355
Total current assets	<u>7,039,477</u>	<u>1,420,561</u>	<u>8,460,038</u>
Noncurrent assets:			
Capital assets, net:			
Land	122,549	-	122,549
Construction in progress	20,685	-	20,685
Building and improvements	216,250	77,094	293,344
Improvements other than buildings	27,692,615	-	27,692,615
Equipment	491,067	1,137,494	1,628,561
Accumulated depreciation	(9,766,811)	(1,088,560)	(10,855,371)
Capital assets, net	<u>18,776,355</u>	<u>126,028</u>	<u>18,902,383</u>
Unamortized bond issue costs	58,217	-	58,217
Total noncurrent assets	<u>18,834,572</u>	<u>126,028</u>	<u>18,960,600</u>
<b>Total Assets</b>	<u><u>\$ 25,874,049</u></u>	<u><u>\$ 1,546,589</u></u>	<u><u>\$ 27,420,638</u></u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 199,334	\$ 51,647	\$ 250,981
Contracts payable	-	-	-
Compensated absences	45,633	29,465	75,098
Current liabilities payable from restricted assets:			
Deposits	149,432	57,920	207,352
Interest payable	27,178	-	27,178
Current portion of long-term debt	610,258	-	610,258
Total current liabilities	<u>1,031,835</u>	<u>139,032</u>	<u>1,170,867</u>
Noncurrent liabilities:			
Compensated absences	146,604	24,792	171,396
Net OPEB obligation	2,499	2,489	4,988
Bonds payable	1,800,000	-	1,800,000
Loans payable	2,559,506	-	2,559,506
Less deferred loss on bond refunding	(113,013)	-	(113,013)
Less unamortized bond discount	(18,569)	-	(18,569)
Total non-current liabilities	<u>4,377,027</u>	<u>27,281</u>	<u>4,404,308</u>
Total liabilities	<u>5,408,862</u>	<u>166,313</u>	<u>5,575,175</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	13,996,390	126,028	14,122,418
Restricted for:			
Debt service	351,728	-	351,728
Capital water and sewer connection	356,046	-	356,046
Pollution control	49,464	-	49,464
Unrestricted	5,711,559	1,254,248	6,965,807
Total net assets	<u>20,465,187</u>	<u>1,380,276</u>	<u>21,845,463</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 25,874,049</u></u>	<u><u>\$ 1,546,589</u></u>	<u><u>\$ 27,420,638</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 3,493,969	\$ 2,009,248	\$ 5,503,217
Miscellaneous	-	24,923	24,923
	<u>3,493,969</u>	<u>2,034,171</u>	<u>5,528,140</u>
<b>Operating expenses</b>			
Personal services	1,058,918	823,954	1,882,872
Utilities	248,095	1,111	249,206
Supplies and materials	177,128	92,887	270,015
Consulting engineers and contractual services	53,847	538,647	592,494
General and administrative	261,000	150,000	411,000
Depreciation and amortization	654,797	107,010	761,807
Repairs and maintenance	148,801	73,175	221,976
Insurance	22,209	13,195	35,404
Total operating expenses	<u>2,624,795</u>	<u>1,799,979</u>	<u>4,424,774</u>
<b>Operating income</b>	<u>869,174</u>	<u>234,192</u>	<u>1,103,366</u>
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	53,701	9,245	62,946
Interest/amortization expense	<u>(206,723)</u>	<u>(97)</u>	<u>(206,820)</u>
Total nonoperating revenues (expenses)	<u>(153,022)</u>	<u>9,148</u>	<u>(143,874)</u>
Income before capital contributions and transfers	<u>716,152</u>	<u>243,340</u>	<u>959,492</u>
<b>Capital grants and contributions</b>	634,886	-	634,886
<b>Transfers in</b>	2,753	-	2,753
<b>Transfers out</b>	<u>(329,200)</u>	<u>(2,753)</u>	<u>(331,953)</u>
<b>Changes in net assets</b>	1,024,591	240,587	1,265,178
<b>Total net assets, beginning of year</b>	19,440,596	1,139,689	20,580,285
<b>Total net assets, end of year</b>	<u>\$ 20,465,187</u>	<u>\$ 1,380,276</u>	<u>\$ 21,845,463</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 3,455,682	\$ 2,018,631	\$ 5,474,313
Cash paid to suppliers	(1,491,432)	(743,299)	(2,234,731)
Cash paid to employees	(1,132,669)	(832,120)	(1,964,789)
Cash payments for interfund services used	(261,000)	(150,000)	(411,000)
Net cash provided by operating activities	<u>570,581</u>	<u>293,212</u>	<u>863,793</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	2,753	-	2,753
Transfers out	(329,200)	(2,753)	(331,953)
Net cash used in noncapital financing activities	<u>(326,447)</u>	<u>(2,753)</u>	<u>(329,200)</u>
<b>Cash flows from capital and related financing activities</b>			
Principal payments on loans and bonds	(590,469)	-	(590,469)
Interest paid	(181,496)	(97)	(181,593)
Proceeds from capital grants and contributions	616,720	-	616,720
Acquisition and construction of capital assets	(1,362,580)	-	(1,362,580)
Net cash used in capital and related financing activities	<u>(1,517,825)</u>	<u>(97)</u>	<u>(1,517,922)</u>
<b>Cash flows from investing activities</b>			
Interest received	59,157	9,245	68,402
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,214,534)</u>	<u>299,607</u>	<u>(914,927)</u>
<b>Cash and cash equivalents, beginning of year</b>	8,014,944	1,067,688	9,082,632
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,800,410</u>	<u>\$ 1,367,295</u>	<u>\$ 8,167,705</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**  
(Continued)

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>Reconciliation of cash and cash equivalents to statement of net assets</b>			
Equity in pooled cash and investments	\$ 5,866,562	\$ 1,309,375	\$ 7,175,937
Restricted equity in pooled cash and investments in non-current assets	933,848	57,920	991,768
Total cash and cash equivalents	<u>\$ 6,800,410</u>	<u>\$ 1,367,295</u>	<u>\$ 8,167,705</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 869,174	\$ 234,192	\$ 1,103,366
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	654,797	107,010	761,807
Decrease (increase) in certain assets:			
Accounts receivable	47,701	(5,467)	42,234
Prepaid expenses and other assets	(8,533)	(13,576)	(22,109)
Increase (decrease) in certain liabilities:			
Compensated absences payable	(60,124)	(7,613)	(67,737)
Net OBEP obligation	2,499	2,489	4,988
Accounts payable and accrued liabilities	(229,953)	(13,750)	(243,703)
Contracts payable	(618,992)	-	(618,992)
Deposits	(85,988)	(10,073)	(96,061)
Net cash provided by operating activities	<u>\$ 570,581</u>	<u>\$ 293,212</u>	<u>\$ 863,793</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF PLAN NET ASSETS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2010**

**Assets**

Cash and cash equivalents	\$ 804,527
Receivables:	
Employee contributions	1,623
Other funds	90,945
Accrued income	56,154
Other receivables	1,535
Receivable from retiree benefit overpayments	31,153
Total receivables	181,410
Investments:	
Annuity contract	3,313,330
U.S. Government and agency securities	2,194,270
Corporate bonds	2,431,402
Foreign bonds	50,390
Domestic stocks	6,640,973
International stocks	1,126,309
Mutual funds	273,116
Total investments	16,029,790
Total assets	17,015,727

**Liabilities**

Refunds payable	188
Contributions payable	15,116
Total liabilities	15,304

<b>Net assets held in trust for pension benefits</b>	<b>\$ 17,000,423</b>
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The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Additions**

Contributions	
Employees' contributions	\$ 60,153
Employer's contributions	988,452
State contributions	269,373
Total contributions	<u>1,317,978</u>
Investment earnings	
Net increase in fair value of investments	611,712
Interest income	623,296
Miscellaneous income	2,622
Total investment earnings	<u>1,237,630</u>
Less investment expense	<u>(97,584)</u>
Net investment income	<u>1,140,046</u>
Total additions	<u>2,458,024</u>

**Deductions**

Benefits	2,149,879
Administrative expenses	71,570
Retiree benefit overpayments to be recovered	(31,153)
Return of contributions	15,116
Total deductions	<u>2,205,412</u>

**Net increase** 252,612

**Net assets held in trust for pension benefits, beginning of year** 16,747,811

**Net assets held in trust for pension benefits, end of year** \$ 17,000,423

The accompanying notes to financial statements  
are an integral part of this statement.

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**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Town of Orange Park, Florida (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 as authorized by its charter: Public Safety, Highways and Streets, Water and Sewer, Sanitation, Public Improvements, Planning, Development and Zoning, and General Administrative Services.

The financial statements of 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 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 (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 assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Town's waste and sewer and sanitation functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities demonstrates the degree to which the 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, services, or privileges provided by a given function or segment and 2) 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.

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.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

(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.

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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 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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

**Major Governmental Funds**—The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Sales Tax Capital Projects Fund and the Gas Tax Capital Projects Fund are also considered major funds. These funds account for resources accumulated and payments made for the acquisition and construction of major capital facilities.

