

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CITY OF DADE CITY
DADE CITY, FLORIDA**

SEPTEMBER 30, 2017

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Dade City
Dade City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dade City, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design auditor procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 opinions.

Certified Public Accountants

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

Honorable Mayor and City Commission
City of Dade City
Dade City, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and Community Redevelopment Agency for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the required schedules for the Police Officers' Pension Trust; the Firefighters' Pension Trust Fund; and the Florida Retirement System Pension Funds, and schedule of funding progress for the other post-employment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of State Financial Assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of State Financial Assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Mayor and City Commission
City of Dade City
Dade City, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Purvis, Gray and Company, LLP

May 16, 2018
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a discussion and analysis of the financial activities for the City of Dade City, Florida, for the period of October 1, 2016 through September 30, 2017. Please read this information in conjunction with the audited financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows resulting in a net position of \$46.26 million. Of this amount, \$6.47 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- Governmental activities had program revenues of \$535,683, general revenues of \$5,999,313, and net transfers of \$457,147. Total expenses were \$6,588,679.
- Business-type activities had program revenues of \$4,430,146 (including grants of \$884,289), net general revenues of \$3,377, and net transfers of (\$457,147). Total expenses were \$3,403,389.
- The County-wide one-cent infrastructure surtax generated revenues of \$972,225, an increase of \$33,714 from the previous year.
- The City completed the hydrant and valve utility project.
- The City received a LAP grant for the extension of the Hardy trail; design work commenced.
- The City used Sinking Fund Reserves to retire two loans through the United States Department of Agriculture, Rural Development, resulting in a net savings in excess of \$270,000.
- The City established a retirement reserve to help offset fluctuations in retirement contributions.

USING THIS REPORT

Beginning with fiscal year 2003-2004, Statement No. 34 of the Governmental Accounting Standards Board (GASB 34) established new financial reporting requirements for state and local governments throughout the United States. The purpose of these changes was to make financial statements more comprehensive and easier to understand and use.

The financial statements consist of four parts:

- Government-wide financial statements – These statements report information about Dade City as a whole and have a longer-term viewpoint. The Statement of Net Position reports the financial and capital resources of the City by showing the difference between assets and liabilities. The Statement of Activities presents information on the various functions and services of the City and how they are financed.
- Fund financial statements – These statements report information about Dade City by its different accounting units, called funds, and have a shorter-term focus. The Balance Sheet provides information about the current financial resources of each fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance shows how the activities of the year impacted the balance of financial resources available in each fund.
- Notes to the financial statements – These notes include additional information needed to provide a fair presentation and more complete understanding of the financial statements. These notes are an integral part of the basic financial statements.
- Required supplementary information (other than management's discussion and analysis) – This information gives additional details about the City's financial condition that is not included in the other statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

STATEMENT OF NET POSITION

The primary government has two parts, governmental activities and business-type activities, which are described in more detail under the fund analysis section.

Net position may serve over time as a useful indicator of a government's financial position and condition. Assets and deferred outflows exceeded liabilities and deferred inflows by \$46,255,304 at September 30, 2017, compared to \$45,282,230 on September 30, 2016, an increase of \$973,074.

Net investments in capital, such as buildings, equipment, and infrastructure, make up 75%, or \$34.7 million, of total net position. An additional \$5.1 million, or 11%, of net position is legally restricted for certain purposes and uses. The balance of \$6.5 million, or 14%, in net position is unrestricted and available to meet the City's ongoing obligations.

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 7,991,962	\$ 7,480,539	\$ 7,419,483	\$ 8,707,835	\$ 15,411,445	\$ 16,188,374
Capital assets	14,737,596	14,315,059	29,226,381	29,216,965	43,963,977	43,532,024
Total Assets	22,729,558	21,795,598	36,645,864	37,924,800	59,375,422	59,720,398
Deferred Outflow of Resources	678,880	1,179,404	23,679	26,475	702,559	1,205,879
Liabilities:						
Current and other liabilities	421,509	187,101	944,260	1,280,533	1,365,769	1,467,634
Net Pension liability	2,452,447	2,770,639	58,517	66,138	2,510,964	2,836,777
Long-term liabilities	717,417	741,995	8,816,398	10,314,713	9,533,815	11,056,708
Total Liabilities	3,591,373	3,699,735	9,819,175	11,661,384	13,410,548	15,361,119
Deferred Inflow of Resources	386,102	247,768	26,027	35,160	412,129	282,928
Net position:						
Net investment in capital assets	14,548,237	14,114,020	20,168,405	18,862,599	34,716,642	32,976,619
Restricted	3,876,469	4,137,798	1,197,510	1,198,597	5,073,979	5,336,395
Unrestricted	1,006,257	775,681	5,458,426	6,193,535	6,464,683	6,969,216
Total Net Position	\$19,430,963	\$19,027,499	\$26,824,341	\$26,254,731	\$46,255,304	\$45,282,230

CONDENSED STATEMENT OF ACTIVITIES

The total primary government had an increase of \$403,464 in net position as a result of activities during the fiscal year. Governmental activities had an operating deficit of \$53,683, while net transfers increased net position by \$457,147. Compared to the previous year, charges for services decreased, primarily due to decreased utility taxes, communication services taxes, and fewer building permits. Program expenses increased primarily due to the increased street improvements. Business-type activities had an increase in net position of \$569,610 which includes a \$457,147 net transfer out to governmental activities. Both governmental and business-type activities had an increase in investment interest and earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Excluding grants, charges for services are the majority of revenues of the business-type activities, while taxes and intergovernmental revenues primarily fund the governmental activities.

	Governmental Activities		Business-Type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
REVENUE						
Program revenue:						
Charges for services	\$ 535,683	\$ 646,346	\$ 3,542,480	\$ 3,413,485	\$ 4,078,163	\$ 4,059,831
Operating grants	-	-	-	-	-	-
Capital grants	-	-	884,289	256,579	884,289	256,579
General revenue:						
Property taxes	2,018,418	1,943,284	-	-	2,018,418	1,943,284
Other taxes and fees	3,066,100	3,055,406	-	-	3,066,100	3,055,406
Intergovernmental revenues	703,608	604,278	-	-	703,608	604,278
Other revenues	211,187	151,608	3,377	201,108	214,564	352,716
Total revenues	6,534,996	6,400,922	4,430,146	3,871,172	10,965,142	10,272,094
EXPENSES						
Program expenses:						
General government	1,410,659	1,457,723	-	-	1,410,659	1,457,723
Public safety	3,282,988	3,292,027	-	-	3,282,988	3,292,027
Physical environment	234,012	234,232	3,403,389	3,227,175	3,637,401	3,461,407
Transportation	1,307,987	1,008,257	-	-	1,307,987	1,008,257
Culture and recreation	353,033	331,469	-	-	353,033	331,469
Total expenses	6,588,679	6,323,708	3,403,389	3,227,175	9,992,068	9,550,883
Excess deficiency before transfers	(53,683)	77,214	1,026,757	643,997	973,074	721,211
Net transfers	457,147	1,292,825	(457,147)	(1,292,825)	-	-
Gain on sale of fixed assets	-	-	-	-	-	-
Change in net position	403,464	1,370,039	569,610	(648,828)	973,074	721,211
Net position - October 1, 2015		17,657,460		26,903,559		44,561,019
Net position - September 30, 2016		19,027,499		26,254,731		45,282,230
Net position - October 1, 2016	19,027,499	-	26,254,731	-	45,282,230	-
Net position - September 30, 2017	\$19,430,963		\$26,824,341		\$46,255,304	

FUND ACTIVITY

Governmental activities include the general fund and the special revenue funds. The general fund is where most of the City's basic services are reported, including public safety, public works, and City administration. Special revenue funds are used to record receipts that are legally restricted in their uses, such as impact fees and certain taxes.

Taxable values have remained relatively stagnant. The County provides fire suppression services within the City, charging property owners an additional ad valorem tax for that service, which limits the millage rate that the City can charge.

Business-type activities are City services that charge fees to pay the costs of those services. In Dade City, that includes the water and sewer utilities fund as well as the sanitation fund. The utility fund charges rates and fees that pay the costs of providing the water and sewer service. The City has been awarded a combination of grant and loan funding for some utility improvement projects. The utility and sanitation funds transfer monies to the general fund. The sanitation fund is responsible for garbage collection through a service agreement with an outside contractor.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GENERAL FUND BUDGET VARIATIONS

	Original 2017 Budget	Final 2017 Budget	Actual 2017 Results	Actual 2016 Results
REVENUES				
Taxes and special assessments	\$ 3,261,070	\$ 3,261,070	\$ 3,364,115	\$ 3,352,427
Permits and fees	130,000	130,000	91,533	109,848
Intergovernmental revenue	907,400	987,935	1,040,246	936,593
Charges for services	118,300	118,300	101,514	117,830
Fines and forfeitures	60,000	60,000	37,431	78,540
Miscellaneous revenue	104,500	106,875	143,986	193,311
Net transfers and balances	809,592	809,592	852,450	1,811,036
Total revenues	5,390,862	5,473,772	5,631,275	6,599,585
EXPENSES				
Current:				
General government	1,583,377	1,486,749	1,275,327	1,334,540
Public safety	2,896,735	2,892,726	2,796,050	2,760,592
Physical environment				
Transportation	525,440	525,440	478,055	498,378
Culture and recreation	298,810	317,761	279,381	271,790
Contingency				
Capital outlay	176,000	251,096	248,965	2,912,201
Principal retirement				
Interest and fiscal charges				
Total expenses	5,480,362	5,473,772	5,077,778	7,777,501
Increase (decrease) in cash reserves	\$ (89,500)	\$ -	\$ 553,497	\$ (1,177,916)

Significant variations between the final budget and the actual results in the general fund are due to:

- Interest earnings and the net appreciation on investments,
- Building permit and third party inspection fees,
- Fluctuating cost of utilities and fuel
- Insurance claims
- Timing of capital projects, and
- Timing of grants

As noted previously, tax collections and other revenues have been affected by economic conditions. Other variations mentioned above are not expected to have significant impacts on future budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

Dade City lists capital assets totaling \$43.96 million. Most of those assets (\$29.2 million) are in the utility system improvements and infrastructure. Amounts in the following table are shown net of accumulated depreciation, where applicable. Capital assets of governmental activities were previously recorded in a separate account group and did not include depreciation, but are now reported as part of those activities and depreciated as appropriate.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	Governmental Activities		Business -Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 859,797	\$ 862,261	\$ 6,800	\$ 6,800	\$ 866,597	\$ 869,061
Buildings	6,511,647	6,752,041	6,226,360	4,304,704	12,738,007	\$ 11,056,745
Improvements	3,339,851	2,920,005	16,698,883	18,726,534	20,038,734	\$ 21,646,539
Construction in Progress	141,785	0	827,001	386,125	968,786	\$ 386,125
Equipment	1,247,735	1,143,971	5,467,337	5,792,802	6,715,072	\$ 6,936,773
Infrastructure	2,636,781	2,636,781	0	0	2,636,781	\$ 2,636,781
Totals	\$14,737,596	\$14,315,059	\$29,226,381	\$29,216,965	\$43,963,977	\$43,532,024

LONG-TERM DEBT ACTIVITY

The City entered into a lease agreement to finance a Boom Lift. Two capital leases (street sweeper and boom lift) are the only general governmental debt. There are seven outstanding long-term debt obligations in the utility fund. Two of the debt obligations are loans from the United States Department of Agriculture, Rural Development, made under a grant/loan program for water and wastewater system improvements. One is a note to finance the installation of an automated meter reading system in 2007 which will be retired in 2018. Finally, the City has four open loan agreements with the State Revolving Fund for water and wastewater system improvements. The City anticipates acquiring additional funding from Rural Development and the State Revolving Fund in future years.

	Governmental Activities		Business -Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Notes Payable	\$ -	\$ -	\$ 4,776,892	\$ 5,024,916	\$ 4,776,892	\$ 5,024,916
Revenue bonds	\$ -	\$ -	\$ 4,213,001	\$ 5,329,450	\$ 4,213,001	\$ 5,329,450
Capital Leases	\$ 189,359	\$ 201,039	\$ 68,083	\$ 265,954	\$ 257,442	\$ 466,993
Totals	\$189,359	\$ 201,039	\$ 9,057,976	\$10,620,320	\$ 9,247,335	\$ 10,821,359

POTENTIAL IMPACTS ON FUTURE FINANCIAL CONDITION

As previously noted, the transfer of fire suppression services to Pasco County has provided an ongoing cost savings for the City. Beginning with fiscal year 2004-2005, Pasco County has been charging a millage amount for fire services inside the City limits. This millage rate is counted against the City's overall millage cap of ten mills, which restricts the millage rate that Dade City will be able to charge for other municipal services.

Although there have been signs of economic improvement, new development within the City remains slow and a full recovery may still be a few years away, if it occurs at all. The housing market has shown some improvement but is still weak, and current conditions continue to have negative impacts on property tax revenues, other tax revenues received from the State of Florida, and interest earnings. In general, when new developments do occur, they should initially generate more permit and impact fees; after completion they should also provide increases in tax revenues and charges for services. There would also be increases in expenses to provide City services to those developments. The City temporarily suspended collection of its transportation impact fees in an effort to spur development. Collections resumed in 2016.

In 2004, the voters of Pasco County approved a local government infrastructure surtax, which adds an additional penny to the County sales tax rate through December 2014. These funds are shared by the County, the School Board, and the municipalities within the County, and may only be used for infrastructure improvements. Voters renewed the tax for another ten years in November 2012. The City realized additional proceeds for these projects due to a revised distribution formula.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

POTENTIAL IMPACTS ON FUTURE FINANCIAL CONDITION

Increased pension funding requirements, increasing insurance premiums, and potential federal and state legislation (such as the proposed homestead exemption) could have significant impacts on future budgets, reducing the resources available to maintain the levels of services that the City is providing.

The City completed a rate study to evaluate the sufficiency of the current water and sewer rate structure. The Commission adopted new rates and fees for fiscal year 2018.

This financial report is designed to provide a general overview of the City of Dade City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director.

