

**ADDENDUM NO. 1**

Date: June 18, 2018

Bid Date: June 28, 2018
at 3:00 P.M. (Local Time)

RFP Name: Professional Auditing Services for General Government

Bid No.: CAUD-190002-DH

NOTE: This Addendum has been issued only to the holders of record of the specifications.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. Any questions shall be submitted in writing to the City of Gainesville Purchasing Division by 3:00 p.m. (local time), June 25, 2018. Questions may be submitted as follows:
 - Email: holderds@cityofgainesville.org
 - or
 - Faxed (352) 334-3163
 - Attention: Diane Holder
2. Please find attached:
 - a) Copy of the black-out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.
 - b) Attachment A – Current Contract and engagement letter
 - c) Attachment B – Employees’ Pension Fund-Auditor’s report
 - d) Attachment C - Community Redevelopment Agency-Auditor’s report
 - e) Attachment D - Other Postemployment Benefits Fund-Auditor’s report
 - f) Attachment E – Wild Spaces and Public Places Funds-Auditor’s report

The following are answers/clarifications to questions received prior to the non-mandatory pre-bid conference:

3. Question: In preparation for the pre-bid meeting this Thursday it would be helpful to have the following:
 - a) Current auditor contract with all attachments and amendments including pricing breakdown.
 - b) 9/30/2017 and 9/30/2016 audited financial statement for the following (these are requirements of the RFP):
 - a. General Government’s Pension
 - b. Other Post-Employment Benefit (OPEB) Funds
 - c. Wild Spaces Public Places Capital Projects Funds
 - d. Community Redevelopment Agency (CRA) Funds

Answer: See attachments for reports.
The total bid was a lump sum \$105,000 for the first year (FY17), so there was no breakdown in the RFP.

However, internally when we prepared the PO, Finance broke it down as follows to charge the appropriate Funds:

001-General Government:	\$82,000
604-Gen Pen:	4,000
607/608-Consolidated:	4,000
358-WSP	4,000
111-CRA:	5,000
601-Retiree Health	<u>6,000</u>
Total Contract	<u>\$105,000</u>

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 1 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 1 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: _____

BY: _____

DATE: _____

CITY OF _____ FINANCIAL SERVICES
GAINESVILLE PROCEDURES MANUAL

41-423 Prohibition of lobbying in procurement matters

Except as expressly set forth in Resolution 060732, Section 10, during the black out period as defined herein no person may lobby, on behalf of a competing party in a particular procurement process, City Officials or employees except the purchasing division, the purchasing designated staff contact. Violation of this provision shall result in disqualification of the party on whose behalf the lobbying occurred.

Black out period means the period between the issue date which allows for immediate submittals to the City of Gainesville Purchasing Department for an invitation for bid or the request for proposal, or qualifications, or information, or the invitation to negotiate, as applicable, and the time the City Officials and Employee awards the contract.

Lobbying means when any natural person for compensation, seeks to influence the governmental decision making, to encourage the passage, defeat, or modification of any proposal, recommendation or decision by City Officials and Employees, except as authorized by procurement documents.

ADDENDUM NO. 1

RFP Name: Professional Auditing Services for General Government
Bid No.: CAUD-190002-DH

ATTACHMENT A

Current Contract and Engagement letter

**CONTRACT BETWEEN THE CITY OF GAINESVILLE
AND CARR RIGGS & INGRAM, LLP**

Professional Auditing Services – City of Gainesville Financial Statement Audit

THIS CONTRACT entered into this 3rd day of May, 2017 by and between the **CITY OF GAINESVILLE** (the “City”), a Florida municipal corporation, and **CARR RIGGS & INGRAM, LLP** (“Auditor”), a Limited Liability Partnership authorized to do business in the State of Florida, referred to hereinafter as “Party” individually or “Parties” collectively.

WHEREAS, the City requires professional auditing services for the City of Gainesville, General Government Annual Financial Statement Audits; and

WHEREAS, the City issued a Request for Proposal (RFP) No. CAUD-170010-DH on September 15, 2016, received responses on October 27, 2016, received approval from the Audit and Finance Committee on January 10, 2017, and received final approval from the City Commission on February 2, 2017 to negotiate and establish a contract with the top firm for professional auditing services for the General Government Annual Financial Statement Audit; and

WHEREAS, the City desires to award this Contract to Carr Riggs & Ingram, LLP.

NOW, THEREFORE, in consideration of the foregoing premises and the covenants contained herein, the Parties agree as follows:

1. Scope of Services

Auditor shall perform professional auditing services for the City of Gainesville Annual Financial Statement Audit with the following enumerated Specifications and Documents, which are attached hereto and by this reference, are incorporated herein:

- 1.1 RFP No. CAUD-170010-DH dated October 27, 2016 (Attachment “A”).
- 1.2 Addenda 1-3 (Attachment “B”).
- 1.3 Auditor’s Technical Response dated October 27, 2016 (Attachment “C”).
- 1.4 Auditor’s Price Proposal dated October 27, 2016 (Attachment “D”).
- 1.5 Auditors Engagement letter dated March 31, 2017 (Attachment “E”).

Based on the above specifications and documents, Auditor will conduct an audit on the basic financial statements of the City of Gainesville for the fiscal years ended September 30, 2017, 2018 and 2019. At the end of the contract period, upon satisfactory performance, the City may, at its option, extend the contract for up to two additional two year periods, using the Base Fee and fee increase formula established in Paragraph 3 of this Contract.

The financial audit shall be in accordance with all applicable federal laws and regulations relating to audit standards, requirements and guidelines. The Auditor will express an opinion on the basic financial statements of the City of Gainesville and provide appropriate audit coverage for required supplementary information pursuant to guidance to be established by the American Institute of Certified Public Accountants (AICPA). The Auditor

will issue separate audit opinions on the separate financial statements for the City's Pension and Other Post-Employment Benefit (OPEB) Funds, Wild Spaces Public Places Capital Projects Funds (WSPP) and Community Redevelopment Agency (CRA) Funds (a combined component unit). The opinion on the City's basic financial statements will also include the appropriate reference to the separately issued opinion on the basic financial statements of Gainesville Regional Utilities, which will be rendered by another CPA firm.

The Auditor is not required to audit the schedule of federal awards and state financial assistance. However, the Auditor is to provide an "in relation-to" report on that supplemental information as well, based on the auditing procedures applied during the audit of the financial statements.

It is understood and agreed between the Parties that a "single audit" of the City's basic financial statements, intended to cover all of the City's federal financial assistance programs, will be conducted by the Auditor, as part of this Contract.

City entities not currently in existence and separate audits required by State and Federal authorities (for example, Federal Grant Audits) are excluded from this Contract. It is contemplated that all such audits would be covered within the "single audit" hereafter described in this agreement. Such excluded audits, however, if and when required by State law or federal agencies or requested by the City may be added to this Contract, based on the hourly rate set forth in sub-paragraph 3.2 below. The parties will negotiate the estimated hours to perform the audit.

In addition to the standards set forth above, the examination shall be made in accordance with auditing standards generally accepted in the United States and generally accepted governmental auditing standards, applicable to financial audits, as prescribed by the GAO in *Government Auditing Standards* (The "Yellow Book").

Auditor will submit all required reports to the City Auditor by January 31 of each calendar year immediately following the end of the fiscal years ended September 30, 2017, 2018 and 2019. Upon request, the City may approve extensions of time for completion.

2. Termination

2.1 Termination Without Cause.

Commencing with the Audit for the fiscal year ending September 30, 2018, either the Auditor or City may terminate this Contract without cause provided notice is given on or before May 1.

2.2 Termination for Cause

Either party may terminate this Contract for cause, provided the defaulting party has been given notice and an opportunity to cure the default as provided in paragraph 15.

2.3 Multi-year Contract

The obligations of the City as to any funding required pursuant to this Contract shall be limited to an obligation in any given year to budget and appropriate from legally available funds, after monies for essential City services have been budgeted and appropriated, sufficient monies for the funding that is required during that year. Notwithstanding the foregoing, the City shall not be prohibited from pledging any legally available non-ad

valorem revenues for any obligations heretofore or hereafter incurred, which pledge shall be prior and superior to any obligation of the City pursuant to this Contract.

3. Compensation

3.1 Base Fee for External Auditing Services

During the period of this Contract, compensation will be in accordance with the Auditor's fee as negotiated and accepted by the City, which is \$105,000 for the year ended September 30, 2017. The first year fee will be adjusted each year according to the previous year's Consumer Price Index (CPI) for the South Region, all urban consumers, all items, with a five (5) % limit on any increase. No decrease will be implemented if the CPI happens to fall in any particular year. However, future adjustments will be measured from the base year's (first year of contract) CPI index to the future CPI index, minus the increases already provided, again not allowing a decrease in any year.

