

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

**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION  
LOAN No. DW510400**

**SPECIAL PURPOSE STATEMENT OF LOAN RECEIPTS  
AND EXPENDITURES – BUDGET AND ACTUAL**

**FOR THE PERIOD NOVEMBER 30, 2009 (DATE OF LOAN INCEPTION)  
THROUGH OCTOBER 4, 2011**

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INDEPENDENT AUDITOR'S REPORT

Honorable City Commission  
City of Dade City  
Dade City, Florida

We have audited the accompanying special purpose statement of loan receipts and expenditures – budget and actual of the City of Dade City, Florida, Florida Department of Environmental Protection Loan No. DW510400 for the period November 30, 2009 (date of loan inception) through October 4, 2011. This special purpose financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this special purpose financial statement based on our audit.

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

The accompanying special- purpose financial statement was prepared for the purpose of complying with the rules and regulations of the Florida Department of Environmental Protection as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. general accepted accounting principles.

In our opinion, the special purpose statement of loan revenues and expenditures – budget and actual referred to above presents fairly, in all material respects, the loan receipts and expenditures – budget and actual of the City's Florida Department of Environmental Protection Loan No. DW510400 for the period from November 30, 2009 (date of loan inception) through October 4, 2011, in conformity with the basis of accounting described in Note 2.

Honorable City Commission  
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In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2012, on our consideration of City of Dade City, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

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

Inverness, Florida  
October 15, 2012

CITY OF DADE CITY, FLORIDA  
 FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION  
 LOAN No. DW510400  
 SPECIAL PURPOSE STATEMENT OF LOAN RECEIPTS  
 AND EXPENDITURES - BUDGET AND ACTUAL  
 FOR THE PERIOD OF NOVEMBER 30, 2009 (DATE OF LOAN INCEPTION)  
 THROUGH OCTOBER 4, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>
RECEIPTS		
STATE OF FLORIDA LOAN PROCEEDS	\$ 1,468,135	\$ 1,468,135
LOAN FUNDS USED FOR CAPITALIZED INTEREST	2,708	2,708
TOTAL RECEIPTS	<u>1,470,843</u>	<u>1,470,843</u>
EXPENDITURES		
CONSTRUCTION AND DEMOLITION	1,350,237	1,350,237
TECHNICAL SERVICES DURING CONSTRUCTION	117,898	117,898
CAPITALIZED INTEREST	2,708	2,708
TOTAL EXPENDITURES	<u>1,470,843</u>	<u>1,470,843</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the special purpose financial statements



City of Dade City, Florida  
Florida Department of Environmental Protection  
Loan No. DW510400  
Notes to Special Purpose Statement of Loan  
Receipts and Expenditures – Budget and Actual  
For the Period November 30, 2009 (Date of Loan Inception)  
Through October 4, 2011

#### **NOTE 1 – GENERAL**

The City of Dade City, Florida (the “City”) is a municipality of the State of Florida. The City provides a variety of municipal services, including public safety, sanitation, recreation, water, sewer, and cemetery services. The City has completed a project to expand its water distribution system. This project was funded by a loan agreement with the Florida Department of Environmental Protection (FDEP).

#### **NOTE 2 – BASIS OF ACCOUNTING**

This special purpose statement of loan receipts and expenditures – budget and actual is prepared on the basis of accounting prescribed by the FDEP in order to comply with Loan No. DW510400. Under this basis, loan proceeds are recognized as revenues when monies are received. Expenditures are recognized when incurred. This special purpose financial statement of loan receipts and expenditures – budget and actual, covers only the loan activity for the project described in the loan agreement and is not representative of the City’s Water Utility Fund taken as a whole.

#### **NOTE 3 – LOAN COVENANTS**

The loan agreement described above provides for:

- The City to maintain rates and charges for the services furnished by the water and sewer system to provide pledged revenue at least equal to 1.15 times the sum of payments due in such fiscal year. For the City’s fiscal year ending September 30, 2011, the City met this coverage ratio.
- Deposits made each month to the debt service account for an amount equal to one-sixth (1/6) of the next semiannual loan payment. As of October 4, 2011, the City’s debt service account was adequately funded.
- The City is not required to establish a loan payment reserve account for this loan.

City of Dade City, Florida  
Florida Department of Environmental Protection  
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Notes to Special Purpose Statement of Loan  
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**NOTE 4 – CAPITALIZED INTEREST**

Capitalized interest represents interest cost that is compounded annually and accrues from the time loan disbursements are made through six months prior to when the first semiannual loan payment is due.

**NOTE 5 – CONTINGENCY**

The loan revenue amount from FDEP is subject to audit and adjustment. If any expenditures are disallowed by the FDEP as the result of such an audit, any claim for reimbursement to the FDEP would become a liability of the City. In the opinion of management, all loan expenditures are in compliance with the terms of the loan agreement and Chapter 62-503 of the Florida Administrative Code.

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards

Honorable City Commission  
City of Dade City  
Dade City, Florida

We have audited the accompanying special purpose statement of loan receipts and expenditures – budget and actual of the City of Dade City, Florida, Florida Department of Environmental Protection Loan No.DW510400 for the period November 30, 2009 (date of loan inception) through October 4, 2011 and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the city of Dade City, Florida, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the city of Dade City, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dade City, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dade City, Florida's internal control over financial reporting.

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

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

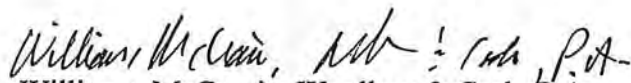


Honorable City Commission  
City of Dade City

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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.

This report is intended solely for the information and use of the City's management, City Council and the Florida Department of Environmental Protection 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  
October 15, 2012