BASIC FINANCIAL STATEMENTS

CITY OF DADE CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 5,368,341	\$ 1,700,680	\$ 7,069,021
Restricted Cash	-	1,162,704	1,162,704
Investments	2,110,496	3,629,669	5,740,165
Receivables, Net	136,190	467,994	604,184
Due from Other Governments	306,392	372,771	679,163
Inventories	70,543	85,665	156,208
Capital Assets Not Being Depreciated:			
Land	859,797	6,800	866,597
Infrastructure	2,636,781	-	2,636,781
Construction in Progress	141,785	827,001	968,786
Capital Assets, Net of Accumulated Depreciation:			
Buildings	6,511,647	6,226,360	12,738,007
Improvements, Other than Building	3,339,851	16,698,883	20,038,734
Machinery and Equipment	1,247,735	5,467,337	6,715,072
Total Capital Assets	<u>14,737,596</u>	<u>29,226,381</u>	<u>43,963,977</u>
Total Assets	<u>22,729,558</u>	<u>36,645,864</u>	<u>59,375,422</u>
Deferred Outflows of Resources			
Pension Related Items	678,880	23,679	702,559
Total Deferred Outflows of Resources	<u>678,880</u>	<u>23,679</u>	<u>702,559</u>
Total Assets and Deferred Outflows of Resources	<u>23,408,438</u>	<u>36,669,543</u>	<u>60,077,981</u>
Liabilities			
Accounts Payable and Accrued Expenses	262,459	228,078	490,537
Compensated Absences	25,815	-	25,815
Internal Balance	(23)	23	-
Due to Other Governments	91	-	91
Net Pension Liability	2,452,447	58,517	2,510,964
Deposits	51,370	420,648	472,018
Deferred Revenue	441	-	441
Long-term Liabilities:			
Due Within One Year	81,356	295,511	376,867
Due in More than One Year	717,417	8,816,398	9,533,815
Total Liabilities	<u>3,591,373</u>	<u>9,819,175</u>	<u>13,410,548</u>
Deferred Inflows of Resources			
Pension Related Items	386,102	26,027	412,129
Total Deferred Inflows	<u>386,102</u>	<u>26,027</u>	<u>412,129</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,977,475</u>	<u>9,845,202</u>	<u>13,822,677</u>
Net Position			
Net Investment in Capital Assets	14,548,237	20,168,405	34,716,642
Nonspendable	70,543	-	70,543
Restricted for:			
Other Purposes	3,876,469	1,127,898	5,004,367
Unrestricted	935,714	5,528,038	6,463,752
Total Net Position	<u>\$ 19,430,963</u>	<u>\$ 26,824,341</u>	<u>\$ 46,255,304</u>

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

**CITY OF DADE CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 1,410,659	\$ 140,777	\$ -	\$ -	\$ (1,269,882)	\$ -	\$ (1,269,882)
Public Safety	3,282,988	42,970	-	-	(3,240,018)	-	(3,240,018)
Physical Environment	234,012	318,091	-	-	84,079	-	84,079
Transportation	1,307,987	33,345	-	-	(1,274,642)	-	(1,274,642)
Culture and Recreation	353,033	500	-	-	(352,533)	-	(352,533)
Total Governmental Activities	6,588,679	535,683	-	-	(6,052,996)	-	(6,052,996)
Business-type Activities:							
Nonmajor - Sanitation	227,762	277,244	-	-	-	49,482	49,482
Public Utility	3,175,627	3,265,236	-	884,289	-	973,898	973,898
Total Business-type Activities	3,403,389	3,542,480	-	884,289	-	1,023,380	1,023,380
Total Primary Government	\$ 9,992,068	\$ 4,078,163	\$ -	\$ 884,289	(6,052,996)	1,023,380	(5,029,616)
			General Revenues				
			Taxes:				
			Property Taxes		2,018,418	-	2,018,418
			Sales Taxes		436,749	-	436,749
			Franchise Fees		579,560	-	579,560
			Communication Tax		181,777	-	181,777
			Fuel Tax		256,547	-	256,547
			Discretionary Tax		972,225	-	972,225
			Utility Tax		639,242	-	639,242
			Intergovernmental Revenues		703,608	-	703,608
			Investment Earnings		60,086	787	60,873
			Disposition of Fixed Assets/Surplus		13,601	-	13,601
			Miscellaneous		137,500	2,590	140,090
			Transfers (Net)		457,147	(457,147)	-
			Total General Revenues and Transfers		6,456,460	(453,770)	6,002,690
			Change in Net Position		403,464	569,610	973,074
			Net Position, Beginning of Year		19,027,499	26,254,731	45,282,230
			Net Position, End of Year		\$ 19,430,963	\$ 26,824,341	\$ 46,255,304

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

CITY OF DADE CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 2,093,747	\$ 289,349	\$ 2,985,245	\$ 5,368,341
Investments	2,110,496	-	-	2,110,496
Receivables (Net of Allowance for Uncollectible Accounts)	134,751	-	1,439	136,190
Due from Other Funds	6,354	-	-	6,354
Due from Other Governments	220,359	-	86,033	306,392
Inventory	70,543	-	-	70,543
Total Assets	<u>4,636,250</u>	<u>289,349</u>	<u>3,072,717</u>	<u>7,998,316</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	261,294	-	1,165	262,459
Due to Other Funds	-	5,030	1,301	6,331
Due to Other Governments	91	-	-	91
Deposits	51,370	-	-	51,370
Deferred Revenue	441	-	-	441
Compensated Absences, Current	25,815	-	-	25,815
Total Liabilities	<u>339,011</u>	<u>5,030</u>	<u>2,466</u>	<u>346,507</u>
Fund Balances				
Nonspendable	70,543	-	-	70,543
Restricted for:				
Building Permit Fees	177,114	-	-	177,114
Bond Covenants	308,555	-	-	308,555
Police Education	7,305	-	-	7,305
Forfeiture Fund	18,695	-	-	18,695
Special Revenue	1,790	284,319	3,078,691	3,364,800
Committed to:				
Reserve Policy	1,435,521	-	-	1,435,521
Tree Fund	11,360	-	-	11,360
Park and Recreation	13,900	-	-	13,900
Mausoleum Care	14,140	-	-	14,140
Market Place	2,387	-	-	2,387
Assigned to:				
Dog Park	3,719	-	-	3,719
Budgeted Reserve	291,800	-	-	291,800
Retirement Reserve	72,500	-	-	72,500
Wellness Reserve	288	-	-	288
Unassigned	1,867,622	-	(8,440)	1,859,182
Total Fund Balances	<u>4,297,239</u>	<u>284,319</u>	<u>3,070,251</u>	<u>7,651,809</u>
Total Liabilities and Fund Balances	<u>\$ 4,636,250</u>	<u>\$ 289,349</u>	<u>\$ 3,072,717</u>	<u>\$ 7,998,316</u>

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

**CITY OF DADE CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Total Fund Balance for Governmental Funds \$ 7,651,809

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The costs of the assets are \$19,619,878, and the accumulated depreciation is \$4,882,282. 14,737,596

Deferred Inflow of Resources:
Pension Related (386,102)

Deferred Outflow of Resources:
Pension Related 678,880

Net Pension Liability (2,452,447)

Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:

Installment Purchase Debt	(189,359)
Landfill Post Closure Costs	(27,960)
OPEB Liability	(199,518)
Compensated Absences	(381,936)
	(798,773)

Net Position of Governmental Activities \$ 19,430,963

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

**CITY OF DADE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes and Special Assessments	\$ 3,364,115	\$ 82,337	\$ 1,228,772	\$ 4,675,224
Licenses and Permits	91,533	-	-	91,533
Intergovernmental Revenue	1,040,246	-	-	1,040,246
Charges for Services	101,514	-	-	101,514
Fine and Forfeitures	37,431	-	-	37,431
Pension Contributions - State	38,851	-	-	38,851
Investment Earnings	59,693	-	-	59,693
Miscellaneous Revenue	34,305	-	305,098	339,403
Total Revenues	<u>4,767,688</u>	<u>82,337</u>	<u>1,533,870</u>	<u>6,383,895</u>
Expenditures				
Current:				
General Government	1,275,327	-	-	1,275,327
Public Safety	2,794,271	-	-	2,794,271
Physical Environment	-	215,089	-	215,089
Transportation	478,055	-	394,811	872,866
Culture and Recreation	279,381	-	-	279,381
Capital Outlay	250,744	33,639	806,326	1,090,709
Debt Service:				
Principal Payments	-	-	75,180	75,180
Interest	-	-	6,451	6,451
(Total Expenditures)	<u>(5,077,778)</u>	<u>(248,728)</u>	<u>(1,282,768)</u>	<u>(6,609,274)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(310,090)</u>	<u>(166,391)</u>	<u>251,102</u>	<u>(225,379)</u>
Other Financing Sources (Uses)				
Transfers in	852,450	77,147	-	929,597
Transfers (out)	-	(17,500)	(454,950)	(472,450)
Proceeds from Debt	-	-	63,500	63,500
Proceeds from Sale of Capital Assets	11,137	-	2,464	13,601
Total Other Financing Sources (Uses)	<u>863,587</u>	<u>59,647</u>	<u>(388,986)</u>	<u>534,248</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	553,497	(106,744)	(137,884)	308,869
Fund Balances, Beginning of Year	<u>3,743,742</u>	<u>391,063</u>	<u>3,208,135</u>	<u>7,342,940</u>
Fund Balances, End of Year	<u>\$ 4,297,239</u>	<u>\$ 284,319</u>	<u>\$ 3,070,251</u>	<u>\$ 7,651,809</u>

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

**CITY OF DADE CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Amounts Reported for Governmental Activities in the Statement of Net Position
are Different Because:**

Net Change in Fund Balances - Total Governmental Funds	\$ 308,869
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital asset additions recorded in the current year. This includes transfers of \$39,237.	1,129,946
Governmental funds do not report a revenue or a capital outlay expenditure for the value of donated assets. However, in the Statement of Activities, the value of those donations is recognized.	137,500
Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. This includes depreciation on transfers of \$3,925.	(798,215)
Loss on the disposal of capital assets is reported in the government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, the loss is not reported as an expenditure in the governmental funds.	(46,694)
Change in Deferred Inflows and Outflows of Resources:	
Pension Related	(320,666)
Proceeds from the issuance of installment purchase debt is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(63,500)
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	75,180
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The amounts comprising the difference in the treatment of expenses are:	
Increase in OPEB Liabilities	(50,165)
Decrease in Compensated Absences	31,209
Change in Net Position of Governmental Activities	\$ 403,464

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and Special Assessments	\$ 3,261,070	\$ 3,261,070	\$ 3,364,115	\$ 103,045
Licenses and Permits	130,000	130,000	91,533	(38,467)
Intergovernmental Revenue	907,400	987,935	1,040,246	52,311
Charges for Services	118,300	118,300	101,514	(16,786)
Fine and Forfeitures	60,000	60,000	37,431	(22,569)
Pension Contributions - State	15,000	15,000	38,851	23,851
Investment Earnings	60,000	60,000	59,693	(307)
Miscellaneous Revenue	27,500	29,875	34,305	4,430
Total Revenues	<u>4,579,270</u>	<u>4,662,180</u>	<u>4,767,688</u>	<u>105,508</u>
Expenditures				
Current:				
General Government	1,583,377	1,486,749	1,275,327	211,422
Public Safety	2,896,735	2,892,726	2,796,050	96,676
Transportation	525,440	525,440	478,055	47,385
Culture and Recreation	298,810	317,761	279,381	38,380
Capital Outlay	176,000	251,096	248,965	2,131
(Total Expenditures)	<u>(5,480,362)</u>	<u>(5,473,772)</u>	<u>(5,077,778)</u>	<u>395,994</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(901,092)</u>	<u>(811,592)</u>	<u>(310,090)</u>	<u>501,502</u>
Other Financing Sources				
Transfers in	809,592	809,592	852,450	42,858
Proceeds from Sale of Capital Assets	2,000	2,000	11,137	9,137
Total Other Financing Sources	<u>811,592</u>	<u>811,592</u>	<u>863,587</u>	<u>51,995</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	(89,500)	-	553,497	553,497
Fund Balances, Beginning of Year	<u>3,743,742</u>	<u>3,743,742</u>	<u>3,743,742</u>	<u>601,584</u>
Fund Balances, End of Year	<u>\$ 3,654,242</u>	<u>\$ 3,743,742</u>	<u>\$ 4,297,239</u>	<u>\$ 1,155,081</u>

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - COMMUNITY REDEVELOPMENT AGENCY
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and Special Assessment	\$ 87,314	\$ 87,314	\$ 82,337	\$ (4,977)
Total Revenues	<u>87,314</u>	<u>87,314</u>	<u>82,337</u>	<u>(4,977)</u>
Expenditures				
Current:				
Physical Environment	286,920	286,920	215,089	71,831
Capital Outlay	50,000	50,000	33,639	16,361
(Total Expenditures)	<u>(336,920)</u>	<u>(336,920)</u>	<u>(248,728)</u>	<u>88,192</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(249,606)</u>	<u>(249,606)</u>	<u>(166,391)</u>	<u>83,215</u>
Other Financing Sources (Uses)				
Transfers in	87,003	87,003	77,147	(9,856)
Transfers (out)	-	-	(17,500)	(17,500)
Total Other Financing Sources (Uses)	<u>87,003</u>	<u>87,003</u>	<u>59,647</u>	<u>(27,356)</u>
(Deficiency) of Revenues and Other Financing Sources (Under)				
Expenditures and Other Uses	(162,603)	(162,603)	(106,744)	55,859
Fund Balances, Beginning of Year	<u>(201,959)</u>	<u>(183,880)</u>	<u>391,063</u>	<u>574,943</u>
Fund Balances, End of Year	<u>\$ (364,562)</u>	<u>\$ (346,483)</u>	<u>\$ 284,319</u>	<u>\$ 630,802</u>

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

**CITY OF DADE CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Business-type Activities Enterprise Funds		
	Public Utility Fund	Nonmajor Enterprise Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,183,174	\$ 517,506	\$ 1,700,680
Investments	3,629,669	-	3,629,669
Accounts Receivable, Net	455,252	12,742	467,994
Due from Other Governments	372,771	-	372,771
Inventory	85,665	-	85,665
Total Current Assets	5,726,531	530,248	6,256,779
Restricted Assets:			
Cash and Cash Equivalents	1,162,704	-	1,162,704
Total Restricted Assets	1,162,704	-	1,162,704
Noncurrent Assets:			
Capital Assets:			
Land	6,800	-	6,800
Buildings	9,131,773	-	9,131,773
Improvements Other than Buildings	22,040,295	-	22,040,295
Machinery Equipment and Vehicles	9,474,152	-	9,474,152
Construction in Process	827,001	-	827,001
Less Accumulated Depreciation	(12,253,640)	-	(12,253,640)
Total Noncurrent Assets	29,226,381	-	29,226,381
Total Assets	36,115,616	530,248	36,645,864
Deferred Outflows of Resources			
Pension Related Items	23,679	-	23,679
Total Deferred Outflows of Resources	23,679	-	23,679
Total Assets and Deferred Outflows	\$ 36,139,295	\$ 530,248	\$ 36,669,543

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017
(Concluded)

