

CITY OF DADE CITY  
DADE CITY, FLORIDA

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2005

**WILLIAMS, McCRANIE, WARDLOW & CASH, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

Honorable City Commission  
City of Dade City  
Dade City, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dade City as of and for the year ended September 30, 2005, which collectively comprise the City of Dade City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dade City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dade City as of September 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable City Commission  
City of Dade City  
Dade City, Florida

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2005 on our consideration of the City of Dade City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dade City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The historical pension information listed in the table of contents on pages 53 and 54 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Williams, McCranie, Wardlow & Cash, P.A.*  
Williams, McCranie, Wardlow & Cash, P.A.

Inverness, Florida  
December 20, 2005

## 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, 2004 through September 30, 2005. Please read this information in conjunction with the audited financial statements, which follow this discussion.

### FINANCIAL HIGHLIGHTS

- Total net assets of the primary government increased \$1.09 million to \$19.62 million.
- Governmental activities had program revenues of \$828,747, general revenues of \$4,184,953, and net transfers of \$90,644. Total expenses were \$4,625,502.
- Business activities had program revenues of \$2,893,894, general revenues of \$117,596, and net transfers of (\$136,255). Total expenses were \$2,471,791.
- The city did not issue any new debt during the fiscal year and finished paying off a loan for public works vehicles.
- The county-wide one-cent infrastructure surtax was effective January 1, 2005, with the city receiving its first distribution in March 2005.

### USING THIS REPORT

These financial statements differ significantly from previous reports as a result of the changes required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). GASB 34, as the statement is known, establishes new financial reporting requirements for state and local governments throughout the United States. The purpose of these changes is 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 Assets 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.

## OVERALL FINANCIAL POSITION

Dade City finished the fiscal year with \$19.62 million of net assets for the total primary government. The primary government has two parts, governmental activities and business activities, which are described in more detail under the fund analysis section. Investments in capital, such as buildings, equipment, and infrastructure, which are shown net of related debt, make up 58%, or \$11.38 million, of total net assets. An additional \$1.86 million, or 9%, of net assets are legally restricted for certain purposes and uses. The balance of \$6.38 million, or 33%, in net assets is unrestricted and available to meet the city's ongoing obligations.

### CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business Activities		Total Government	
	2005	2004	2005	2004	2005	2004
<b>Assets:</b>						
Current and other assets	5,485,726	5,120,469	4,273,685	3,719,194	9,759,411	8,839,663
Capital assets	4,214,328	4,203,729	11,531,063	11,767,954	15,745,391	15,971,683
<b>Total assets</b>	<b>9,700,054</b>	<b>9,324,198</b>	<b>15,804,748</b>	<b>15,487,148</b>	<b>25,504,802</b>	<b>24,811,346</b>
<b>Liabilities:</b>						
Current and other liabilities	105,281	234,612	115,358	85,914	220,639	320,526
Long-term liabilities	751,337	724,992	4,911,278	5,236,601	5,662,615	5,961,593
<b>Total liabilities</b>	<b>856,618</b>	<b>959,604</b>	<b>5,026,636</b>	<b>5,322,515</b>	<b>5,883,254</b>	<b>6,282,119</b>
<b>Net assets:</b>						
Invested in capital, net of debt	4,214,328	4,203,729	7,164,138	7,057,856	11,378,466	11,261,585
Restricted	995,589	724,884	864,840	919,177	1,860,429	1,644,061
Unrestricted	3,633,519	3,435,981	2,749,134	2,187,600	6,382,653	5,623,581
<b>Total net assets</b>	<b>8,843,436</b>	<b>8,364,594</b>	<b>10,778,112</b>	<b>10,164,633</b>	<b>19,621,548</b>	<b>18,529,227</b>

Dade City also has a component unit, the Community Redevelopment Agency, which has net assets of \$214,451. This represents an increase of \$72,683, since revenues from the tax increment financing by the city and county exceeded the agency expenses for the year. These assets are restricted for specific purposes within the defined redevelopment area.

Excluding the component unit, the total primary government had an increase of over \$1.09 million in net assets as a result of activities during the fiscal year. Governmental activities had an operating surplus of \$397,308, while net transfers and gain on sale of assets increased assets by \$81,534, creating a net increase of \$478,842. Compared to the previous year, operating results improved by \$549,896 while net transfers and gains on sales of assets decreased by \$717,692. The city is continuing its efforts to reduce the dependence of the governmental activities on transfers from the business activities while gains from the one-time sale of assets, primarily fire department items sold to the county, did not reoccur in the current year. Business activities had an increase in net assets of \$613,479 after deducting a \$136,255 net transfer to governmental activities. The \$163,745 reduction in the net transfers out of business activities from the previous year also reflects the efforts to reduce the interfund transfers.

Charges for services are the majority of revenues of the business activities, while taxes and intergovernmental revenues primarily fund the governmental activities.

## CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business Activities		Total Government	
	2005	2004	2005	2004	2005	2004
<b>REVENUES</b>						
Program revenues:						
Charges for services	570,354	607,427	3,022,143	2,791,683	3,592,497	3,399,110
Operating grants	238,619	232,293	81,786	199,523	320,405	431,816
Capital grants	19,774	65,915	0	0	19,774	65,915
General revenues:						
Property taxes	1,402,909	1,597,297	0	0	1,402,909	1,597,297
Other taxes and fees	2,221,450	1,861,968	0	0	2,221,450	1,861,968
Intergovernmental revenues	300,331	278,631	0	0	300,331	278,631
Other revenues	269,373	211,220	117,596	126,674	386,969	337,894
<b>Total revenues</b>	<b>5,022,810</b>	<b>4,854,751</b>	<b>3,221,525</b>	<b>3,117,880</b>	<b>8,244,335</b>	<b>7,972,631</b>
<b>EXPENSES</b>						
Program expenses:						
General government	1,169,951	1,081,756	0	0	1,169,951	1,081,756
Public safety	2,116,562	2,590,092	0	0	2,116,562	2,590,092
Physical environment	300,204	248,548	2,471,791	2,262,727	2,771,995	2,511,275
Transportation	632,372	678,651	0	0	632,372	678,651
Culture and recreation	406,413	405,871	0	0	406,413	405,871
Interest on long-term debt	0	2,421	0	0	0	2,421
<b>Total expenses</b>	<b>4,625,502</b>	<b>5,007,339</b>	<b>2,471,791</b>	<b>2,262,727</b>	<b>7,097,293</b>	<b>7,270,066</b>
Excess / (deficiency)	397,308	(152,588)	749,734	855,153	1,147,042	702,565
Net transfers	90,644	259,650	(136,255)	(300,000)	(45,611)	(40,350)
Gain on sale of fixed asset	(9,110)	539,576	0	0	(9,110)	539,576
<b>Change in net assets</b>	<b>478,842</b>	<b>646,638</b>	<b>613,479</b>	<b>555,153</b>	<b>1,092,321</b>	<b>1,201,791</b>
Net assets – October 1, 2003		7,717,956		9,609,480		17,327,436
<b>Net assets – September 30, 2004</b>		<b>8,364,594</b>		<b>10,164,633</b>		<b>18,529,227</b>
Net assets – October 1, 2004	8,364,594		10,164,633		18,529,227	
<b>Net assets – September 30, 2005</b>	<b>8,843,436</b>		<b>10,778,112</b>		<b>19,621,548</b>	

### 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 property values in Dade City increased approximately 6% this year, but that remains below increases in other areas of the county. There is still little growth in state revenues, so general fund increases in personnel and operating costs have been partially offset by other budget reductions. The contracting for fire suppression services with the county has enabled the city to reduce expenses while still providing residents with fire protection through county services; however, the county now charges city residents an additional property tax for that service, which further limits the millage rate that the city can charge.

Business 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. A rate increase of approximately 3% was made this year to keep up with the rising costs of



maintaining the utility system. The utility fund also transfers monies to the general fund. The sanitation fund is responsible for garbage collection through a service agreement with an outside contractor.