**Non-Major Governmental Fund**—Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes. Non-major special revenue funds include the Confiscated Property Fund, the Police Education Fund, Magnolia Cemetery Fund, the Police Investigative and Evidentiary Fund, and the Fair Share Impact Fee Fund.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

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 assets, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Town's proprietary funds are all classified as enterprise funds. The Town has presented the following proprietary funds:

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

The Town has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This statement requires proprietary funds to apply all applicable GASB pronouncements as well as those Statements and Interpretations of the Financial Accounting Standards Board (FASB), *Accounting Principles Board Opinions*, and *Accounting Research Bulletins of the Committee on Accounting Procedure*, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. As also provided by GASB Statement No. 20, the Town has elected not to adopt any FASB statements issued after November 30, 1989 unless so directed by GASB.

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 non-operating revenues and expenses.

Additionally, the Town reports the following fund type:

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

(d) **Budgets and budgetary accounting**—Annual appropriated budgets are adopted for all funds except for the special revenue funds. The legally adopted budgets are prepared on a basis consistent with GAAP.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

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

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

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

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

(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 and sanitation earned revenue accrued at year end is based upon a prorating of 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 non-current 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."

(h) **Interfund transactions**—Interfund transactions reflect as either 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.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

(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 reserved fund balance is reported to indicate that the asset is not available for appropriation or expenditure.

(j) **Prepaid items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(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 debt service payments, reserve requirements, renewal and replacement expenditures, pollution control expenditures and repayment of deposits to utility customers.

(l) **Bond premium/discounts and issuance costs**—Bond premiums and discounts, losses and issuance costs for proprietary funds are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts and losses are presented as deferred charges and are shown as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges and reported as an asset of the Town.

(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. 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 basic financial statements.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

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

Assets	Years
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 assets. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. 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. The computed liability is in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

(p) **Pension plans**—The town accounts for its Pension Trust Fund under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 27, *Accounting for Pensions by State and Local Governments*. These statements require the recording of defined benefit plan investments at market value. The Town records pension costs in the period salaries are earned.

(q) **Net assets**—Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(r) **Fund equity**—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(1) **Summary of Significant Accounting Policies:** (Continued)

(s) **New accounting pronouncements**—In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year beginning October 1, 2010. The objective of Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town is currently evaluating the effect this Statement will have on its financial statements.

(t) **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
Installment payments	
1 <sup>st</sup> Installment	No later than June 30
2 <sup>nd</sup> Installment	No later than September 30
3 <sup>rd</sup> Installment	No later than December 31
4 <sup>th</sup> Installment	No later than March 31
Regular payments	
Discount periods	November - February
No discount period	March
Delinquent date	April 1

(u) **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.

(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.

At September 30, 2010, the carrying amount of the Town's deposits was \$13,925,587 and the bank balance was \$14,059,414. Included in the carrying amount of the Town deposits is \$650 in petty cash and \$5,042,226 in money market accounts. All of the Town's deposits are fully insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Florida Security for Public Deposits Act (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.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(2) **Cash Deposits and Investments:** (Continued)

The Town does not have a written investment policy and follows the State of Florida investment policy as set forth in *Florida Statutes* 218.415. *Florida Statutes* authorizes the Town to invest in the Local Government Surplus Funds Trust Fund administered by the SBA (SBA Investment Pool), direct obligations of the United States or agencies thereof, interest bearing time deposits or savings accounts, overnight repurchase agreements, mutual funds, stocks, and bonds.

At September 30, 2010, the equity in pooled cash and investments included the following:

Investments controlled by the Town	
SBA Local Government Surplus Funds	
Trust Funds (Florida Prime)	\$ 182,888
SBA Fund B Surplus Trust Fund (Fund B)	31,473
Certificate of deposit	4,040,670
Total investments controlled by Town	4,255,031
Cash deposits	13,925,587
Total cash and investments	\$ 18,180,618

The Town's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Local Government Surplus Funds Trust Fund Investment Pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes.

Florida Prime, currently known as the Local Government Investment Pool (LGIP), is a Securities and Exchange Commission rule 2a7-like external investment pool. 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, 2010, Standard and Poor's Ratings Services assigned its "AAAm" rating to LGIP.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund. Fund B is accounted for as a fluctuating NAV pool. The fair value factor of Fund B as of September 30, 2010 was .707058094. Fund B is not rated by any nationally recognized statistical rating agency. Prior to September 30, 2008, the Town withdrew substantially all of its funds from the SBA and invested the monies in high yield checking accounts, money market accounts, and a certificate of deposit. Additional information regarding the SBA Investment Pool may be obtained from the SBA.

Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 (i.e. specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at September 30, 2010, is estimated at 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(2) **Cash Deposits and Investments:** (Continued)

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

*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.

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Investments controlled by Town					
SBA Local Government Surplus Funds Trust Funds (Florida Prime)	\$ 182,888	\$ 182,888	\$ -	\$ -	\$ -
SBA Fund B Surplus Trust Fund (Fund B)	31,473	-	-	31,473	-
Certificates of deposit	4,040,670	4,040,670	-	-	-
Total investments controlled by town	<u>4,255,031</u>	<u>4,223,558</u>	<u>-</u>	<u>31,473</u>	<u>-</u>
Pension plan investments					
Firefighters and Police Officers U.S. government and agency securities	2,194,270	56,511	552,542	517,520	1,067,697
Foreign bonds	50,390	-	-	50,390	-
Corporate bonds	2,431,402	-	1,231,827	1,048,248	151,327
Equity securities - domestic	6,640,973	6,640,973	-	-	-
Equity securities - international	1,126,309	1,126,309	-	-	-
Mutual funds	273,116	273,116	-	-	-
Total pension plan investments	<u>12,716,460</u>	<u>8,096,909</u>	<u>1,784,369</u>	<u>1,616,158</u>	<u>1,219,024</u>
Total investments	<u>\$ 16,971,491</u>	<u>\$ 12,320,467</u>	<u>\$ 1,784,369</u>	<u>\$ 1,647,631</u>	<u>\$ 1,219,024</u>

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(2) **Cash Deposits 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 town's rated debt instruments as of September 30, 2010, were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using Standard & Poor's rating scale.

	<u>Quality Ratings</u>					
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BB</u>	<u>BBB</u>	<u>Unrated</u>
<b>Investment type</b>						
Investments controlled by Town						
SBA Local Government						
Surplus Funds Trust Funds						
(Florida Prime)	\$ 182,888	\$ -	\$ -	\$ -	\$ -	\$ 31,473
Pension plan investments						
U.S. government and agency securities	1,307,124	51,625	12,677	-	1,084	821,760
Foreign bonds	-	-	-	-	50,390	-
Domestic corporate bonds	114,607	255,598	1,953,135	54,161	53,901	-

*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 external investment pools are excluded from this disclosure requirement. As of September 30, 2010, the town's investments subject to this disclosure requirement do not exceed 5% of its total investments in any single issuer.

The Firefighters' and Police Officers' Pension Plan Funds had investments at September 30, 2010, with more than 5% of the total in securities of United States Treasury Notes. This investment represented 6.34% of total Firefighters' and Police Officers' Pension Plan Funds. In addition, the General Employees' Pension Plan had investments at September 30, 2010 in an annuity contract which represented 100% of total General Employees' Pension Plan Funds.

*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 possession of an outside party.

The Town had no custodial credit risk for its investments as of September 30, 2010. The Firefighters' and Police Officers' Pension Plan Funds invested in the United States Government Securities are not subject to the custodial credit risk. At September 30, 2010, Firefighters' and Police Officers' Pension Plan Funds investments, totaling \$10,522,190, were uninsured and unregistered with the securities held by the counterparty's trust department or in an agent's name.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(3) **Receivables:**

Receivables at September 30, 2010 consist of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Gas Tax Fund</u>	<u>Nonmajor Funds</u>	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Accounts receivable	\$ 1,682	\$ 239	\$ -	\$ 11	\$ 195,736	\$ 44,913	\$ 242,581
Due from other governments	652,618	233,025	57,092	422	18,166	1,321	962,644
Gross receivables	654,300	233,264	57,092	433	213,902	46,234	1,205,225
Less: Allowance for uncollectible accounts	-	-	-	-	(14,448)	(8,095)	(22,543)
Net total receivables	<u>\$ 654,300</u>	<u>\$ 233,264</u>	<u>\$ 57,092</u>	<u>\$ 433</u>	<u>\$ 199,454</u>	<u>\$ 38,139</u>	<u>\$ 1,182,682</u>

Included in accounts receivable are \$144,532 earned but not billed as of September 30, 2010.