3.2 Hourly Rate for Additional Services

The first year professional fee hourly rates and fee proposals are established in "Your Services and Fees," attached as Attachment E to this Contract. The first year professional fee hourly rates will be adjusted each year according to the previous year's Consumer Price Index (CPI) for the South Region, all urban consumers, all items, with a five (5) % limit on any increase. No decrease will be implemented if the CPI happens to fall in any particular year. However, future adjustments will be measured from the base year's (first year of contract) CPI index to the future CPI index, minus the increases already provided, again not allowing a decrease in any year.

3.3 Manner and Schedule of Payments

The City shall pay the Auditor for the faithful performance of this Contract the price as bid by the Auditor. Payment of any amount due on this Contract shall be made upon verified invoice within thirty (30) days of the receipt of the approved invoice.

Auditor will invoice the City monthly for work performed in the manner set forth in the table below, but in no event more than the maximum price, except for increases caused by the City's request for extra services pursuant to Section 6 of this Contract. All payments for these services will be made payable to Auditor via EFT.

The base fee for general audit services for each fiscal year will be paid in accordance with the following schedule:

October	30%
November	20%
December	40%
Upon Completion	<u>10%</u>
	<u>100%</u>

In the event that unforeseen conditions are encountered which might necessitate the extension of the auditing work beyond the scope of normal auditing procedures, Auditor agrees to advise the City Auditor's Office in writing of the circumstances and to request an increase in the maximum fee before significant additional time is incurred.

Any such requests for additional fees shall contain a detailed explanation of the conditions of irregularities and why the additional fees are necessary. The City Auditor will then

determine whether or not to incur the additional expense. Additional fees shall be based on the hourly rate established in sub-paragraph 3.2. The maximum hours to perform the additional services will be agreed upon at the time of request.

4. Consultation with Auditor General and City Auditor

The City expressly consents to Auditor consulting with the Auditor General of the State of Florida and/or the City Auditor on any matter pertaining to the GRU audit, which in the judgment of Auditor would be important to the conduct of its examination or its report on the results thereof.

5. Use of City Personnel

To the extent practicable, the City agrees to provide and Auditor agrees to utilize the City's accounting personnel for the purposes of minimizing the audit fee.

6. Extra Services

The City may request additional services at any time from Auditor to the extent these services are an extension of the scope of this audit as a result of increased regulatory requirements, the addition of agencies to be audited, or any other reason beyond the control of the Auditor. Any extra services to be provided by Auditor will be coordinated through the City Auditor and fees for such authorized additional work shall be based on the hourly rate established in sub-paragraph 3.2. The maximum hours to perform the additional services will be agreed upon at the time of request.

7. Changes in Laws

In the event that the laws requiring this audit to be performed are amended, this Contract may be amended to the extent required by such a change in law.

8. Insurance

Without limiting liability hereunder, Auditor shall maintain and provide proof of compliance with Rule 61H1-26.002, Florida Administrative Code, regarding Minimum Capitalization or Adequate Public Liability Insurance for Florida Firms. Auditor shall also maintain the minimum insurance requirements at all times as required by law and the City.

9. Sovereign Immunity

Nothing in the Contract Documents shall be interpreted as a waiver of the City's sovereign immunity as granted under Section 768.28, Florida Statutes.

10. Notices

Any notice of cancellation or breach of this Contract from either Party to the other Party shall be in writing and sent by certified mail, return receipt requested, and shall be deemed to have been received when either deposited in a United States Postal Service mailbox or personally delivered with signed proof of delivery. The City's representative and the Auditor's representative are:

City:
Carlos Holt, City Auditor
PO Box 490-17
Gainesville, FL 32627-0490

Auditor:
Frank Mason, Partner
4010 NW 25th Place
Gainesville, FL 32606

11. Assignment

This Contract shall not be assigned by the Auditor or any successor thereto without the prior written consent of the City.

12. Waiver of Liability

Auditor shall, separately and not jointly, indemnify, defend, and hold harmless the City, its elected and appointed officers, employees, successors and assigns from and against any and all third party claims, suits, demands, actions, proceedings, judgments, losses, damages, injuries, penalties, costs, expenses (including reasonable attorneys' fees) to the extent they arise solely from the respective Auditor's negligent performance of services under this Contract. The terms of this paragraph shall survive termination of the Contract.

13. Applicable Law and Venue

This Contract shall be governed by and construed in accordance with the laws of the State of Florida, notwithstanding any Florida conflict of law provision to the contrary. In the event of any legal action under this Contract, venue shall be in Alachua County, Florida..

14. Public Records

Florida has a very broad public records law and certain records of a contractor may be considered public records. Accordingly, by entering into an agreement with the City, contractor must:

1. Keep and maintain public records required by the public agency to perform the service.
2. Upon request from the public agency's custodian of public records, provide the public agency with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in this chapter or as otherwise provided by law.
3. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following completion of the contract if the contractor does not transfer the records to the public agency.
4. Upon completion of the contract, transfer, at no cost, to the public agency all public records in possession of the contractor or keep and maintain public records required by the public agency to perform the service. If the contractor transfers all public records to the public agency upon completion of the contract, the contractor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If the contractor keeps and maintains public records upon completion of the contract, the contractor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the public agency, upon request from the public agency's custodian of public records, in a format that is compatible with the information technology systems of the public agency.

IF THE CONTRACTOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT (City Auditor's Office, Senior Executive Assistant, 352-334-5020; haskellkl@cityofgainesville.org; PO Box 490-17, Gainesville, FL 32627-0490).

15. Default

Failure of either party to perform pursuant to this Contract is a breach of the Contract and said party shall be in default, providing the other party has given notice of the default and ten days to cure said default. The period to cure may be extended by the non-defaulting party upon a demonstration of good faith effort to cure. Failure to cure the default within ten days, or any extension thereof, is a breach of this Contract and the non-defaulting party shall have all remedies available at law or in equity.

16. Other Matters

Any controversy, breach, or claim arising out of or relating to the services covered by this agreement or hereafter provided by Auditor to the City (including any such matter involving a parent, subsidiary, affiliate, successor in interest, or agent of the City or of Auditor) shall be submitted first to voluntary mediation, and if mediation is not successful, then to a court of appropriate jurisdiction.

17. Attorney's Fees

In the event mediation is unsuccessful, the prevailing party in a court of appropriate jurisdiction shall be entitled to attorney's fees and costs, including any appellate fees and costs.

18. Entire Agreement

This Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter thereof.

[Remainder of page left blank. Signatures appear on next page]

IN WITNESS WHEREOF, the Parties hereto have executed this Contract on the day first above written in two (2) counterparts, each of which shall without proof or accounting for the other counterparts be deemed an original.

BAKER CARR RIGGS & INGRAM, LLP

By: Frank Mason
Frank Mason, CPA
Audit Partner

CITY OF GAINESVILLE

By: Carlos Holt
Carlos Holt, CPA, CFF, CIA, CFE, CGAP
City Auditor

Approved as to Form and Legality:

By: Lisa Bennett
City Attorney



CRI CARR
RIGGS &
INGRAM
CPAs and Advisors

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P.O. Box 13494
Gainesville, Florida 32604

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(352) 375-1583 (fax)
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March 31, 2017

To the Honorable Mayor and City Commissioners
City of Gainesville, Florida
c/o City Auditor's Office
Attn: Carlos Holt
200 East University Avenue
Gainesville, FL 32601

We are pleased to confirm our understanding of the services we are to provide the City of Gainesville, FL (the "City") for the years ending September 30, 2017, 2018 and 2019. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the City as of and for the years ending September 30, 2017, 2018 and 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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.

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject that supplementary information to the auditing procedures applied in our audit of the 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, and we will provide an opinion on it in relation to the financial statements as a whole.

The other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

In addition to our audit of the basic financial statements, we will issue separate audit opinions on the separate financial statements of the City's Pension and Other Post-Employment Benefit (OPEB) funds, Wild Spaces and Public Places (WSPP), and Community Redevelopment Agency (CRA) funds.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

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- Internal control over compliance related to major federal programs and state projects and an opinion (or disclaimer of opinion) on compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Act.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance and State Single Audit Act report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State Single Audit Act. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance and State Single Audit Act, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and State Single Audit Act, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; schedule of expenditures of state financial assistance; schedule of federal and state award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance and State Single Audit Act, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and State Single Audit Act.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance and State Single Audit Act.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance and State Single Audit Act requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal and state statutes, regulations, and the terms and conditions of federal and state awards applicable to major programs and projects. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance and State Single Audit Act.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal and state awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations,

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contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal and state statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance and State Single Audit Act, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance and State Single Audit Act, it is management's responsibility to evaluate and monitor noncompliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance (including notes and noncash assistance received) in conformity with the Uniform Guidance and State Single Audit Act. You agree to include our report on the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance in accordance with the Uniform Guidance and State Single Audit Act; (2) you believe the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance, including its form and content, is stated fairly in accordance with the Uniform Guidance and State Single Audit Act; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance.