	Business-type Activities		
	Enterprise Funds		
	Public Utility Fund	Nonmajor Enterprise Fund	Totals
Liabilities and Net Position			
Current Liabilities (Payable from Current Assets):			
Accounts Payable	\$ 181,104	\$ 835	\$ 181,939
Accrued Salary Related Expenses	11,333	-	11,333
Interest Payable	34,806	-	34,806
Due to Other Funds	-	23	23
Capital Lease, Current Portion	68,083	-	68,083
Notes Payable, Current Portion	160,425	-	160,425
Revenue Bonds Payable, Current Portion	67,003	-	67,003
Total Current Liabilities	522,754	858	523,612
Long-term Liabilities:			
Payable from Restricted Assets - Customer Deposits	420,648	-	420,648
Compensated Absences	26,607	-	26,607
Net Pension Liability	58,517	-	58,517
OPEB Liability	27,326	-	27,326
Notes Payable	4,616,467	-	4,616,467
Revenue Refunding Bonds	4,145,998	-	4,145,998
Total Long-term Liabilities	9,295,563	-	9,295,563
Total Liabilities	9,818,317	858	9,819,175
Deferred Inflows of Resources			
Pension Related Items	26,027	-	26,027
Total Deferred Inflows of Resources	26,027	-	26,027
Total Liabilities and Deferred Inflows of Resources	9,844,344	858	9,845,202
Net Position			
Net Investment in Capital Assets	20,168,405	-	20,168,405
Restricted for:			
Debt Service	1,127,898	-	1,127,898
Unrestricted	4,998,648	529,390	5,528,038
Total Net Position	\$ 26,294,951	\$ 529,390	\$ 26,824,341

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Public Utility	Nonmajor	
	Fund	Enterprise	Total
	Fund	Fund	Total
Operating Revenues			
Charges for Services	\$ 3,265,236	\$ 277,244	\$ 3,542,480
Total Operating Revenues	<u>3,265,236</u>	<u>277,244</u>	<u>3,542,480</u>
Operating Expenses			
Personal Services	863,778	-	863,778
Contractual Services	72,256	227,762	300,018
General Operating	881,722	-	881,722
Depreciation	1,075,361	-	1,075,361
Total Operating Expenses	<u>(2,893,117)</u>	<u>(227,762)</u>	<u>(3,120,879)</u>
Operating Income	<u>372,119</u>	<u>49,482</u>	<u>421,601</u>
Nonoperating Revenues (Expenses)			
Capital Grants	884,289	-	884,289
Investment Earnings	787	-	787
Miscellaneous Revenue	2,590	-	2,590
Interest Expense	(282,510)	-	(282,510)
Total Nonoperating Revenues (Expenses)	<u>605,156</u>	<u>-</u>	<u>605,156</u>
Income Before Transfers	<u>977,275</u>	<u>49,482</u>	<u>1,026,757</u>
Transfers (out)	<u>(427,147)</u>	<u>(30,000)</u>	<u>(457,147)</u>
Total Transfers	<u>(427,147)</u>	<u>(30,000)</u>	<u>(457,147)</u>
Change in Net Position	550,128	19,482	569,610
Net Position, Beginning of Year	<u>25,744,823</u>	<u>509,908</u>	<u>26,254,731</u>
Net Position, End of Year	<u>\$ 26,294,951</u>	<u>\$ 529,390</u>	<u>\$ 26,824,341</u>

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Public Utility	Nonmajor	Total
Fund	Enterprise		
	Fund	Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 4,387,805	\$ 274,141	\$ 4,661,946
Cash Payments to Suppliers and Service Providers	(863,713)	(526,572)	(1,390,285)
Cash Payments to Employees for Salaries and Benefits	(874,861)	-	(874,861)
Net Cash Provided by (Used in) Operating Activities	<u>2,649,231</u>	<u>(252,431)</u>	<u>2,396,800</u>
Cash Flows from Noncapital Financing Activities			
Transfers to Other Funds	(427,148)	(30,000)	(457,148)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(427,148)</u>	<u>(30,000)</u>	<u>(457,148)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,084,777)	-	(1,084,777)
Capital Grant Proceeds	884,289	-	884,289
Miscellaneous Revenue	2,590	-	2,590
Principal Paid on Debt	(1,575,540)	-	(1,575,540)
Proceeds from Debt	13,196	-	13,196
Interest Paid on Debt	(270,007)	-	(270,007)
Net Cash Used for Capital and Related Financing Activities	<u>(2,030,249)</u>	<u>-</u>	<u>(2,030,249)</u>
Cash Flows from Investing Activities			
Proceeds from Sale of Investments	126,370	-	126,370
Interest on Investments	787	-	787
Net Cash Provided by (Used in) for Investing Activities	<u>127,157</u>	<u>-</u>	<u>127,157</u>
Net Increase (Decrease) in Cash and Cash Equivalents	318,991	(282,431)	36,560
Cash and Cash Equivalents, Beginning of Year	<u>2,026,887</u>	<u>799,937</u>	<u>2,826,824</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,345,878</u>	<u>\$ 517,506</u>	<u>\$ 2,863,384</u>
Cash and Cash Equivalents	\$ 1,183,174	\$ 517,506	\$ 1,700,680
Restricted Cash and Cash Equivalents	1,162,704	-	1,162,704
Total	<u>\$ 2,345,878</u>	<u>\$ 517,506</u>	<u>\$ 2,863,384</u>

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2017
(Concluded)

	Business-type Activities		
	Enterprise Funds		
	Public Utility Fund	Nonmajor Enterprise Fund	Total
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by (Used for) Operating Activities</u>			
Operating Income	\$ 372,119	\$ 49,482	\$ 421,601
Adjustments to Reconcile Operating Income to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation Expense	1,075,361	-	1,075,361
(Increase) Decrease in Accounts Receivable	(7,338)	(3,103)	(10,441)
(Increase) Decrease in Due from Other Governments	1,120,390	-	1,120,390
(Increase) Decrease in Deferred Outflows	2,796	-	2,796
(Increase) Decrease in Prepaids	5,591	-	5,591
(Increase) Decrease in Inventory	83,002	-	83,002
Increase (Decrease) in Customer Deposits	9,517	-	9,517
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,672	835	2,507
Increase (Decrease) in Due to Other Funds	-	(299,645)	(299,645)
Increase (Decrease) in Compensated Absences	(10,468)	-	(10,468)
Increase (Decrease) in OPEB Liability	13,343	-	13,343
Increase (Decrease) in Net Pension Liability	(7,621)	-	(7,621)
Increase (Decrease) in Deferred Inflows	(9,133)	-	(9,133)
Total Adjustments	<u>2,277,112</u>	<u>(301,913)</u>	<u>1,975,199</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,649,231</u>	<u>\$ (252,431)</u>	<u>\$ 2,396,800</u>

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

**CITY OF DADE CITY, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
SEPTEMBER 30, 2017**

	Total
Assets	
Cash and Cash Equivalents	\$ 394,922
Investments	15,010,128
Interest and Dividends Receivable	4,631
Accounts Receivable (Payable)	(1,773)
Due from Other Governments	9,536
Total Assets	15,417,444
 Net Position - Held in Trust for Pension Benefits	 \$ 15,417,444

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

CITY OF DADE CITY, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
SEPTEMBER 30, 2017

	Total
Additions	
Contributions:	
Employee	\$ 13,468
Employer	382,778
Insurance Premium Tax - State	120,688
Total Contributions	516,934
Net Investment Earnings	1,368,333
Total Additions	1,885,267
Deductions	
Benefits Paid	494,993
Administrative Expenses	162,685
Total Deductions	657,678
Change in Net Position	1,227,589
Net Position - Beginning of Year	14,189,855
Net Position - End of Year	\$ 15,417,444

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

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA**

Note 1 - Description and Summary of Significant Accounting Policies

Reporting Entity

The City of Dade City (the City) was incorporated June 5, 1889, under the laws of the State of Florida, Chapter 3957 (No. 111).

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations.

The City's financial statements should allow users to distinguish between the primary government and its component unit. However, some component units, because of the closeness of their relationships with the City should be blended as though they were part of the City. Otherwise, component units should be discretely presented.

Blended Component Unit Governmental Type—the Dade City Community Redevelopment Agency (the Agency) was created by City Resolution No. 538 as authorized by Part III of Chapter 163 of the Florida State Statutes for the purpose of rehabilitation, conservation, and redevelopment of certain slum and blighted areas in order to serve the interest of public health, safety, morals, and welfare of the community residents. The members of the Agency Board are the City Commission. The Agency is fiscally dependent on the City and the City Commission approves the Agency's annual budget. The Agency is presented as a special revenue fund in the accompanying financial statements.

The City's municipal Firefighters' Pension Trust Fund and the City's municipal Police Officers' Pension Trust Fund were created under Chapters 175 and 185, respectively, of Florida State Statutes. These trust funds are administered by five-member Boards who have limited duties. Because these funds are not legally separable from the City, they are reported as part of the primary government.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements (Concluded)

Indirect expenses are allocated automatically and certain indirect costs are included in program expenses reported for individual function and activities. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category: governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The following are reported as major governmental funds:

- **General Fund**—This fund is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Revenue Community Redevelopment Agency Fund**—Accounts for the governmental community redevelopment activities for the purpose of eliminating and preventing the development of slum and blighted areas.

The following is reported as a major enterprise fund:

- **Public Utility Fund**—Accounts for the operation of water and wastewater facilities.

The City also reports the following funds:

- **Fiduciary Funds**—These are trust funds used to account for assets held by the City in a trustee capacity. The City maintains two Fiduciary Funds: 1) the Municipal Firefighters' Pension Trust Fund; and 2) the Municipal Police Officers' Pension Trust Fund.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies *(Continued)*

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Proprietary funds record both operating and nonoperating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund such as user fees. Nonoperating revenues are not related to the operations of the proprietary fund and include interest income and grants.

Operating expenses represent the cost of operations, which includes depreciation. Nonoperating expenses are not related to operations, such as interest expense.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

The annual budget, formally adopted by the City Commission serves as the legal authorization for expenditures. Legal budgetary authority and control is established on a fund basis in accordance with Florida Statutes 129.03; however, operational control for management purposes is maintained during the year at the lower of the department or fund level. The adopted budget can only be changed by a budget amendment or a budget supplement. Management can transfer appropriations within a department without the City Commission approval unless the transfer affects a budgeted reserve. Pursuant to Florida Statutes 129.06, budget amendments require the approval of the City Commission whenever the effect of the amendment is to increase the total appropriations of the fund, to transfer monies between the lower of the department or fund level, or to transfer budgeted reserve funds.

The City's annual budgetary process is governed by Florida Statutes, Chapters 129 and 200. The total of the estimated receipts, including balances brought forward, must equal the total of the appropriations and reserves, therefore, enabling a balanced budget. During the budgeting process, budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized executive changes applicable to the fiscal year, whenever legally authorized.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year-end are reported in the fund financial statements as assigned fund balances since they do not constitute expenditures of liabilities.

The City considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased.

Investments

Investments, including pension funds, are stated at fair value-quoted market price or the best available estimate thereof.

Inventories and Prepaid Items

Inventories are determined by physical count and are valued at cost using the first-in, first-out method. The cost is recorded as an expenditure using the consumption method at the time the individual inventory items are used.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items (Concluded)

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements as well as the proprietary fund financial statements.

The City has established the following thresholds for additions to capital assets, and estimated useful lives for depreciation purposes:

<u>Assets</u>	<u>Threshold</u>	<u>Years</u>
Land	\$ 5,000	N/A
Buildings	5,000	10-50
Infrastructure	50,000	10-50
Equipment	5,000	5-20

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets in business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Depreciation is charged as an expense against the operations of the governmental and business-type activities in the government-wide financial statements. Depreciation of assets in the proprietary funds is also charged as an expense at the fund level. Since the purpose of the governmental fund level statements is to show the sources and uses of current assets, capital assets, and depreciation are not shown.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation were reported in the financial statements prior to the implementation of GASB Statement No. 34. The retroactive reporting of infrastructure is not required for the City. The City has elected to implement the general provisions of GASB Statement No. 34 prospectively and has elected not to implement any infrastructure retroactively.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Governmental Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either: (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact. The City has the following minimum reserve requirements:

- Minimum balances for restricted reserve funds will be 100% of the unexpended balance of the restricted reserve funds.
- Minimum balances for limited reserve funds will be 25% of the original budget of a fund for the current fiscal year. If an authorized use causes limited reserve funds to fall below the minimum balance, the amount below the minimum should be repaid, within one calendar year of its use, unless specific funding for that use has not been received within that time.
- Minimum balances for assigned reserve funds will be the amount currently assigned for each specific purpose.
- The cost basis will be used to determine minimum balance requirements for reserve funds that have been invested.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- *Restricted Fund Balance*—This classification reflects the constraints imposed on resources either: (a) externally by creditors, grantors, contributors, by laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*—These amounts can only be used only for specific purposes determined by a formal action of City Commissioners - the City's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Commissioners.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Continued)

Governmental Fund Balances (Concluded)

- *Assigned Fund Balance*—This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes. Under the City's adopted policy, only City Commissioners may assign amounts for specific purposes. Assigned fund balances include all remaining amounts, (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

- *Unassigned Fund Balance*—This fund balance is the residual classification for the general fund.

Compensated Absences

The City incurs liability for employees' rights to receive compensation for future absences when certain conditions are met. Both the current and long-term portion of compensated absences are accrued and reported in the government-wide and proprietary fund financial statements.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, material discount, premium, and bond issuance costs related to long-term debt are deferred and amortized over the life of the bonds using the straight-line method of accounting. Discount, premium, and issuance costs related to debt in the governmental fund financial statements are recorded as expenditures when paid and, therefore, are not accounted for in subsequent periods.

State and federal laws and regulations require the Sanitary Landfill to place a final cover on the landfill cells when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the landfill reports an estimated portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Property Taxes

Property tax collections, sales, and liens are governed by Chapter 197 of the Florida Statutes. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due and payable on November 1, or as soon as the assessment rolls are available to the county tax collector. Discounts, ranging from 4% to 1%, are given for payments prior to March 1 of the following calendar year. Taxes become delinquent April 1. Taxes are collected by the Pasco County Tax Collector and remitted to the City. The tax collector sells tax certificates on all delinquent property on or before June 1, each year and such proceeds are remitted to the City. Under this system, there remain no uncollectible delinquent taxes at year-end.

Due from Other Governments

Receivables from other governments include amounts due for entitlements for state revenue sharing, gas taxes, sales taxes, and other amounts collected by the State on behalf of the City and various grants.