(4) **Interfund Transactions:**

The \$90,945 outstanding balance between the pension trust funds and General fund relates to state and Town contributions due to the Firefighters' and Police Pension Plan Funds. At September 30, 2010, the Town had the following due to/from other funds:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General	\$ -	\$ 90,945
Pension trust funds	90,945	-
	<u>\$ 90,945</u>	<u>\$ 90,945</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. Following is a summary of interfund transfers for the year ended September 30, 2010:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b><u>Transfers out:</u></b>			
Sales tax	\$ 230,000	\$ -	\$ 230,000
Gas tax	775,000	-	775,000
Total governmental funds	<u>1,005,000</u>	<u>-</u>	<u>1,005,000</u>
Sanitation	-	2,753	2,753
Water and sewer	329,200	-	329,200
Total	<u>\$ 1,334,200</u>	<u>\$ 2,753</u>	<u>\$ 1,336,953</u>

For the year ended September 30, 2010, the Sales Tax Fund and Gas Tax Fund transferred \$230,000 and \$775,000, respectively, to the General Fund to support the Town's funding of capital projects. The Water and Sewer Fund transferred \$329,200 to the General Fund as a payment in lieu of taxes. The Sanitation Fund transferred \$2,753 to the Water and Sewer Fund to support the Town's funding of capital assets.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(5) **Capital Assets:**

Capital asset activity for the year ended September 30, 2010, is as follows:

	<b>Balance October 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2010</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 518,694	\$ 981,180	\$ (986,083)	\$ 513,791
Land	1,452,946	-	-	1,452,946
Total capital assets, not being depreciated	<u>1,971,640</u>	<u>981,180</u>	<u>(986,083)</u>	<u>1,966,737</u>
Capital assets, being depreciated:				
Buildings and improvements	4,983,030	106,944	-	5,089,974
Improvements other than buildings	1,385,110	292,871	-	1,677,981
Infrastructure	14,778,187	586,268	-	15,364,455
Equipment	4,775,152	128,868	(88,135)	4,815,885
Total capital assets, being depreciated	<u>25,921,479</u>	<u>1,114,954</u>	<u>(88,135)</u>	<u>26,948,295</u>
Less Accumulated depreciation for:				
Buildings and improvements	(1,152,674)	(132,698)	-	(1,285,372)
Improvements other than buildings	(314,416)	(72,545)	-	(386,961)
Infrastructure	(7,871,178)	(501,414)	-	(8,372,592)
Equipment	(2,670,317)	(394,774)	76,886	(2,988,205)
Total accumulated depreciation	<u>(12,008,585)</u>	<u>(1,101,431)</u>	<u>76,886</u>	<u>(13,033,130)</u>
Total capital assets, being depreciated, net	<u>13,912,894</u>	<u>13,523</u>	<u>(11,249)</u>	<u>13,915,165</u>
Governmental activities capital assets, net	<u>\$ 15,884,534</u>	<u>\$ 994,703</u>	<u>\$ (997,332)</u>	<u>\$ 15,881,902</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 7,483,570	\$ 1,341,390	\$ (8,804,275)	\$ 20,685
Land	122,549	-	-	122,549
Total capital assets, not being depreciated	<u>7,606,119</u>	<u>1,341,390</u>	<u>(8,804,275)</u>	<u>143,234</u>
Capital assets, being depreciated:				
Buildings and improvements	293,344	-	-	293,344
Improvements other than buildings	18,884,340	8,808,275	-	27,692,615
Equipment	1,611,371	17,190	-	1,628,561
Total capital assets, being depreciated	<u>20,789,055</u>	<u>8,825,465</u>	<u>-</u>	<u>29,614,520</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(87,476)	(9,827)	-	(97,303)
Improvements other than buildings	(8,746,090)	(603,708)	-	(9,349,798)
Equipment	(1,259,998)	(148,272)	-	(1,408,270)
Total accumulated depreciation	<u>(10,093,564)</u>	<u>(761,807)</u>	<u>-</u>	<u>(10,855,371)</u>
Total capital assets, being depreciated, net	<u>10,695,491</u>	<u>(8,063,658)</u>	<u>(8,804,275)</u>	<u>18,759,149</u>
Business-type activities capital assets, net	<u>\$ 18,301,610</u>	<u>\$ 9,405,048</u>	<u>\$ (8,804,275)</u>	<u>\$ 18,902,383</u>

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(5) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 68,656
Public safety	338,957
Public works	605,048
Culture and recreation	88,770
Total depreciation expense - governmental activities	\$ 1,101,431

**Business-type activities**

Water and sewer	654,797
Sanitation	107,010
Total depreciation expense - business-type activities	\$ 761,807

For the year ended September 30, 2010, \$33,117 of interest was capitalized in business-type activities.

(6) **Long-term Debt:**

At September 30, 2010, bonds and loans payable consisted of the following:

	<b>Business-type Activities</b>
<b>BONDS:</b>	
Water and Sewer Refunding Revenue Bonds, Series 2002 dated April 1, 2002, due in annual principal installments of \$210,000 to \$395,000, plus interest through March 1, 2016, bearing interest rates of 3.5% to 4.9%.	\$ 2,110,000
<b>LOANS:</b>	
Drinking Water State Revolving Fund Construction Loan Agreement due in semi-annual installments of principal and interest of \$131,108 until the payment amount is adjusted by amendment and amounts due have been fully paid, bearing interest at a rate of 3.52%.	1,931,159
Wastewater Collection System Expansion and Improvement Project Construction Loan Agreement due in semi-annual installment of principal and interest of \$65,737 through May 15, 2018, bearing interest at a rate of 2.99%.	928,605
Total	\$ 4,969,764

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(6) **Long-term Debt:** (Continued)

Transactions for the year ended September 30, 2010, are summarized as follows:

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2010</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Compensated absences	\$ 753,682	\$ 482,921	\$ (578,312)	\$ 658,291	\$ 267,932
SunTrust Bank Loan	670,374	-	(670,374)	-	-
Net OPEB Liability	-	45,212	-	45,212	-
Governmental activities - long-term liabilities	<u>\$ 1,424,056</u>	<u>\$ 528,133</u>	<u>\$ (1,248,686)</u>	<u>\$ 703,503</u>	<u>\$ 267,932</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 2,410,000	\$ -	\$ (300,000)	\$ 2,110,000	\$ 310,000
Refunding revenue bonds					
Revolving loans payable					
Drinking water construction loan	2,120,388	-	(189,229)	1,931,159	195,948
Wastewater collection construction loan	1,029,845	-	(101,240)	928,605	104,310
Less deferred amounts					
For issuance discounts	(21,945)	-	3,376	(18,569)	-
Loss on bonding refunding	(133,564)	-	20,551	(113,013)	-
Total bonds and loans payable	<u>5,404,724</u>	<u>-</u>	<u>(566,542)</u>	<u>4,838,182</u>	<u>610,258</u>
Compensated absences	314,231	139,792	(207,529)	246,494	75,098
Net OPEB Liability	-	4,988	-	4,988	-
Business-type activities - long-term liabilities	<u>\$ 5,718,955</u>	<u>\$ 144,780</u>	<u>\$ (774,071)</u>	<u>\$ 5,089,664</u>	<u>\$ 685,356</u>

On December 1, 2007, the Town entered into a loan agreement with SunTrust Bank. The original loan amount was \$1,000,000 to be repaid monthly over five years beginning on January 21, 2008 and maturing on December 21, 2012. The loan was paid in full during the year ended September 30, 2010. The loan bore interest at 3.56%. The proceeds were used to pay for capital improvements specified by the agreement. Revenues from governmental activities repaid this obligation.

The Water and Sewer Refunding Revenue bonds, Series 2002 (2002 bonds) were issued on April 11, 2002, in the amount of \$4,155,000 in order to refund the Water and Sewer Refunding Revenue Bonds, Series 1992 (1992 Bonds). The 1992 bonds were issued in part to advance the refunding of the 1968, 1972 and 1985 water and sewer revenue certificates. The 2002 Bonds are payable solely from the net revenues of the water and sewer systems.

In September 1996, the Town was approved for a Wastewater Collection System Expansion and Improvement Project Construction Loan Agreement from the FDEP to finance the construction of improvements to the Town's wastewater collection system. The amount of the original loan was \$1,702,000. In August 1999, the loan was amended to include an additional \$304,000. In September 2001, upon completion of the project, a final amendment was made to reduce the project cost in the amount of \$28,695 and reduce the semi-annual loan payments. The interest rate under the agreement is 2.99% per annum, while the interest rate on the additional amount is 3.12% per annum. Revenues of the water and sewer systems will repay this obligation.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(6) **Long-term Debt:** (Continued)

In September 2000, the Town was approved for a Drinking Water State Revolving Fund Construction Loan Agreement from the FDEP to finance construction and improvements to the Town's water facilities. The initial available amount of the loan is \$3,480,858. The interest rate under the loan agreement is 3.52%. As of the year ended September 30, 2010, \$3,077,662 had been drawn by the Town on this loan and \$1,146,503 had been repaid. Revenues of the water and sewer systems will repay this obligation. Principal payments being made are based on the required payments had the entire available loan amount been drawn. The amortization schedule presented is based on the principal payments being currently made.