### GENERAL FUND BUDGET VARIATIONS

	Original 2005 Budget	Final 2005 Budget	Actual 2005 Results	Actual 2004 Results
<b>REVENUES</b>				
Taxes and special assessments	\$2,208,280	2,208,280	2,254,859	2,442,304
Licenses and permits	179,750	179,750	128,769	110,703
Intergovernmental revenue	1,036,590	1,048,679	1,586,429	1,240,485
Charges for services	209,770	188,839	109,448	137,505
Fines and forfeitures	25,850	28,155	26,776	32,526
Miscellaneous revenue	247,190	247,590	355,600	546,909
Net transfers	701,380	714,680	552,629	566,648
<b>Total revenues</b>	<b>4,608,810</b>	<b>4,615,973</b>	<b>5,014,510</b>	<b>5,077,080</b>
<b>EXPENSES</b>				
Current:				
General government	995,120	1,199,986	1,112,675	\$1,025,629
Public safety	1,968,933	2,003,918	1,982,934	2,398,980
Physical environment	352,805	313,953	264,829	237,595
Transportation	744,340	767,278	602,659	614,442
Culture and recreation	445,795	445,473	387,035	387,051
Contingency	102,688	75,953	-	-
Capital outlay	62,909	88,740	113,189	249,937
Principal retirement	-	-	61,361	107,101
Interest and fiscal charges	-	-	2,421	6,672
<b>Total expenses</b>	<b>4,672,590</b>	<b>4,895,301</b>	<b>4,527,103</b>	<b>5,027,407</b>
<b>Increase (decrease) in cash reserves</b>	<b>(63,780)</b>	<b>(279,328)</b>	<b>487,407</b>	<b>49,673</b>

The original and final budgets were balanced using cash reserves. Significant variations between the original budget and the final budget in the general fund are due to:

- the addition of grant balances and forfeiture funds carried forward from the previous year,
- the addition of a street lighting assessment for the Lynan Estates subdivision,
- the addition of impact fee balances to pay for projects necessitated by new growth,
- the reduction in charges for services and physical environment expenses due to the cancellation of the lease on the DCF building,
- the transfer of contingency funds to pay personnel costs related to implementation of the revised pay plan, and
- the addition of cash reserves to pay for costs associated with the 2004 hurricanes.

Significant variations between the final budget and the actual results in the general fund (in addition to the changes mentioned above) are due to:

- a delay in making some sidewalk improvements,
- unfilled or eliminated positions in some departments, and
- monies spent for professional services were less than anticipated.

Funding for fire suppression services is paid by city residents directly to the county via a municipal service taxing unit (MSTU) millage rate that will be added to the property tax bill. This has reduced property tax revenues as well as expenses for fire suppression services. Some monies from the Federal Emergency Management Agency (FEMA) were received during the year, but the majority of reimbursements are still outstanding and are anticipated to replenish cash reserves used to fund hurricane costs. 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 \$15.74 million. Most of those assets (\$11.53 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.

	Governmental Activities		Business Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	541,017	541,017	405,901	405,901	946,918	946,918
Buildings and Improvements	280,132	283,801	236,381	5,066,415	516,513	5,350,216
Equipment	756,398	742,129	342,492	247,908	1,098,890	990,037
Infrastructure	2,636,781	2,636,782	10,546,289	6,047,730	13,183,070	8,684,512
<b>Totals</b>	<b>4,214,328</b>	<b>4,203,729</b>	<b>11,531,063</b>	<b>11,767,954</b>	<b>15,745,391</b>	<b>15,971,683</b>

### LONG-TERM DEBT ACTIVITY

Dade City had one outstanding loan in the general fund for public works vehicles and equipment. The outstanding principal of \$61,361 was completely paid off during the year.

There are four outstanding long-term debt obligations in the utility fund. Three of them are loans from the United States Department of Agriculture, Rural Development, made under a grant/loan program for water and wastewater system improvements. The fourth obligation is a combination of a refunding of the Series 1992 utility bonds and a new money issue for some sewer line extensions. Dade City did not issue any new debt during the fiscal year.

	Governmental Activities		Business Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenue bonds	-	-	4,364,439	4,715,045	4,364,439	4,715,045
Notes payable	-	61,361	-	-	0	61,361
<b>Totals</b>	<b>0</b>	<b>61,361</b>	<b>4,364,439</b>	<b>4,715,045</b>	<b>4,364,439</b>	<b>4,776,406</b>

### **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. Dade City will still receive \$100,000 per year from Pasco County for the next three years for the purchase of the fire station. Beginning with fiscal year 2004-2005, Pasco County began 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.

The annexation of property into the city limits and the new developments proposed for those properties, both commercial and residential, will have an impact on Dade City's budget and finances in future years. These developments will initially generate more permit and impact fees; after completion they should also provide increases in tax revenues and charges for services. Although revenues will be increasing, there will also be increases in expenses to provide city services to those areas.

In 2004, the voters of Pasco County approved a local government infrastructure surtax, which adds an additional penny to the county sales tax rate for the next ten years. These funds are shared by the county, the school board, and the municipalities within the county, and may only be used for infrastructure improvements. The additional tax was effective in January 2005 and is expected to generate approximately \$40,000 per month in additional revenue for Dade City.

Effective March 31, 2005, the city exercised its option to cancel the lease purchase agreement for the office building used by the Department of Children and Families. The city no longer has any financial responsibility for the management of the property.

CITY OF DADE CITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNITS COMMUNITY REDEVELOPMENT
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,338,888	\$ 2,712,235	\$ 5,051,123	\$ 214,451
Investments	2,220,519	845,218	3,065,737	-
Receivables ( net )	81,214	594,884	676,098	-
Inventories	-	43,497	43,497	-
Due from other governments	812,765	53,960	866,725	-
Interfund balances	32,340	(32,340)	-	-
Deferred charges- note payable	-	56,231	56,231	-
<b>Capital assets:</b>				
Land, improvements, and construction in progress	3,177,798	512,691	3,690,489	-
Other capital assets, net of depreciation	1,036,530	11,018,372	12,054,902	-
Total capital assets	4,214,328	11,531,063	15,745,391	-
Total assets	9,700,054	15,804,748	25,504,802	214,451
<b>Liabilities:</b>				
Accounts payable and accrued expenses	95,523	110,419	205,942	-
Deferred revenue	8,378	4,939	13,317	-
Deposits	1,380	-	1,380	-
<b>Long-term liabilities:</b>				
Due within one year				
Landfill closure costs	19,349	-	19,349	-
Bonds payable	-	366,530	366,530	-
Compensated absences	146,398	23,679	170,077	-
Due in more than one year				
Bonds payable	-	3,997,909	3,997,909	-
Customer deposits	-	428,443	428,443	-
Compensated absences	585,590	94,717	680,307	-
Total liabilities	856,618	5,026,636	5,883,254	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,214,328	7,166,624	11,380,952	-
<b>Restricted for:</b>				
Capital projects	995,589	-	995,589	-
Other purposes	-	864,840	864,840	214,451
Unrestricted	3,633,519	2,746,648	6,380,167	-
Total net assets	\$ 8,843,436	\$ 10,778,112	\$ 19,621,548	\$ 214,451

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

CITY OF DADE CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
1 General government	\$ 1,169,951	\$ 86,215	\$ 226,455	\$ -
2 Public safety	2,116,562	85,681	12,164	-
3 Physical environment	300,204	277,231	-	-
4 Transportation	632,372	121,227	-	-
5 Culture and recreation	406,413	-	-	19,774
Total governmental activities	<u>4,625,502</u>	<u>570,354</u>	<u>238,619</u>	<u>19,774</u>
Business-Type Activity:				
6 Sanitary landfill	134,098	210,035	-	-
7 Public utility	2,337,693	2,812,108	81,786	-
Total business-type activities	<u>2,471,791</u>	<u>3,022,143</u>	<u>81,786</u>	<u>-</u>
Total primary government	<u>\$ 7,097,293</u>	<u>\$ 3,592,497</u>	<u>\$ 320,405</u>	<u>\$ 19,774</u>
Component units:				
Community redevelopment	\$ 22,526	\$ -	\$ -	\$ -
Total component units	<u>\$ 22,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes:	
8 Property taxes	
9 Sales taxes	
10 Gas taxes	
11 Franchise fees	
12 Communication tax	
13 Utility tax	
14 Intergovernmental revenues	
15 Investment income	
16 Loss on sale of fixed assets	
17 Miscellaneous	
18 Transfers	
Total General Revenues and Transfers	