Honorable Mayor and City Commissioners
City of Gainesville, Florida
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Attn: Carlos Holt
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You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

Honorable Mayor and City Commissioners
City of Gainesville, Florida
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Attn: Carlos Holt
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We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Carr, Riggs & Ingram, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the City or its designee, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Carr, Riggs & Ingram, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. See Appendix A for further discussion of records requests.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the City. If we are aware that a federal or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Frank Mason is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be as described below:

The first year fee for audit services is \$105,000 for the year ending September 30, 2017. For subsequent years, the first year fee will be adjusted each year according to the previous year's Consumer Price Index ("CPI") for the South Region, all urban consumers, all items, with a 5% limit on any increase. No decrease will be implemented if the CPI falls in any particular year. However, future adjustments will be measured from the base year's (first year of contract) CPI index to the future CPI index, minus the increases already provided, again, not allowing a decrease in any year.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Arbitration and Mediation

In the event of a dispute between the parties which arises out of or relates to this contract or engagement letter, the breach thereof or the services provided or to be provided hereunder, and, if the dispute cannot be settled through negotiation, the parties agree that before initiating arbitration, litigation or some other dispute resolution procedure, they will first try in good faith to resolve the dispute through non-binding mediation. The costs of any mediation proceedings shall be shared equally by all parties.

Electronic Data Communication and Storage and Use of Third Party Service Provider

In the interest of facilitating our services to your company, we may send data over the Internet, securely store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your company may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data, such as, but not limited to, providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. We also require our third-party vendors to do the same.

Honorable Mayor and City Commissioners
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You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

To enhance our services to you, we will use a combination of remote access, secure file transfer, virtual private network or other collaborative, virtual workspace or other online tools or environments. Access through any combination of these tools allows for on-demand and/or real-time collaboration across geographic boundaries and time zones and allows CRI and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use certain of these tools and in addition to execution of this acknowledgement and engagement letter, you may be required to execute a separate client acknowledgement or agreement and agree to be bound by the terms, conditions and limitations of such agreement. The City, CRA, and its officers, agents and employees agree that CRI has no responsibility for the activities of its third-party vendors supplying these tools and agree to indemnify and hold CRI harmless with respect to any and all claims arising from or related to the operation of these tools. While we may back up your files to facilitate our services, you are solely responsible for the backup of your files and records; therefore, we recommend that you also maintain your own backup files of these records.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

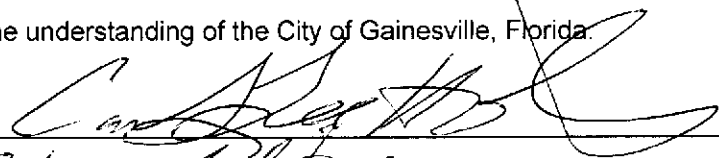
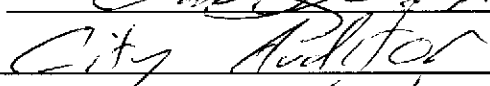
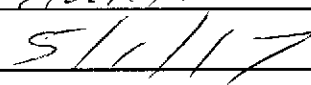
RESPONSE:

This letter correctly sets forth the understanding of the City of Gainesville, Florida.

Management signature: _____

Title: _____

Date: _____

Appendix A

1. The legislature has amended Chapter 119 Florida Statutes, Section .0701 thereof, to expand the obligation of local government to include into all contracts certain language that relates to public records, which is made a part of this contract.
2. The contractor shall adhere to Florida public records laws, including the following:
 - a. Keep and maintain public records required by the City to perform the services, and upon request of the custodian of records for the City, provide the City with a copy of the requested records or allow the records to be copied or inspected within a reasonable time at a cost that does not exceed the cost allowed in Chapter 119 or as otherwise provided by law.
 - b. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of this contract term and following completion of the contract if the contractor does not transfer the records to the City.
 - c. Upon completion of the contract, transfer, at no cost, to the City all public records in possession of the contractor or thereafter keep and maintain public records required by the City to perform the service. If the contractor transfers all public records to the City upon completion of the contract, the contractor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If the contractor keeps and maintains public records upon completion of the contract, the contractor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the City, upon request of the City Clerk, in a format that is compatible with the information technology systems of the City.
3. Noncompliance:
 - a. A request to inspect or copy public records relating to the City's contract for services must be made directly to the City. If the City does not possess the requested records, the City shall immediately notify the contractor of the request, and the contractor must provide the records to the City or allow the records to be inspected or copied within a reasonable time. A reasonable time is defined as within eight (8) business days.
 - b. If the contractor does not comply with the request of the City for the records, the City shall enforce the contract provisions in accordance with the contract.
 - c. If the contractor fails to provide the public records to the City within a reasonable time, the contractor may be subject to the penalties under Chapter 119.10.
4. Civil Action.
 - a. If a civil action is filed against a contractor to compel production of public records relating to the City's contract for professional services, the court shall assess and award against the contractor the reasonable costs of enforcement, including reasonable attorney fees, if:
 - i. The court determines that the contractor unlawfully refused to comply with the public records request within a reasonable time; and
 - ii. At least eight (8) business days before filing the action, the plaintiff provided written notice of the public records request, including a statement that the contractor has not complied with the request, to the City and to the contractor.
 - b. A notice complies with the above if it is sent to the custodian of public records for the City and to the contractor at the contractor's address listed on its contract with the City, or to the contractor's registered agent. Such notices must be sent by common carrier delivery service or by registered, Global Express Guaranteed, or certified mail, with postage or shipping paid by the sender and with evidence of delivery, which may be in an electronic format.

Honorable Mayor and City Commissioners
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- c. A contractor who complies with a public records request within eight (8) business days after the notice is sent is not liable for the reasonable costs of enforcement.

ADDENDUM NO. 1

RFP Name: Professional Auditing Services for General Government
Bid No.: CAUD-190002-DH

ATTACHMENT B

Employees' Pension Fund-Auditor's report

Employees' Pension Fund of the City of Gainesville, Florida

Financial Statements and
Independent Auditor's Report

September 30, 2017



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



Employees' Pension Fund of the City of Gainesville, Florida

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Pension Fund of the City of Gainesville, Florida (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan'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 net position restricted for pension benefits of the Plan as of September 30, 2017, and the changes in its net position restricted for pension benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed In Note 1 to the financial statements, the accompanying financial statements present only the Employees' Pension Fund and do not purport to, and do not, present fairly the net position restricted for pension benefits of the City of Gainesville, Florida, as of September 30, 2017, or the City's changes in net position restricted for pension benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules identified in the table of contents as "required supplementary information" 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 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.

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.

Cary Riggs & Ingram, L.L.C.

Gainesville, Florida

June 5, 2018

**Employees' Pension Fund of the
City of Gainesville, Florida****Statement of Fiduciary Net Position
September 30, 2017****Assets**

Cash and cash equivalents	\$ 4,098,480
Investments, at fair value	395,134,083
Investment adjustment	29,688

Total assets 399,262,251

Liabilities

Accounts payable	2,948,689
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Net position restricted for pension benefits \$ 396,313,562

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

**Employees' Pension Fund of the
City of Gainesville, Florida**

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended September 30, 2017**

Additions

Contributions:	
Employer contributions	\$ 14,654,934
Employee contributions	4,829,122
<hr/>	
Total contributions	19,484,056
<hr/>	
Investment income:	
Net appreciation in fair value of investments	54,149,414
Dividends and interest	6,005,207
<hr/>	
Total	60,154,621
Less investment expense	1,549,319
<hr/>	
Net investment income	58,605,302
<hr/>	
Total additions	78,089,358
<hr/>	
Deductions	
Benefit payments	38,104,186
Refunds of contributions	364,976
Administrative expenses	604,905
<hr/>	
Total deductions	39,074,067
<hr/>	
Net increase in net position	39,015,291
<hr/>	
Net position restricted for pension benefits, October 1, 2016	357,298,271
<hr/>	
Net position restricted for pension benefits, September 30, 2017	\$ 396,313,562
<hr/>	

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City of Gainesville, Florida (the "City"), except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable.

Pension Trust Fund

These financial statements include only the Employees' Pension Fund, which is reported as a trust fund in the City's comprehensive annual financial report.

Financial Reporting Principles

The Plan follows the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – PLAN DESCRIPTION

Plan Board

The Board of Trustees of the Employees' Plan is composed of all seven members of the City Commission who sit as a separate body to approve Plan provisions and changes.