Government-wide and Proprietary Fund Net Position

As of September 30, 2017, net position is classified as follows:

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 1 - Description and Summary of Significant Accounting Policies (Concluded)

Government-wide and Proprietary Fund Net Position (Concluded)

Net Investment in Capital Assets—Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position—Consists of net position that is restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted—All other net position is reported in this category.

Governmental Fund Balances

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Commissioners have provided otherwise in its commitment or assignment actions.

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were available to be issued May 16, 2018. No subsequent events have been recognized or disclosed.

Deficit Fund Balance

The Storm Water and Community Redevelopment Block Grant Special Revenue Funds had deficit fund balances at September 30, 2017, of (\$7,139) and (\$1,301), respectively. These deficits will be financed through future revenues of the funds.

On-Behalf Payments for Fringe Benefits

The City receives on-behalf payments from the State of Florida to be used for Police Officers' and Firefighters' Retirement Plan Contributions. On-behalf payments to the City totaled \$120,688 for the year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 2 - Deposits and Investments

<u>Type</u>	<u>Fair Value</u>	<u>Interest Risk WAM</u>	<u>Level</u>	<u>Credit Ratings</u>
Cash and Cash Equivalents - Non-pension:				
Cash Deposit	\$ 8,231,080	N/A	N/A	N/A
Petty Cash	645	N/A	N/A	N/A
Total Cash and Cash Equivalents	<u>\$ 8,231,725</u>			
Investments - Non-pension:				
U.S. Treasuries	\$ 980,358	0.82 Years	1	AAA/NR
Mortgage Backed Securities	4,714,193	24.38 Years	1	AAA/NR
Corporate Backed Securities	45,614	17.42 Years	1	Aaa/AA+/AAA/N/R
Total Investments	<u>\$ 5,740,165</u>			
Pension Cash and Investments:				
Cash Deposits	\$ 394,922	N/A	N/A	N/A
Investments:				
Cash and Cash Equivalents	159,604	N/A	N/A	N/A
U.S. Agencies	1,126	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
U.S. Treasuries	726,926	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Corporate Bonds	1,024,774	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Corporate Mortgage Backed Securities	139,208	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Government Asset Backed Securities	172,183	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Bond Mutual Funds	2,822,168	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Common and Preferred Stock	5,267,444	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Equity Mutual Funds and ETF's	4,696,695	3.27/4.10/4.56 Years	1	AAA/AA/A/BBB/BB/B/CCC/CC
Total Investments	<u>15,010,128</u>			
Total Pension Cash and Investments	<u>15,405,050</u>			
Total	<u>\$ 29,376,940</u>			
Entity-wide Cash Deposits	\$ 7,069,021			
Entity-wide Non-pension Investments	5,740,165			
Entity-wide Restricted Cash and				
Cash Equivalents	1,162,704			
Pension Cash	394,922			
Pension Investments	15,010,128			
Total	<u>\$ 29,376,940</u>			

Fair Value Hierarchy

The City holds assets that are defined as short-term investments. The City's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1—Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2—Inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Continued)

Fair Value Hierarchy (Concluded)

Level 3—Inputs-are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Custodial Credit Risk—Cash Deposits

At September 30, 2017, the City's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss. Authorized investments per the City's policy are: local government surplus trust fund, or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, SEC registered money market funds with highest credit quality ratings from a national recognized rating agency, interest bearing time deposits or savings accounts in qualified public depositories, direction obligations of the United States Treasury, Federal agencies and instrumentalities, securities of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the *Investment Company Act of 1940*, as amended and overnight repurchase agreement that are collateralized by approved investments - maintaining liquidity.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy is structured so that securities mature to meet anticipated cash requirements for ongoing operations.

Credit Risk

Statute 218.415 of the State of Florida allows municipalities to invest in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in the Florida Statute 163.01.
- Securities and Exchange Commission-registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Savings accounts in state-certified qualified public depositories, as defined in Florida Statute 280.02.
- Certificates of deposit in state-certified qualified public depositories, as defined in Florida Statute 280.02.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.
- Other investments authorized by a written policy adopted under Florida Statute 218.415.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Concluded)

Credit Risk (Concluded)

Statutes 175 and 185 of the State of Florida permit investments by the Police and Firefighter Pension funds as follows:

- Time or savings accounts of a national bank, a state bank insured by the Bank Insurance fund, or a savings, building, and loan association insured by the Savings Association Insurance fund, which is administered by the Federal Deposit Insurance Corporation (FDIC) or state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance fund.
- Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.
- Bonds issued by the State of Israel.
- Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:
 - The Corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only holds a rating in one of the three highest classifications by a major rating service.
 - The Board of Trustees shall not invest more than 5% of its assets in the common stock or capital stock of any one issuing corporation, nor shall the aggregate investment in any one issuing corporation exceed 5% of the outstanding capital stock of that corporation, or the aggregate of its investments under this subparagraph at cost 50% of the assets of the fund.

Foreign Currency Risk

The City does not have a formal investment policy that limits its investment in foreign currency. The City has no investments, which are exposed to foreign currency risk at September 30, 2017.

Note 3 - Interfund Transactions

Due to/from Other Funds

Individual interfund receivable and payable balances, all of which are expected to be repaid within one year and are recurring in nature, were as follows:

	Interfund Receivable	Interfund Payable
Government Activities		
General Fund	\$ 6,354	\$ -
Community Redevelopment District	-	5,030
Non-Majors	-	1,301
Business-type Activities		
Nonmajor Utility Fund	-	23
Due to/from Other Funds	\$ 6,354	\$ 6,354

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 3 - Interfund Transactions (Concluded)

Due to/from Other Funds (Concluded)

Interfund receivables and payables generally represent recurring activities between funds.

Interfund Transfers

Individual interfund transfers were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 852,450	\$ -
Nonmajor Governmental Funds	-	454,950
Community Redevelopment District	77,147	17,500
Business-type Activities:		
Public Utility	-	427,147
Nonmajor Enterprise Fund	-	30,000
Total Transfers in/out	<u>\$ 929,597</u>	<u>\$ 929,597</u>

Transfers between funds are primarily to move unrestricted revenues collected in funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 4 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balance</u>
Governmental-type Activities					
Capital Assets					
Not Being Depreciated:					
Land	\$ 862,261	\$ -	\$ (2,464)	\$ -	\$ 859,797
Construction in Process	-	141,785	-	-	141,785
Infrastructure	2,636,781	-	-	-	2,636,781
Total Capital Assets, Not Depreciated	<u>3,499,042</u>	<u>141,785</u>	<u>(2,464)</u>	<u>-</u>	<u>3,638,363</u>
Capital Assets					
Being Depreciated:					
Buildings	7,897,288	-	-	-	7,897,288
Infrastructure	3,716,176	645,610	-	-	4,361,786
Machinery and Equipment	3,621,132	440,814	(378,742)	39,237	3,722,441
Total Capital Assets, Depreciated	<u>15,234,596</u>	<u>1,086,424</u>	<u>(378,742)</u>	<u>39,237</u>	<u>15,981,515</u>
Less Accumulated Depreciation for:					
Buildings	(1,145,247)	(240,394)	-	-	(1,385,641)
Infrastructure	(796,171)	(225,764)	-	-	(1,021,935)
Machinery and Equipment	(2,477,161)	(328,132)	334,512	(3,925)	(2,474,706)
Total Accumulated Depreciation	<u>(4,418,579)</u>	<u>(794,290)</u>	<u>334,512</u>	<u>(3,925)</u>	<u>(4,882,282)</u>
Total Capital Assets, Depreciated	<u>10,816,017</u>	<u>292,134</u>	<u>(44,230)</u>	<u>35,312</u>	<u>11,099,233</u>
Total Governmental-type Activities, Capital Assets, Net	<u>\$ 14,315,059</u>	<u>\$ 433,919</u>	<u>\$ (46,694)</u>	<u>\$ 35,312</u>	<u>\$ 14,737,596</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 4 - Capital Assets (Concluded)

	Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Business-type Activities					
Capital Assets					
Not Being Depreciated:					
Land	\$ 6,800	\$ -	\$ -	\$ -	\$ 6,800
Construction in Process	386,125	590,312	(149,436)	-	827,001
Total Capital Assets, Not Depreciated	<u>392,925</u>	<u>590,312</u>	<u>(149,436)</u>	<u>-</u>	<u>833,801</u>
Capital Assets					
Being Depreciated:					
Buildings	7,017,976	-	-	2,113,797	9,131,773
Infrastructure	23,611,073	543,019	-	(2,113,797)	22,040,295
Machinery and Equipment	9,373,270	100,882	-	-	9,474,152
Total Capital Assets, Depreciated	<u>40,002,319</u>	<u>643,901</u>	<u>-</u>	<u>-</u>	<u>40,646,220</u>
Less Accumulated Depreciation for:					
Buildings	(2,713,272)	(181,766)	-	(10,375)	(2,905,413)
Infrastructure	(4,884,539)	(467,248)	-	10,375	(5,341,412)
Machinery and Equipment	(3,580,468)	(426,347)	-	-	(4,006,815)
Total Accumulated Depreciation	<u>(11,178,279)</u>	<u>(1,075,361)</u>	<u>-</u>	<u>-</u>	<u>(12,253,640)</u>
Total Capital Assets, Depreciated	<u>28,824,040</u>	<u>(431,460)</u>	<u>-</u>	<u>-</u>	<u>28,392,580</u>
Governmental Activities Capital Assets	<u>\$ 29,216,965</u>	<u>\$ 158,852</u>	<u>\$ (149,436)</u>	<u>\$ -</u>	<u>\$ 29,226,381</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 168,034
Public Safety	115,197
Transportation	434,539
Culture and Recreation	68,723
Community Redevelopment Agency - Physical Environment	11,722
Total Depreciation Expense	
Governmental Activities	<u>\$ 798,215</u>
Business-type Activities	
Physical Environment	\$ 1,075,361
Total Depreciation Expense-	
Business-type Activities	<u>\$ 1,075,361</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 5 - Pledged Revenues

The City has pledged certain revenues to repay certain bond, notes, and capital leases outstanding as of September 30, 2017. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in current year, the current year principal, and interest paid on the debt, the approximate percentage of each revenue, which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2017:

<u>Type</u>	<u>Revenue Pledged</u>	<u>Revenues (Net)</u>	<u>Principal and Interest Paid</u>	<u>Estimated Revenue Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Business-Type Activities						
Revenue Bonds - 2003 - Utility System	Net Utility System Revenues - plus Franchise Fees (2)	\$ 2,172,353	\$ 71,123	3%	\$ 1,760,190	2042
Meter Lease Utility System	Net Utility System Revenues (2)	2,101,230	205,597	10%	68,705	2018
State Revolving Funds - DW510440 - Utility System	Net Utility System Revenues (2)	888,925	14,359	2%	193,849	2031
State Revolving Funds - WW67005P - Utility System	Net Utility System Revenues (2)	874,566	40,715	5%	488,579	2029
State Revolving Funds - WW67006P - Utility System	Net Utility System Revenues (2)	833,851	18,341	2%	238,426	2030
Revenue Bonds - 2013 - Utility System	Net Utility System Revenues - plus Franchise Fees (2)	1,822,218	161,750	9%	5,815,023	2052
State Revolving Funds - DW510420 - Utility System	Net Utility System Revenues (2)	653,761	253,764	39%	1,285,144	2030
Capital Lease Street Sweeper	General Fund Revenues	2,570,274.00	53,471	2%	160,413	2020
Capital Lease Boom Lift	General Fund Revenues	2,570,274.00	27,882	1%	39,023	2020

(1) Net System Revenues are defined as gross revenues less operating expenses, not including depreciation.

(2) Net System Revenues are defined as gross revenues less operating expenses, not including depreciation minus previous issuances.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 6 - Long-term Liabilities

The following is a summary of changes in long-term liabilities:

Type	Balance Beginning	Additions	Deletions	Ending Balance	Due Within One Year
Governmental-type Activities					
Landfill Closure/Post-closure	\$ 27,960	\$ -	\$ -	\$ 27,960	\$ -
Capital Lease - Street Sweeper	201,039	-	49,502	151,537	49,075
Capital Lease - Boom Lift	-	63,500	25,678	37,822	32,281
OPEB	149,353	50,165	-	199,518	-
Compensated Absences	417,179	-	9,428	407,751	-
Total	\$ 795,531	\$ 113,665	\$ 84,608	\$ 824,588	\$ 81,356
Business-type Activities					
Notes Payable	\$ 5,024,916	\$ 13,196	\$ 261,220	\$ 4,776,892	\$ 160,425
Bonds Payable	5,329,450	-	1,116,449	4,213,001	67,003
Capital Leases	265,954	-	197,871	68,083	68,083
OPEB	13,983	13,343	-	27,326	-
Compensated Absences	37,075	-	10,468	26,607	-
Total	\$ 10,671,378	\$ 26,539	\$ 1,586,008	\$ 9,111,909	\$ 295,511

Business-type Activities

The following is a schedule of debt outstanding at September 30, 2017:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Meter System Lease	Meter System	\$ 1,701,686	\$ 68,083	4.39%
State Revolving Funds	Utility System	7,012,322	4,776,892	2.24/3.75/2.31/ 2.43/1.32/1.48%
Series 2003	Utility System	1,275,400	1,046,400	3.59%
Series 2013	Utility System	3,248,000	3,166,601	3.75%
Total Business-type Activities			\$ 9,057,976	

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 6 - Long-term Liabilities (Concluded)

Business-type Activities (Concluded)

Year Ending September 30,	Business-type Activities		Total Debt Service
	Principal	Interest	
2018	\$ 295,511	\$ 220,594	\$ 516,105
2019	317,479	232,468	549,947
2020	324,102	225,720	549,822
2021	330,855	218,796	549,651
2022	337,743	211,694	549,437
2023-2027	1,802,977	945,094	2,748,071
2028-2032	1,827,745	740,267	2,568,012
2033-2037	1,599,395	539,983	2,139,378
2038-2042	787,344	366,209	1,153,553
2043-2047	581,749	227,004	808,753
2048-2052	699,320	109,432	808,752
2053-2054	153,756	-	153,756
Totals	\$ 9,057,976	\$ 4,037,261	\$ 13,095,237

The City's business-type activities incurred interest costs of \$282,510, all of which were charged to operations.

Note 7 - Lease Obligations

Capital Lease

The City entered into a lease agreements for financing the acquisition of meters, a street sweeper and a boom lift. It is the City's policy to expense meters at the time of acquisition. The street sweeper and boom lift have been capitalized as part of the City's capital assets and will depreciated over its useful life.