The annual debt service requirements to maturity for all business-type activity debt outstanding as of September 30, 2010 are as follows:

	<b>Business-Type Activities</b>						
	<b>Revenue Note Payable</b>		<b>State of Florida Revolving Loan Drinking Water</b>		<b>State of Florida Revolving Loan Wastewater Collection</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2011	\$ 310,000	\$ 98,420	\$ 195,948	\$ 66,268	\$ 104,310	\$ 27,166	\$ 802,112
2012	325,000	84,780	202,906	59,309	107,472	24,003	803,470
2013	340,000	70,155	210,112	52,104	110,731	20,744	803,846
2014	360,000	54,515	217,573	44,643	114,088	17,387	808,206
2015	380,000	37,595	225,299	36,917	117,547	13,928	811,286
2016 – 2019	395,000	19,355	879,321	64,319	374,457	19,965	1,752,417
	<u>\$ 2,110,000</u>	<u>\$ 364,820</u>	<u>\$ 1,931,159</u>	<u>\$ 323,560</u>	<u>\$ 928,605</u>	<u>\$ 123,193</u>	<u>\$ 5,781,337</u>

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(7) **Pension Plans:**

General Employees' Pension Plan

The Town contributes to the General Employees' Pension Plan which is a single-employer defined benefit public employees' retirement system (PERS). It is the responsibility of the PERS to function as an investment and administrative agent for the Town with respect to the pension plan. The PERS does not issue a financial report separate from the Town's financial statements.

The Town's total payroll and total covered payroll on which current year contributions are based for all general employees amounted to \$2,338,150 as actuarially calculated. Covered payroll refers to base salary paid by the Town to employees eligible for PERS participation who are under assumed retirement age.

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 twenty years of service. The benefit accrual rate is equal to 2.5% of average base monthly earnings during the three highest years of the ten years immediately preceding retirement or termination for each year of credited service subject to a minimum pension of \$600 and a maximum annual benefit of \$100,000. Death benefits before retirement are provided if a married participant dies while eligible for early retirement as a life annuity equal to 50% of the benefit due to the employee had he or she elected the joint and survivorship annuity and retired the day before death. If the participant is not married, the survivor portion will be payable to the beneficiary for a period of ten years certain. After retirement, death benefits are paid in accordance with the annuity option in effect. The Town must provide annual contributions sufficient to fund the plan adequately as indicated by the annual actuarial valuation. Employee contributions are not required.

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

The present value of future pension payments was computed by using discount rates of 8% for pre-retirement and 7% for post-retirement (for annuity purchases). The discount rates are equal to the estimated long-term rate of return on current and future investments of the PERS.

The actuarial cost method used in the valuation is the entry age normal method and the amortization method is the level dollar method computed with a closed period.

Future pension payments reflect an assumption of a 6.5% salary increase as a result of inflation and/or merit adjustments.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Current membership in the General Employees' Pension Plan as of September 30, 2010, is as follows:

	<b>General Employees</b>
Retirees and beneficiaries	
Terminated vested participants entitled to future benefits	36
Active employees	53
	89

The Town's annual pension cost and net pension asset with respect to the General Employees' Pension Plan were as follows:

	<b>General Employees</b>
Annual Required Contribution (ARC)	\$ 608,486
Interest on net pension asset	-
Adjustment to ARC	-
Annual pension cost (APC)	608,486
Contributions made	(608,486)
Increase in net pension asset	-
Net pension asset, beginning of year	-
Net pension asset, end of year	\$ -

Three-year trend information

<b>Fiscal Year Ending</b>	<b>General Employees</b>		
	<b>Annual Pension cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
9/30/2010	\$ 608,486	100%	\$ -
9/30/2009	513,656	100%	-
9/30/2008	498,597	100%	-

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

The Town's funded status information as of October 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial Value of Assets  (a)	Actuarial Accrued Liability (AAL)  (b)	Unfunded AAL (Excess of Assets over AAL)  (b - a)	Funded Ratio (a / b)	Covered Payroll  (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll  ((b - a) / c)
\$ 3,313,000	\$ 6,758,000	\$ 3,445,000	49.0%	\$ 2,338,000	147.3%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial methods and significant assumptions:

	<u>General Employees</u>
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Insurance contract value
Actuarial assumptions	
Investment rate of return	
Pre-retirement	8.00%
Post retirement	7.00%
Projected salary increase	6.50%

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Firefighters' Pension Plan

The Firefighters' Pension Plan, a single-employer defined benefit public employees' retirement system, was established pursuant to Town Ordinance 8-89, adopted March 21, 1989, 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 five member Board of Trustees. Investments are reported at fair value. The Firefighters' Pension Plan does not issue a stand-alone financial report.

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.

Fire department employees attaining the earlier of the age of 55 and 10 years of credited service or 25 years of credited service regardless of age are entitled to a retirement benefit equal to 3% of average final compensation times credited service. Employees who have attained age 50 and have completed 10 years of service are eligible for early retirement and received accrued benefits, reduced 3% per year. Active employees who become disabled receive disability benefits accrued to date of disability but not less than 42% of average final compensation of service incurred. Employees who become disabled from a non-service incurrence must have ten years credited service to receive disability benefits. The benefits are payable for life, with 120 monthly payments guaranteed, or until recovery, as determined by the Board. If an employee dies before completion of five years of continuous service, employee contributions, without interest, are refunded. If an employee dies after the completion of at least five years of continuous service, 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.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Current membership in the Firefighters' Pension Plan as of September 30, 2010, is as follows:

	<b>Firefighters</b>
Retirees and beneficiaries	
Current receiving benefits	15
Terminated members not yet receiving benefits	11
	26
Active employees	
Fully-vested	13
Non-vested	6
	19

*Funding Policy*—Under the provisions of the Town Ordinance, fire department employees of the Town are required to contribute 3% 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 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. The total annual required contribution (ARC) for the Firefighters' Pension Plan was \$218,200.

The Town's annual pension cost and net pension asset with respect to the Firefighters' Pension Plan were as follows:

	<b>Firefighters</b>
Annual Required Contribution (ARC)	\$ 112,253
Interest on net pension asset	(2,774)
Adjustment to ARC	3,484
Annual pension cost (APC)	112,963
Contributions made	112,253
Increase in net pension asset	710
Net pension asset, beginning of year	(34,675)
Net pension asset, end of year	\$ (33,965)

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Three-year trend information

<u>Fiscal Year Ending</u>	<b>Firefighters</b>		
	<u>Annual Pension cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2010	\$ 112,253	100%	\$ 33,965
9/30/2009	69,951	100%	34,675
9/30/2008	42,251	100%	35,382

The Town's funded status information as of October 1, 2010, the most recent actuarial valuation date, was as follows:

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (Excess of Assets over AAL) (b – a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b – a) / c)</u>
\$ 4,200,095	\$ 5,098,317	\$ 898,222	82.38%	\$ 908,479	98.87%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial methods and significant assumptions.

	<b>Firefighters</b>
Actuarial valuation date	10/1/2008
Actuarial cost method	Entry age normal
Amortization method	Level as percent of payroll, closed
Remaining amortization period	25 years
Asset valuation method	4-year smooth market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	7.50%
(including inflation)	3.00%
Post retirement COLA	0.00%

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Police Officers' Pension Plan

The Police Officers' Pension Plan, a single-employer contributory 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 the 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 Police Officers' Pension Plan is administered by a five member Board of Trustees. Investments are reported at fair value. The Police Officers' Pension Plan does not issue a stand-alone financial report.

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.

Police department employees attaining the earlier of the age of 55 and 10 years of credited service or age 52 and 25 years of credited service, are entitled to a retirement benefit equal to 3.75% of average monthly earnings times years of credited service in addition to \$200 per month. Employees who have attained age 45 and have completed 10 years of service are eligible for early retirement and receive accrued benefits (excluding the \$200 supplement), reduced 3% for each year that early retirement precedes normal retirement. 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 non-service incurrence must have ten years credited service to receive benefits of 25% of pay on date of disability. 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, without interest, are refunded.

If an employee terminates his employment either voluntarily or by lawful discharge after the completion of at least five years of continuous service, but before becoming eligible for retirement under the Police Officers' Pension Plan, the employee is entitled to accrued pension payable at normal retirement date.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

Current membership in the Police Officers' Pension Plan as of September 30, 2010, is as follows:

	<b>Police Officers</b>
Retirees and beneficiaries	
Current receiving benefits	23
Terminated members not yet receiving benefits	14
	37
Active employees	
Fully-vested	13
Non-vested	8
	21

*Funding Policy*—Under the provisions of the Act, police department employees of the Town are required to contribute 3% of their annual compensation to the Police Officers' Pension Plan. The payments are deducted from the employees' wages and remitted by the Town to the Police Officers' Plan 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 makes actuarially determined contributions to the Police Officers' Pension Plan on a periodic basis. In addition, the Police Officers' Pension Plan receives a distribution of casualty premium tax monies from the State, pursuant to the Act. In 2010, the annual required contribution (ARC) for the Police Officers' Pension Plan was \$431,139.