Plan Membership

At September 30, 2017 the following employees were covered by the Plan:

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

Inactive plan members or beneficiaries currently receiving benefits	1,266
Inactive plan members entitled to but not yet receiving benefits	428
Active plan members	1,519
Total	3,213

Benefit Terms

The Employees' Plan provides retirement and death benefits to plan members and beneficiaries. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville. Benefit terms are established and may be amended by approval of the Board of Trustees. In October 2002, the Board of Trustees approved allowing participants to buy back City years of service at its actuarial valuation.

Monthly Accrued Benefit

- For City employees with hire dates on or before October 1, 2012 a monthly benefit payable for life, starting at normal retirement age, equal to 2% of final average earnings times credited service.
- For City employees with hire dates on or after October 2, 2012 a monthly benefit payable for life, starting at normal retirement age, equal to 1.8% of final average earnings times credited service.
- For Gainesville Gas Company employees, a monthly benefit payable for life starting at normal retirement age, equal to, (i) the accrued benefit earned under the Gainesville Gas Company Employees' Pension Plan ("predecessor plan") as of January 10, 1990; plus (ii) 2% of final average earnings times credited service earned after January 10, 1990; plus (iii) for each year of service earned after January 10, 1990, an additional 2% of final average earnings will be credited, not to exceed the service years earned under the accrued benefit formula under the predecessor plan; less (iv) for each year of predecessor plan service credited under (iii) above, the portion of the accrued benefit determined under (i) above based on such years.

Final Average Earnings

- For members with hire dates on or before October 1, 2007, the average of the member's monthly earnings for the 36 consecutive months that produce the highest average at the date of benefit determination.

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

- For members with hire dates on or after October 2, 2007 but on or before October 1, 2012, the average of the member's monthly earnings for the 48 consecutive months that produce the highest average at the date of benefit determination.
- For members with hire dates on or after October 2, 2012, the average of the member's monthly earnings for the 60 consecutive months that produce the highest average at the date of benefit determination.

Normal Retirement Age and Benefits

Age – For members with hire dates on or before October 1, 2007, the eligibility date is the earlier of age 65 and 10 years of credited service or 20 years of credited service at any age. For members with hire dates on or after October 2, 2007 and on or before October 1, 2012, the eligibility date is the earlier of age 65 and 10 years of credited service or 25 years of credited service at any age. For members with hire dates on or after October 2, 2012, the eligibility date is the earlier of age 65 and 10 years of credited service or 30 years of credited service at any age.

Amount – Monthly accrued benefit as detailed above.

Form of Payment

- Life annuity option pays the member 100% of normal retirement benefit for life. This option does not provide for a continuing pension to a beneficiary upon the member's death.
- Joint and survivor option pays a reduced pension benefit for the life of the member and continues to pay the beneficiary 2/3 of the reduced benefit for rest of the beneficiary's life.
- Joint and last survivor option pays a reduced pension benefit for the life of the member. Upon death of either the member or beneficiary, the monthly benefit is reduced to 2/3 of the original benefit.
- Social security option pays an increased benefit before social security benefits begin and then decreases when the member becomes eligible for social security benefits

Early Retirement Age and Benefits

Age – For members with hire dates on or before October 1, 2012, the eligibility date is the attainment of age 55 and 15 years of credited service. For members with hire dates on or after October 2, 2012, the eligibility date is the attainment of age 60 and 20 years of credited service.

Amount – Monthly accrued benefit actuarially reduced by 5/12% for each month by which the early retirement date precedes the date on which the member would have reached age 65.

Form of Payment – Same as for Normal Retirement.

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

Termination Benefit

If a member should terminate prior to completing five years of credited service, no benefits are payable except the return of member contributions, without interest. After the completion of five years but less than normal or early retirement eligibility, a member is entitled to a benefit equal to the accrued benefit payable at age 65 for life.

Cost of Living Adjustments (COLA)

A 2% cost of living adjustment (COLA) will be applied to retirement benefits annually if the retiree reaches eligibility for the COLA prior to that date:

- At least 20 years of credited service on or before October 1, 2012 AND at least 20 years but less than 25 years of credited service upon retirement; COLA will begin on the October payment after reaching age 62.
- At least 20 years of credited service on or before October 1, 2012 AND at least 25 years of credited service upon retirement; COLA will begin on the October payment after reaching age 60.
- At least 25 years of credited service upon retirement AND a hire date on or before October 1, 2012, but less than 20 years of credited service on or before October 1, 2012; COLA will begin with the October payment after reaching age 65.
- At least 30 years of credited service upon retirement AND a hire date on or after October 2, 2012; COLA will begin with the October payment after reaching age 65.

Contribution Requirements

The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2017 for retirement and death benefits was 17.45% of covered payroll. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability at that time in the Employees' Plan. Administrative costs are financed through investment earnings.

Reserves

The Plan had \$4,028,092 in reserves for members participating in DROP.

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

Deferred Retirement Option Program (DROP)

Members with 27 but less than 35 years of credited service may elect to participate in the deferred retirement option program (DROP), for a maximum of 60 months or until the conclusion of 35 years of credited service if less. The member's accrued benefit is calculated as of the date of entry into DROP, deposited in the DROP account and paid to the members at termination.

For members whose DROP participation begins on or before October 1, 2012, interest shall accrue at 6%. For members whose DROP participation begins on or after October 2, 2012, interest shall accrue at 2.25%. The balance of the amounts held by the pension plan pursuant to the DROP is \$4,028,092 as of September 30, 2017.

NOTE 3 – INVESTMENTS

Rate of Return

For the year ended September 30, 2017, the annual money-weighted rate of return on the Plan investments, net of pension plan investment expense was 16.65%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies described below provide guidelines for the credit ratings of specific types of investments. Presented below is the rating as of year-end for each investment type.

Investment Type	Fair Value	Unrated/ Exempt	AAA	AA	A	BBB
Common stock	\$ 199,340,207	\$ 199,340,207	\$ -	\$ -	\$ -	\$ -
Limited partnerships	17,130,431	17,130,431	-	-	-	-
Mutual funds	176,497,450	176,497,450	-	-	-	-
Real estate investment trust	2,165,995	2,165,995	-	-	-	-
Totals	\$ 395,134,083	\$ 395,134,083	\$ -	\$ -	\$ -	\$ -

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The Plan's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

Investment Type	Fair Value	*	< 2 years	2-5 years	5-10 yrs	> 10 years
Common stock*	\$ 199,340,207	\$ 199,340,207	\$ -	\$ -	\$ -	\$ -
Limited partnerships*	17,130,431	17,130,431	-	-	-	-
Mutual funds*	176,497,450	176,497,450	-	-	-	-
Real estate investment trust*	2,165,995	2,165,995	-	-	-	-
Totals	\$ 395,134,083	\$ 395,134,083	\$ -	\$ -	\$ -	\$ -

* Included but not required to be presented by maturity date

Investment Policy

The investment policy of the Plan is established and amended by the Board of Trustees. There were no significant changes to the investment policy during fiscal year 2017.

The primary investment objective of the Plan is to ensure over the long-term of the Plan, an adequate level of assets are available to fund the benefits guaranteed to City employees (except for police and firefighters) and their beneficiaries at the time they are payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of risk.

A secondary objective is to earn total rate of return after expenses that equals or exceeds the actuarial investment return assumption. The Trustees, with the help from actuary and investment consultant, will use the Plan's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, this main investment focus of the Trustee towards the total Plan and each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain consistent philosophy and style, perform well versus other utilizing the same style, and add incremental value after costs.

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Other general investment objectives for the Plan are:

- Long-term growth of capital – In the absence of contributions and withdrawals, the asset value of the Plan should grow in the long run and earn rates of return greater than those of its Policy Index while avoiding excessive risk.
- Preservation of purchasing power – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) in order to preserve purchasing power.
- Maintain sufficient funding – Funding should be sufficient to cover unexpected developments, possible future benefit increases and reduction of expected investment returns.

Fair Value of Investments

Investments are reported at fair value, based on quoted market prices, when available.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of September 30, 2017

- Common stock – Valued at the daily closing price.
- Limited Partnership – Valued at the daily closing price as reported by the partnership
- Mutual Funds – Valued at the daily closing price as reported by the fund.
- Real Estate Investment Trust – Value based on property appraisals.