Asset	
Street Sweeper	\$ 249,577
Boom Lift	63,500
(Accumulated Depreciation)	(35,049)
Total	\$ 278,028

Future Minimum Lease Payments

Year Ending	
2018	\$ 86,929
2019	59,048
2020	53,471
Total Minimum Lease Payments	199,448
(Less Amount Representing Interest)	(10,089)
Present Value of Minimum Lease Payments	\$ 189,359

The City's governmental activities incurred interest costs of \$6,173, all of which were charged to operations.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System

City employees, except for participants in the separate firefighters' and police officers' pension funds (see Note 9) and the City Manager, participate in the State of Florida Retirement System (the System), a multiple-employer public employee retirement system. However, as discussed in Note 10, the City has elected to opt out of the System beginning with employees hired after January 1, 1996. The payroll for employees covered by the System for the year ended September 30, 2017, was \$259,258; the City's total payroll was \$3,559,479.

All City employees, other than those described above, participate in the System. Employees who retire at or after age 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.60% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%.

Benefits are payable monthly under one of four options elected by the participant upon retirement. The options range from a full benefit during life of the member to reduced benefits paid to survivors upon the death of the member. Benefits fully vest on reaching 6 years of service. Vested employees may retire at any time after vesting and receive a 5% benefit reduction for each year prior to normal retirement age or date. The System also provides death and disability benefits.

Contribution rates are established statewide for all participating governmental units by acts of the state legislature. These acts provide that if the accumulated funds are insufficient to pay the benefits due, future contributions to the plan will be adjusted upward accordingly. For the year ended September 30, 2017, the City contributed approximately 7.92% of covered salaries. The total contribution for the year ended September 30, 2017, and the preceding two years is as follows:

Percentage Years Ending September 30,	Total Contribution
2015	\$ 25,200
2016	21,094
2017	21,602

The System's comprehensive annual financial report may be obtained from the State of Florida, Department of Management Services, and Division of Retirement.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At September 30, 2017, the City reported a net pension liability of \$195,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportionate share of the net pension liability was based on projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the City's proportionate share was .000661176939881045%, which was a decrease of .00066650314966415 from its proportionate share.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System (Continued)

Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources—On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflow Funds	Deferred Inflow Funds
Differences Between Expected and Actual Experience	\$ 17,949	\$ 1,083
Change in Assumptions	65,726	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	4,847
Changes in Proportion and Differences between		
City Contributions and Proportionate Share of		
Contributions	12,633	74,178
City Contributions Subsequent to Measurement Date	4,614	-
Total	\$ 100,922	\$ 80,108

The Deferred Outflows of Resources related to pensions totaling \$4,614 resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Total Inflows/Outflows
2018	\$ (3,062)
2019	13,762
2020	1,804
2021	(9,605)
2022	8,472
Thereafter	4,829
Total	\$ 16,200

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%	
Salary Increases	3.25%	Including Inflation
Investment Rate of Return	7.10%	Net Pension Plan Investment
		Expense Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions are used in the June 30, 2017. As a result of the 2017 actuarial experience study, the inflation rate assumption was 2.60%, the real payroll growth assumption was .65%, and the overall payroll growth rate assumption 3.25%. The long-term expected rate of return was 7.10%.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System (Continued)

Actuarial Assumptions (Concluded)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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 ranges 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Board U.S. Equities	26.50%	8.51%	6.95%	18.90%
Development Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			

Discount Rate—The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate—The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease 6.10%</u>	<u>Current Discount Rate - 7.10%</u>	<u>1% Increase 8.10%</u>
City’s Proportionate Share of the Net Pension Liability	\$ 353,873	\$ 195,572	\$ 64,062

FRS Pension Plan Fiduciary Net Position—detailed information about pension plan’s fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System (Continued)

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

Plan Description—The HIS Pension Plan (HIS Plan) is a defined benefit pension plan established to provide a monthly subsidy payment to retired members of any state-administered retirement system in order to assist such retired members in paying the costs of health insurance. Persons are eligible for health insurance subsidy payments who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system, except those individuals who are pension recipients under Sections 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminates employment with all employers participating in the Florida Retirement System and:

- For a member of the FRS investment plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes.
- For a member of the FRS defined benefit pension plan, or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan.

Any person retiring on or after July 1, 2001, as a member of the FRS, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class under the pension plan as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes. Additionally, participants in the Senior Management Service Optional Annuity Program and the State City System Optional Retirement Program are not eligible to receive benefits from the HIS Plan.

Benefits Provided—The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement.

For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions—The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The state contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System (Continued)

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan (Continued)

Contributions (Concluded)

The City's contributions to the HIS defined-benefit pension plan are reported as a total with the pension plan contributions listed above.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At September 30, 2017, the City reported a net pension liability of \$87,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportionate share of the net pension liability was based on projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the City's proportionate share was .00081442371084073%, which was a decrease of .000814006949943455 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2017, the City recognized pension expense is listed above. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow Funds	Deferred Inflow Funds
Differences Between Expected and Actual Experience	\$ -	\$ 181
Change in Assumptions	12,241	7,530
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	48	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	35	37,894
City Contributions Subsequent to Measurement Date	1,131	-
Total	\$ 13,455	\$ 45,605

The deferred outflows of resources related to pensions totaling \$1,131, resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June30,	Inflows/Outflow
2018	\$ (6,738)
2019	(6,748)
2020	(6,752)
2021	(6,398)
2022	(4,602)
Thereafter	(2,043)
Total	\$ (33,281)

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 8 - State of Florida Retirement System (Concluded)

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan (Concluded)

Actuarial Assumptions—The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%	
Salary Increase	3.25%	Average, Including Inflation
Investment Rate of Return	N/A	Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period June 30, 2016 through June 30, 2017.

Discount Rate—The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate—The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	<u>1% Decrease</u> <u>2.58%</u>	<u>Current Discount</u> <u>Rate – 3.58%</u>	<u>1% Increase</u> <u>4.58%</u>
City's Proportionate Share of the Net Pension Liability	\$ 99,372	\$ 87,082	\$ 76,845

Pension Plan Fiduciary Net Position—Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

Note 9 - Firefighters' and Police Officers' Pension Funds

Plan Descriptions

The City contributes to two pension trust funds, which are single-employer, defined benefit pension plans administered by each of the Plan's Board of Trustees.

The pension plans do not issue stand-alone financial statements.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Plan Descriptions (Concluded)

All of the City's full-time certified police and fire employees are eligible to participate in the plans. The current membership in the plans as of October 1, 2016, is comprised of the following:

<u>Group</u>	<u>Firefighters</u>	<u>Police Officers</u>
Inactive Plan Members or Beneficiaries		
Currently Receiving Benefits	16	9
Inactive Plan Members Entitled to but		
Not yet Receiving Benefits	4	6
Active Plan Members	<u>5</u>	<u>22</u>
Total Participants	<u><u>25</u></u>	<u><u>37</u></u>

Summary of Plan Provisions - Firefighters and Police Officers

Eligibility	Full-time or part-time employees who are classified as Firefighters or full-time sworn Police Officers shall participate in the System as a condition of employment.
Board of Trustees	a. Two Commission Appointees. b. Two Members of the Department elected by the membership, and Fifth Member elected by other four and appointed by Commission.
Credited Service	Total years and fractional parts of years of employment with the City as a Firefighter or Police Officer (Credited Service is calculated separately for periods of full-time and part-time service).
Salary - Firefighters	Fixed compensation reportable on form W-2, plus tax deferred, tax sheltered, and tax exempt items.
Salary - Police Officers	Total W-2 earnings plus all tax deferred, tax sheltered, or tax exempt items of income. For Service after October 1, 2011, Salary shall only include up to 300 hours of overtime per year and include lump sum sick and vacation time.
Average Final Compensation	Average Salary for the highest 5 years during the 10 years immediately preceding retirement or termination (Average is determined separately for full-time and part-time service).
Member Contributions	1.0% of Salary.
City and State Contributions	Remaining amount necessary to pay current costs and amortize past service cost, if any, as provided in Part VII of Chapter 112, Florida Statutes.

Normal Retirement

Date	Earlier of age 55 and 10 years of Credited Service, or age 52 and 25 years of Credited Service.
Benefit-Firefighters	3.25% of Average Final Compensation times Credited Service.
Benefit-Police Officers	3.50% of Average Final Compensation times Credited Service.

Early Retirement

Eligibility	Age 50 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3.0% per year.
Cost of Living Adjustment - Police Officers	Normal Retirees after June 24, 2003, receive 2% annual benefit increases each October 1, beginning on the October 1st following 1 full year of retirement.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Summary of Plan Provisions - Firefighters and Police Officers (Concluded)

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Death Benefits

<u>Pre-retirement:</u>	
Vested	Monthly accrued benefit payable to designated beneficiary for 10 years.
Nonvested	Refund of accumulated contributions without interest.
<u>Post-retirement</u>	Benefits payable to beneficiary in accordance with option selected at retirement.

Disability

Eligibility	Service incurred: Covered from Date of Employment Non-Service Incurred: 10 years of Credited Service. Benefit accrued to date of disability but not less than 42% of Average Final compensation (Service Incurred).
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Contributions

Police Officers	Member Contributions: 1.0% of Salary.
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Deferred Retirement Option Plan (Police Officers)

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Returns	Participants' Election: <ul style="list-style-type: none"> a. Interest at 6.5% per Year, or b. Actual net rate of investment return (total return net of fees) credited each fiscal quarter. Members may change option once during the DROP period. The DROP balance at September 30, 2017, is \$372,041.
Form of Distribution	Cash lump sum (options available) at termination of employment.

Summary of Significant Accounting Policies

Basis of Accounting—The pension fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments—Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Summary of Significant Accounting Policies (Continued)

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2017:

Asset Class	FIREFIGHTERS	POLICE OFFICERS
	Target Allocation	Target Allocation
Cash/Cash Alternatives	3%	3%
Intermediate Inv. Grade	11%	11%
High - Yield	7%	7%
Commodities	2%	2%
Short-term Taxable - Fixed Income	2%	2%
Long-term Taxable - Fixed Income	4%	4%
Dev Market Ex - Fixed Income	3%	3%
Emerging Market - Fixed Income	6%	6%
Mid Cap Equities	11%	11%
Large Cap Equities	25%	25%
Small Cap Equities	8%	8%
Emerging Market Equity	6%	6%
Dev Market Ex - US Equities	7%	7%
Public Real Estate	5%	5%
Totals	100%	100%

Concentrations—The Plans did not hold investments in any one organization that represent 5 percent or more of the Pension Plans' fiduciary net position.

Rate of Return—The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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 plans' target asset allocation as of September 30, 2017, is summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Summary of Significant Accounting Policies (Concluded)

Rate of Return (Concluded)

Asset Class	FIREFIGHTERS	POLICE OFFICERS
	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Cash/Cash Alternatives	0.00%	0.00%
Intermediate Inv. Grade	0.59%	0.59%
High - Yield	3.51%	3.51%
Commodities	1.85%	1.85%
Short-term Taxable - Fixed Income	0.10%	0.10%
Long-term Taxable - Fixed Income	0.68%	0.68%
Dev Market Ex - Fixed Income	0.29%	0.29%
Emerging Market - Fixed Income	3.61%	3.61%
Mid Cap Equities	5.66%	5.66%
Large Cap Equities	5.07%	5.07%
Small Cap Equities	5.85%	5.85%
Emerging Market Equity	6.34%	6.34%
Dev Market Ex - US Equities	4.88%	4.88%
Public Real Estate	4.59%	4.59%

Discount Rate—The discount rate used to measure the total pension liability for both Plans was 7.40%.

The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current Plan members.

Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

	1% Decrease 6.40%	Current Discount Rate - 7.40%	1% Increase 8.40%
Sponsor's Net Pension Liability - Firefighters	\$ 2,078,798	\$ 1,306,309	\$ 655,949
Sponsor's Net Pension Liability - Police Officers	2,336,175	922,001	(232,860)

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Actuarial Assumptions and Methods

The total pension liability was determined by an actuarial valuation as of October 1, 2017, updated to September 30, 2017, using the following actuarial assumptions:

Mortality Rate:	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB. Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
Interest Rate:	7.5% per year compounded annually, net of investment related expenses.
Inflation Rate:	2.50% (previously 3.00%) per year for Fire.
Retirement Age:	Earlier of age 55 with 10 years of credited service or age 52 and 25 years of credited service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. For Fire, the accrued benefit reduced by 3.0% per year.
Discount Rate:	7.40%
Investment Rate of Return:	7.40%
Termination Rate:	See Table in Required Supplementary Information.
Salary Increases:	
Firefighters	5.75% per year until the assumed retirement age.
Police Officers	Included in the Required Supplementary Information.
Payroll Growth:	N/A
Amortization Method:	
Firefighters	Level Dollar
Funding Method:	
Firefighters	Entry Age Normal Actuarial Cost Method
Police Officers	Aggregate Actuarial Cost Method.
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Contributions and Reserves

The Plans are established and operate under Florida State Statutes and City Ordinances. Chapter 175 of the Florida Statutes provides for a system of retirement plans for firefighters. Each incorporated municipality with fire-fighting equipment with a value exceeding \$5,000 is permitted to establish a firefighters' pension fund. Chapter 175 sets forth benefits and administrative arrangements. It also provides that a tax of 1.85% of fire and windstorm premiums written in the various cities is to be collected by the State and remitted to the pension funds to partially finance the benefits. Firefighters contribute 1% of their earnings to the fund, and the City, authorized by City ordinance, has made contributions from general revenues at the rate of 26.08% of covered earnings (noting that the County contributed an additional 22.04% as per the interlocal agreement). The City contributed \$182,623 for the year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Contributions and Reserves (Continued)

Chapter 185 of the Florida Statutes provides for a system of retirement plans for police officers. Each incorporated municipality with police equipment with a value exceeding \$500 is permitted to establish a police officers' retirement fund. Chapter 185 sets forth benefits and administrative arrangements. It also provides that certain casualty premium taxes collected by the State will be remitted to these pension funds to partially finance the benefits. Police Officers contribute 1% of their earnings to the fund, and the City, by City Ordinance, contributes from general revenues at the rate of 19.3% of covered earnings. The City was required to contribute \$213,623 for the year ended September 30, 2017.

The contribution rates for members and the City are established by the state statutes and City Ordinances through actuarial valuations. The costs of administration are paid by the Plans from investment earnings. The Plans do not have any contracts for contributions. There are no legal or designated reserves other than the entire net position of the Plans are available only for retirement benefits. At September 30, 2017, the Plans held no investments of a single issuer, other than U.S. government obligations, which accounted for 5% or more of the Plan net positions.

The payroll covered by the two pension trusts for the year ended September 30, 2017, was \$1,323,375.

