

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

**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Dade City, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Dade City, Florida'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dade City, Florida as of September 30, 2011, 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 June 26, 2012 on our consideration of the 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 *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dade City, Florida's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Dade City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance 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.

*William McCraw, Wauhatchee, P.A.*

Inverness, Florida  
June 26, 2012

## **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, 2010 through September 30, 2011. 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 \$2.6 million to \$33.4 million.
- Governmental activities had program revenues including grants of \$1,296,389, general revenues of \$5,009,064, and net transfers of (\$168,141). Total expenses were \$4,920,248.
- Business-type activities had program revenues including grants of \$3,680,980, general revenues of \$82,756, and net transfers of \$58,855. Total expenses were \$2,488,000.
- The County-wide one-cent infrastructure surtax, which was effective January 1, 2005, generated revenues of \$517,348, an increase of \$48,672 from the previous year.
- The City did not enter into any capital lease agreements during the fiscal year and paid \$115,686 in capital lease reductions, for a remaining balance of \$75,158. Three capital leases were paid in full during the year. The City made principal payments of \$323,791 on notes issued to finance an automated meter reading system and utility system improvements. The City received additional loan disbursements of \$421,726 (not including capitalized interest), leaving an outstanding balance of \$1,699,006 at the end of the fiscal year. There was \$2,365,400 in utility revenue bonds remaining at year end.

### **USING THIS REPORT**

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

The financial statements consist of four parts:

- Government-wide financial statements – These statements report information about Dade City as a whole and have a longer-term viewpoint. The Statement of Net 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 \$33.4 million of net assets for the total primary government. The primary government has two parts, governmental activities and business-type 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 53%, or \$17.7 million, of total net assets. An additional \$4.7 million, or 14%, of net assets are legally restricted for certain purposes and uses. The balance of \$11 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-type activities		Total Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	11,245,803	10,074,467	6,465,394	5,740,289	17,711,197	15,814,756
Capital assets	4,975,728	5,067,953	16,896,330	16,168,886	21,872,058	21,236,839
<b>Total assets</b>	<b>16,221,531</b>	<b>15,142,420</b>	<b>23,361,724</b>	<b>21,909,175</b>	<b>39,583,255</b>	<b>37,051,595</b>
Liabilities:						
Current and other liabilities	198,060	247,856	607,224	544,237	805,284	792,093
Long-term liabilities	803,950	891,809	4,565,201	4,510,230	5,369,151	5,402,039
<b>Total liabilities</b>	<b>1,002,010</b>	<b>1,139,665</b>	<b>5,172,425</b>	<b>5,054,467</b>	<b>6,174,435</b>	<b>6,194,132</b>
Net assets:						
Invested in capital, net of debt	4,919,193	4,904,383	12,813,301	12,136,849	17,732,494	17,041,232
Restricted	3,371,589	2,797,723	1,309,014	1,481,728	4,680,603	4,298,800
Unrestricted	6,928,739	6,300,649	4,066,984	3,236,131	10,995,723	9,536,780
<b>Total net assets</b>	<b>15,219,521</b>	<b>14,002,755</b>	<b>18,189,299</b>	<b>16,854,708</b>	<b>33,408,820</b>	<b>30,876,812</b>

Dade City also has a component unit, the Community Redevelopment Agency, which has net assets of \$862,090. This represents an increase of \$59,775, since agency expenses for the year declined significantly from the previous year and were less than the revenues from the tax increment financing by the City and County. These assets are restricted for specific purposes within the defined redevelopment area.

Excluding the component unit, the total primary government had an increase of \$2.5 million in net assets as a result of activities during the fiscal year. Governmental activities had an operating surplus of \$1,387,525, while net transfers and loss on sale of assets decreased assets by \$170,461, creating a net increase of \$1,217,064. Compared to the previous year, operating results decreased by \$180,692 while net transfers and losses on sales of assets also decreased by \$165,997, for a net decline of \$29,215 over last year's results. Increases in charges for services and reductions in program expenses were offset by lower property tax receipts and grant revenues. Business-type activities had an increase in net assets of \$1,334,591 which includes a \$58,855 net transfer in from governmental activities. The \$835,604 decline in the change to the net assets of business-type activities over the previous year's results is due primarily to less grant funding received in the current year.