Change in Net Assets  
Net Assets at Beginning of Year  
  
Net Assets at End of Year

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

**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT				
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
1	\$ (857,281)	\$ -	\$ (857,281)	\$ -
2	(2,018,717)	-	(2,018,717)	-
3	(22,973)	-	(22,973)	-
4	(511,145)	-	(511,145)	-
5	(386,639)	-	(386,639)	-
	<u>(3,796,755)</u>	<u>-</u>	<u>(3,796,755)</u>	<u>-</u>
6	-	75,937	75,937	-
7	-	556,201	556,201	-
	-	632,138	632,138	-
	<u>\$ (3,796,755)</u>	<u>\$ 632,138</u>	<u>\$ (3,164,617)</u>	<u>-</u>
				<u>\$ (22,526)</u>
				<u>\$ (22,526)</u>
8	1,402,909	-	1,402,909	-
9	743,649	-	743,649	-
10	295,523	-	295,523	-
11	361,118	-	361,118	-
12	330,328	-	330,328	-
13	490,832	-	490,832	45,357
14	300,331	-	300,331	-
15	157,988	89,767	247,755	4,241
16	(9,110)	-	(9,110)	-
17	111,385	27,829	139,214	-
18	90,644	(136,255)	(45,611)	45,611
	<u>4,275,597</u>	<u>(18,659)</u>	<u>4,256,938</u>	<u>95,209</u>
	478,842	613,479	1,092,321	72,683
	<u>8,364,594</u>	<u>10,164,633</u>	<u>18,529,227</u>	<u>141,768</u>
	<u>\$ 8,843,436</u>	<u>\$ 10,778,112</u>	<u>\$ 19,621,548</u>	<u>\$ 214,451</u>

CITY OF DADE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 1,619,059	\$ 719,829	\$ 2,338,888
Investments	2,220,519	-	2,220,519
Accounts receivable (net of allowance for uncollectible accounts)	78,541	-	78,541
Special assessments receivable	2,673	-	2,673
Due from other funds	13,679	245,960	259,639
Due from other governments	442,818	69,947	512,765
TOTAL ASSETS	<u>\$ 4,377,289</u>	<u>\$ 1,035,736</u>	<u>\$ 5,413,025</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 55,376	\$ 40,147	\$ 95,523
Accrued liabilities and compensated absences	146,398	-	146,398
Due to other funds	227,299	-	227,299
Deposits	1,380	-	1,380
Deferred revenues	8,378	-	8,378
Total Liabilities	<u>438,831</u>	<u>40,147</u>	<u>478,978</u>
Fund Balance:			
Reserved	44,544	995,589	1,040,133
Unreserved	3,893,914	-	3,893,914
Total Fund Balances	<u>3,938,458</u>	<u>995,589</u>	<u>4,934,047</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,377,289</u>	<u>\$ 1,035,736</u>	<u>\$ 5,413,025</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance of governmental funds	\$ 4,934,047
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$ 6,910,824 and the accumulated depreciation is \$2,696.496.	4,214,328
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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 Assets. Long-term liabilities at year-end consist of:

Landfill post closure costs	(19,349)	
Compensated absences	<u>(585,590)</u>	(604,939)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>300,000</u>
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Net assets of governmental activities	<u><u>\$ 8,843,436</u></u>
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CITY OF DADE CITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues :			
Taxes and special assessments	\$ 2,254,859	\$ 645,743	\$ 2,900,602
Licenses and permits	128,769	-	128,769
Intergovernmental revenue	1,586,429	-	1,586,429
Charges for services	109,448	-	109,448
Fines and forfeitures	26,776	-	26,776
Miscellaneous revenue	355,600	13,734	369,334
Impact fees	-	185,003	185,003
Total Revenues	<u>4,461,881</u>	<u>844,480</u>	<u>5,306,361</u>
Expenditures :			
Current:			
General government	1,112,675	12,754	1,125,429
Public safety	1,982,934	-	1,982,934
Physical environment	264,829	-	264,829
Transportation	602,659	-	602,659
Culture and recreation	387,035	-	387,035
Capital outlay	113,189	99,036	212,225
Debt Service:			
Principal retirement	61,361	-	61,361
Interest and fiscal charges	2,421	-	2,421
Total Expenditures	<u>4,527,103</u>	<u>111,790</u>	<u>4,638,893</u>
Excess of Revenues Over ( Under ) Expenditures	(65,222)	732,690	667,468
Other Financing Sources ( Uses ) :			
Transfers in	598,240	-	598,240
Transfers out	(45,611)	(461,985)	(507,596)
Total Other Financing Sources ( Uses )	<u>552,629</u>	<u>(461,985)</u>	<u>90,644</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	487,407	270,705	758,112
Fund Balances - October 1	3,451,051	724,884	4,175,935
Fund Balances - September 30	<u>\$ 3,938,458</u>	<u>\$ 995,589</u>	<u>\$ 4,934,047</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balances - total governmental funds		\$ 758,112
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over over assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		19,709
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(9,110)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts comprising these differences in the treatment of long-term debt and related items are:		
Principal repayments		61,361
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(283,551)
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:		
Interest and amortization	2,421	
Compensated absences	(70,100)	(67,679)
Change in net assets of governmental activities		<u>\$ 478,842</u>

CITY OF DADE CITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE ( NEGATIVE )
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	
	ORIGINAL	FINAL		
Revenues :				
Taxes and special assessments	\$ 2,208,280	\$ 2,208,280	\$ 2,254,859	\$ 46,579
Licenses and permits	179,750	179,750	128,769	(50,981)
Intergovernmental revenue	1,036,590	1,048,679	1,586,429	537,750
Charges for services	209,770	188,839	109,448	(79,391)
Fines and forfeitures	25,850	28,155	26,776	(1,379)
Miscellaneous revenue	247,190	247,590	355,600	108,010
Total Revenues	<u>3,907,430</u>	<u>3,901,293</u>	<u>4,461,881</u>	<u>560,588</u>
Expenditures :				
Current:				
General government	995,120	1,199,986	1,112,675	87,311
Public safety	1,968,933	2,003,918	1,982,934	20,984
Physical environment	352,805	313,953	264,829	49,124
Transportation	744,340	767,278	602,659	164,619
Culture and recreation	445,795	445,473	387,035	58,438
Contingency	102,688	75,953	-	75,953
Capital outlay	62,909	88,740	113,189	(24,449)
Debt Service:				
Principal retirement	-	-	61,361	(61,361)
Interest and fiscal charges	-	-	2,421	(2,421)
Total Expenditures	<u>4,672,590</u>	<u>4,895,301</u>	<u>4,527,103</u>	<u>368,198</u>
Excess of Revenues Over ( Under ) Expenditures	(765,160)	(994,008)	(65,222)	928,786
Other Financing Sources ( Uses ) :				
Transfers in	747,380	760,680	598,240	(162,440)
Transfers out	(46,000)	(46,000)	(45,611)	389
Total Other Financing Sources ( Uses )	<u>701,380</u>	<u>714,680</u>	<u>552,629</u>	<u>(162,051)</u>
Excess of Revenues and Other Financing Sources Over ( Under ) Expenditures and Other Uses	(63,780)	(279,328)	487,407	766,735
Fund Balances - October 1	3,451,051	3,451,051	3,451,051	-
Fund Balances - September 30	<u>\$ 3,387,271</u>	<u>\$ 3,171,723</u>	<u>\$ 3,938,458</u>	<u>\$ 766,735</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2005

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>PUBLIC UTILITY</u>	<u>NONMAJOR ENTERPRISE FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 2,286,059	\$ 403,734	\$ 2,689,793
Cash with fiscal agent	2,820	-	2,820
Accounts receivable ( net of allowance for uncollectible accounts )	584,363	10,521	594,884
Due from other fund	-	17,923	17,923
Due from other governments	53,960	-	53,960
Inventory	43,497	-	43,497
Deferred charges - notes payable	56,231	-	56,231
Total Current Assets	<u>3,026,930</u>	<u>432,178</u>	<u>3,459,108</u>
Restricted Assets:			
Cash	-	19,622	19,622
Investments	845,218	-	845,218
Total Restricted Assets	<u>845,218</u>	<u>19,622</u>	<u>864,840</u>
Property and equipment, net of accumulated depreciation and amortization	<u>11,525,163</u>	<u>5,900</u>	<u>11,531,063</u>
Total Assets	<u>\$ 15,397,311</u>	<u>\$ 457,700</u>	<u>\$ 15,855,011</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
STATEMENT OF NET ASSETS (CONTINUED)  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2005