■ **Net Pension Liability**

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

	Police Officers' Pension	Firefighters' Pension
Total Pension Liability	\$ 10,154,732	\$ 7,483,421
Plan Fiduciary Net Position	<u>(9,232,731)</u>	<u>(6,177,112)</u>
Sponsor's Net Pension Liability	\$ 922,001	\$ 1,306,309
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.92%	82.54%

The differences between the actuarial financial statements and the pension financial statements were due to the recording of investment expense as a direct reduction of investment income and timing differences related to broker sold investments.

Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources—On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to Police pensions from the following sources:

	Deferred Outflow Funds	Deferred Inflow Funds
Differences between Expected and Actual Experience	\$ 36,930	\$ 286,414
Changes of Assumptions	297,095	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>144,501</u>	<u>-</u>
Total	<u>\$ 478,526</u>	<u>\$ 286,414</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Contributions and Reserves (Continued)

Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources—On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to Fire pensions from the following sources:

	Deferred Outflow Funds	Deferred Inflow Funds
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 109,656	\$ -
Total	\$ 109,656	\$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Police Total Inflows/Outflows	Fire Total Inflows/Outflows
2018	\$ 119,293	\$ 66,883
2019	136,791	90,283
2020	12,049	(29,618)
2021	(79,021)	(17,892)
Thereafter	-	-
Total	\$ 192,112	\$ 109,656

Combining Statement of Net Position

	Police Officers' Pension	Firefighters' Pension	Total
Assets			
Cash and Cash Equivalents	\$ 125,635	\$ 269,287	\$ 394,922
Investments	9,110,307	5,899,821	15,010,128
Interest and Dividends Receivable	2,763	1,868	4,631
Accounts Receivable (Payable)	4,597	(6,370)	(1,773)
Due from Other Governments	-	9,536	9,536
Total Assets	\$ 9,243,302	\$ 6,174,142	\$ 15,417,444
Net Position - Held in Trust for Pension Benefits	\$ 9,243,302	\$ 6,174,142	\$ 15,417,444

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Continued)

Contributions and Reserves (Concluded)

	Combining Statement of Changes in Net Position		
	Police Officers'	Firefighters'	Total
	Pension	Pension	
Additions			
Contributions:			
Employer	\$ 203,103	\$ 179,675	\$ 382,778
State	81,333	39,355	120,688
Employee	10,520	2,948	13,468
Total Contributions	<u>294,956</u>	<u>221,978</u>	<u>516,934</u>
Net Investment Earnings	<u>820,650</u>	<u>547,683</u>	<u>1,368,333</u>
Total Additions	<u>1,115,606</u>	<u>769,661</u>	<u>1,885,267</u>
Deductions			
Benefits Paid	227,192	267,801	494,993
Administrative Expenses	92,238	70,447	162,685
Total Deductions	<u>319,430</u>	<u>338,248</u>	<u>657,678</u>
Change in Net Position	796,176	431,413	1,227,589
Net Position, Beginning of Year	<u>8,447,126</u>	<u>5,742,729</u>	<u>14,189,855</u>
Net Position, End of Year	<u>\$ 9,243,302</u>	<u>\$ 6,174,142</u>	<u>\$ 15,417,444</u>

Combining Schedule-Florida Retirement System, Health Insurance Subsidy, Police, and Fire Pension Plans

	Deferred	Deferred	Net Pension
	Inflows	Outflows	Liability
Florida Retirement System	\$ 80,108	\$ 100,922	\$ 195,572
Health Insurance Subsidy	45,606	13,456	87,082
Police Pension Plan	286,414	478,526	922,001
Fire Pension Plan	-	109,656	1,306,309
Total	<u>\$ 412,128</u>	<u>\$ 702,560</u>	<u>\$ 2,510,964</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 9 - Firefighters' and Police Officers' Pension Funds (Concluded)

Combining Schedule-Florida Retirement System, Health Insurance Subsidy, Police, and Fire Pension Plans (Concluded)

Schedule of Changes in Employer's Net Pension Liability:

	Firefighters' 2017	Police Officers' 2017
Total Pension Liability		
Service Cost	\$ 62,305	\$ 274,006
Interest on the Total Pension Liability	521,734	723,973
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Assumption	-	-
Differences between Expected and Actual Experience	45,129	(238,832)
Benefit Payments, Including Refunds of Employee	(267,801)	(227,666)
Net Change in Total Pension Liability	361,367	531,481
Total Pension Liability, Beginning of Year	7,122,054	9,623,251
Total Pension Liability, End of Year (a)	\$ 7,483,421	\$ 10,154,732
Plan Fiduciary Net Position		
Contributions - Employer	\$ 186,045	\$ 206,524
Contributions - State	39,355	81,333
Contributions - Employee	2,948	10,520
Net Investment Income	511,409	766,558
Benefit Payments, Including Refunds of Employee Contributions	(267,801)	(227,666)
Administrative Expense	(33,164)	(37,908)
Net Change in Plan Fiduciary Net Position	438,792	799,361
Plan Fiduciary Net Position, Beginning of Year	5,738,320	8,433,370
Plan Fiduciary Net Position, End of Year (b)	\$ 6,177,112	\$ 9,232,731
Net Pension Liability - Ending (a) - (b)	\$ 1,306,309	\$ 922,001
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.54%	90.92%
Covered Employee Payroll**	\$ 294,798	\$ 1,051,978
Net Pension Liability as a Percentage of Covered Employee Payroll	443.12%	87.64%

Note 10 - Defined Contribution Plan

During 1995, the Florida Legislature approved a bill allowing local governments the option of withdrawing from the Florida Retirement System. In December 1995, the City passed a resolution to adopt a defined contribution plan under Section 401(a) of the Internal Revenue Code, effective for employees hired after January 1, 1996, except those covered by the Police Officers' or Firefighters' Pension Plans (see Note 9).

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 10 - Defined Contribution Plan (Concluded)

The City of Dade City Money Purchase Plan adopted the Nationwide Life Insurance Company Prototype Money Purchase Plan and appointed Public Employees Benefit Services Corporation (PEBSCO) as the Plan administrators. Changes to the Plan can be made via City Commission resolution.

The City adopted Resolution No. 528, which established the City's contribution rate at 4% of all eligible employee wages. The City's contribution was \$83,799 for the fiscal year ended September 30, 2017.

Note 11 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan assets are held in trust for the employees by a third party administrator and investments are directed by the participating employees. Therefore, the assets, liabilities, fund equity, and operations of this plan are not presented on the City's financial statements.

Note 12 - Other Disclosures

Allowances for Doubtful Accounts

Allowances for doubtful accounts at September 30, 2017, are as follows:

Utility Funds	\$ 68,407
Total Allowances for Doubtful Accounts	\$ 68,407

Note 13 - Risk Management

The City has purchased commercial insurance to cover its risk of loss on the following categories:

<u>Type of Coverage</u>	<u>Limits</u>
General/Professional Liability	\$ 2,000,000
Law Enforcement Liability	3,000,000
Automobile Liability	2,000,000
Property Damage	Blanket/Replacement Cost
Worker's Compensation	Statutory
Employee Dishonesty	1,000,000

There have been no significant reductions in insurance coverage for the past three years and the City does not participate in a risk sharing pool. No settlements exceeded insurance over the past three years.

Note 14 - Contract for Solid Waste Collection

The City has an agreement with a private contractor to collect solid waste. The total expense recorded by the City under this contract for the year ended September 30, 2017, was \$215,763.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 15 - Landfill Post-closure Costs

Regulations of the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) required the City to place a final cover on its internally used debris landfill when it was closed in 1991, and perform certain maintenance and monitoring functions at the landfill site for 20 years after its closure. All amounts recognized are based on what it would cost to perform the post-closure functions in current dollars. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations.

The landfill has ceased operations and the required closure work was completed. However, in 2011, the EPA notified the City that continued monitoring and maintenance of the Landfill was required to be fulfilled by the City. The estimated future cost for post-closure maintenance is reported in the Government-wide statement of net position.

Note 16 - Commitments

The City has the following commitments outstanding for future projects as of September 30, 2017:

<u>Projects</u>	<u>Contract Amount</u>	<u>Amount Expended To-Date</u>
FDEP Grant - Orange Valley Well Project	\$ 775,188	\$ 795,290
Dade Oaks Pond Project	1,500,000	227,383
Price Park Phase I	50,000	1,500
Price Park Phase II	50,000	1,500
Beauchamp	750,000	-
Hardy Trail	1,200,000	138,785

Note 17 - Postemployment Benefits Other than Pension (OPEB)

Plan Description

The Other Postemployment Benefit Plan is a single employer benefit plan administered by the City. Pursuant to the provision of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City administered single-employer defined benefit healthcare plan (the Retiree Health Plan). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The Retiree Health Plan does not issue a stand-alone report and is not included in the report of another entity.

For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City's Commissioners. Currently, the City's OPEB benefits are unfunded. The actual contributions are based on a pay-as-you-go financing requirement.

There is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension funds. Disclosures related to the funding progress are immediately following the notes for multi-year information.

The actuarial valuation, dated October 1, 2015, involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend.

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 17 - Postemployment Benefits Other than Pension (OPEB) (Continued)

Plan Description (Concluded)

Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Calculations are based upon the types of benefits provided under the terms of the substantive OPEB Plan at the time of the valuation and on the pattern of sharing of costs between the employer and OPEB Plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Valuation Measurement Date	October 1, 2015
Fiscal Year-end	September 30, 2017
Actuarial Value of Assets	Market Value
Mortality Rate	RP-2000 Combined Healthy Mortality Table with no Projection
Interest Rate	4.00% per Year Compounded Annually, Net of Investment Related Expenses
Health Care Inflation	Initial rate of 8.75% in 2017, grading down to 4% in 2073
Payroll Growth Rate	0.00%
Amortization of UAAL	Level Dollar (Closed Amortization over 30 yrs)
Retirement Rate	100% at Age 55
Participation Rate	25% of Active Employees are Assumed to Maintain Benefit Coverage After Retirement
Spousal Coverage	50% of Active Employees who Have Elected Benefit Coverage Assumed to Cover Their Spouse
Administrative Expenses	\$2,500
Credited Service	Total Completed Years of Employment with the City
Eligibility for Insurance Coverage	Must Meet the Eligibility Requirements for Normal or Early retirement.
Health Contributions	
Employee	100% of the Active Premium Rate
City	Remaining Amount Necessary for Payment of Claims
Termination Rates	Selected Rated for Various Ages Listed Below:

<u>Age</u>	<u>% Remaining Employed Until Assumed Retirement Age</u>
20	29.60%
30	59.30%
40	84.10%
50	100.00%

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Continued)

Note 17 - Postemployment Benefits Other than Pension (OPEB) (Concluded)

Employee Contribution Information

Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.

Note that the projected employee contributions for the Dental and Vision benefits are assumed to cover the entire cost of the program.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and the related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$	97,149
Interest on Net OPEB Obligation		3,993
Adjustment of Annual Required Contribution		(5,773)
Annual OPEB Cost (Expense)		95,369
Estimated Employer Contribution Made		(31,860)
Increase in Net OPEB Obligation		63,509
Net OPEB Obligation, Beginning of Year		163,335
Net OPEB Obligation, End of Year	\$	226,844
Funded Status as of:		
		October 1, 2016
Actuarial Accrued Liability (AAL)	\$	659,814
Actuarial Value of Assets (AVA)		-
Unfunded Actuarial Accrued liability (UAAL)	\$	659,814
Funded Ratio		0.00%
Covered Payroll	\$	3,047,941
Ratio of UAAL to Cover Payroll		21.60%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for the year ended September 30, 2016, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2017	\$ 95,369	33.4%	\$ 226,844
September 30, 2016	95,369	33.4%	163,336
September 30, 2015	52,079	42.0%	99,827
September 30, 2014	52,079	42.0%	69,672

NOTES TO FINANCIAL STATEMENTS
CITY OF DADE CITY, FLORIDA
(Concluded)

Note 18 - Commitments and Contingencies

Hurricane Irma related expenses and revenues

On September 4, 2017, Governor Rick Scott issued Executive Order Number 17-235, Emergency Management - Hurricane Irma. By virtue of issuing the Executive Order, the Governor declared a state of emergency for every county in the State of Florida. On September 10, 2017, Hurricane Irma made landfall in southwest Florida. The storm traveled up the State and entered Dade City in the early morning hours of September 11, 2017. The City sustained damage related to the storm in most part, with debris, trees, and falling limbs. Expenses related to storm damage for Fiscal Year 2016-17 have been accrued for actual expenses and FEMA is expected to reimburse the City in Fiscal Year 2018 or 2019, for storm related damage that meets specific criteria for reimbursement at applicable percentages. The total cost from Hurricane Irma is estimated at \$141,144, of which \$118,913 was incurred at September 30, 2017. The City has not accrued any revenue related to Hurricane Irma since it did not meet the definition of measurable and available at September 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

The following supplementary schedules present trend information regarding the retirement plans for the City's Firefighters and Police Officers, Florida Retirement System Pension Funds and Other Postemployment Benefits. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

**CITY OF DADE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUSTS**

The City's Firefighters' Pension Trust and the Police Officers' Pension Trust utilize the aggregate cost method in determining funding requirements. Governmental Accounting Standards Board (GASB) Statement No. 25 establishes the requirement for presentation of a schedule of funding progress for pension trusts. However, paragraph 124 of GASB Statement No. 24, specifically exempts plans utilizing the aggregate cost method from providing such a schedule.

**CITY OF DADE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
October 1, 2016**	-	\$ 659,814	\$ 659,814	0.00%	\$ 3,047,971	21.6%
October 1, 2015	-	659,814	659,814	0.00%	3,047,971	21.6%
October 1, 2014*	-	363,897	363,897	0.00%	2,425,339	15.0%
October 1, 2013	-	363,897	363,897	0.00%	2,425,339	15.0%

* GASB Statement No.45 does not require that governments receive an updated actuarial report annually. Therefore the values above are considered to be the same as the October 1, 2013 valuation.

** GASB Statement No.45 does not require that governments receive an updated actuarial report annually. Therefore the values above are considered to be the same as the October 1, 2015 valuation.

