

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
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SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,  
City of Port Orange General Employees Defined Benefit Retirement Plan:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Port Orange General Employees Defined Benefit Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2017, the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Port Orange General Employees Defined Benefit Retirement Plan as of September 30, 2017, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

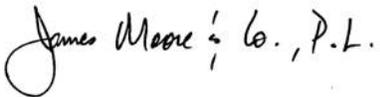
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary schedules, 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 the Plan's management and independent actuary regarding the methods of measurement and presentation of the required supplementary information. 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated March 26, 2018, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Daytona Beach, Florida  
March 26, 2018

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2017**

**ASSETS**

Cash and cash equivalents with trustee	\$ 984,829
Interest and dividends receivable	<u>61,837</u>
Prepaid retirement benefits	<u>176,182</u>
Investments, at fair value	
U.S. Treasury obligations	1,648,029
Corporate and municipal debt obligations	4,732,993
Domestic equity securities	17,905,836
Mutual funds	3,137,418
Real estate	<u>4,380,079</u>
Total investments	31,804,355
Total assets	<u><u>33,027,203</u></u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u><u>\$ 33,027,203</u></u>

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

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Additions**

Contributions:

Employer	\$ 794,333
Plan members	387,112
Total contributions	1,181,445

Investment income:

Net appreciation (depreciation) in fair value of investments	2,986,405
Interest and dividends	641,442
Total investment income	3,627,847
Less: investment expense	(106,600)
Net investment income	3,521,247

Total additions	4,702,692
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**Deductions**

Benefit payments	
Recurring payments	2,108,792
Refunds and lump sum distributions	118,465
Administrative expenses	79,342
Total deductions	2,306,599

<b>Change in net position</b>	2,396,093
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<b>Net position restricted for pensions, beginning of year</b>	30,631,110
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<b>Net position restricted for pensions, end of year</b>	\$ 33,027,203
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The accompanying notes to financial statements are an integral part of this statement.

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

The following is a summary of the more significant accounting policies and practices of the City of Port Orange General Employees Defined Benefit Retirement Plan (the Plan), which affects significant elements in the accompanying financial statements:

(a) **Plan description**—The Plan is a single-employer, defined benefit plan (also including a defined contribution component) covering the general employees of the City of Port Orange, Florida (the City). Eligible employees of the Plan consist of full-time general employees of the City. The Plan is governed by a Board of Trustees (the Board), made up of seven individuals, including: the City Manager or appointee, the City's finance director, three active participants in the Plan, one member of the City Council, and one citizen of the City.

The General Employee Plan originated as a defined contribution plan on April 1, 1979. However, on October 1, 2003, pursuant to City Ordinance No. 2003-27, the defined contribution plan was terminated and converted into a defined benefit plan. On September 28, 2010, continued access to this plan by new employees was limited. Under the provisions of Ordinance No. 2010-29, the General Employee Plan was closed to new members effective September 30, 2010. General employees hired on or after October 1, 2010 may participate in the ICMA-RC Money Purchase Plan and Trust for general employees (401A Defined Contribution Plan). Members participating in a bargaining unit will continue to have access to the General Employee Plan unless this option is removed through future collective bargaining processes.

Funds are accumulated from employee contributions, City contributions and investment earnings from accumulated funds. All benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the plan. City Ordinance No. 2003-27 provides the authority under which the City establishes or amends Plan policies, procedures and/or benefits. The investments of the Plan are administered, managed and operated by the board of trustees using the services of the City staff, consultants and financial institutions. All investment management expenses and other administrative costs are financed by the Plan.

(b) **Pension benefits**—Employees have a stepped vesting program that requires a minimum of 5 years of service to earn a 25% vested benefit. Vesting percentages are increased at a rate of 15% per year for each successive year and are not achieved in full (100%) until after ten years of credited service.

Upon retirement, participants are entitled to a Normal Retirement Benefit equal to 2.00% (2.12% for years up to September 30, 2009) of their average monthly compensation for each year of credited service at their normal retirement date.

The normal form of benefit is life only. Upon retirement at normal retirement date or later, or early retirement with 25 years of service, participants will be eligible for a supplemental benefit equal to \$16 per year of service completed prior to September 30, 2009. Early retirement benefits are available, but are reduced ¼ of 1% for each month by which their commencement of benefits precedes the normal retirement date.