The Town's annual pension cost and net pension asset with respect to the Police Officers' Pension Plan were as follows:

Three-year trend information

<b>Fiscal Year Ending</b>	<b>Police Officers</b>		
	<b>Annual Pension cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
9/30/2010	\$ 267,713	100%	\$ -
9/30/2009	166,333	100%	-
9/30/2008	118,848	100%	-

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

The Town's funded status information as of October 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (Excess of Assets over AAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b – a) / c)
\$ 10,609,989	\$ 13,562,064	\$ 2,952,075	78.23%	\$ 1,049,413	281.31%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial methods and significant assumptions.

	<u>Police Officers</u>
Actuarial valuation date	10/1/2008
Actuarial cost method	Entry age normal
Amortization method	Level as percent of payroll, closed
Remaining amortization period	25 years
Asset valuation method	4-year smooth
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	6.00%
(including inflation)	3.00%
Post retirement COLA	3.00% (begins at age 55)

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF PLAN NET ASSETS  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2010**

	<b>General Employees' Pension Plan Fund</b>	<b>Firefighters' Pension Plan Fund</b>	<b>Police Officers' Pension Plan Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 55,317	\$ 749,210	\$ 804,527
Receivables:				
Employee contributions	-	467	1,156	1,623
Other funds	-	33,232	57,713	90,945
Accrued income	-	15,119	41,035	56,154
Other receivables	-	-	1,535	1,535
Receivable from retiree benefit overpayments	-	31,153	-	31,153
Total receivables	-	79,971	101,439	181,410
Investments:				
Annuity contract	3,313,330	-	-	3,313,330
U.S. Government and agency securities	-	812,594	1,381,676	2,194,270
Corporate bonds	-	442,076	1,989,326	2,431,402
Foreign bonds	-	50,390	-	50,390
Domestic stocks	-	1,838,644	4,802,329	6,640,973
International stocks	-	541,077	585,232	1,126,309
Mutual funds	-	273,116	-	273,116
Total investments	3,313,330	3,957,897	8,758,563	16,029,790
Total assets	3,313,330	4,093,185	9,609,212	17,015,727
<b>Liabilities</b>				
Refunds payable	-	-	188	188
Contributions payable	-	15,116	-	15,116
Total liabilities	-	15,116	188	15,304
Net assets held in trust for pension benefits	<u>\$ 3,313,330</u>	<u>\$ 4,078,069</u>	<u>\$ 9,609,024</u>	<u>\$ 17,000,423</u>

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(7) **Pension Plans:** (Continued)

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>General Employees' Pension Plan Fund</b>	<b>Firefighters' Pension Plan Fund</b>	<b>Police Officers' Pension Plan Fund</b>	<b>Total</b>
<b>Additions</b>				
Contributions				
Employees' contributions	\$ -	\$ 26,321	\$ 33,832	\$ 60,153
Employer's contributions	608,486	112,253	267,713	988,452
State contributions	-	105,947	163,426	269,373
Total contributions	<u>608,486</u>	<u>244,521</u>	<u>464,971</u>	<u>1,317,978</u>
Investment earnings				
Net increase in fair value of investments	-	214,922	396,790	611,712
Interest income	231,336	114,487	277,473	623,296
Miscellaneous income	-	931	1,691	2,622
Total investment earnings	<u>231,336</u>	<u>330,340</u>	<u>675,954</u>	<u>1,237,630</u>
Less investment expense	-	(37,229)	(60,355)	(97,584)
Net investment income	<u>231,336</u>	<u>293,111</u>	<u>615,599</u>	<u>1,140,046</u>
Total additions	<u>839,822</u>	<u>537,632</u>	<u>1,080,570</u>	<u>2,458,024</u>
<b>Deductions</b>				
Benefits	1,443,727	171,995	534,157	2,149,879
Administrative expenses	24,132	16,156	31,282	71,570
Retiree benefit overpayments to be recovered	-	(31,153)	-	(31,153)
Return of contributions	-	15,116	-	15,116
Total deductions	<u>1,467,859</u>	<u>172,114</u>	<u>565,439</u>	<u>2,205,412</u>
<b>Net increase (decrease)</b>	<u>(628,037)</u>	<u>365,518</u>	<u>515,131</u>	<u>252,612</u>
<b>Net assets held in trust for pension benefits, beginning of year</b>	3,941,367	3,712,551	9,093,893	16,747,811
<b>Net assets held in trust for pension benefits, end of year</b>	<u>\$ 3,313,330</u>	<u>\$ 4,078,069</u>	<u>\$ 9,609,024</u>	<u>\$ 17,000,423</u>

The Town receives contributions from the state for Firefighters' and Police Officers' Pension Plan Funds. The Town recognized \$269,373 in revenue and related expense in the General Fund for these contributions.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**(8) Deferred Compensation Plans:**

The Town maintains for its employees two deferred compensation plans under provisions of Internal Revenue code Section 457 (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.

**(9) Other Post Employment Benefits (OPEB):**

The Town provides retirees with the option to purchase health insurance (at their own expense) from the Town's single employer, experience rated health insurance plan (the Plan) that provides medical benefits to active and eligible retirees at the Town's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated October 1, 2008, the Plan had approximately 101 active participants and 19 retirees receiving benefits. The Plan does not issue a separate publicly available financial report.

GASB Statement No. 45 was implemented prospectively effective on October 01, 2009. There was neither an OPEB asset nor liability at this transition date.

The Town has followed the pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established annually by the Town. 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; no direct Town subsidy is applicable; however there is an implicit cost outlined below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the Town from separately rating retirees and active employees. The Town, therefore, assigns both groups equal, blended-rate premiums. Although both groups are assigned the same blended rate premiums, GAAP requires actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

**TOWN OF ORANGE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(9) **Other Post Employment Benefits (OPEB):** (Continued)

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has elected to calculate the ARC and related information using the Entry Age Normal (level dollar) actuarial cost method. The ARC represents a level of 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. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the Plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 10% at September 30, 2010 to an ultimate rate of 5% on and after 2012. The economic rates are based on an assumed inflation rate of 4% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2010, based on the above assumptions and cost method, and applied to member data current at October 01, 2009. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 01, 2009, with an AAL calculated to be \$938,800, which is unfunded (or 0% funded). The annual covered payroll is \$3.96 million, resulting in an unfunded AAL of 23.7%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 01, 2009.

OPEB GASB No. 45 results are not based on the assumption that all members terminate services as of the valuation date, but rather on assumptions of future mortality, retirement, and termination.

**Plan Obligation as of September 30, 2010:**

Annual Required Contribution (ARC)	\$	85,300
Interest on Plan Obligation		-
Adjustment to ARC		-
Annual Plan OPEB Cost		85,300
Employer Share of Net Benefit Payments		(35,100)
Contributions Made		-
Change in OPEB Obligation		50,200
Net OPEB Obligation Beginning of year		-
Net OPEB Obligation End of year	\$	50,200

As of September 30, 2010, the Town accrued \$45,212 in the Government-Wide Statement of Net Assets, with \$4,988 in the Proprietary Funds Statement of Net Assets.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(10) **Interlocal Agreement:**

The Town annually executes agreements with the board of County Commissioners of Clay County, Florida (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.

(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 different types of losses.

(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.

(13) **Environmental Matters:**

On September 30, 2004, a Consent Order was entered into between the FDEP and the Town to reach an agreement on matters at issue between the FDEP and the Town. The Consent Order stated that the Town discharged Total Nitrogen (TN) effluent to the St. Johns River in excess of its permitted limits of 150 pounds per day. The Consent Order was officially closed out by FDEP on July 31, 2010.

On March 10, 2009, an Administrative Order (AO 114 NE) was issued by FDEP which imposed more stringent limits on the discharge of Total Nitrogen (TN), cyanide, and copper pursuant to the new Wastewater Treatment Permit (FL0023922). The Administrative Order provides time for the Town to become compliant with the provisions of the Basin Management Action Plan for the Lower St. Johns River Basin adopted into Florida Administrative Code in October 2008. The Administrative Order will expire on October 31, 2013 and will be superseded on November 1, 2013 by Permit #FL0023922. The Administrative Order provides for three phases of plant improvements. The Town currently believes that only two phases of improvements will be needed to meet the conditions of the permit on November 1, 2013 and is submitting applications to modify the Administrative Order accordingly.

The first phase of Plant Improvements (AWWTP Phase 1) was substantially completed on July 31, 2010 in accordance with the provisions of AO 114 NE and was fully operational in accordance with the same. The second phase of improvements (AWWTP Phase 2) was under construction 6 months ahead of schedule established in the Administrative Order. AO 114 NE provides that Phase 2 will be completed and fully operational by March 31, 2012. The Construction contract issued by the Town Council specifies that the Contractor shall substantially complete all work by December 1, 2011.