CITY OF DADE CITY, FLORIDA
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

FIREFIGHTERS' PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability					
Service Cost	\$ 62,305	\$ 57,109	\$ 73,291	\$ 69,178	\$ 64,292
Interest on the Total Pension Liability	521,734	479,195	465,906	444,362	421,333
Change in Excess State Money	-	(236,880)	-	-	-
Share Plan Allocation	-	118,440	-	-	-
Changes of Assumption	-	253,846	-	62,185	-
Differences between Expected and Actual Experience	45,129	14,274	(96,908)	-	-
Benefit Payments, Including Refunds of	(267,801)	(265,932)	(231,915)	(197,332)	(177,666)
Net Change in Total Pension Liability	<u>361,367</u>	<u>420,052</u>	<u>210,374</u>	<u>378,393</u>	<u>307,959</u>
Total Pension Liability, Beginning of Year	<u>7,122,054</u>	<u>6,702,002</u>	<u>6,491,628</u>	<u>6,113,235</u>	<u>5,805,276</u>
Total Pension Liability, End of Year (a)	<u>\$ 7,483,421</u>	<u>\$ 7,122,054</u>	<u>\$ 6,702,002</u>	<u>\$ 6,491,628</u>	<u>\$ 6,113,235</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 186,045	\$ 165,798	\$ 176,552	\$ 173,000	\$ 169,273
Contributions - State	39,355	42,598	46,272	50,496	49,729
Contributions - Employee	2,948	3,215	3,817	3,756	3,675
Net Investment Income	511,409	457,863	(181,834)	503,118	336,055
Benefit Payments, Including Refunds of Employee Contributions	(267,801)	(265,932)	(231,915)	(197,332)	(177,666)
Administrative Expense	(33,164)	(31,008)	(37,380)	(16,578)	(12,125)
Net Change in Plan Fiduciary Net Position	<u>438,792</u>	<u>372,534</u>	<u>(224,488)</u>	<u>516,460</u>	<u>368,941</u>
Plan Fiduciary Net Position, Beginning of Year	<u>5,738,320</u>	<u>5,365,786</u>	<u>5,590,274</u>	<u>5,073,814</u>	<u>4,704,873</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 6,177,112</u>	<u>\$ 5,738,320</u>	<u>\$ 5,365,786</u>	<u>\$ 5,590,274</u>	<u>\$ 5,073,814</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,306,309</u>	<u>\$ 1,383,734</u>	<u>\$ 1,336,216</u>	<u>\$ 901,354</u>	<u>\$ 1,039,421</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.54%	80.57%	80.06%	86.12%	93.00%
Covered Employee Payroll**	<u>\$ 294,798</u>	<u>\$ 321,518</u>	<u>\$ 395,515</u>	<u>\$ 375,625</u>	<u>\$ 367,453</u>
Net Pension Liability as a Percentage of Covered Payroll	443.12%	430.38%	337.84%	239.96%	282.87%

* GASB Statement Nos. 67/68 were adopted for the 2013 Fiscal Year and the 10-year trend information will be developed from that date forward.

Changes of Assumptions:

For measurement date September 30, 2017, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

Additionally, the investment return assumption was reduced from 7.50% to 7.40% at September 30, 2016, and remained that amount for September 30, 2017.

Finally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant at September 30, 2016, and remained that amount for September 30, 2017.

** The Covered Employee Payroll numbers shown are in compliance with GASB Statement No. 82, except for the September 30, 2015, measurement period which includes DROP payroll.

CITY OF DADE CITY, FLORIDA
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS *
(UNAUDITED)

POLICE OFFICERS' PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability					
Service Cost	\$ 274,006	\$ 232,694	\$ 231,742	\$ 222,220	\$ 206,524
Interest on the Total Pension Liability	723,973	642,677	614,062	570,466	530,188
Differences between Expected and Actual Experience	(238,832)	61,548	(238,374)	-	-
Changes of Assumption	-	461,939	-	99,655	-
Benefit Payments, Including Refunds of Employee Contributions	(227,666)	(223,887)	(229,801)	(211,201)	(233,668)
Net Change in Total Pension Liability	<u>531,481</u>	<u>1,174,971</u>	<u>377,629</u>	<u>681,140</u>	<u>503,044</u>
Total Pension Liability, Beginning of Year	<u>9,623,251</u>	<u>8,448,280</u>	<u>8,070,651</u>	<u>7,389,511</u>	<u>6,886,467</u>
Total Pension Liability, End of Year (a)	<u>\$ 10,154,732</u>	<u>\$ 9,623,251</u>	<u>\$ 8,448,280</u>	<u>\$ 8,070,651</u>	<u>\$ 7,389,511</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 206,524	\$ 200,903	\$ 202,014	\$ 180,861	\$ 192,889
Contributions - State	81,333	76,053	71,372	72,789	75,568
Contributions - Employee	10,520	10,303	9,893	9,394	9,906
Net Investment Income	766,558	664,654	(262,685)	736,583	523,467
Benefit Payments, Including Refunds of Employee Contributions	(227,666)	(223,887)	(229,801)	(211,201)	(233,668)
Administrative Expense	(37,908)	(32,953)	(35,483)	(17,925)	(12,968)
Net Change in Plan Fiduciary Net Position	<u>799,361</u>	<u>695,073</u>	<u>(244,690)</u>	<u>770,501</u>	<u>555,194</u>
Plan Fiduciary Net Position, Beginning of Year	<u>8,433,370</u>	<u>7,738,297</u>	<u>7,982,987</u>	<u>7,212,486</u>	<u>6,657,292</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$ 9,232,731</u>	<u>\$ 8,433,370</u>	<u>\$ 7,738,297</u>	<u>\$ 7,982,987</u>	<u>\$ 7,212,486</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 922,001</u>	<u>\$ 1,189,881</u>	<u>\$ 709,983</u>	<u>\$ 87,664</u>	<u>\$ 177,025</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.92%	87.64%	91.60%	98.91%	97.60%
Covered Payroll**	<u>\$ 1,051,978</u>	<u>\$ 1,030,263</u>	<u>\$ 1,051,778</u>	<u>\$ 939,443</u>	<u>\$ 990,617</u>
Net Pension Liability as a Percentage of Covered Payroll	87.64%	115.49%	67.50%	9.33%	17.87%

* GASB Statement Nos. 67/68 were adopted for the 2014 Fiscal Year and the 10-year trend information will be developed from that date forward.

Changes of Assumptions:

For measurement date September 30, 2017, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

Additionally, the investment return assumption was reduced to 7.40% at September 30, 2016, and remained at that amount for September 30, 2017.

Finally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant at September 30, 2016, and remained that amount for September 30, 2017.

** The Covered Employee Payroll numbers shown are in compliance with GASB Statement No. 82, except for the September 30, 2015, measurement period, which includes DROP payroll.

**CITY OF DADE CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' PENSION PLAN
LAST 10 FISCAL YEARS**

	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 211,370	\$ 173,941	\$ 212,983	\$ 223,496	\$ 219,002
Contributions in Relation to the					
Actuarially Determined Contribution	225,400	208,396	222,824	223,496	219,002
Contribution Deficiency (Excess)	<u>\$ (14,030)</u>	<u>\$ (34,455)</u>	<u>\$ (9,841)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 294,798</u>	<u>\$ 321,518</u>	<u>\$ 395,515</u>	<u>\$ 375,625</u>	<u>\$ 367,453</u>
Contributions as a Percentage of Covered Payroll	76.46%	64.82%	56.34%	59.50%	59.60%

Notes to Schedule

Valuation Date: October 1, 2015
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Funding Method Entry Age Normal Actuarial Cost Method

Amortization Method Level Dollar

Remaining Amortization Period 14 Years (as of 10/01/2015)

Asset Valuation Method Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Inflation 2.5% per Year.

Salary Increases 5.75% per year until the assumed retirement age - see table below. This assumption is based on an experience study issued April 25, 2011.

Interest Rate 7.5% per year compounded annually, net of investment related expenses. This assumption is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Payroll Growth N/A

Retirement Age Earlier of age 55 with 10 years of credited service or age 52 and 25 years of credited service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. These rates are deemed reasonable based on plan provisions.

Early Retirement Commencing with the earliest Early Retirement Age (age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. These rates are deemed reasonable based on plan provisions.

Termination Rates See Table on following page. It is assumed that 75% of disablements and active Member deaths are service related. These rates are consistent with rates used in other fire plans.

Disability Rates See Table Below. It is assumed that 7 5% of disablements and active Member deaths are service related.

Mortality RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

<u>Age</u>	<u>Percent Terminating</u>	<u>Percent Becoming Disabled in the Year</u>
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

**CITY OF DADE CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 291,398	\$ 259,626	\$ 263,151	\$ 253,650	268,457
Contributions in Relation to the Actuarially Determined Contribution	287,857	276,956	273,386	253,650	268,457
Contribution Deficiency (Excess)	<u>\$ 3,541</u>	<u>\$ (17,330)</u>	<u>\$ (10,235)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 1,051,978</u>	<u>\$ 1,030,263</u>	<u>\$ 1,051,778</u>	<u>\$ 939,443</u>	<u>\$ 990,617</u>
Contributions as a Percentage of Covered Payroll	27.36%	26.88%	25.99%	27.00%	27.10%

Notes to Schedule

Valuation Date: October 1, 2015
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Funding Method Aggregate Actuarial Cost Method

Asset Valuation Method Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Inflation 2.50% per Year.

Salary Increases 5.5% per year until the assumed retirement age. Projected Salary at retirement is increased to account for non-regular compensation as follows:
20% if hired before 1/1/2009
10% if hired between 1/1/2009 - 12/31/2010
5% if hired between 1/1/2011 - 6/30/2011
0% if hired on or after 7/01/2011

Interest Rate 7.5% per year compounded annually, net of investment related expenses.

Payroll Growth N/A

Retirement Age Earlier of age 55 with 10 years of credited service or age 52 and 25 years of credited services. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Early Retirement Commencing with the earliest Early Retirement Age (50 with 10 years of credited service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination Rates See Table Below (1201)

Disability Rates See Table Below (1301)

Mortality RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

Other Information Termination and Disability Rate Table:

<u>Age</u>	<u>Percent Terminating During the Year</u>	<u>Percent Becoming Disabled in the Year</u>
20	12.0%	0.03%
30	10.0%	0.04%
40	5.2%	0.07%
50	1.6%	0.18%

**CITY OF DADE CITY, FLORIDA
 SCHEDULE OF INVESTMENT RETURNS
 FIREFIGHTERS' PENSION PLAN
 LAST 10 FISCAL YEARS**

	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013
Annual Money-Weighted Rate of Return					
Net of Investment Expense	9.01%	8.62%	-3.28%	9.98%	7.12%

**CITY OF DADE CITY, FLORIDA
 SCHEDULE OF INVESTMENT RETURNS
 POLICE OFFICERS' PENSION PLAN
 LAST 10 FISCAL YEARS**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	9.10%	8.61%	-3.30%	10.24%	7.84%

CITY OF DADE CITY, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.000661177%	0.000666503%	0.0011699814%	0.0014725377%
City's Proportionate Share of the Net Pension Liability	\$ 195,572	\$ 168,293	\$ 151,119	\$ 89,846
City's Covered-Payroll	\$ 259,595	\$ 261,769	\$ 354,060	\$ 344,846
City's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Payroll	75.34%	64.29%	42.68%	26.05%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.89%	84.88%	92%	87.00%

SCHEDULE OF CITY CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN(1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 21,602	\$ 21,094	\$ 28,525	\$ 32,255
Contributions in Relation to the Contractually Required Contribution	<u>21,602</u>	<u>21,094</u>	<u>28,525</u>	<u>32,255</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Payroll	\$ 259,258	\$ 261,769	\$ 354,060	\$ 344,846
Contributions as a Percentage of Covered-Payroll	8.33%	8.06%	8.06%	9.35%

Notes:

- 1) The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for prior years is not available.

CITY OF DADE CITY, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.000814424%	0.000814007%	0.001155987%	0.0013817262%
City's Proportionate Share of the Net Pension Liability	\$ 87,082	\$ 94,869	\$ 117,892	\$ 129,195
City's Covered-Payroll	\$ 259,595	\$ 261,769	\$ 354,060	\$ 344,846
City's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Payroll	33.55%	36.24%	33.30%	37.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%

SCHEDULE OF CITY CONTRIBUTIONS - FLORIDA HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 21,602	\$ 21,094	\$ 28,525	\$ 32,255
Contributions in Relation to the Contractually Required Contribution	21,602	21,094	28,525	32,255
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City's Covered-Payroll	\$ 259,258	\$ 261,769	\$ 354,060	\$ 344,846
Contributions as a Percentage of Covered- Payroll	8.33%	8.06%	8.06%	9.35%

Notes:

- 1) The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015.
Information for prior years is not available.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF DADE CITY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue							
	Public Safety Impact Fee Fund	Transportation Impact Fee Fund	Local Option Gas Tax Fund	Water and Sewer Impact Fee Fund	Stormwater Fund	LGIS Fund	Community Redevelopment Block Grant	Total Nonmajor Governmental Funds
Assets								
Cash and Cash Equivalents	\$ 39,810	\$ 545,573	\$ -	\$ 1,795,615	\$ (6,420)	\$ 610,667	\$ -	\$ 2,985,245
Accounts Receivable	-	-	-	1,439	-	-	-	1,439
Due from Other Governments	-	-	22,057	-	446	63,530	-	86,033
Total Assets	39,810	545,573	22,057	1,797,054	(5,974)	674,197	-	3,072,717
Liabilities and Fund Balances								
Liabilities:								
Accrued Liabilities	-	-	-	-	1,165	-	-	1,165
Due to Other Funds	-	-	-	-	-	-	1,301	1,301
Total Liabilities	-	-	-	-	1,165	-	1,301	2,466
Fund Balances:								
Restricted	39,810	545,573	22,057	1,797,054	-	674,197	-	3,078,691
Unassigned	-	-	-	-	(7,139)	-	(1,301)	(8,440)
Total Fund Balances	39,810	545,573	22,057	1,797,054	(7,139)	674,197	(1,301)	3,070,251
Total Liabilities and Fund Balances	\$ 39,810	\$ 545,573	\$ 22,057	\$ 1,797,054	\$ (5,974)	\$ 674,197	\$ -	\$ 3,072,717

CITY OF DADE CITY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue							Total Nonmajor Governmental Funds
	Public Safety Impact Fee Fund	Transportation Impact Fee Fund	Local Option Gas Tax Fund	Water and Sewer Impact Fee Fund	Stormwater Fund	LGIS Fund	Community Redevelopment Block Grant	
Revenues								
Taxes and Special Assessments	\$ -	\$ -	\$ 256,547	\$ -	\$ -	\$ 972,225	\$ -	\$ 1,228,772
Impact Fees	638	8,149	-	42,882	253,036	-	-	304,705
Miscellaneous Revenue	7	120	-	266	-	-	-	393
Total Revenues	645	8,269	256,547	43,148	253,036	972,225	-	1,533,870
Expenditures								
Current:								
Transportation	-	-	-	-	336,006	57,504	1,301	394,811
Capital Outlay	-	-	-	-	49,694	756,632	-	806,326
Debt Service	-	-	-	-	-	81,631	-	81,631
Total Expenditures	-	-	-	-	385,700	895,767	1,301	1,282,768
Excess (Deficiency) of Revenues Over (Under) Expenditures	645	8,269	256,547	43,148	(132,664)	76,458	(1,301)	251,102
Other Financing Source (Uses)								
Proceeds from Debt	-	-	-	-	-	63,500	-	63,500
Sale of Surplus Materials	-	-	-	-	-	2,464	-	2,464
Transfer (out)	-	-	(254,950)	-	-	(200,000)	-	(454,950)
Total Other Financing Sources (Uses)	-	-	(254,950)	-	-	(134,036)	-	(388,986)
Net Change in Fund Balances	645	8,269	1,597	43,148	(132,664)	(57,578)	(1,301)	(137,884)
Fund Balances, Beginning	39,165	537,304	20,460	1,753,906	125,525	731,775	-	3,208,135
Fund Balances, Ending	\$ 39,810	\$ 545,573	\$ 22,057	\$ 1,797,054	\$ (7,139)	\$ 674,197	\$ (1,301)	\$ 3,070,251

COMPLIANCE SECTION

**CITY OF DADE CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>State/Pass-Through Grantor/Program Title</u>	<u>CSFA #</u>	<u>Grantor's Contract Number</u>	<u>Program Award</u>	<u>Expenditures</u>
State Projects				
Florida Department of Environmental Protection				
Price Park Phase I	37.017	A17034	\$ 50,000	\$ 1,500
Price Park Phase II	37.017	A17068	50,000	1,500
Statewide Surface Water Restoration and Wastewater Project	37.039	LP51043	520,000	361,383
Statewide Surface Water Restoration and Wastewater Project	37.039	LP51044	<u>713,900</u>	<u>522,906</u>
Total Florida Department of Environmental Protection			<u>1,333,900</u>	<u>887,289</u>
Total State Projects			<u><u>\$1,333,900</u></u>	<u><u>\$ 887,289</u></u>

**CITY OF DADE CITY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Dade City, Florida (the City) for the year ended September 30, 2017. The accompanying schedule of expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

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

Honorable Mayor and City Commissioners
City of Dade City, Florida
Dade City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dade City, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2014-2.