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

## CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type activities		Total Government	
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program revenues:						
Charges for services	1,056,427	893,468	3,414,990	3,346,407	4,471,417	4,239,875
Operating grants	24,867	137,181	265,990	1,068,133	290,857	1,205,314
Capital grants	215,095	409,685	-	-	215,095	409,685
General revenues:						
Property taxes	1,792,262	1,931,811	-	-	1,792,262	1,931,811
Other taxes and fees	2,777,900	2,765,600	-	-	2,777,900	2,765,600
Intergovernmental revenues	298,614	297,370	-	-	298,614	297,370
Other revenues	142,608	146,850	82,756	95,837	225,364	242,687
<b>Total revenues</b>	<b>6,307,773</b>	<b>6,581,965</b>	<b>3,763,736</b>	<b>4,510,377</b>	<b>10,071,509</b>	<b>11,092,342</b>
<b>EXPENSES</b>						
Program expenses:						
General government	990,500	1,204,487	-	-	990,500	1,204,487
Public safety	2,547,239	2,437,981	-	-	2,547,239	2,437,981
Physical environment	257,347	285,046	2,488,000	2,523,402	2,745,347	2,808,448
Transportation	805,825	739,527	-	-	805,825	739,527
Culture and recreation	319,337	332,187	-	-	319,337	332,187
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenses</b>	<b>4,920,248</b>	<b>4,999,228</b>	<b>2,488,000</b>	<b>2,523,402</b>	<b>7,408,248</b>	<b>7,522,630</b>
Excess / (deficiency)	1,387,525	1,582,737	1,275,736	1,986,975	2,663,261	3,569,712
Net transfers	(168,141)	(315,438)	58,855	183,220	(109,286)	(132,218)
Gain(loss) on sale of fixed asset	(2,320)	(21,020)	-	-	(2,320)	(21,020)
<b>Change in net assets</b>	<b>1,217,064</b>	<b>1,246,279</b>	<b>1,334,591</b>	<b>2,170,195</b>	<b>2,551,655</b>	<b>3,416,474</b>
Net assets – October 1, 2009		12,756,178		14,684,513		27,440,691
Net assets – September 30, 2010		<b>14,002,457</b>		<b>16,854,708</b>		<b>30,857,165</b>
Net assets – October 1, 2010	14,002,457		16,854,708		30,857,165	
Net assets – September 30, 2011	<b>15,219,521</b>		<b>18,189,299</b>		<b>33,408,820</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.

The total taxable value in Dade City increased approximately 3.6%, or \$9.2 million; however, if new taxable value of over \$10.7 million is excluded, existing values declined. Despite the overall increase in values, property tax receipts were lower than the previous year. State revenues continue to be negatively impacted by economic conditions and the City received less in grant revenue, but the collection of impact fees increased balances in the non-major governmental funds. The County provides fire suppression services within the City, charging property owners an additional ad valorem tax for that service, which limits the millage rate that the City can charge.

Business-type activities are City services that charge fees to pay the costs of those services. In Dade City, that includes the water and sewer utilities fund as well as the sanitation fund. The utility fund charges rates and fees that pay the costs of providing the water and sewer service. Rates were adjusted in March 2009, the result of a rate study and a facilities plan that determined the revenues needed to keep up with the rising costs of maintaining the utility system and making necessary improvements. The City has been awarded a combination of grant and loan funding