The design and permits for phase two of the improvements have been completed by a Florida-registered professional engineer, working under contract with the Town. The FDEP approved the plans and specifications for construction. Phase 1 of the AWWTP project cost \$7,890,756 for construction. Phase 2 will cost an estimated \$2,088,000. The Town is currently in compliance with the provisions of AO 114 NE.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(14) **Internal Designations:**

As of September 30, 2010, the Water and Sewer Fund has unrestricted net assets totaling \$5,711,559. Of this amount, the Town has internally designated \$2,631,000 for capital projects as follows:

Repairs and maintenance for fire hydrants	\$ 20,000
Moosehaven lift station	64,000
Advanced Wastewater Treatment Plant Upgrades	<u>2,547,000</u>
	<u>\$ 2,631,000</u>

(15) **Subsequent Events:**

The Town was conveyed ownership of several parcels by the Florida Department of Transportation subsequent to year end. The parcels are most closely related to operations of the Town's Water and Sewer Fund. The Town has estimated the market value of these parcels to be approximately \$218,500 which will be recorded during the year ended September 30, 2011.

**TOWN OF ORANGE PARK, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2010**

**TOWN OF ORANGE PARK, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 3,686,786	\$ 3,779,286	\$ 3,852,506	\$ 73,220
Franchise fees	703,000	736,500	861,990	125,490
Charges for services	428,000	428,000	429,268	1,268
Licenses and permits	114,900	114,900	150,910	36,010
Intergovernmental	1,191,400	1,231,400	1,202,822	(28,578)
Fines and forfeitures	108,550	68,550	54,685	(13,865)
Investment income	-	-	45,186	45,186
Grants and donations	29,500	29,500	34,762	5,262
Miscellaneous	130,948	75,948	57,656	(18,292)
Total revenues	<u>6,393,084</u>	<u>6,464,084</u>	<u>6,689,785</u>	<u>225,701</u>
<b>Expenditures</b>				
Current:				
General government	1,400,456	1,520,456	1,464,788	55,668
Public safety	4,379,580	4,430,580	4,130,094	300,486
Public works	1,093,648	1,593,648	1,462,111	131,537
Culture and recreation	603,600	603,600	520,070	83,530
Total expenditures	<u>7,477,284</u>	<u>8,148,284</u>	<u>7,577,063</u>	<u>571,221</u>
<b>Deficiency of revenues</b>				
<b>over expenditures</b>	<u>(1,084,200)</u>	<u>(1,684,200)</u>	<u>(887,278)</u>	<u>796,922</u>
<b>Other financing sources</b>				
Transfers in	834,200	1,334,200	1,334,200	-
Total other financing sources	<u>834,200</u>	<u>1,334,200</u>	<u>1,334,200</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(250,000)</u>	<u>(350,000)</u>	<u>446,922</u>	<u>796,922</u>
<b>Fund balances, beginning of year</b>	5,697,498	5,697,498	5,697,498	-
<b>Fund balances, end of year</b>	<u>\$ 5,447,498</u>	<u>\$ 5,347,498</u>	<u>\$ 6,144,420</u>	<u>\$ 796,922</u>

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**SEPTEMBER 30, 2010**

(1) **Budgetary Information:**

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

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF FUNDING PROGRESS (1)  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2010**

<b>Actuarial Valuation Date 1-Oct</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Frozen Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a) / c)</b>
<b><u>General Employees' Pension Plan Fund</u></b>						
2010	\$ 3,313,000	\$ 6,758,000	\$ 3,445,000	49.02%	\$ 2,338,000	147.35%
2009	\$ 3,941,000	\$ 7,334,000	\$ 3,393,000	53.74%	\$ 2,365,000	143.47%
2008	\$ 4,675,000	\$ 7,353,000	\$ 2,678,000	63.58%	\$ 2,411,000	111.07%
2007	\$ 4,183,000	\$ 6,674,000	\$ 2,491,000	62.68%	\$ 2,526,000	98.61%
2006	\$ 5,052,000	\$ 6,195,000	\$ 1,143,000	81.55%	\$ 2,128,000	53.71%
2005	\$ 4,599,000	\$ 5,761,000	\$ 1,162,000	79.83%	\$ 1,843,000	63.05%
<b><u>Firefighters' Pension Plan Fund</u></b>						
2010	\$ 4,200,095	\$ 5,098,317	\$ 898,222	82.38%	\$ 908,479	98.87%
2009	\$ 4,112,041	\$ 4,927,614	\$ 815,573	83.45%	\$ 874,550	93.26%
2008	\$ 4,075,860	\$ 4,731,682	\$ 655,822	86.14%	\$ 928,123	70.66%
2007	\$ 3,983,926	\$ 4,323,787	\$ 339,861	92.14%	\$ 853,090	39.84%
2006	\$ 3,616,964	\$ 3,800,590	\$ 183,626	95.17%	\$ 797,026	23.04%
2005	\$ 3,282,497	\$ 3,546,753	\$ 264,256	92.55%	\$ 813,607	32.48%
<b><u>Police Officers' Pension Plan Fund</u></b>						
2010	\$ 10,609,989	\$ 13,562,064	\$ 2,952,075	78.23%	\$ 1,049,413	281.31%
2009	\$ 10,538,815	\$ 13,034,078	\$ 2,495,262	80.86%	\$ 1,203,849	207.27%
2008	\$ 10,447,320	\$ 12,386,367	\$ 1,939,047	84.35%	\$ 1,099,212	176.40%
2007	\$ 10,554,796	\$ 11,690,322	\$ 1,135,526	90.29%	\$ 1,135,938	99.96%
2006	\$ 9,495,481	\$ 10,718,467	\$ 1,222,986	88.59%	\$ 1,128,449	108.38%
2005	\$ 8,750,469	\$ 10,021,364	\$ 1,270,895	87.32%	\$ 1,099,089	115.63%

(1) For information regarding contribution percentage rates, assumptions, amortization method, etc. see Note 7

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND  
OTHER CONTRIBUTING ENTITIES  
PENSION TRUST FUNDS  
SEPTEMBER 30, 2010**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Town Contributions</u>	<u>State Contributions</u>	<u>Percentage Contributed</u>
<b><u>General Employees' Pension Plan Fund</u></b>				
2010	\$ 608,486	\$ 608,486	N/A	100.00%
2009	\$ 513,656	\$ 513,656	N/A	100.00%
2008	\$ 498,597	\$ 498,597	N/A	100.00%
2007	\$ 414,328	\$ 414,328	N/A	100.00%
2006	\$ 338,103	\$ 338,103	N/A	100.00%
2005	\$ 329,529	\$ 329,529	N/A	100.00%
<b><u>Firefighters' Pension Plan Fund</u></b>				
2010	\$ 218,200	\$ 112,253	\$ 105,947	100.00%
2009	\$ 186,529	\$ 69,951	\$ 116,578	100.00%
2008	\$ 177,069	\$ 42,251	\$ 134,818 *	100.00%
2007	\$ 173,072	\$ 40,761	\$ 134,818 *	101.45%
2006	\$ 178,369	\$ 43,551	\$ 134,818 *	100.00%
2005	\$ 132,840	\$ 526	\$ 132,314	100.00%
<b><u>Police Officers' Pension Plan Fund</u></b>				
2010	\$ 431,139	\$ 267,713	\$ 163,426	100.00%
2009	\$ 351,307	\$ 166,333	\$ 184,974	100.00%
2008	\$ 354,508	\$ 118,848	\$ 235,660 *	100.00%
2007	\$ 366,203	\$ 185,562	\$ 235,660 *	115.02%
2006	\$ 455,926	\$ 220,266	\$ 235,660 *	100.00%
2005	\$ 423,912	\$ 188,252	\$ 235,660 *	100.00%

\* Frozen per Chapter 175 or 185, Florida Statutes.

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS  
FROM EMPLOYER  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
SEPTEMBER 30, 2010**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date 1-Oct</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Frozen Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a) / c)</b>
2008	\$ -	\$ 938,800	\$ 938,800	0.00%	\$ 3,963,048	23.69%

**Schedule of Contributions from Employer**

<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>	<b>Contribution as a Percentage of Payroll</b>
2010	\$ 85,300	\$ 35,100	41.15%	0.89%

**TOWN OF ORANGE PARK, FLORIDA**  
**COMBINING FUND STATEMENTS**  
**SEPTEMBER 30, 2010**

**TOWN OF ORANGE PARK, FLORIDA**  
**NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION**  
**SEPTEMBER 30, 2010**

Special Revenue Funds are used to account for revenues derived from specific sources to be used for specific types of activities.

**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 revenues 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 revenues appropriated 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.