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	PUBLIC UTILITY	NONMAJOR ENTERPRISE FUND	TOTAL
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities ( payable from current assets ):			
Accounts payable	\$ 89,052	\$ 11,469	\$ 100,521
Other accrued liabilities and compensated absences	118,396	-	118,396
Due to other funds	50,263	-	50,263
Revenue refunding bonds payable, current portion	366,530	-	366,530
Total Current Liabilities ( payable from current assets )	<u>624,241</u>	<u>11,469</u>	<u>635,710</u>
Current Liabilities ( payable from restricted assets ):			
Accrued liabilities	<u>9,898</u>	<u>-</u>	<u>9,898</u>
Total Current Liabilities ( payable from restricted assets )	<u>9,898</u>	<u>-</u>	<u>9,898</u>
Long - term Liabilities, less current portion			
Deferred revenue	4,939	-	4,939
Payable from restricted assets- customer deposit	428,443	-	428,443
Revenue refunding bonds, net current portion	3,997,909	-	3,997,909
Total Long - Term Liabilities	<u>4,431,291</u>	<u>-</u>	<u>4,431,291</u>
Total Liabilities	<u>5,065,430</u>	<u>11,469</u>	<u>5,076,899</u>
Net Assets:			
Invested in capital assets, net of related debt	7,160,724	5,900	7,166,624
Restricted for			
Debt service	406,877	-	406,877
Customer deposits	428,443	-	428,443
Accrued liabilities	9,898	-	9,898
Closure and postclosure costs	-	19,622	19,622
Unrestricted	<u>2,325,939</u>	<u>420,709</u>	<u>2,746,648</u>
Total Net Assets	<u>10,331,881</u>	<u>446,231</u>	<u>10,778,112</u>
Total Liabilities and Net Assets	<u>\$ 15,397,311</u>	<u>\$ 457,700</u>	<u>\$ 15,855,011</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTMEBER 30, 2005

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<u>PUBLIC UTILITY</u>	<u>NONMAJOR ENTERPRISE FUND</u>	<u>TOTALS</u>
Operating Revenues :			
Charges for services	\$ 2,812,108	\$ 210,035	\$ 3,022,143
Total Operating Revenues	<u>2,812,108</u>	<u>210,035</u>	<u>3,022,143</u>
Operating Expenses :			
Personal services	564,235	-	564,235
Contractual services	515,187	132,204	647,391
General operating	566,251	1,894	568,145
Depreciation	485,761	-	485,761
Total Operating Expenses	<u>2,131,434</u>	<u>134,098</u>	<u>2,265,532</u>
Operating Income	680,674	75,937	756,611
Nonoperating Revenues ( Expenses )			
Other income	17,069	10,760	27,829
Operating grants	81,786	-	81,786
Unrealized gain on investments	38	-	38
Gain on sale of assets	-	-	-
Interest income	82,160	7,569	89,729
Interest expense	(206,259)	-	(206,259)
Total Nonoperating Revenues ( Expenses )	<u>(25,206)</u>	<u>18,329</u>	<u>(6,877)</u>
Income Before Transfers	655,468	94,266	749,734
Transfers out	<u>(86,755)</u>	<u>(49,500)</u>	<u>(136,255)</u>
Change in Net Assets	568,713	44,766	613,479
Net Assets - Beginning	9,763,168	401,465	10,164,633
Net Assets - Ending	<u>\$ 10,331,881</u>	<u>\$ 446,231</u>	<u>\$ 10,778,112</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	PUBLIC UTILITY	NONMAJOR ENTERPRISE FUND	TOTALS
Cash flows from operating activities :			
Cash received from customers	\$ 2,790,627	\$ 242,519	\$ 3,033,146
Cash payments to suppliers for goods and services	(1,077,369)	(133,328)	(1,210,697)
Cash payments to employees for services	(564,235)	-	(564,235)
Net cash provided by operating activities	<u>1,149,023</u>	<u>109,191</u>	<u>1,258,214</u>
Cash flows from noncapital financing activities :			
Other income	17,069	10,760	27,829
Operating grants received	81,786	-	81,786
Transfers to other funds	(86,755)	(49,500)	(136,255)
Net cash provided by ( used in ) noncapital financing activities	<u>12,100</u>	<u>(38,740)</u>	<u>(26,640)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(248,870)	-	(248,870)
Principal paid on revenue refunding bonds	(343,173)	-	(343,173)
Interest paid	(206,259)	-	(206,259)
Net cash provided by (used in) capital and related financing activities	<u>(798,302)</u>	<u>-</u>	<u>(798,302)</u>
Cash flows from investing activities :			
Proceeds from sale	53,553	-	53,553
Interest on investments	82,160	7,569	89,729
Net cash provided by investing activities	<u>135,713</u>	<u>7,569</u>	<u>143,282</u>
Net increase in cash	498,534	78,020	576,554
Cash at beginning of year	1,790,345	345,336	2,135,681
Cash at end of year	<u>\$ 2,288,879</u>	<u>\$ 423,356</u>	<u>\$ 2,712,235</u>
Classified as:			
Cash	\$ 2,286,059	\$ 403,734	\$ 2,689,793
Cash with fiscal agent	2,820	-	2,820
Restricted cash	-	19,622	19,622
Total	<u>\$ 2,288,879</u>	<u>\$ 423,356</u>	<u>\$ 2,712,235</u>

The notes to the financial statements are an integral part of these statements.

CITY OF DADE CITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<u>PUBLIC UTILITY</u>	<u>NONMAJOR ENTERPRISE FUND</u>	<u>TOTALS</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 680,674	\$ 75,937	\$ 756,611
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	485,761	-	485,761
Changes in assets and liabilities :			
Increase in accounts receivable	(21,481)	(692)	(22,173)
Increase in due from other governments	(2,652)	-	(2,652)
Decrease in due from other funds	-	33,176	33,176
Decrease in deferred charges notes payable	11,247	-	11,247
Increase in accounts payable	39,784	770	40,554
Decrease in due to other funds	(51,788)	-	(51,788)
Decrease in accrued liabilities	(12,492)	-	(12,492)
Decrease in deferred revenue	(12,399)	-	(12,399)
Decrease in inventory	738	-	738
Increase in customer deposits	31,631	-	31,631
Total Adjustments	<u>468,349</u>	<u>33,254</u>	<u>501,603</u>
Net cash provided by operating activities	<u>\$ 1,149,023</u>	<u>\$ 109,191</u>	<u>\$ 1,258,214</u>



CITY OF DADE CITY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2005

<u>ASSETS</u>	<u>FIREFIGHTERS' PENSION</u>	<u>POLICE OFFICERS' PENSION</u>	<u>TOTAL</u>
Cash	\$ 502,952	\$ 508,281	\$ 1,011,233
Investments	2,699,785	3,986,290	6,686,075
Accounts receivable, net of allowance for uncollectible accounts	34,811	255	35,066
<b>Total Assets</b>	<b><u>\$ 3,237,548</u></b>	<b><u>\$ 4,494,826</u></b>	<b><u>\$ 7,732,374</u></b>
<u>NET ASSETS</u>			
Net assets held in trust for pension benefits	<u>\$ 3,237,548</u>	<u>\$ 4,494,826</u>	<u>\$ 7,732,374</u>
<b>Total Net Assets</b>	<b><u>\$ 3,237,548</u></b>	<b><u>\$ 4,494,826</u></b>	<b><u>\$ 7,732,374</u></b>

The notes to the financial statements are an integral part of the statements.

CITY OF DADE CITY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>FIREFIGHTERS' PENSION</u>	<u>POLICE OFFICERS' PENSION</u>	<u>TOTAL</u>
<u>ADDITIONS</u>			
Contributions:			
Employee	\$ 3,522	\$ 9,572	\$ 13,094
City	60,461	1,863	62,324
Insurance premium tax	120,546	118,971	239,517
Total contributions	<u>184,529</u>	<u>130,406</u>	<u>314,935</u>
Investment income:			
Interest and dividends	87,426	127,185	214,611
Gain on sale of assets	163,510	203,328	366,838
Net appreciation in fair value of investments	41,990	91,921	133,911
	<u>292,926</u>	<u>422,434</u>	<u>715,360</u>
Less investment expense	<u>(36,409)</u>	<u>(48,159)</u>	<u>(84,568)</u>
Net investment income	<u>256,517</u>	<u>374,275</u>	<u>630,792</u>
Total Additions	<u>441,046</u>	<u>504,681</u>	<u>945,727</u>
<u>DEDUCTIONS</u>			
Retirement and disability benefits	128,271	76,879	205,150
Refund of contributions	-	1,359	1,359
Total Deductions	<u>128,271</u>	<u>78,238</u>	<u>206,509</u>
Change in net assets	312,775	426,443	739,218
Net assets held in trust for pension benefits:			
Beginning of year	2,924,773	4,068,383	6,993,156
End of year	<u>\$ 3,237,548</u>	<u>\$ 4,494,826</u>	<u>\$ 7,732,374</u>

The notes to the financial statements are an integral part of the statements.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

In accordance with the provision of accounting standards generally accepted in the United States of America, these financial statements present the financial position, results of operations, and changes in cash flows of the applicable fund types governed by the City of Dade City, Florida. As required by the Governmental Accounting Standards Board (GASB) Statement 14, these financial statements include the City (the primary government) and its component unit, for which the City is considered to be financially accountable. The City is financially accountable if (a) it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City, (b) the organization is fiscally dependent upon the City, or (c) it would cause the financial statements to be misleading by excluding the organization.