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Plan's assets for which fair values are determined on a recurring basis:

Investment Type	Fair Value	Quoted Prices in		
		Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$199,340,207	\$ 199,340,207	\$ -	\$ -
Limited partnerships	17,130,431	17,130,431	-	-
Mutual funds	176,497,450	176,497,450	-	-
Reals estate investment trust	2,165,995	-	2,165,995	-
	<u>\$395,134,083</u>	<u>\$ 392,968,088</u>	<u>\$ 2,165,995</u>	<u>\$ -</u>

NOTE 5 – NET PENSION LIABILITY

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

Total pension liability	\$ 537,712,710
Plan fiduciary net position	(396,313,562)
<u>Net pension liability</u>	<u>\$ 141,399,148</u>

Plan fiduciary net position as a percentage of the total pension liability	73.70%
--	--------

Significant Actuarial Assumptions

The total pension liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2016 actuarial valuation to the pension plan's fiscal year end of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.75%
Salary increases	3.00% to 5.00%
Investment rate of return	8.10%, net of pension investment expense

Employees' Pension Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 5 – NET PENSION LIABILITY (CONTINUED)

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table-Dynamic with projection to valuation year.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. 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 the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, in accordance with the method prescribed by GASB Statement No. 67. We believe this assumption is reasonable for the purposes of the measurements required by the Statement. In the event that benefit payments are not covered by the Plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the Plan's fiduciary net position.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	Inflation	Real Risk Free Return	Risk Premium	Total Expected Return	Policy Allocation	Policy Return
Domestic equity	3.00%	2.00%	4.50%	9.50%	50.00%	4.75%
Intl equity	3.00%	2.00%	5.50%	10.50%	30.00%	3.15%
Domestic bonds	3.00%	2.00%	0.50%	5.50%	2.00%	0.11%
Intl bonds	3.00%	2.00%	1.50%	6.50%	0.00%	0.00%
Real estate	3.00%	2.00%	2.50%	7.50%	16.00%	1.20%
Alternatives	3.00%	2.00%	3.50%	7.50%	0.00%	0.00%
US Treasuries	3.00%	0.00%	0.00%	3.00%	0.00%	0.00%
Cash	3.00%	-2.00%	0.00%	1.00%	2.00%	0.02%
Total					100.00%	9.23%

**Employees' Pension Fund of the
City of Gainesville, Florida**

Notes to Financial Statements

NOTE 5 – NET PENSION LIABILITY (CONTINUED)

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

The following presents the net pension liability, calculated using the discount rate of 8.1%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage-point higher (9.1%) than the current rate:

	1% Decrease (7.1%)	Current Discount Rate (8.1%)	1% Increase (9.1%)
Net pension liability	\$ 202,787,977	\$ 141,399,148	\$ 89,907,875

Required Supplementary Information

**Employees' Pension Fund of the
City of Gainesville, Florida**

Schedule of Changes in the Net Pension Liability and Related Ratios

	2017	2016	2015	2014
Total pension liability				
Service costs	\$ 8,355,553	\$ 7,789,638	\$ 7,153,541	\$ 6,612,646
Interest	39,934,706	38,189,162	35,741,289	36,171,225
Differences between expected and actual experience	7,646,058	1,125,190	1,954,558	1,105,967
Transfer from the Disability Plan	-	-	2,455,848	-
Changes of assumptions	21,041,875	4,860,706	15,880,346	-
One time adjustment for DROP account balances	10,038,916	-	-	-
Benefit payments, including refunds of employee contributions	(34,963,352)	(37,252,988)	(28,306,207)	(31,819,142)
Net change in total pension liability	52,053,756	14,711,708	34,879,375	12,070,696
Total pension liability-beginning	485,658,954	470,947,246	436,067,871	423,997,175
Total pension liability-ending (a)	\$ 537,712,710	\$ 485,658,954	\$ 470,947,246	\$ 436,067,871
Plan fiduciary net position				
Employer contributions	\$ 14,654,934	\$ 13,481,032	\$ 11,746,935	\$ 11,519,431
Employee contributions	4,829,122	4,441,258	4,429,289	4,260,476
Net investment income	58,605,302	39,190,078	(2,486,089)	34,176,892
Transfer from the Disability Plan	-	-	2,320,442	-
Benefit payments, including refunds of employee contributions	(38,469,162)	(33,747,177)	(28,306,207)	(26,161,924)
Administrative expense	(604,905)	(670,867)	(580,988)	(613,886)
Net change in plan fiduciary net position	39,015,291	22,694,324	(12,876,618)	23,180,989
Plan fiduciary net position-beginning	357,298,271	334,603,947	347,480,565	324,299,576
Plan fiduciary net position-ending (b)	\$ 396,313,562	\$ 357,298,271	\$ 334,603,947	\$ 347,480,565
Net pension liability-ending (a)-(b)	\$ 141,399,148	\$ 128,360,683	\$ 136,343,299	\$ 88,587,306
Plan fiduciary net position as a percentage of the total pension liability	73.70%	73.57%	71.05%	79.68%
Annual covered payroll	\$ 91,143,976	\$ 80,223,575	\$ 79,930,261	\$ 81,654,532
Net pension liability as a percentage of covered employee payroll	155.14%	160.00%	170.58%	108.49%

Notes to Schedule:

Benefit Payments in Total Pension Liability include an interest calculation. This amount does not represent actual Benefit Payments as shown in the statement of changes in Plan fiduciary net position.

Changes to assumptions resulted from reducing the investment rate of return from 8.2% to 8.1%. The schedule will present ten years of comparative data in the future. GASB 67 was implemented in FY 2014.

**Employees' Pension Fund of the
City of Gainesville, Florida**

Schedule of Employer Contributions

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 14,654,934	\$ 13,481,032	\$ 13,211,521	\$ 12,700,223	\$ 10,927,391
Contributions in relation to the actuarially determined contribution	14,654,934	13,481,032	12,224,716	11,995,271	10,206,334
Contribution deficiency (excess)	\$ -	\$ -	\$ 986,805	\$ 704,952	\$ 721,057
Covered payroll	\$ 91,143,976	\$ 80,223,575	\$ 79,930,261	\$ 81,654,532	\$ 80,365,984
Contributions as percentage of covered payroll	16.08%	16.80%	15.29%	14.69%	12.70%

Notes to Schedule:

Methods and assumptions used to determine contribution rates

Actuarial cost method	Individual entry age, level percent of pay
Amortization method	Level percentage, closed
Remaining amortization period	21 to 30 years based on year established; gains/losses, assumption plan changes over 30 years from inception
Asset valuation method	Actuarial value, based on 5-year recognition of returns greater or less than the assumed investment return
Inflation rate	3.75%
Future rate of growth in valuation payroll	4.50%
Investment return rate	8.10%
Salary increase rate	3.75% to 7.00%
Retirement rates	Schedule of probabilities based on age and service, increasing as age and service increase
Mortality rates	RP-2000 Combined Healthy Mortality Table - Dynamic with projection to valuation year

The schedule will present ten years of comparative data in the future. GASB 67 was implemented in FY 2014.



Employees' Pension Fund of the City of Gainesville, Florida

Schedule of Investment Returns

FY	Annual Money-Weighted Rate of Return on Pension Plan Investments
2017	16.65%
2016	11.84%
2015	-0.74%
2014	10.61%

Note to Schedule:

The schedule will present ten years of comparative data in the future. GASB 67 was implemented in FY 2014.

ADDENDUM NO. 1

RFP Name: Professional Auditing Services for General Government
Bid No.: CAUD-190002-DH

ATTACHMENT C

Community Redevelopment Agency-Auditor's report

**City of Gainesville, Florida
Community Redevelopment Agency**

**Financial Statements and Independent Auditor's
Report**

September 30, 2017



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**City of Gainesville, Florida
Community Redevelopment Agency**

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September 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Gainesville, Florida

We have audited the accompanying financial statements of the Community Redevelopment Agency (CRA), a blended component unit of the City of Gainesville, Florida (the "City"), which comprise the balance sheet as of September 30, 2017, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the City's CRA as of September 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared to facilitate the independent audit requirements contained in Section 163.387(8), Florida Statutes, and are not intended to be a complete presentation of the City's financial activity. Our opinion is not modified with respect to that matter.

Carri Riggs & Ingram, L.L.C.

Gainesville, Florida

June 5, 2018

City of Gainesville, Florida
Community Redevelopment Agency

Balance Sheet
September 30, 2017

	Community Redevelopment Agency Operating Fund	Downtown Redevelopment Tax Increment Fund	Fifth Avenue Tax Increment Fund	College Park Tax Increment Fund	Eastside Tax Increment Fund	Total
Assets						
Equity in pooled cash	\$ 949,692	\$ 3,117,405	\$ 847,163	\$ 13,152,447	\$ 2,720,567	\$ 20,787,274
Receivables	6,192	14,128	2,873	-	6,400	29,593
Total assets	\$ 955,884	\$ 3,131,533	\$ 850,036	\$ 13,152,447	\$ 2,726,967	\$ 20,816,867
Liabilities, deferred inflows and fund balances						
Liabilities						
Accounts payable and accrued liabilities	\$ 16,024	\$ 14,927	\$ 14,779	\$ 928,847	\$ 263,408	\$ 1,237,985
Advances from other funds	1,840,188	-	-	-	-	1,840,188
Total liabilities	1,856,212	14,927	14,779	928,847	263,408	3,078,173
Deferred inflows						
Deferred revenue	-	-	1,390	-	-	1,390
Fund balances						
Restricted for:						
Capital project purposes	-	3,116,606	833,867	12,223,600	2,463,559	18,637,632
Unassigned	(900,328)	-	-	-	-	(900,328)
Total fund balances	(900,328)	3,116,606	833,867	12,223,600	2,463,559	17,737,304
Total liabilities, deferred inflows and fund balances	\$ 955,884	\$ 3,131,533	\$ 850,036	\$ 13,152,447	\$ 2,726,967	\$ 20,816,867

See accompanying notes.