**Fair Share Fund** – This fund accounts for proportionate fair share revenues 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  
COMING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<b>Special Revenue Funds</b>					
	<b>Confiscated Property</b>	<b>Police Education</b>	<b>Magnolia Cemetery</b>	<b>Police Investigative/ Evidentiary</b>	<b>Fair Share</b>	<b>Nonmajor Governmental Funds</b>
<b>Assets</b>						
Equity in pooled cash and investments	\$ 35,388	\$ 103,225	\$ 144,004	\$ 48,200	\$ 116,982	\$ 447,799
Accounts receivable	-	5	-	-	6	11
Due from other governments	-	422	-	-	-	422
<b>Total Assets</b>	<b>\$ 35,388</b>	<b>\$ 103,652</b>	<b>\$ 144,004</b>	<b>\$ 48,200</b>	<b>\$ 116,988</b>	<b>\$ 448,232</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,647	\$ -	\$ -	\$ -	\$ -	\$ 3,647
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>3,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,647</u>
Fund balances:						
Reserved for:						
Law enforcement	31,741	103,652	-	48,200	-	183,593
Unreserved, undesignated	-	-	144,004	-	116,988	260,992
Total fund balances	<u>31,741</u>	<u>103,652</u>	<u>144,004</u>	<u>48,200</u>	<u>116,988</u>	<u>444,585</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,388</b>	<b>\$ 103,652</b>	<b>\$ 144,004</b>	<b>\$ 48,200</b>	<b>\$ 116,988</b>	<b>\$ 448,232</b>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Special Revenue Funds</b>					
	<b>Confiscated Property</b>	<b>Police Education</b>	<b>Magnolia Cemetery</b>	<b>Police Investigative/ Evidentiary</b>	<b>Fair Share</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues</b>						
Charges for services	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 200
Fines and forfeitures	-	6,614	-	2,393	-	9,007
Investment income	-	628	186	-	845	1,659
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>7,242</u>	<u>386</u>	<u>2,393</u>	<u>845</u>	<u>10,866</u>
<b>Expenditures</b>						
Current:						
Public safety	-	2,140	-	1,559	-	3,699
Capital outlay	-	-	-	-	3,600	3,600
Total expenditures	<u>-</u>	<u>2,140</u>	<u>-</u>	<u>1,559</u>	<u>3,600</u>	<u>7,299</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>5,102</u>	<u>386</u>	<u>834</u>	<u>(2,755)</u>	<u>3,567</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>5,102</u>	<u>386</u>	<u>834</u>	<u>(2,755)</u>	<u>3,567</u>
<b>Fund balances, beginning of year</b>	31,741	98,550	143,618	47,366	119,743	441,018
<b>Fund balances, end of year</b>	<u>\$ 31,741</u>	<u>\$ 103,652</u>	<u>\$ 144,004</u>	<u>\$ 48,200</u>	<u>\$ 116,988</u>	<u>\$ 444,585</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**TOWN OF ORANGE PARK, FLORIDA**  
**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF ORANGE PARK, FLORIDA  
ADDITIONAL DISCLOSURES  
SERIES 2002 BONDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The 2002 Bond Resolution defines the "System" as the combined water and sewer utility System now owned, operated and maintained by the Town, together with any and all improvements, extensions, and additions thereto here after constructed or acquired, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

The Town currently provides service to approximately 2,830 water customers and 2,655 sewer customers. The five largest utility System customers represent an aggregate of 14.57% of total revenue of the System: Renaissance Housing (apartments), 5.16%; Jax Inns Motel, 2.80 %; Jennifer Green Apartments, 2.78%; Gull Cove Apartments, 2.17%; and Murphco of Florida, Inc. (Holiday Inn), 1.66%.

The System, as of September 30, 2010, had 2,332 water residential users, 2,244 sewer residential users, 498 water commercial users, 411 sewer commercial users, 88 commercial irrigation users, and 71 residential irrigation users.

The distribution of customers within the Town includes residential, commercial, motels/hotels, apartments and nursing homes.

**Drinking water system**

The drinking or potable water system for the Town consists of two wells located at the Town's Public Works facility on Ash Street, two additional wells located at the Milwaukee Avenue Water Treatment Plant and distribution pipelines. The four wells are drilled to a depth of approximately 850 to 1,000 feet into the Florida Aquifer, the major source of water for the Northern Florida/Southern Georgia area.

The wells are fitted with four turbine pumps that extract water from the wells and pump it to the water treatment plants for processing. The capacity of all the wells and well pumps are rated at approximately 8,000 gallons per minute (GPM) in total. The quality of the raw water from the aquifer is good and treatment consists only of aeration to remove sulfides and chlorination for disinfection.

The Ash Street and Milwaukee Avenue Water Plant each consist of a 0.5 million gallon ground storage tank with cascade aerators mounted on top, control buildings with three high service pumps rated in excess of 4,400 GPM in total, chlorination systems and various electric controls. The water treatment plants are permitted for 5.8 million gallons per day (MGD) combined, and are currently operating at an average daily flow of approximately 1.010 MGD or 17.4% of capacity. Demand on the water system fluctuates during the year, with the greatest sustained demand approaching 19.4% of capacity during the dry summer months when irrigation demand increases.

## **Sanitary sewer collection system**

The Town's sanitary sewer collection system was constructed for the most part during the 1960's. With the exception of approximately 125 residents in the extreme western portion of the Town, all Town residents receive sanitary sewer service. The 125 residences which do not receive Town service, receive service from Clay County Utility Authority (CCUA). Older portions of the Town were originally constructed with septic tanks, absorption fields, and combination stormwater/sanitary sewer collection systems. During the 1960s, those systems were replaced by the sanitary collection system. Currently, the Town's collection system is supported by 25 lift stations.

The Town's wastewater treatment plants (collectively, the "WWTP") are located at the Public Works Facility at 700 Ash Street, in the Northwest portion of the Town adjacent to the CSX Railroad track. The footprint of the Ash Street WWTP is approximately 3.5 acres. The WWTP's current capacity is 2.5 million gallons per day (MGD). The original plant tankage (which is used today) was built between 1964 and 1986 and performed mainly in "Contact Stabilization" mode. The original system was not designed to meet the rigorous nutrient removal requirements that were implemented in the State of Florida after passage of the Florida Watershed Restoration Act.

In 2007, the Town began retrofitting and modernizing the Ash Street WWTP to meet Advanced Wastewater Treatment standards. This conversion of the "contact stabilization" process to a "Five-stage Bardenpho" Biological Nutrient Removal process, enables the Town to meet its current discharge limits for Suspended Solids, Biological Oxygen Demand, and Total Nitrogen. The permit, with its final discharge limits, will become effective in November 2013. During the interim period, the Town is operating the Plan on an Administrative Order (AO 114, NE) which prescribes interim discharge limits and which specifies a schedule of plant up-grades that will ensure compliance with the final discharge limits in November 2013.

The Town has completed the first phase of the Ash Street upgrades during the fiscal year ended September 30, 2010, in accordance with the provisions of AO 114, NE. The second phase of improvements began in November 2010, approximately eight months ahead of the schedule prescribed in the Administrative Order. The second phase of improvements should be completed during the summer of 2011, although the Administrative Order mandates that this work will be completed no later than March 2012. The Administrative Order prescribes a third phase of construction, depending on the success of the first two phases. As reported in the second annual Basin Management Action Plan report to FDEP, the Town's first phase of construction was so successful that a third phase of construction will not be necessary.

During the past twelve months, the Town discharged 0.851 MGD of wastewater to the St. Johns River, containing an average of 56 pounds of Total Nitrogen per day (compared to the current permit level of 150 pounds Total Nitrogen per day).

In addition to limits on nutrients, biological oxygen demand, and suspended solids, the Town also has limits on discharges of copper, silver, and cyanide. Based on recent test results, Town effluent discharges have been within the discharge limits established by EPA.

The Town's effluent discharge from the WWTP is pumped through an outfall pipe which extends 600 feet into the St. Johns River. The Town's current permit also allows transfer of treated, filtered effluent to CCUA's Miller Street Plant for inclusion in CCUA's reclaimed water program. The infrastructure required for this transfer was completed in December 2010 and the first transfers of treated effluent from Ash Street should begin during the spring of 2011. By interlocal agreement with CCUA, the Town's allocation of reclaimed water pipeline capacity should be approximately 925,000 gallons per day. By Agreement with St. John's River Water Management District (SJRWMD), the Town's goal for 2011 is to send 25% of its pipeline capacity for CCUA for use as reclaimed water.

By permit, the Town will be required to make repairs to the St. Johns River outfall pipe once CCUA begins accepting treated, filtered effluent from the Ash Street facility. These repairs have been programmed into the Town's Five-Year Capital Improvement Program.

The waste biomass, or sludge, produced as a byproduct of the Biological Nutrient Removal Process is stabilized in an aerobic digester and is then air-dried in drying beds before shipping to land-application in approved land application sites.

### **General**

Water customers are charged a base monthly fee. The sewer rate structure consists of a simple calculation based upon water consumption.

The System had operating revenues of \$3,493,969 and operating expenses of \$2,624,794 for the year ended September 30, 2010. As of September 30, 2010, the System had an accounts receivable balance of \$195,404 and an allowance for doubtful accounts of \$14,448.

Concurrently with the issuance of the 2002 Bonds, Financial Guaranty Insurance Company issued a Municipal Bond New Issue Insurance Policy (Policy). The Policy unconditionally guarantees the payment, but shall be unpaid by reason of nonpayment by the Town.