Certified Public Accountants

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Honorable Mayor and City Commissioners
City of Dade City, Florida
Dade City, Florida

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 16, 2018, titled management letter comments required by Chapter 10.550, *Rules of the Auditor General*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompany schedule of findings and questions costs and the management letter comments response. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



May 16, 2018
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR STATE FINANCIAL PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550,
*RULES OF THE AUDITOR GENERAL***

Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

Report on Compliance for Each Major State Financial Assistance

We have audited the City of Dade City, Florida's (the City) compliance with the types of compliance requirements described in Chapter 10.550, *Rules of the Auditor General* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2017. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2017.

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Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR STATE FINANCIAL PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL
(Concluded)**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Durvis, Gray and Company, LLP

May 16, 2018
Ocala, Florida

**CITY OF DADE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PART A - SUMMARY OF AUDIT RESULT

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of the City of Dade City, Florida (the City) as of and for the year ended September 30, 2017, were prepared in accordance with GAAP.
2. For significant deficiencies disclosed during the audit of the financial statements of the City, see Part D, Financial Statement Findings. There were no material weaknesses reported.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major state projects are reported in the Independent Auditors' Report on Compliance for Each Major State Financial Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*.
5. The auditors' report on compliance for the major state project for the City expresses an unmodified opinion on the major state project.
6. The threshold used for distinguishing Type A and Type B programs was \$300,000.
7. The program tested as major state project was:
 - Florida Department of Environmental Protection
 - ▶ CSFA No. 37.039 Statewide Surface Water Restoration and Wastewater Project

PART B - FINANCIAL STATEMENT AUDIT

See part D.

PART C - MAJOR STATE PROJECTS AUDIT FINDINGS AND QUESTIONED COSTS

No Findings to Report.

CITY OF DADE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Concluded)

PART D - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Reference Number 2014-2

<i>Criteria</i>	Internal control over financial reporting should be in place to ensure the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States (GAAP).
<i>Condition</i>	The City operates with a small finance and accounting department and does not have the resources to properly segregate duties among employees so that no one employee has sole control over approving, recording, and accounting for transactions. We consider this condition to be a significant deficiency.
<i>Cause</i>	The review of the key transactional areas of the City noted insufficient separation of duties among personnel to properly receipt, reconcile, and record transactions.
<i>Effect</i>	The City lacks sound internal control over financial reporting due to a lack of separation of duties among personnel.
<i>Recommendation</i>	Because significant deficiencies in internal control over financial reporting exist when there is not sufficient separation of incompatible accounting duties, we recommend that the City's finance and accounting departments continue to develop and expand its current staff to ensure more effective internal control structure over financial reporting.
<i>Response</i>	See Corrective Action Plan submitted by the City.

**PART E - PRIOR YEAR MAJOR FEDERAL AWARDS AND STATE PROJECT/PROGRAM
AUDIT FINDINGS AND QUESTIONED COSTS**

No prior year findings relating to major federal awards and state project/programs.



CITY OF DADE CITY

"Proud Heritage, Promising Future"

Camille Hernandez, Mayor
Eunice M. Penix, Mayor Pro-Tem
Scott Black, Commissioner
Nicole Deese-Newlon, Commissioner
James D. Shive, Commissioner

William C. Poe, Jr., City Manager
Angelia Guy, City Clerk
Leslie Porter, Finance Officer
Nancy Stuparich, City Attorney

May 16, 2018

Purvis, Gray & Company
2347 S.E. 17th Street
Ocala, FL 34471

RE: Corrective Action Plan for Financial Statement Findings
Audit Period: September 30, 2017

Dear Sir/Madam:

Pursuant to provisions of "Rules of the Auditor General - Local Government Entity Audits," the following Corrective Action Plan is offered in response to the Schedule of Findings and Questioned Costs:

Finding 2014-02

Recommendation:

- Finance/Accounting department should continue to develop and expand its current staff to ensure more effective internal control structure over financial reporting.

Action Taken:

The Finance Department has a small staff of three and a limited budget. This finding may never be fully resolved due to the small size of the City and its budget constraints. The City has taken the following corrective actions to mitigate the risks. The A/P and Payroll functions have been assigned to different fiscal assistants. HR enters the majority of payroll changes, with Finance double checking. HR enters time for public works employees; this is verified by fiscal assistant in charge of payroll processing. A fiscal assistant prepares the journal entries to record banking transfers; this is verified by the Finance Officer. Journal entries for account corrections are entered by a fiscal assistant, then verified and posted by the Finance Officer. Finance staff attends training through the FGFOA as well as other organizations. The City employs the services of an outside consultant when needed with large projects. Management will, when it is financially feasible, seek to expand staffing for this department to further ensure an appropriate internal control structure over financial reporting. Management will continue to monitor segregation of duties and re-assign additional duties when feasible.

Sincerely,

Leslie Porter
Finance Officer

William C. Poe, Jr.
City Manager

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MANAGEMENT LETTER
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

We have audited the financial statements of the City of Dade City, Florida (the City) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 16, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major State Financial Project and Report on Internal Control Over Compliance, Schedule of Findings and Questioned Costs, and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 16, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the Schedule of Prior Year Findings and Recommendations).

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 to the financial statements).

Financial Condition

Sections 10.554(1)(i)5.a and 10.556(7), *Rules of the Auditor General*, require that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

MANAGEMENT LETTER
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)

Financial Condition (Concluded)

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Please see the following Management Letter Comments.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal, state, and other granting agencies, the Mayor and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Durvis, Gray and Company, LLP

May 16, 2018
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

Prior Year Comments

2015-2—Information Technology (IT) General Controls and Policies

During our audit fieldwork, we reviewed the City's IT general controls and policies. The purpose of the review was to determine the control design for the IT environment, to identify any potential controls deficiencies and to make recommendations for improvements to strengthen controls where noted. The following issues came to our attention:

- In prior years we recommended the City strengthen password configuration for computer access and the approved standard be documented in an IT policy and procedures manual. This appears to have been adequately addressed in the current year and is no longer a finding.
- The City's IT policies and procedures are not well documented. The IT documentation was limited to the conveyance of computer and internet usage behaviors but does not provide a comprehensive set of policies and procedures addressing key controls for security, backup and retention, system changes and incident management. We recommend that the City mature their IT policies and procedures to define how critical processes are performed, monitored, and enforced. Policies should be written at a level that is measurable, kept up to date, approved by appropriate management and disseminated to the appropriate employees. This continues to be a finding for the fiscal year ended September 30, 2017.
- The City requires that employees review and acknowledge the policy rules on computer usage, but there is no program on educating users on security risks (e.g., phishing, malware, social engineering, privacy risks, incident reporting, etc.). Management should consider establishing a formal security awareness program for their users. This continues to be a finding for the fiscal year ended September 30, 2017.
- The City does not have a disaster recovery plan that describes the process or set of procedures to recover and protect the City's IT infrastructure in the event of a disaster. The plan should include loss impact and restoration strategies for each system maintained to meet the City's objectives. We recommended a disaster recovery plan be developed and tested to determine how critical systems can be restored to resume normal operations based on the established recovery time and point objectives. This continues to be a finding for the fiscal year ended September 30, 2017.

2015-3—Utility Inventory Records

During the prior year audit we noted some weaknesses in the inventory records of supplies and material on hand for the utility operations. It was noted that prior to the issuance of the 2015 audit report management was in the process of implementing changes to address these issues.

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Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Comments (Concluded)

2015-3—Utility Inventory Records (Concluded)

For the year ended September 30, 2017, it was noted that the City is still in the process of implementing changes. Management performed inventory counts and has adjusted the value of the inventory to agree to these counts. This has resulted in the recognition of inventory in the governmental funds and the write-off of approximately \$85,000 of obsolete or over-valued inventory in the business type funds. We noted that inventory items can be added or removed without supporting documentation to identify the items that are entering or leaving the warehouse. These conditions make it very difficult to adequately track inventory. Management has shown an interest in obtaining a software system that can address the needs of the City in this area. We recommend that the City continue their efforts to improve the controls over the inventory process by requiring more timely and frequent inventory counts. These controls should also include review of purchase orders and requisitions that relate to inventory items to ensure new inventory is safeguarded and properly accounted for in the general ledger.

2015-4—Grant Accounting

While reviewing the accounting for the Federal and State grants in the prior year we noted areas where improvement should be made. Those areas included timely requests for reimbursement of grant funds, centralization of grant activity and reporting and proper approval of invoices.

For the year ended September 30, 2017, it was noted that a written policy has not yet been completed and the additional oversight by the Finance Director noted in the prior year has not resulted in significant improvements. There has been no progress on improving the timeliness of reimbursement requests, therefore, we continue to recommend that the City take steps to strengthen these procedures. These procedures are vital to the continued eligibility of the City to receive grant funding. All Federal and State dollars must be carefully tracked and properly reported. The City is essentially subsidizing Federal and State programs with tax revenue by delaying requests for reimbursement for extended periods of time.

2014-3—Implementation of Pooled Cash

During 2014, the accounting department attempted to implement a method to allocate cash transactions between funds by using one cash account. This method of pooling cash assists in eliminating the use of multiple cash deposit accounts between several funds and is commonly used in governmental accounting with local governments that have multiple funds. However, the system of pooling the cash accounts was not consistently set up among the funds. The inconsistency made it difficult to properly reconcile the bank accounts and identify the cash accounts among the funds.

For the year ended September 30, 2017, the system of pooled cash continues to have incorrect entries recorded, which created audit adjustments to correct. The City is in the process of changing banks and hopes that the switch will result in the full implementation of pooled cash within the general ledger.

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.



May 16, 2018
Ocala, Florida



CITY OF DADE CITY

"Proud Heritage, Promising Future"SM

Camille Hernandez, Mayor
Eunice M. Penix, Mayor Pro-Tem
Scott Black, Commissioner
Nicole Deese-Newlon, Commissioner
James D. Shive, Commissioner

William C. Poe, Jr., City Manager
Angelia Guy, City Clerk
Leslie Porter, Finance Officer
Nancy Stuparich, City Attorney

May 16, 2018

To: Honorable Mayor and Commission Members
Re: Management response to the auditor's management letter

This letter of explanation is being offered in accordance with the "Rules of the Auditor General", in particular, Chapter 10.500 thereof.

Specifically, this letter responds to Purvis, Gray and Company "Management Letter" comments, dated May 16, 2018. In their report, Purvis, Gray and Company, LLP (PG&C) made several recommendations for improvement in different areas of the City's accounting financial management functions. The specific areas identified in their recommendations are as follows:

PRIOR YEAR RECOMMENDATIONS (Updated for 2017):

➤ 2014-3 Implementation of Pooled Cash

Management opened a new account with the intent of moving to a pooled cash environment. Management worked with its ERP provider, Tyler In Code, to properly implement pooled cash in the ERP system. The conversion will be completed over the next few months once all funds are transferred to the pooled cash account.

➤ 2015-2 IT General Controls and Technology

Management recognizes the value of documenting policies and procedures, implementing a formal security awareness training program and developing a disaster recovery plan. The City Manager, with assistance from the IT contractor, is working to develop policies/procedures that will strengthen the City's security and disaster recovery plan. Staff will examine effective policies of other local governments and tailor these to create a written plan for the City. Training on security risks will be provided annually to staff, with the first training scheduled in July. IT will send notices to alert staff of new risks as appropriate. The City is in the process of determining the "acceptable" level of downtime in a disaster, and will work with IT to develop a disaster recovery plan accordingly.

➤ 2015-3 Utility Inventory Records

Management conducts an annual physical inventory and will explore the possibility of implementing random counts and semi-annual inventories. The City is in the process of implementing a more robust work order system. Staff began the process of incorporating computerized inventory tracking into the system and intends to have this fully implemented within the next six months.

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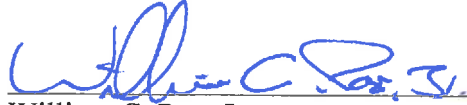
➤ 2015-4 Grant Accounting

Management acknowledges the importance of making timely requests for reimbursement of grant funds and centralizing grant reporting. Effective communication is needed between departments to accomplish this. Management will develop a written policy regarding grants administration.

Sincerely,



Leslie Porter
Finance Officer



William C. Poe, Jr.
City Manager

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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor and City Commissioners
City of Dade City
Dade City, Florida

We have examined the City of Dade City's (the City) compliance with the requirements of Section 218.415, Florida Statutes with regards to the City's investments during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Purvis, Gray and Company, LLP

May 16, 2018
Ocala, Florida

Certified Public Accountants

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