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

Effective October 1, 2010, new non-union (civil service) employees are not eligible to participate in this plan. New participants after January 1, 2012, will earn benefits under new provisions as follows: Upon retirement, a participant shall be entitled to a monthly pension retirement benefit equal to 1.60% of the participant's average monthly compensation for each year of credited service at participant's normal retirement date. The normal form of benefit is life only.

Pursuant to Section 54-148, the Plan also contains a voluntary defined contribution component. Under this plan, employees may contribute up to 10% of their base salary. Accumulated contributions plus related earnings under this plan may be accessed by employees one time per fiscal year, or as needed under certain emergency situations. At September 30, 2017, accumulated benefits under this plan are \$67,754 for retirees, payable over the time period selected by them, not to exceed 20 years. The voluntary account balances of current employees total \$1,377,916, all payable over the same time period. The total voluntary account balance asset, at market value, is \$1,445,670 and is contained in the assets as presented in the General Employee Plan.

(c) **Disability benefits**—The Plan pays out disability benefits to employees with varying levels of benefits for those with disabilities. Disability benefits are paid out on a multi-tier approach based on years of services and whether the disability resulted from events occurring while in the line of duty or not in the line of duty.

(d) **Death benefits**—In the event of an employee's death, the survivor portion of the annuity, actuarially-reduced to reflect payment prior to the employee's normal retirement date, is payable to the employee's spouse, or other designated financial dependent, in accordance with the Plan document.

(e) **Deferred retirement option program**—The Plan offers a deferred retirement option program (DROP) for participants who were employed by the city on March 1, 2007 and who met the requirements for DROP on or after that date. Participants who enter the DROP program may participate until separating from City employment, not to exceed five years from entering the DROP program. While in the DROP program, employees no longer contribute to the Plan or accrue benefits, but instead earn monthly retirement benefits which are accumulated in a DROP account and paid out in a lump sum upon separation from employment with the City.

(f) **Plan membership**— Membership of the Plan consisted of the following at September 30, 2017, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	86
Terminated vested participants	20
Active participants	<u>116</u>
Total	<u><u>222</u></u>

(g) **Basis of accounting**—The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and accounted for in accordance with the GASB Codification. Contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments are recognized when due and payable to the Plan participants in accordance with the terms of the Plan.

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

(h) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

(i) **Cash and cash equivalents**—The Plan's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents included \$984,829 of money market funds at September 30, 2017, which are measured at fair value using Level 2 inputs, as discussed in Note (2).

(j) **Investment policy**—The investments of the Plan are governed by investment guidelines adopted by the Board of Trustees for the Plan. Authorized investments of the Plan include the following investments:

- a. Investment products and funds provided through insurance companies, including, but not limited to, annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the members in the fund shall be entitled under the provisions of this system and pay the initial and subsequent premium thereon.
- b. Time or savings accounts of a national bank, a state bank or a savings/building and loan association insured by the Federal Deposit Insurance Corporation.
- c. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.
- d. Open-end non-commission bank or insurance company real estate funds with ability to liquidate every three (3) months.
- e. Foreign securities.
- f. Bonds, stocks, commingled or mutual funds.
- g. State Board of Administration and the investment vehicles it utilizes.
- h. Any other investment which the Board of Trustees deems to be prudent.

(k) **Investment valuation and income recognition**—Investments are stated at fair value based on quoted market prices. Purchases and sales of securities are reflected on a trade-date basis. Changes in the current value of investments and gains and losses on disposal of investments are reported in the statements of changes in fiduciary net position as the net appreciation or depreciation in current value of investments. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

(l) **Risk and uncertainties**—The Plan utilizes various investment securities including U.S. government securities, corporate debt instruments, mutual funds, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(m) **Expenses**—Administrative expenses of the Plan are paid for directly by the Plan.