The reporting entity's financial statements should allow users to distinguish between the primary government (the City) 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. The City has no blended component units but provides an overview of one discretely presented component unit in a separate column.

Discretely presented 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. The members of the agency board are appointed by the City Commission. The Agency is fiscally dependent on the City and the City Commission approves the Agency's annual budget. This component unit is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from the City and in accordance with the provisions of GASB 14. Complete financial statements of the Agency can be obtained from the City of Dade City.

The City of Dade City Municipal Firefighters' Pension Trust Fund and the City of Dade City 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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B. Government-Wide and Fund Financial Statements

The basic financial statements are composed of the Government-Wide Financial Statements, the Fund Financial Statements and the Notes to the Financial Statements.

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These statements report on the government as a whole and include separate columns for the governmental and business-type activities of the primary government. An additional separate column is presented for the component unit for which the City is accountable.

The Statement of Net Assets presents information on all of the assets and liabilities of the City. The difference between assets and liabilities is reported as net assets. Changes in net assets may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities reports functional categories of programs provided by the City, and demonstrates how and to what degree those programs are supported by specific revenue. The "Expenses" column reports direct expenses that are clearly identifiable with a specific function or program. "Program Revenues" are directly attributable to a specific function or program and are categorized as charges for services, operating grants and contributions, and capital grants and contributions. The net of program expenses less program revenues reflects the net cost of each function or program. The general revenues section includes revenues that are not program specific such as taxes and investment earnings.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements, except for the residual amounts between governmental and business-type activities reported as "internal balances." These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements:

The underlying accounting system of the City is organized and operated on the basis of separate funds. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Fund accounting is used to ensure and demonstrate compliance with legal, legislative, contractual and other finance-related provisions. All of the funds of the City may be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The City's major funds are reported as separate columns in the fund financial statements, and nonmajor funds are aggregated and presented as a single column on each statement. Fund financial statements are presented after the government-wide financial statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments in accordance with the Government Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for its business-type and proprietary operations, but has elected not to apply FASB pronouncements issued after November 30, 1989.

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are prepared on a full accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund such as user fees. Non-operating 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. Non-operating expenses are not related to operations, such as interest expense.

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The City considers all revenues available if they are collected within sixty days after year-end with the exception of grant revenue, which is considered susceptible to accrual if collected within six months of year-end. Primary revenues, such as property taxes, special assessments, intergovernmental revenues, charges for services and interest are treated as susceptible to accrual under the modified accrual basis and so have been recognized as revenues. Expenditures reported in governmental fund financial statements are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule includes accumulated sick and vacation pay and principal and interest on general long-term debt, which are recognized when they have matured.

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.

GASB Statement 34 sets forth minimum criteria for the determination of what are to be considered major funds for financial statement presentation. The City has used GASB 34 minimum criteria for major fund determination. The nonmajor funds are combined into one column in the fund financial statements and are detailed in the combining schedules, which appear after the notes.

The following is reported as a major governmental fund:

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.

The following is reported as a major enterprise fund:

Public Utility – Accounts for the operation of water and wastewater facilities.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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; the Municipal Firefighters' Pension Trust Fund and the Municipal Police Officers' Pension Trust Fund.

D. Budgetary Information

Budgets and Budgetary Accounting:

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 reservations of fund balances since they do not constitute expenditures of liabilities.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

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

F. Receivables and Payables

The accounts receivable of the City are recorded in the government-wide and fund financial statements, and are net of allowance for uncollectibles, which generally is equivalent to the receivables that are over 90 days in arrears.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. 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.

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.

H. 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.



CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

	Threshold	Useful Life Years
Land	\$ 5,000	-
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.

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. 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 has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for the City. The City has elected to implement the general provisions of GASBS No. 34 prospectively and has elected not to implement an infrastructure retroactively.

I. 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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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 roll is 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 remains no uncollectible delinquent taxes at year-end.

L. 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.

M. Post-Retirement Health and Life Insurance Benefits

The City does not provide, at the City's expense, health and life insurance coverage for former employees.

N. Reserves of Fund Balances

Reserves of governmental fund types represent portions of fund balances that are not available for appropriation as expenditures in future periods.

A summary of reserves of fund balances is provided at Note 19.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Restricted Net Assets

In the accompanying Statement of Net Assets, restricted net assets are subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling obligations. It is the practice of the City to utilize restricted assets before unrestricted assets.

NOTE 2 - CASH AND INVESTMENTS

At September 30, 2005, 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.

A reconciliation of cash as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets is as follows:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Primary Government:			
Cash	\$ 5,051,123	\$ -	\$ 5,051,123
Restricted Cash	-	1,011,233	1,011,233
Total	<u>\$ 5,051,123</u>	<u>\$ 1,011,233</u>	<u>6,062,356</u>
Component Unit:			
Cash			214,451
Total			<u>214,451</u>
Total			<u>\$ 6,276,807</u>

As of September 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Federal Agency Bonds	\$ 365,247	\$ 99,750	\$ -	\$ -	\$ 264,497
Corporate Bonds	1,105,233	7,061	445,753	505,261	147,158
Mortgage-Backed Securities	3,462,810	-	-	-	3,462,810
Commercial Paper	529,323	105,313	329,645	94,365	-
Corporate Stock	4,290,199	4,290,199	-	-	-
Total	<u>\$ 9,751,812</u>	<u>\$4,502,323</u>	<u>\$ 775,398</u>	<u>\$ 599,626</u>	<u>\$ 3,874,465</u>

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments are reflected in the financial statements as follows:

Governmental funds	\$ 2,220,519
Enterprise funds	845,218
Fiduciary Funds:	
Pension Trust	<u>6,686,075</u>
Total Primary Government	<u>\$ 9,751,812</u>

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:

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

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued):

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

1. 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 or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
2. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.
3. Bonds issued by the State of Israel.
4. 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:
  - a. 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; and
  - b. The board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5 percent of the outstanding capital stock of that company, or the aggregate of its investments under this subparagraph at cost exceed 50 percent of the assets of the fund.

The credit quality distribution of securities with credit exposure as a percentage of total investments is as follows:

Mortgage-backed securities	AAA	63%
Federal agency bonds	AAA	6%
Corporate bonds	AAA	8%
Corporate bonds	AA	1%
Corporate bonds	A	11%
Corporate bonds	BBB	1%
Commercial paper	AAA	10%

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

The City does not have a formal investment policy that addresses custodial credit risk. However, Florida Statute, Section 218.415(18) requires every security purchased under this section on behalf of the City to be properly earmarked and:

1. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the City's interest in the security;
2. If in book entry form, must be held for the credit of the City's by a depository chartered by the Federal Government, the state, or any other state or territory of the United States which has a branch or principal place of business in Florida as defined in Section 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institutions; or
3. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

All of the City's investments are insured or registered and held by its agent in the City's name.

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, 2005.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2005, for the City's individual major funds and nonmajor funds in total, including applicable allowances for uncollectibles, were as follows:

	Accounts Receivable, Gross	Allowance for Uncollectibles	Accounts Receivable, Net
Primary Government:			
General Fund	\$ 81,214	\$ -	\$ 81,214
Utility Fund	637,205	42,321	594,884
Total Primary Government	<u>\$ 718,419</u>	<u>\$ 42,321</u>	<u>\$ 676,098</u>

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 4 - INTERFUND TRANSACTIONS

Due to/Due 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:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental activities:		
General Fund	\$ 13,679	\$ 227,299
Total nonmajor governmental funds	245,960	-
Business-type activities:		
Public Utility	-	50,263
Non-Major Enterprise Fund	<u>17,923</u>	<u>-</u>
Total Due To/Due From Other Funds	<u>\$ 277,562</u>	<u>\$ 277,562</u>

Interfund receivables and payables generally represent recurring activities between funds as well as temporary deficit cash balances.