City of Gainesville, Florida
Community Redevelopment Agency

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	Community Redevelopment Agency Operating Fund	Downtown Redevelopment Tax Increment Fund	Fifth Avenue Tax Increment Fund	College Park Tax Increment Fund	Eastside Tax Increment Fund	Total
Revenues						
Property taxes	\$ -	\$ 1,565,762	\$ 355,030	\$ 2,607,361	\$ 385,974	\$ 4,914,127
Rental income	-	14,688	17,803	-	22,346	54,837
Gain (loss) on investments	1,795	2,849	802	15,680	3,878	25,004
Miscellaneous	11	54,580	-	-	-	54,591
Total revenues	1,806	1,637,879	373,635	2,623,041	412,198	5,048,559
Expenditures						
City attorney	71,502	-	-	-	-	71,502
Downtown redevelopment administration	388,588	-	-	-	-	388,588
Fifth avenue administration	207,650	-	-	-	-	207,650
College park administration	374,800	-	-	-	-	374,800
Eastside administration	163,487	-	-	-	-	163,487
Downtown redevelopment projects	-	1,141,240	-	-	-	1,141,240
Fifth avenue projects	-	-	187,019	-	-	187,019
College park projects	-	-	-	3,177,624	-	3,177,624
Eastside projects	-	-	-	-	568,029	568,029
Total expenditures	1,206,027	1,141,240	187,019	3,177,624	568,029	6,279,939
Excess of revenues over (under) expenditures	(1,204,221)	496,639	186,616	(554,583)	(155,831)	(1,231,380)
Other financing sources (uses)						
Transfers in	1,837,285	790,492	179,241	1,316,353	194,863	4,318,234
Transfers out	(30,432)	(659,954)	(296,720)	(717,140)	(187,971)	(1,892,217)
Total other financing sources (uses)	1,806,853	130,538	(117,479)	599,213	6,892	2,426,017
Net change in fund balances	602,632	627,177	69,137	44,630	(148,939)	1,194,637
Fund balances, October 1	(1,502,960)	2,489,429	764,730	12,178,970	2,612,498	16,542,667
Fund balances, September 30	\$ (900,328)	\$ 3,116,606	\$ 833,867	\$ 12,223,600	\$ 2,463,559	\$ 17,737,304

See accompanying notes.

City of Gainesville, Florida Community Redevelopment Agency

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A legally separate entity, the Community Redevelopment Agency (CRA) was created by ordinance of the City to carry out community redevelopment within the City of Gainesville under Chapter 163 of the Florida Statutes. The City Commission sits as the board of this organization and approves its budget. The CRA is reported as if it were a part of the City because the City Commission is its governing body and because of the existence of a financial benefit/burden relationship.

Basis of Presentation

The CRA's operating fund and four Tax Increment District project funds are reported as separate nonmajor governmental funds. The accompanying financial statements are special purpose financial statements. They have been prepared to facilitate the requirement for an independent audit of the City's CRA funds and, accordingly, result in an incomplete presentation of the City's financial activity that is otherwise in conformity with generally accepted accounting principles. The accompanying financial statements include only those five funds and do not purport to, and do not, constitute a complete presentation of the City's financial activity.

Measurement Focus/Basis of Accounting

The CRA funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and, accordingly, are said to present a summary of sources and uses of "available spendable resources" during a period.

The CRA funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Fund Balance

The CRA follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the CRA is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

City of Gainesville, Florida
Community Redevelopment Agency

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fund balances of the City's CRA funds are classified as *restricted* pursuant to the provisions of GASB Statement No. 54. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The City's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

NOTE 2 - ADVANCES FROM OTHER FUNDS

The Advances from Other Funds balance resulted from various notes between the City and the CRA, a blended component unit, for various projects within the four CRA districts. A description of each note is listed below:

\$836,900 Commerce Building/AMJ Project, Downtown Promissory Note – 1.05% to 4.28% fixed annual interest rate. In September 1999, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds associated with the Commerce Building project. In July 2004, the note was amended to specify that repayment will be from all tax increment proceeds from the Downtown Redevelopment Area. The final repayment is scheduled for January 2020.

\$434,955 The Lofts (Old Stringfellow) – 609 West University Avenue, College Park Promissory Note – 1.57% to 4.96% fixed annual interest rate. In April 2001, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. In October 2004, the note was amended for the redevelopment of the area known as The Lofts. The final repayment is scheduled for November 2024.

\$650,000 Fifth Avenue/Pleasant Street Projects, Fifth Avenue/Pleasant Street Promissory Note – 6.72% fixed annual interest rate. In April 2002, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2022.

\$1,400,600 Courthouse Parking Facility Project, Downtown Promissory Note – 6.72% fixed annual interest rate. In April 2002, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2024.

\$300,000 Eastside District Redevelopment Trust Promissory Note – 4.5% to 6.2% fixed annual interest rate. In May 2005, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2025.

**City of Gainesville, Florida
Community Redevelopment Agency**

Notes to Financial Statements

NOTE 2 - ADVANCES FROM OTHER FUNDS (CONTINUED)

\$800,000 College Park / 2nd Avenue Redevelopment Trust, College Park Promissory Note – 4.5% to 6.2% fixed annual interest rate. In May 2005, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2025.

Following is the repayment schedule of advances from the City's General Fund to the CRA:

Year ending September 30,	Advances from General Fund to CRA		
	Principal	Interest	Total
2018	\$ 267,505	\$ 166,102	\$ 433,607
2019	282,257	70,511	352,768
2020	292,271	57,601	349,872
2021	230,758	45,740	276,498
2022	243,278	34,880	278,158
2023-2025	524,119	41,422	565,541
Total	\$ 1,840,188	\$ 416,256	\$ 2,256,444

ADDENDUM NO. 1

RFP Name: Professional Auditing Services for General Government
Bid No.: CAUD-190002-DH

ATTACHMENT D

Other Postemployment Benefits Fund-Auditor's report

**Other Postemployment
Benefits Fund of the
City of Gainesville, Florida**

**Financial Statements and Independent
Auditor's Report**

September 30, 2017



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**Other Postemployment
Benefits Fund of the
City of Gainesville, Florida**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Other Postemployment Benefits Fund of the City of Gainesville, Florida (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan'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 net position restricted for other postemployment benefits of the Plan as of September 30, 2017, and the changes in its net position restricted for other postemployment benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the accompanying financial statements present only the Other Postemployment Benefits Fund and do not purport to, and do not, present a complete presentation of the City's financial activity in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

As discussed in Note 6 to the financial statements, the Plan implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective October 1, 2016. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules identified in the table of contents as "Required Supplementary Information" 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.

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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
June 5, 2018

**Other Postemployment Benefits Fund
of the City of Gainesville, Florida****Statement of Fiduciary Net Position
September 30, 2017****Assets**

Cash and equivalents	\$ 2,347,746
Investments, at fair value	61,228,620

Total assets	63,576,366
--------------	------------

Liabilities

Accounts payable and accrued liabilities	76,013
--	--------

Net position restricted for other postemployment benefits	\$ 63,500,353
--	----------------------

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

**Other Postemployment Benefits Fund
of the City of Gainesville, Florida**

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended September 30, 2017**

Additions

Contributions:	
Employer contributions	\$ 1,622,729
Employee contributions	3,405,757
<hr/>	
Total contributions	5,028,486
<hr/>	
Investment income:	
Net appreciation in fair value of investments	5,786,262
Dividends and interest	1,231,202
<hr/>	
Total	7,017,464
Less investment expense	467,059
<hr/>	
Net investment income	6,550,405
<hr/>	
Total additions	11,578,891
<hr/>	
Deductions	
Benefit payments	7,514,930
Administrative expenses	6,082
<hr/>	
Total deductions	7,521,012
<hr/>	
Net increase	4,057,879
<hr/>	
Net position restricted for other postemployment benefits, October 1, 2016	59,442,474
<hr/>	
Net position restricted for other postemployment benefits, September 30, 2017	\$ 63,500,353
<hr/> <hr/>	

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 1 – PLAN DESCRIPTION

The Plan is a single-employer, defined benefit healthcare plan administered by the City of Gainesville, Florida (the “City”), covering all permanent employees of the City.