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

(2) **Investments:**

The Plan measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the Plan's cash and investment accounts by investment portfolios and their respective maturities (in years) at September 30:

	Carrying Value	Weighted Average Maturity (years)	Credit Rating Range (Moody)	Measured at Fair Value:		
				Level 1	Level 2	Level 3
U.S. Treasury Obligations	\$ 1,648,029	15.5	AAA	\$ -	\$ 1,648,029	\$ -
Corporate & Municipal Debt	4,732,993	5.7	BAA1 to A3	-	4,732,993	-
Common Stock	17,905,836	N/A	NR	17,905,836	-	-
Mutual Funds	3,137,418	N/A	NR	-	3,137,418	-
Real Estate Pooled Separate Account	4,380,079	N/A	NR	-	-	4,380,079
<b>Total Portfolio</b>	<b>\$ 31,804,355</b>			<b>\$ 17,905,836</b>	<b>\$ 9,518,440</b>	<b>\$ 4,380,079</b>

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2017, the weighted average maturity in years for each investment type is included in the preceding table.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Plan utilizes portfolio diversification in order to limit investments to the highest-rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines. All are rated within the investment policy guidelines at September 30, 2017.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed fifteen (15) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed seventy-five (75) percent of the fund's total assets. Target allocations in investment types are outlined on the following pages. At September 30, 2017, the investment portfolios met the single issuer limitations.

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

(2) **Investments:** (Continued)

*Custodial Credit Risk:* Custodial credit risk is the risk that the Plan may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan investment policy allows for up to twenty-five (25) percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2017, the investment portfolios met the foreign securities limitations.

The annual money-weighted rate of return on Plan investments, net of expenses, was 11.72% for the year ended September 30, 2017. This percentage is a measure of investment performance, net of expenses, as adjusted for changes in amounts contributed and invested.

(3) **Funding Policy:**

Plan participants are required to contribute 7.5% of their base salary to the Plan, which accounted for \$387,112 of total contributions to the Plan for the year ended September 30, 2017.

The aggregate funding method is utilized to calculate the City's contribution requirements, as calculated by an independent actuary. For the year ended September 30, 2017, the City contributed \$794,333 to the Plan.

(4) **Net Pension Liability:**

The net pension liability is the Plan's total pension liability offset by the Plan's fiduciary net position. The components of the net pension liability and the net pension liability as a percentage of the total pension liability were the following at September 30, 2017:

Total pension liability	\$ 37,537,415
Fiduciary net position (excluding \$1,445,670 voluntary contributions account balance)	<u>31,581,533</u>
Net pension liability	<u><u>\$ 5,955,882</u></u>
 Fiduciary net position as a percentage of the total pension liability	 <u><u>84.13%</u></u>

Significant actuarial methods and assumptions of the Plan are presented in the following table:

Interest rate	7.00%
Salary increase	4.0% annually
Cost of living adjustment	3.0% annually
Measurement date	September 30, 2017
Valuation date	October 1, 2017
Mortality table	RP-2000 Mortality Table, Scale BB

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

(4) **Net Pension Liability:** (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

<u>Investment Type</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic Large Cap Equity	3.25%	40%
Domestic Small/Mid Cap Equity	3.50%	10%
International Equity	4.00%	10%
U.S. Direct Real Estate	3.00%	15%
Domestic Fixed Income	1.00%	25%

Note: While the weighted composite average return does not add up to the return used as the discount rate, the recent history of the Plan in exceeding the assumed rate, along with prevailing practice among similar public pension systems, has lead management to continue to assume the current rate. The long-term expected rates shown above were provided by the Plan's financial advisor using JP Morgan's 2016 capital markets assumptions. They are presented net of expected inflation.

The discount rate used to measure the total pension liability for the Plan was 7.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made as rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table provides the sensitivity of the net pension liability to changes in the discount rate as of September 30, 2017. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the single discount rate:

	<u>1% Decrease: 6.00%</u>	<u>Current Rate: 7.00%</u>	<u>1% Increase: 8.00%</u>
Net pension liability	\$10,149,871	\$5,955,882	\$2,362,296

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
SEPTEMBER 30, 2017  
(Unaudited)**