Interfund Transfers:

Individual interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 598,240	\$ 45,611
Nonmajor governmental funds	-	461,985
Business-type activities:		
Public Utility	-	86,755
Non-Major Enterprise Fund	-	49,500
Component Unit	<u>45,611</u>	<u>-</u>
Total Transfers In/Transfers Out	<u>\$ 643,851</u>	<u>\$ 643,851</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.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 541,017	\$ -	\$ -	\$ 541,017
Infrastructure	2,636,781	-	-	2,636,781
Total capital assets, not being depreciated	<u>3,177,798</u>	<u>-</u>	<u>-</u>	<u>3,177,798</u>
Capital assets, being depreciated:				
Buildings	1,336,364	14,283	-	1,350,647
Machinery and Equipment	2,251,019	198,925	67,565	2,382,379
Total capital assets being depreciated	<u>3,587,383</u>	<u>213,208</u>	<u>67,565</u>	<u>3,733,026</u>
Less accumulated depreciation for:				
Buildings	1,052,562	17,953	-	1,070,515
Machinery and Equipment	1,508,890	175,546	58,455	1,625,981
Total accumulated depreciation	<u>2,561,452</u>	<u>193,499</u>	<u>58,455</u>	<u>2,696,497</u>
Total capital assets, being depreciated, net	<u>1,025,931</u>	<u>19,709</u>	<u>9,110</u>	<u>1,036,530</u>
Governmental activities capital assets, net	<u>\$ 4,203,729</u>	<u>\$ 19,709</u>	<u>\$ 9,110</u>	<u>\$ 4,214,328</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 405,901	\$ -	\$ -	\$ 405,901
Construction in Progress	4,926,942	101,827	4,921,979	106,790
Total capital assets, not being depreciated	<u>5,332,843</u>	<u>101,827</u>	<u>4,921,979</u>	<u>512,691</u>
Capital assets, being depreciated:				
Buildings	334,740	-	-	334,740
Infrastructure	9,455,794	4,924,890	-	14,380,684
Machinery and Equipment	1,544,979	144,132	-	1,689,111
Total capital assets being depreciated	<u>11,335,513</u>	<u>5,069,022</u>	<u>-</u>	<u>16,404,535</u>



CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	195,267	9,882	-	205,149
Infrastructure	3,408,064	426,331	-	3,834,395
Machinery and Equipment	1,297,071	49,548	-	1,346,619
Total accumulated depreciation	<u>4,900,402</u>	<u>485,761</u>	<u>-</u>	<u>5,386,163</u>
Total capital assets, being depreciated, net	<u>6,435,111</u>	<u>4,583,261</u>	<u>-</u>	<u>11,018,372</u>
Business-Type activities capital assets, net	<u>\$ 11,767,954</u>	<u>\$ 4,685,088</u>	<u>\$ 4,921,979</u>	<u>\$ 11,531,063</u>

Depreciation expense was charged to functions as follows:

Government activities:	
General government	\$ 33,768
Public Safety	89,909
Physical Environment	8,176
Transportation	45,039
Culture and Recreation	<u>16,607</u>
Total depreciation for governmental activities	<u>\$ 193,499</u>
Business-type activities:	
Physical Environment	<u>\$ 485,761</u>
Total depreciation for business-type activities	<u>\$ 485,761</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The major components of accounts payable and accrued expenses as of September 30, 2005, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Public Utility Fund</u>	<u>Nonmajor Funds</u>	
Suppliers	\$ 54,618	\$ 40,147	\$ 89,052	\$ 11,469	\$ 195,286
Interest	-	-	9,898	-	9,898
Other	758	-	-	-	758
	<u>\$ 55,376</u>	<u>40,147</u>	<u>\$ 98,950</u>	<u>\$ 11,469</u>	<u>\$ 205,942</u>

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 7 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 61,361	\$ -	\$ 61,361	\$ -	\$ -
Landfill Closure/Post Closure	19,268	81	-	19,349	19,349
Compensated Absences	644,363	348,548	260,923	731,988	146,398
Total	<u>\$ 724,992</u>	<u>\$ 348,629</u>	<u>\$ 322,284</u>	<u>\$ 751,337</u>	<u>\$ 165,747</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 4,710,098	\$ -	\$ 345,659	\$ 4,364,439	\$ 366,530
Compensated Absences	129,691	48,473	59,768	118,396	23,679
Customer Deposits	396,812	31,631	-	428,443	-
Total	<u>\$ 5,236,601</u>	<u>\$ 80,104</u>	<u>\$ 405,427</u>	<u>\$ 4,911,278</u>	<u>\$ 390,209</u>

Bonds Payable

Business-Type Activities:

The following is a schedule of bonds outstanding at September 30, 2005:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
<b>Revenue Bonds:</b>				
Series 1997	Utility System	1,000,000	\$ 918,000	4.50%
Series 1997	Utility System	445,000	411,000	5%
Series 2002	Utility System	2,678,564	1,773,039	3.59%
Series 2003	Utility System	1,275,400	<u>1,262,400</u>	4.50%
Total Bonds Payable - Business-Type Activities			<u>\$ 4,364,439</u>	

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)  
 Bonds Payable (Continued)

The following are the debt service requirements until maturity for the business-type activity bonds outstanding as of September 30, 2005:

Year	Principal	Interest	Total
2006	\$ 364,044	\$ 182,320	\$ 546,364
2007	376,893	168,912	545,805
2008	390,167	155,033	545,200
2009	405,882	140,668	546,550
2010	421,053	125,707	546,760'
2011-2015	232,000	530,730	762,730
2016-2020	291,000	472,140	763,140
2021-2025	364,000	399,075	724,537
2026-2030	456,000	192,660	762,660
2031-2035	570,000	307,415	763,415
2036-2040	369,000	71,595	440,595
2041-2045	124,400	8,271	132,671
Total	<u>\$ 4,364,439</u>	<u>\$ 2,754,526</u>	<u>\$ 7,080,427</u>

NOTE 8 - STATE OF FLORIDA RETIREMENT SYSTEM

City employees, except for participants in the separate firefighters' and police officers' pension funds (See Note 11) 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 12, 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, 2005 was \$809,033; the City's total payroll was \$2,976,131.

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 10 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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 8 - STATE OF FLORIDA RETIREMENT SYSTEM (CONTINUED)

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, 2005, the City contributed approximately 6% of covered salaries. The total contribution for the year ended September 30, 2005, and the preceding two years is as follows:

<u>Years Ending September 30,</u>	<u>Total Contribution</u>	<u>Percentage of Required Contribution</u>
2003	52,776	100%
2004	54,459	100%
2005	48,542	100%

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

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.

Plan Descriptions

All of the City's full-time certified police and fire employees participate in the plans. The current membership in the plans is comprised of the following:

<u>Group</u>	<u>Firefighters</u>	<u>Police Officers</u>
Retirees and beneficiaries currently receiving benefits	6	7
Vested terminated employees	6	1
Active employees	8	21
Total participants	<u>20</u>	<u>29</u>

Employees attaining the age of 52 who have completed 25 or more continuous years of service or age 55 and 10 years of service are entitled to annual benefits of 3.5% for Police Officers and 3.25% for Firefighters of their best 5 of the last 10 years earnings for each year of continuous service. The plans permit early retirement at the completion of 10 years of continuous service and at age 50. Active employees who become disabled receive their retirement benefits but not less than 42% of average monthly compensation.

Disability benefits are paid for 10 years. If an active employee dies and had at least 10 years of contributing service, his or her beneficiary receives the benefits otherwise payable to the employee at early or normal retirement.

NOTE 9 - FIREFIGHTERS' AND POLICE OFFICERS' PENSION FUNDS (CONTINUED)

If an employee terminates his or her employment with the police or fire departments and is not eligible for any other benefits under the plans, the employee is entitled to the following:

1. With less than 10 years of continuous service, a refund of member contributions, or
2. With 10 or more years of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date or, at the option of the employee, a lump sum refund of member contributions.

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.

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 firefighter's 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 5% of covered earnings. The City contributed \$60,461 for the year ended September 30, 2005.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 9 - FIREFIGHTERS' AND POLICE OFFICERS' PENSION FUNDS (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. Policemen contribute 1% of their earnings to the fund, and the City, by City Ordinance, also makes contributions from general revenues at the rate of 5% of covered earnings. However, the City was not required to contribute for the year ended September 30, 2005.

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 assets of the plans are available only for retirement benefits. At September 30, 2005, 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 assets.

The payroll covered by the two pension trusts for the year ended September 30, 2005 was \$1,383,305.