The Plan is reported as a trust fund in the City’s comprehensive annual financial report. Accordingly, the accompanying financial statements do not purport to, and do not, present a complete presentation of the City’s financial activity.

Membership

As of the latest actuarial valuation, Plan membership consisted of the following:

Active Members	1,867
DROP Members	133
Inactive Members Not Receiving Benefit	1,052
Members Receiving Benefits	746
<hr/>	
Total	\$ 3,798
<hr/>	

Contribution Information

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits.

Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Plan pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and dependents are eligible for coverage, but the employee is responsible for the entire premium cost, there is no direct Plan subsidy. The employee contributes the premium cost each month, less the Plan subsidy calculated as a percentage of the individual premium.

In September 2008, the City approved Ordinance 0-08-52, terminating the existing program and trust and creating a new program and trust, effective January 1, 2009. This action changed the benefits available to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008 under a formula that provides ten dollars per year of credit service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City’s contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing Ordinance. The City’s contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 1 – PLAN DESCRIPTION (CONTINUED)

The State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the Plan to report its activity using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the OPEB liability. However, the City has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The required contribution rate for the City for the current fiscal year was 0.46%. Administrative costs are financed through investment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Employee contributions are recognized as revenues in the period in which the employee receives monthly retiree health insurance benefits. Benefits are recognized when due and payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investment Policies

These funds represent investments administered by the City's Other Postemployment Benefits Fund Investment Managers. These investments are reported at fair value. The fair value of this plan is derived through valuation efforts done by our investment managers in conjunction with our plan custodian. The fair values for the vast majority of these assets are readily available. For those assets whose fair value is less verifiable, the best available information is used.

The Plan maintains separate investment managers for its equity and fixed income portfolios. The managers are required to comply with Florida statutes, City ordinances, other applicable laws and with the fiduciary standards set forth in the Employees Retirement Income Security Act of 1974 at 29 U.S.C. Section 1140(a)(1)(A)(C). The managers of these funds are permitted to invest in the following instruments:

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Equity Funds (domestic)

- Common Stocks
- Stock Index Futures
- Convertible and Preferred Stocks
- American Depository Receipts
- REITS
- Limited Liability Companies (LLCs)

Equity Funds (international)

- Restricted to managers specifically hired to invest in international equities
- Common and Preferred Stocks of foreign issuers domiciled in developed and developing countries (emerging markets)
- Forward Foreign Currency Exchange Contracts for hedging purposes
- American and Global Depository Receipts and similar securities

Fixed Income Funds (domestic)

- Must have a rating of investment grade (BBB/Baa) or better
- United States Treasury and Agency Securities
- Commercial Paper with either a Standard & Poor's quality rating of A-1 or a Moody's quality rating of P-1 and a maturity of 270 days or less
- Certificates of Deposit up to FDIC or FSLIC insurance coverage or any amount fully collateralized by United States Government Securities or issued by an institution which is a qualified public depository within the State of Florida
- Corporate Bonds, Mortgage Backed Securities, or Asset Backed Securities
- Yankee Bonds
- Convertible Securities
- Money Market or Cash Equivalent Securities

Fixed Income Funds (international)

- Investment Grade Sovereign Issued Debt
- Investment Grade Corporate Bonds and Commercial Paper

Cash Equivalents

- Certificates of Deposit, Commercial Paper, Direct Obligations of the U.S. Government, Repurchase Agreements, Bankers Acceptances, Custodian STIFs, and other appropriate liquid short-term investments

Real Estate and Alternative Assets

- Discretionary commingled vehicles such as insurance company separate accounts, open-end or closed-end funds and real estate investment trusts (REITS) holding either leveraged or unleveraged positions in real property and real property related assets

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

- All must be of institutional investment quality and must be diversified by property type and geographic location

Pooled or Commingled Funds

- The fund may invest in commingled vehicles such as mutual funds, LLCs or common trust funds that are invested in substantially the same manner and same investments as stated above

Derivatives

- No use of leverage
- No use of “linked” securities that have the principal value or interest rate tied to anything not specifically allowed as permissible investments in these guidelines
- Any structured note must maintain a constant spread relationship with its underlying acceptable index
- Collateralized mortgage obligations cannot be more sensitive to interest-rate changes than the underlying mortgage-backed security

Restricted Direct Investments – Prohibited

- Short Sales or Margin Transactions
- Investments in Commodities or Commodity Contracts
- Direct loans or extension lines of credit to any interested party
- Letter Stock
- Unregistered securities and private placements (except those regulated by SEC Rule 144a or as specifically permitted by the Board)
- Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism, unless specifically permitted by the Board

Custodial Credit Risk - Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and they are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Plan’s name. All deposits of the Plan are either covered by depository insurance or are collateralized by the pledging financial institution’s trust department or agent in the Plan’s name.

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the Plan and are held by either the counterparty or by the counterparty’s trust department or agent but not in the Plan’s name. All identifiable investment securities of the Plan are either insured or are registered in the custodian’s street name for the benefit of the Plan and held by the counterparty’s trust department or agent.

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies described above provide guidelines for the credit ratings of specific types of investments. Presented below is the rating as of year end for each investment type.

Investment Type	Fair Value	Exempt from Disclosure	Rating	
			AAA	AA+
Common stock	\$ 59,546,256	\$ 59,546,256	\$ -	-
US Government bonds	462,791	-	462,791	-
Mortgage & asset backed	1,219,573	-	1,105,895	113,678
Totals	\$ 61,228,620	\$ 59,546,256	\$ 1,568,686	\$ 113,678

Concentration of Credit Risk

The Plan's investment policies do not specifically restrict the concentration allowed to be held with any individual issuer, except that the equity portion of each portfolio manager shall not be more than 10% invested in the securities of any one company at market value.

No investments in any one issuer exceed 5% of total Plan investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The Plan's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

Investment Type	Fair Value	< 5 years	5-10 years	>10 years
Common stock *	\$ 59,546,256	\$ -	\$ -	\$ -
US Government bonds	462,791	370,156	92,635	-
Mortgage & asset backed	1,219,573	63,330	-	1,148,656
Totals	\$ 61,228,620	\$ 433,486	\$ 92,635	\$ 1,148,656

* Included but not required to be presented by maturity date

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 4 – FAIR VALUE MEASUREMENTS

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of September 30, 2017:

- Common stock – Valued at the daily closing price.
- U.S. Government bonds – Valued using quoted market prices.
- Mortgage & asset backed securities – Valued using interest rate curves and credit spreads applied to the terms of the instrument and consider the counterparty credit rating.

The following table summarizes the Plan's assets for which fair values are determined on a recurring basis:

Investment Type	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 59,546,256	\$ 59,546,256	\$ -	\$ -
US Government bonds	462,791	462,791	-	-
Mortgage & asset backed	1,219,573	-	1,219,573	-
	\$ 61,228,620	\$ 60,009,047	\$ 1,219,573	\$ -

NOTE 5 – NET OPEB LIABILITY OF THE CITY

The net OPEB liability related to the Plan was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2015, rolled forward to September 30, 2017.

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 5 – NET OPEB LIABILITY OF THE CITY (CONTINUED)

The components of the net OPEB liability at September 30, 2017 were as follows:

Total OPEB liability	\$ 67,590,559
Plan fiduciary net pension	(63,500,353)
City's net OPEB liability	\$ 4,090,206
Plan fiduciary net position as a percentage of the total OPEB liability	93.95%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2015 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage, closed
Amortization period	10 years
Asset valuation method	Actuarial value
Inflation rate	3.75%
Payroll growth	4.50%
Investment return rate	8.10%, net investment expenses
Salary increase rate	3.75% to 7.00%
Health Care Cost Trend Rate	6.00%
Retirement rates	Schedule of probabilities based on age and service, increasing as age and service increase
Mortality rates	RP-2000 Mortality Table

Discount Rate

The discount rate used to measure total OPEB liability was 8.1%. The projection of cash flows used to determine the discount rate assumed the plan members contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 the OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

Other Postemployment Benefits Fund of the City of Gainesville, Florida

Notes to Financial Statements

NOTE 5 – NET OPEB LIABILITY OF THE CITY (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 8.1%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate:

	1% Decrease (7.1%)	Current Discount Rate (8.1%)	1% Increase (9.1%)
Net OPEB liability (asset)	\$ 10,156,721	\$ 4,090,206	\$ (1,165,281)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate

The following presents the net OPEB liability, calculated using the health care cost trend rate of 6.0%, as well as what the Plan's net OPEB liability would be if it were calculated using the health care cost trend rate that is 1 percentage-point lower (5.0%) or 1 percentage point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
Net OPEB liability (asset)	\$ (2,343,426)	\$ 4,090,206	\$ 11,583,731