During the year ended September 30, 2010, there was not a withdrawal of a System user comprising 4% of System sales.

At September 30, 2010, the town has the following projects planned:

1. Plainfield Avenue water and sewer improvements – as monies are available.
2. Replace aging asbestos cement water mains Town wide – as monies are available.
3. Phase II construction on the Advanced Wastewater Treatment Process project at Ash Street wastewater treatment plant.
4. Upgrade Moosehaven lift station – as monies are available.
5. Upgrade Gana Avenue lift station – as monies are available.
6. Water main and sewer services improvements at Grove Park Phase I and Village Way Phase II – as monies are available.
7. Gano/Kingsley Avenues water main loop – tentative.

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF REVENUE BOND COVERAGE  
WATER AND SEWER REVENUE BONDS  
LAST SIX FISCAL YEARS  
SEPTEMBER 30, 2010**

<b>Fiscal Year</b>	<b>Gross Revenue (1)</b>	<b>Operating Expenses (2)</b>	<b>Net Available for Debt Services</b>	<b>Debt Service Requirements</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2005	3,564,717	1,876,413	1,688,304	489,351	300,078	789,429	2.14
2006	3,671,697	1,905,540	1,766,157	504,686	288,470	793,156	2.23
2007	3,765,438	2,092,478	1,672,960	523,514	270,212	793,726	2.11
2008	4,817,600	2,158,156	2,659,444	356,250	154,113	510,363	5.21
2009	3,823,527	2,094,826	1,728,701	375,000	139,150	514,150	3.36
2010	4,182,556	1,969,998	2,212,558	387,500	123,025	510,525	4.33

(1) Gross revenues includes interest earned and other non-operating revenue.

(2) Operating expenses excludes depreciation and interest expense.

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## **OTHER REPORTS**

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**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**

To the Honorable Mayor, Town Council Members, and Town Manager,  
Town of Orange Park, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orange Park, Florida (the Town), as of and for the year ended September 30, 2010, and have issued our report thereon dated February 28, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

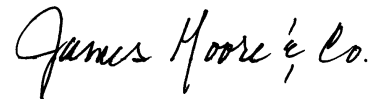
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Town of Orange Park, Florida in a separate letter dated February 28, 2011.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, Town Council, management, others within the Town, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the main text block.

Daytona Beach, Florida  
February 28, 2011

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>State Agency, Pass through Entity, State Project</u>	<u>CSFA Number</u>	<u>Grant Identification Number</u>	<u>Project Award Amount</u>	<u>Project Expenditures</u>
<b>STATE AWARDS</b>				
<b>Florida Department of Environmental Protection</b>				
Florida Recreation Development Assistance Program	37.017	No. F8170	\$ 200,000	\$ 196,960
<b>Florida Department of Environmental Protection</b>				
Passed Through St. Johns River Water Management District: Statewide Surface Water Restoration and Wastewater	37.039	No. 26555	627,286	627,286
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ 824,246</u>

**TOWN OF ORANGE PARK, FLORIDA**  
**NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

(1) **Basis of Presentation:**

The accompanying Schedule of State Financial Assistance includes state awards activity of Town of Orange Park, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes, Florida Single Audit Act.

**TOWN OF ORANGE PARK, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: *Unqualified*.

**Internal control over financial reporting:**

- No material weaknesses or significant deficiencies were identified related to internal control over financial reporting.
- No instances of noncompliance, which were material to the basic financial statements, were noted.

**State Financial Assistance:**

**Internal control over financial reporting:**

- No significant deficiencies or material weaknesses related to internal control over major state projects were disclosed by the audit.
- Type of report issued on compliance for each major state project: *Unqualified*.
- The audit did not disclose any audit findings, which are required to be reported under Chapter 10.550, Rules of the Florida Auditor General.
- Major project identification:  
CSFA Number 37.039 – Florida Department of Environmental Protection, Statewide Surface Water Restoration and Wastewater Projects – Ash Street AWWT Project – Phase I
- Dollar threshold used to distinguish between Type A and Type B programs was \$247,274.

**B. Financial Statement Findings:**

None

**C. State Financial Assistance Finding and Questioned Costs:** None

**D. Prior Audit Findings:** No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

**E. Corrective Action Plan:** There was no corrective action plan necessary for the year ended September 30, 2010, since there were no audit findings related to state projects.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, Town Council, and Town Manager,  
Town of Orange Park, Florida:

**Compliance**

We have audited the Town of Orange Park, Florida's (the Town) compliance with the types of compliance requirements described in the *State of Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the Town's major state projects for the year ended September 30, 2010. The Town's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards and Chapter 10.550, Rules of the Florida Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2010.


**Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, Town Council, management, others within the Town, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the main body of text.

Daytona Beach, Florida  
February 28, 2011

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, Town Council Members, and Town Manager,  
Town of Orange Park, Florida:

We have audited the basic financial statements of the Town of Orange Park, Florida (the Town), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 215.97, Florida Statutes, Florida Single Audit Act. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

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. Below is a listing of findings and recommendations made in the preceding annual financial audit report and the current year status.

- |                |                                                                                              |
|----------------|----------------------------------------------------------------------------------------------|
| <b>2009-01</b> | <b><u>Use of Excel Spreadsheets</u></b> – See current status at 2010-01                      |
| <b>2009-02</b> | <b><u>Fund Balance Policy</u></b> – See current status at 2010-02                            |
| <b>2009-03</b> | <b><u>Classification of Expenditures from Restricted Funds</u></b> – Corrective action taken |
| <b>2009-04</b> | <b><u>Firefighters' Pension Plan – Eligible Pension Wages</u></b> – Corrective action taken  |

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. The following are our recommendations to management not included in our 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 Standard*:

**2010-01      Use of Excel Spreadsheets**

The Town relies heavily on the use of Excel spreadsheets to calculate depreciation expense and to reconcile capital asset additions. Such large spreadsheets increase the risk of calculation errors due to formula errors. We recommend implementing a fixed asset software to ensure the calculation of depreciation is accurate.

**Management Response:** The Town will research the possibility of fixed asset software options with the intent to purchase an integrated financial system.

**2010-02      Fund Balance Policy**

During the course of our audit, we noted that the Town does not have a formal policy about fund balance (i.e. what the Town would like to have as a target unreserved fund balance). It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures). Fund balance levels are a crucial consideration in long-term planning. The Government Finance Officers Association (GFOA) recommends governments establish a formal policy regarding the level of unreserved fund balance that should be maintained in the general fund. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unreserved fund balance. GFOA recommends, at a minimum, that governments maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures. We recommend the District consider the GFOA's recommendations and establish a policy for maintaining appropriate levels of unreserved fund balance in its general fund.

**Management Response:** The Town will establish a policy for maintaining an appropriate level of unreserved fund balance in its general fund. Implementation of this policy was intentionally delayed due to the Town wanting to incorporate GASB 54-*Fund Balance Reporting and Governmental Fund Type Definitions* which is effective for financial statements for periods beginning after June 15, 2010.

**2010-03      Segregation of Duties**

During our audit, we noted the Finance Director has access to all areas of the general ledger and has access to post journal entries without approval. During the year ended September 30, 2010, an employee with sufficient accounting knowledge was signing off on journal entries posted by the Finance Director. However, as of September 30, 2010, this employee is no longer with the Town. Therefore, from October 1, 2010 and forward, a weakness in proper segregation of duties exists.

A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Town's accounting staff prohibits complete adherence to this concept, we believe someone should replace the function being performed by the previous employee in approving journal entries. Potential sources of this individual could be from the Finance committee or a Town Council member with finance and accounting background. Another solution would be to outsource the journal entry approval to an accounting firm on a monthly basis. With the implementation of this procedure, we believe the segregation of duties surrounding the Finance Director would be improved.

**Management Response:** The Town will address this comment either through hiring new personnel or by implementing processes such as those suggested by the auditors.

## 2010-04      General Employee Pension Plan

The General Employee Pension Plan states individual employees become participants in the plan upon achieving one year of credited service. During our audit of the information utilized by the Plan actuary, it was determined that dates of hire were being entered based on the date the employee became a full-time employee. In certain situations, employees were hired on as temporary employees for a period of time prior to becoming full-time. The General Employee Pension Plan makes no distinction between full-time versus temporary employees; therefore, in the current year and in prior year's actuary reports, some employees were either excluded entirely from the report or included in the report with a later hire date than should have been used. The Town is in the process of determining if the hire dates were submitted to the actuary are required to be restated. We recommend the Town follow up with this issue to ensure accurate actuary reports in the future.

**Management Response:** The Town will consult the Town attorney and the Town's Pension attorney on how to resolve this issue.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554 (1)(i)6., 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.. There are no component units related to the Town as of September 30, 2010. Also see Note 1(a) to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), 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. This assessment was made as of the fiscal year ended September 30, 2010.

The Town's response to the findings identified in our audit is described above. We did not audit the Town's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, Town Council, management, others within the Town, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co.*

Daytona Beach, Florida  
February 28, 2011