Additional Information

The total contributions to the pension trust funds by the City and other entities for the year ended September 30, 2005, and the preceding three years are as follows:

Years Ending September 30,	Firefighters' Pension Trust		Percentage of Required Contribution
	City	State	
2002	-	44,844	There is no required contribution for this year
2003	44,958	54,850	100%
2004	41,982	77,517	100%
2005	60,461	89,328	There is no required contribution for this year

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 9 - FIREFIGHTERS' AND POLICE OFFICERS' PENSION FUNDS (CONTINUED)

Years Ending September 30,	Police Officers' Pension Trust		Percentage of Required Contribution
	City	State	
2002	-	76,374	There is no required contribution for these years
2003	-	113,217	
2004	-	115,438	
2005	-	118,839	

There is no net pension obligation as of September 30, 2005 for either plan.

The information presented above, and in the required supplementary schedules included elsewhere in this report, was determined as part of the actuarial valuations dated July 1, 2003. Additional information relative to both of the pension trusts is as follows:

Actuarial cost method - Aggregate actuarial cost  
 Asset valuation method - Current market value

Actuarial assumptions:

Investment rate of return - 8%  
 Projected salary increases- 7.5%  
 Inflation rate- 3%

The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

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 (Note 11).

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.

The City adopted Resolution No. 528, which established the City's contribution rate at 4% of all eligible employee wages. The payroll for employees covered by this plan for the year ended September 30, 2005 was \$1,033,600 and the City's contribution was \$41,344.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

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 - 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	\$ 2,000,000
Automobile liability	\$ 2,000,000
Property damage	blanket/replacement cost
Worker's compensation	statutory
Employee dishonesty	\$ 1,000,000

There has 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 13 - LANDFILL POSTCLOSURE COSTS

Regulations of the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) required the City to place 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 has been completed. The entire estimated future cost for post-closure maintenance is reported in the Government-Wide Statement of Net Assets.

The City is required by FDEP to make annual contributions to a trust to finance the post-closure care. The City is in compliance with these requirements, and at September 30, 2005, investments of \$19,349 were held for these purposes. These are reported as restricted assets on the balance sheet.



CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 14 - SEGMENT INFORMATION FOR COMBINED PROPRIETARY FUND TYPES

As of September 30, 2005, the City had two enterprise funds, for which combined operations and cash flows are presented on pages 21 and 22. In addition to the information presented in these combined statements and the notes thereto, a summary of significant financial information is as follows:

	Utility Fund	Sanitation Fund	Total
Operating revenues	\$ 2,812,108	\$ 210,035	\$ 3,022,143
Depreciation expense	485,761	-	485,761
Operating transfers	(86,755)	(49,500)	(136,255)
Operating income	680,674	75,937	756,611
Net income	568,713	44,766	613,479
Fixed asset additions	248,870	-	248,870
Net working capital	2,328,425	420,709	2,749,134
Bonds and notes payable	4,364,439	-	4,364,439
Total assets	15,397,311	457,700	15,855,011
Total net assets	10,331,881	446,231	10,778,112

NOTE 15 - CONTRACT FOR SOLID WASTE COLLECTION

In April 2004, the City entered into an agreement with a private contractor to collect solid waste. The agreement is for five years.

For all traditional waste collection services provided for the City residents the contractor is compensated as follows:

1. For residential collection, the City paid \$6.31 per resident, less 1% of the monthly billing.
2. For commercial collection, the contractor earns the City commercial billing less a 10% fee retained by the City.

The total expense recorded by the City under this contract for the year ended September 30, 2005 was \$132,204.

NOTE 16 - LEASE-PURCHASE AGREEMENT

In 1991, the City entered into a lease-purchase agreement with a trust in regard to an office building located in Dade City. The building was leased by the Florida Department of Children and Families (DCF) under a cancelable lease to March 31, 2005, with one three-year renewal option to March 31, 2008. The lease-purchase agreement between the City and the Trust is based on a series of one-year renewable contracts through 2021, at the option of the City. The City is under no legal obligation to renew the contracts nor has it any financial obligation to pay any rent or expenses in excess of the DCF rental payments (or qualified sub-lease) it receives. DCF did not renew the lease when it expired on March 31, 2005.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 16 - LEASE-PURCHASE AGREEMENT (CONTINUED)

The total building acquisition price was \$2,715,000 and the monthly lease payments range from \$28,863 to \$61,255, which includes debt service and operating expenses. The DCF lease payments ranged from \$28,863 to \$38,986. When the lease with DCF expired, the City chose not to renew the annual contract with the trust and did not receive title to the property.

At the time the agreement was entered into, the City did not consider the financial arrangements and obligations described above to meet the criteria for a capital lease and elected to treat the arrangement as conduit debt. Accordingly, the City had not recorded any of the financial activity of this building lease on its books, as the lease payments and building expenses are all transacted outside of its control by a separate trustee and management company.

NOTE 17 - FUND BALANCE RESERVES

As of September 30, 2005, the City had fund balance reserves as follows:

Reserves:	
LGIS	\$ 240,477
Public safety	33,490
Transportation	356,270
Water and sewer construction	365,352
Tree fund	4,160
Police education	17,966
Forfeiture fund	2,771
Care of mausoleum	19,647
Total Reserves	<u>\$ 1,040,133</u>

NOTE 18 - COMMITMENTS

At September 30, 2005, the City had outstanding construction contracts for various projects totaling \$656,506, with costs to complete of approximately \$549,716.



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

Honorable City Commission  
City of Dade City  
Dade City, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dade City, as of and for the year ended September 30, 2005, and have issued our report thereon dated December 20, 2005. That report included the disclosure of uncertainties as to the City's course of action as a participant in a conduit debt arrangement. 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.

Compliance


As part of obtaining reasonable assurance about whether the City of Dade City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dade City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Dade City, in a separate letter dated December 20, 2005.

Honorable City Commission  
Dade City, Florida

This report is intended solely for the information and use of management and specific legislative or regulatory bodies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Williams, McCranie, Wardlow & Cash, P.A.

Inverness, Florida  
December 20, 2005

SUPPLEMENTARY INFORMATION  
CITY OF DADE CITY  
DADE CITY, FLORIDA

SEPTEMBER 30, 2005

INFORMATION REGARDING DEFINED BENEFIT  
PENSION TRUSTS REQUIRED BY THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

CITY OF DADE CITY  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF FUNDING PROGRESS

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

CITY OF DADE CITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BENEFIT PENSION TRUSTS  
 SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
 AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30,	Firefighters' Pension Trust		Police Officers' Pension Trust		Percentage Contributed	Annual Required Contribution	Percentage Contributed
	Annual Required Contribution	Contribution	City	State			
1992	\$36,038	\$31,012	\$26,486	\$31,012	\$21,806	\$47,427	-
1993	28,719	32,441	31,420	32,441	23,815	50,408	-
1994	27,983	33,618	34,667	33,618	22,915	50,264	-
1995	29,514	35,193	29,324	35,193	25,601	55,097	-
1996	45,489	36,492	29,447	36,492	27,287	51,346	-
1997	67,433	37,434	29,999	37,434	28,133	58,733	-
1998	73,274	53,848	19,426	53,848	6,963	59,177	-
1999	-	8,599	-	8,599	-	81,240	-
2000	69,793	108,628	69,793	108,628	-	86,459	-
2001	-	60,367	-	60,367	-	67,403	-
2002	-	44,844	-	44,844	-	76,374	-
2003	98,251	54,850	44,958	54,850	-	113,217	-
2004	119,499	77,517	41,982	77,517	-	115,438	-
2005	149,789	89,328	60,461	89,328	-	118,839	-



CITY OF DADE CITY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

SPECIAL

	PUBLIC SAFETY IMPACT FEE FUND	TRANSPORTATION IMPACT FEE FUND	LOCAL OPTION GAS TAX FUND	WATER & SEWER IMPACT FEE FUND	LGIS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash	\$ 33,308	\$ 329,149	\$ -	\$ 357,372	\$ -	\$ 719,829
Due from other funds	-	-	-	5,880	240,080	245,960
Due from other governments	182	3,968	23,153	2,100	40,544	69,947
					-	
<b>TOTAL ASSETS</b>	<b>\$ 33,490</b>	<b>\$ 333,117</b>	<b>\$ 23,153</b>	<b>\$ 365,352</b>	<b>\$ 280,624</b>	<b>\$ 1,035,736</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities :						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 40,147	\$ 40,147
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,147</b>	<b>40,147</b>
Fund Balances:						
Reserved	33,490	333,117	23,153	365,352	240,477	995,589
Total Fund Balances	33,490	333,117	23,153	365,352	240,477	995,589
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,490</b>	<b>\$ 333,117</b>	<b>\$ 23,153</b>	<b>\$ 365,352</b>	<b>\$ 280,624</b>	<b>\$ 1,035,736</b>