NOTE 6 – IMPLEMENTATION OF NEW FINANCIAL REPORTING STANDARD

Effective October 1, 2016, the Plan implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Required Supplementary Information

**Other Postemployment Benefits Fund
of the City of Gainesville, Florida**

Schedule of Changes in City's Net OPEB Liability and Related Ratios

	2017
Total OPEB Liability	
Service costs	\$ 1,282,158
Interest	5,274,094
Differences between expected and actual experience	(914,359)
Changes in assumptions	559,494
Benefit payments, including refunds of employee contributions	(4,109,173)
Net change in total OPEB liability	2,092,214
Total OPEB liability - beginning	65,498,345
Total OPEB liability - ending (a)	\$ 67,590,559
 Plan fiduciary net position	
Employer contributions	\$ 1,622,729
Net investment income	6,550,405
Net benefit payments	(4,109,173)
Administrative expense	(6,082)
Net change in plan fiduciary net position	4,057,879
Plan fiduciary net position - beginning	59,442,474
Plan fiduciary net position - ending (b)	\$ 63,500,353
 City's net OPEB liability - ending (a)-(b)	\$ 4,090,206
 Plan fiduciary net position as a percentage of the total OPEB liability	93.95%
 Annual covered payroll	\$ 122,798,859
 Net OPEB liability as a percentage of covered payroll	3.33%

Notes to schedule:

A. Benefit Changes: None

B. Changes in assumptions:

The discount rate was updated from 8.2% at 9/30/16 to 8.1% at 9/30/17.

The following assumption changes are reflected in both the total OPEB liability at the beginning of FY17 and the total OPEB liability at the end of FY17:

- The mortality assumptions were updated in accordance with the changes that were enacted in the 2015 legislative session to sections 112.63 and 112.664 of the Florida Statutes.
- The retirement rates for firefighters and the withdrawal rate and salary increase assumption for firefighters and police officers were updated to reflect the results of an experience study conducted by Conduent in 2017.
- The salary increase assumption for general employees was updated to reflect the results of an experience study conducted by Conduent in 2017.
- The healthcare claims cost per participant assumption was updated to include October 2016 through September 2017 actual claims.
- Updated valuation model for Medicare participants due to the implementation of Alternative Medicare options in 2016:
 - a. Assumed both pre-Medicare and Medicare-eligible future retirees (i.e. active employees) and DROP participants would assume to elect medical coverage according to the "Plan Participation" table shown on page 14 of the GASB 45 report dated March 13, 2017.
 - b. Assumed 10% of deferred retirees and terminated vested participants elect coverage after age 65, all under the Alternative Medicare options.
 - c. Assumed 50% of currently covered post-65 retirees elect coverage under the Alternative Medicare options, with the other 20% remaining in the
 - d. Alternative Medicare plan participants were assumed to utilize 95% of their available subsidy.
 - e. Participants covered by Alternative Medicare options are assumed to continue coverage for life.

**Other Postemployment Benefits Fund
of the City of Gainesville, Florida**

Schedule of City Contributions

	2017
Actuarially determined contribution	\$ 616,087
Contributions in relation to the actuarially determined contribution	1,622,729
Contribution deficiency (excess)	\$ (1,006,642)
Covered payroll	\$ 122,798,859
Contributions as a percentage of covered payroll	1.32%

Notes to Schedule:

A. Valuation Date: Actuarially determined contribution calculated as of October 1, 2015 applies for the fiscal year ended September 30, 2017.

B. Methods and assumptions used to determine contribution:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage, closed
Amortization period	10 years
Asset valuation method	Actuarial value
Inflation rate	3.75%
Payroll growth	4.50%
Investment return rate	8.10%, net of investment expenses
Salary increase rate	3.75% to 7.00%
Retirement rates	Schedule of probabilities based on age and service, increasing as age and service increase
Mortality rates	RP-2000 Mortality Table

Note: The schedule will present ten years of comparative data in the future.



**Other Postemployment Benefits Fund
of the City of Gainesville, Florida**

Schedule of Investment Returns

<u>FY</u>	<u>Annual Money-Weighted Rate of Return on OPEB Plan Investments</u>
2017	11.25%

Note: The schedule will present ten years of comparative data in the future.

ADDENDUM NO. 1

RFP Name: Professional Auditing Services for General Government
Bid No.: CAUD-190002-DH

ATTACHMENT E

Wild Spaces and Public Places Funds-Auditor's report

**City of Gainesville, Florida
Wild Spaces and
Public Places Funds**

**Financial Statements and Independent
Auditor's Report**

September 30, 2017



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RIGGS &
INGRAM

CPAs and Advisors

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**City of Gainesville, Florida
Wild Spaces and Public Places Funds**

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September 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Gainesville, Florida

We have audited the accompanying financial statements of the Wild Spaces and Public Places (WSPP) funds of the City of Gainesville, Florida (the "City"), which comprise the balance sheet as of September 30, 2017, and the related statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the City's WSPP funds as of September 30, 2017, and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared to facilitate the independent audit requirements contained in the ballot language of a voter-approved one-half percent sales tax, and are not intended to be a complete presentation of the City's financial activity. Our opinion is not modified with respect to that matter.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida

June 5, 2018

City of Gainesville, Florida
Wild Spaces Public Places (WSPP) Funds

Balance Sheet
September 30, 2017

	WSPP PARKS & RECREATION	WSPP LAND ACQUISITION	WSPP 2017 - 2025	TOTAL
Assets				
Equity in pooled cash	\$ 164,792	\$ 234,373	\$ 3,911,759	\$ 4,310,924
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 29,920	\$ 662	\$ 117,463	\$ 148,045
Fund balances				
Restricted for:				
Capital project purposes	134,872	233,711	3,794,296	4,162,879
Total liabilities and fund balances	\$ 164,792	\$ 234,373	\$ 3,911,759	\$ 4,310,924

See accompanying notes.

City of Gainesville, Florida
Wild Spaces Public Places (WSPP) Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	WSPP Parks & Recreation	WSPP Land Acquisition	WSPP 2017 - 2025	Total
Revenues				
Taxes	\$ -	\$ -	\$ 4,233,461	\$ 4,233,461
Land sales	-	25,168	-	25,168
Gain on investments	200	273	8,059	8,532
Total revenues	200	25,441	4,241,520	4,267,161
Expenditures				
WSPP administration	3,500	-	-	3,500
Land acquisitions	-	12,759	-	12,759
Smokey bear park improvements	29,920	-	-	29,920
City pools	-	-	25,882	25,882
Ironwood upgrades	-	-	222,202	222,202
A quinn jones museum	-	-	39,449	39,449
Rosa b williams center	-	-	38,392	38,392
Northside park	-	-	31,497	31,497
Hippodrome	-	-	43,781	43,781
Trailheads & bike trails	-	-	22,378	22,378
Miscellaneous	-	-	23,643	23,643
Total expenditures	33,420	12,759	447,224	493,403
Excess of revenues over (under) expenditures	(33,220)	12,682	3,794,296	3,773,758
Fund balances, October 1	168,092	221,029	-	389,121
Fund balances, September 30	\$ 134,872	\$ 233,711	\$ 3,794,296	\$ 4,162,879

See accompanying notes.

City of Gainesville, Florida Wild Spaces Public Places (WSPP) Funds

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On November 4, 2008, Alachua County, Florida voters approved “Wild Spaces and Public Places (WSPP),” a one-half percent sales tax to be charged in Alachua County from January 1, 2009 to December 31, 2010, to acquire and improve environmentally sensitive lands and to create, improve and maintain parks and recreational facilities. In November 2016, voters authorized Alachua County to extend the WSPP sales tax for an additional eight years, beginning January 1, 2017. A share of the proceeds of the sales tax is distributed to the City of Gainesville, Florida (the City) in accordance with an interlocal agreement established between Alachua County and the City. The ballot language calls for citizen oversight and independent audit.

Basis of Presentation

The accompanying financial statements are special purpose financial statements. They have been prepared to facilitate the requirement for an independent audit of the City’s WSPP funds and, accordingly, result in an incomplete presentation of the City’s financial activity that is otherwise in conformity with generally accepted accounting principles.

The City maintains two governmental funds to account for its WSPP activity: the Parks and Recreation Fund and the Land Acquisition Fund. The accompanying financial statements include only those two funds and do not purport to, and do not, constitute a complete presentation of the City’s financial activity.

Measurement Focus/Basis of Accounting

The WSPP funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and, accordingly, are said to present a summary of sources and uses of “available spendable resources” during a period.

The WSPP funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Fund Balance

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.



**City of Gainesville, Florida
Wild Spaces Public Places (WSPP) Funds**

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fund balances of the City's WSPP funds are classified as *restricted* pursuant to the provisions of GASB Statement No. 54. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The City's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.