Fiscal Year Ending September 30,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 573,319	\$ 575,977	\$ 616,351	\$ 632,402
Interest	2,478,603	2,470,374	2,378,040	2,258,110
Difference between actual and expected experience	796,937	(903,297)	(63,305)	(20,332)
Assumption changes	(69,325)	2,428,892	544,414	390,940
Benefit payments including refunds of contributions	<u>(2,154,821)</u>	<u>(2,043,177)</u>	<u>(1,798,774)</u>	<u>(1,662,044)</u>
Net change in total pension liability	1,624,713	2,528,769	1,676,726	1,599,076
Total pension liability - beginning	35,912,702	33,383,933	31,707,207	30,108,131
Total pension liability - ending (a)	<u>\$ 37,537,415</u>	<u>\$ 35,912,702</u>	<u>\$ 33,383,933</u>	<u>\$ 31,707,207</u>
Total Fiduciary Net Position				
Contributions - employer	\$ 794,333	\$ 880,209	\$ 673,300	\$ 702,741
Contributions - employee	360,185	396,597	397,523	405,427
Net investment income	3,368,574	2,811,791	657,572	2,694,117
Benefit payments, including refunds of contributions	(2,154,821)	(2,043,177)	(1,798,774)	(1,662,044)
Administrative expense	<u>(75,902)</u>	<u>(86,458)</u>	<u>(73,962)</u>	<u>(78,229)</u>
Net change in plan fiduciary net position	2,292,369	1,958,962	(144,341)	2,062,012
Plan fiduciary net position - beginning	29,289,164	27,330,202	27,474,543	25,412,531
Plan fiduciary net position - ending* (b)	<u>\$ 31,581,533</u>	<u>\$ 29,289,164</u>	<u>\$ 27,330,202</u>	<u>\$ 27,474,543</u>
Net pension liability - ending (a) - (b)	<u>\$ 5,955,882</u>	<u>\$ 6,623,538</u>	<u>\$ 6,053,731</u>	<u>\$ 4,232,664</u>
Plan fiduciary net position as a percentage of the total pension liability	84.13%	81.56%	81.87%	86.65%
Covered payroll	\$ 4,802,452	\$ 5,287,951	\$ 5,300,301	\$ 5,170,450
Net pension liability as a percentage of covered payroll	124.02%	125.26%	114.21%	81.86%
*Plan fiduciary net position for financial statement purposes also includes the following amounts for voluntary contributions:	\$ 1,341,946	\$ 1,341,946	\$ 1,475,816	\$ 1,508,671

\*\* 10 years of data will be presented as it becomes available

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
DEFINED BENEFIT RETIREMENT PLAN  
SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2017  
(Unaudited)**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Employee Payroll</b>
2017	\$ 744,380	\$ 794,333	\$ (49,953)	\$ 4,802,452	16.54%
2016	739,845	880,209	(140,364)	5,287,951	16.65%
2015	673,138	673,300	(162)	5,300,301	12.70%
2014	702,741	702,741	-	5,170,450	13.59%

Notes to Schedule:

Valuation Date: 10/01/2016

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Aggregate
Amortization Method:	Based on Funding Method. Amortized over weighted expected future working lifetime of active members.
Asset Valuation Method:	5-year smoothed market
Inflation:	3.00%
Salary Increases:	4.00%, including inflation
Investment Rate of Return:	7.50%, net of pension plan investment expense including inflation
Mortality:	Contributions beginning 2018 based on 7.0% rate phased in over 3 years
Retirement Age:	RP-2000 Combined Mortality Table using Scale BB projected generationally Normal retirement date (NRD) or on valuation date if past NRD

\*\* 10 years of data will be presented as it becomes available

**CITY OF PORT ORANGE GENERAL EMPLOYEES  
 DEFINED BENEFIT RETIREMENT PLAN  
 SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN  
 SEPTEMBER 30, 2017  
 (Unaudited)**

<b>Fiscal Year</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
2017	11.72%
2016	11.50%
2015	2.43%
2014	10.87%

\*\* 10 years of data will be presented as it becomes available

**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 Board of Trustees,  
City of Port Orange General Employees Defined Benefit Retirement Plan:

We have audited, 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, the basic financial statements of City of Port Orange General Employees Defined Benefit Retirement Plan (the Plan), which comprise the statement of fiduciary net position as of September 30, 2017, the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 26, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida  
March 26, 2018