CITY OF DADE CITY  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PUBLIC SAFETY IMPACT FEE FUND	TRANSPORTATION IMPACT FEE FUND	LOCAL OPTION GAS TAX FUND	WATER & SEWER IMPACT FEE FUND	LGIS FUND	
Revenues :						
Taxes and special assessments	\$ -	\$ -	\$ 293,476	\$ -	\$ 352,267	\$ 645,743
Impact fees	4,981	90,952	-	89,070	-	185,003
Miscellaneous revenue	698	5,368	-	7,668	-	13,734
Total Revenues	<u>5,679</u>	<u>96,320</u>	<u>293,476</u>	<u>96,738</u>	<u>352,267</u>	<u>844,480</u>
Expenditures :						
Current:						
General government	-	-	-	-	12,754	12,754
Public safety	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	99,036	99,036
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,790</u>	<u>111,790</u>
Excess of Revenues Over Expenditures	5,679	96,320	293,476	96,738	240,477	732,690
Other Financing Sources ( Uses ) :						
Transfers out	(8,450)	(3,395)	(296,395)	(153,745)	-	(461,985)
Total Other Financing Sources ( Uses )	<u>(8,450)</u>	<u>(3,395)</u>	<u>(296,395)</u>	<u>(153,745)</u>	<u>-</u>	<u>(461,985)</u>
Excess of Revenues and Other Financing Sources Over ( Under ) Expenditures and Other Uses	(2,771)	92,925	(2,919)	(57,007)	240,477	270,705
Fund Balances - October 1	36,261	240,192	26,072	422,359	-	724,884
Fund Balances - September 30	<u>\$ 33,490</u>	<u>\$ 333,117</u>	<u>\$ 23,153</u>	<u>\$ 365,352</u>	<u>\$ 240,477</u>	<u>\$ 995,589</u>

CITY OF DADE CITY  
 SCHEDULE OF MATURITIES  
 UTILITY SYSTEM REVENUE BONDS, SERIES 1997

<u>MATURING SEPTEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 14,000	\$ 41,310
2007	15,000	40,680
2008	15,000	40,005
2009	16,000	39,330
2010	17,000	38,610
2011	17,000	37,845
2012	19,000	37,080
2013	19,000	36,225
2014	20,000	35,370
2015	21,000	34,470
2016	22,000	33,525
2017	23,000	32,535
2018	24,000	31,500
2019	25,000	30,420
2020	26,000	29,295
2021	27,000	28,125
2022	29,000	26,910
2023	30,000	25,605
2024	31,000	24,255
2025	33,000	22,860
2026	34,000	21,375
2027	36,000	19,845
2028	37,000	18,225
2029	39,000	16,560
2030	41,000	14,805
2031	42,000	12,960
2032	45,000	11,070
2033	46,000	9,045
2034	49,000	6,975
2035	50,000	4,770
2036	56,000	2,520
	<u>\$ 918,000</u>	<u>\$ 804,105</u>

CITY OF DADE CITY  
 SCHEDULE OF MATURITIES  
 UTILITY SYSTEM REVENUE BONDS, SERIES 1997

<u>MATURING SEPTEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 6,000	\$ 20,550
2007	6,000	20,250
2008	6,000	19,950
2009	7,000	19,650
2010	7,000	19,300
2011	7,000	18,950
2012	8,000	18,600
2013	8,000	18,200
2014	9,000	17,800
2015	9,000	17,350
2016	9,000	16,900
2017	10,000	16,450
2018	10,000	15,950
2019	11,000	15,450
2020	11,000	14,900
2021	12,000	14,350
2022	13,000	13,750
2023	13,000	13,100
2024	14,000	12,450
2025	15,000	11,750
2026	15,000	11,000
2027	16,000	10,250
2028	17,000	9,450
2029	18,000	8,600
2030	19,000	7,700
2031	19,000	6,750
2032	21,000	5,800
2033	21,000	4,750
2034	23,000	3,700
2035	24,000	2,550
2036	27,000	1,350
	<u>\$ 411,000</u>	<u>\$ 407,550</u>

CITY OF DADE CITY  
 SCHEDULE OF MATURITIES  
 UTILITY SYSTEM REVENUE BONDS, SERIES 2002

<u>MATURING NOVEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 330,044	\$ 63,652
2007	341,893	51,804
2008	354,167	39,530
2009	366,882	26,815
2010	380,053	13,644
	<u>\$ 1,773,039</u>	<u>\$ 195,445</u>

CITY OF DADE CITY  
 SCHEDULE OF MATURITIES  
 UTILITY SYSTEM REVENUE BONDS, SERIES 2002

<u>MATURING SEPTEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 14,000	\$ 56,808
2007	14,000	56,178
2008	15,000	55,548
2009	16,000	54,873
2010	17,000	54,153
2011	17,000	53,388
2012	18,000	52,623
2013	19,000	51,813
2014	20,000	50,958
2015	21,000	50,058
2016	22,000	49,113
2017	23,000	48,123
2018	24,000	47,088
2019	25,000	46,008
2020	26,000	44,883
2021	27,000	43,713
2022	28,000	42,498
2023	29,000	41,238
2024	31,000	39,933
2025	32,000	38,538
2026	34,000	37,098
2027	35,000	35,568
2028	37,000	33,993
2029	38,000	32,328
2030	40,000	30,618
2031	42,000	28,818
2032	44,000	26,928
2033	46,000	24,948
2034	48,000	22,878
2035	50,000	20,718
2036	52,000	18,468
2037	55,000	16,128
2038	57,000	13,653
2039	60,000	11,088
2040	62,000	8,388
2041	65,000	5,598
2042	59,400	2,673
	<u>\$ 1,262,400</u>	<u>\$ 1,347,426</u>

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

Honorable City Commission  
City of Dade City  
Dade City, Florida

We have audited the financial statements of the City of Dade City, Florida, as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated December 20, 2005.

We conducted our audit in accordance with United States generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over financial reporting. Disclosures in that report, which is dated December 20, 2005, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit report have been corrected.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Dade City complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

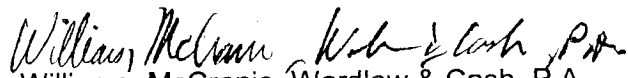
The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City of Dade City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City of Dade City for the fiscal year ended September 30, 2005, 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, 2005.

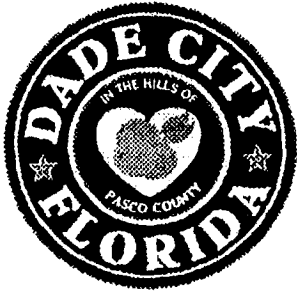
As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the City of Dade City and management, and the State of Florida Office of the Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Williams, McCranie, Wardlow & Cash, P.A.

Inverness, Florida  
December 20, 2005





# CITY OF DADE CITY

*A Proud Heritage, Promising Future*

P. Hutchison Brock, Mayor  
William L. Dennis, Mayor Pro-Tem  
Eunice M. Penix, Commissioner  
Scott Black, Commissioner  
Steve Van Gorden, Commissioner

Harold R. Sample, City Manager  
James D. Class, City Clerk/Finance Dir.  
Karla S. Owens, City Attorney  
Laura Beagles, Assistant to the City Mgr.

March 3, 2006

Honorable William O. Monroe  
Auditor General  
State of Florida  
P. O. Box 1735  
Tallahassee, FL 32302

RE: Management Response to Auditor's Comments

Dear Mr. Monroe:

Pursuant to provisions of "Rules of the Auditor General - Local Government Entity Audits," city management submits the following explanations concerning the auditor's comments:

Action on recommendations made in the preceding annual financial audit report

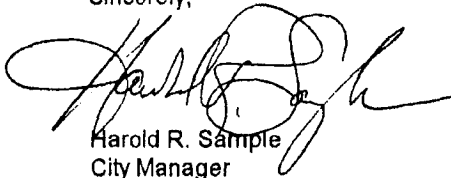
There were no recommendations from the preceding year requiring action.

Recommendations regarding financial management, accounting procedures, internal control and compliance

There were no recommendations made for the current year.

We hope you find these comments in order.

Sincerely,



Harold R. Sample  
City Manager



James D. Class  
City Clerk / Finance Director

CC: Mayor and City Commissioners  
Williams, McCranie, Wardlow & Cash, P. A.