for some utility improvement projects. 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 2011 Budget	Final 2011 Budget	Actual 2011 Results	Actual 2010 Results
<b>REVENUES</b>				
Taxes and special assessments	3,242,130	3,242,130	3,363,529	3,521,774
Permits and fees	87,500	87,500	106,241	83,850
Intergovernmental revenue	5,099,770	888,582	792,106	903,849
Charges for services	40,300	41,950	167,496	125,711
Fines and forfeitures	21,800	31,602	47,518	36,515
Miscellaneous revenue	68,000	78,403	256,277	263,851
Net transfers	1,675,240	1,675,240	368,759	404,882
<b>Total revenues</b>	<b>10,234,740</b>	<b>6,045,407</b>	<b>5,101,926</b>	<b>\$5,340,432</b>
<b>EXPENSES</b>				
Current:				
General government	862,540	891,808	797,603	955,092
Public safety	2,413,702	2,455,297	2,402,814	2,326,086
Physical environment	273,982	275,632	245,394	278,190
Transportation	719,361	828,661	686,620	685,111
Culture and recreation	338,485	342,985	296,054	308,646
Contingency	285,420	196,244	-	-
Capital outlay	5,341,250	1,054,780	29,139	167,046
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenses</b>	<b>10,234,740</b>	<b>6,045,407</b>	<b>4,457,624</b>	<b>4,720,171</b>
<b>Increase (decrease) from operating results</b>	-	-	<b>644,302</b>	<b>605,047</b>

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

- changes to anticipated grant or loan receipts and expenditures,
- the use of forfeiture funds not included in the original budget, and
- the addition of insurance proceeds and refunds along with their allocated uses.

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

- property tax, franchise fee, and utility tax collections that were higher than budget amounts,
- the net appreciation on investments,
- the receipt of some large permit fees from Saint Leo University,
- the project to be funded by transportation impact fees was not started during the year,
- lower operating costs in some departments, and
- positions left unfilled for a portion of the year.

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

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

### **CAPITAL ASSETS**

Dade City lists capital assets totaling \$21.87 million. Most of those assets (\$16.89 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-type activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	631,178	631,178	405,901	405,901	1,037,079	1,037,079
Buildings, Improvements, and Construction in Progress	272,380	251,020	7,002,927	5,934,754	7,275,307	6,185,774
Equipment	817,502	999,330	193,120	285,904	1,010,622	1,285,234
Infrastructure	3,254,668	3,186,425	9,294,382	9,542,327	12,549,050	12,728,752
<b>Totals</b>	<b>4,975,728</b>	<b>5,067,953</b>	<b>16,896,330</b>	<b>16,168,886</b>	<b>21,872,058</b>	<b>21,236,839</b>

### **LONG-TERM DEBT ACTIVITY**

There are seven 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 note to finance the installation of an automated meter reading system in 2007. Finally, the City has three open loan agreements with the State Revolving Fund for water and wastewater system improvements.

Three capital leases were paid in full during the year, leaving two active leases from previous fiscal years, one for six police cars that is paid with infrastructure surtax monies and is scheduled to be paid off in one year, and the second for a utility truck paid with utility revenues that has two years remaining. No new capital leases were initiated during the year.

	Governmental Activities		Business-type activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Notes & bonds	-	-	4,064,406	4,004,763	4,064,406	4,004,763
Capital leases	56,535	163,570	18,623	27,274	75,158	190,844
<b>Totals</b>	<b>56,535</b>	<b>163,570</b>	<b>4,083,029</b>	<b>4,032,037</b>	<b>4,139,564</b>	<b>4,195,607</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. Beginning with fiscal year 2004-2005, Pasco County has been charging a millage amount for fire services inside the City limits. This millage rate is counted against the City's overall millage cap of ten mills, which restricts the millage rate that Dade City will be able to charge for other municipal services.

Current economic conditions continue to stifle new development within the City. Although there have been signs of improvement, a full recovery may still be a few years away, if it occurs at all. The housing market remains weak and recessionary pressures have had negative impacts on property tax revenues, other tax revenues received from the State of Florida, and interest earnings. In general, when new developments do occur, they should initially generate more permit and impact fees; after completion they should also provide increases in tax revenues and charges for services. Although revenues would be increasing, there would also be increases in expenses to provide City services to those developments.

In the coming years, it will be necessary for the City's utility system to undergo both rehabilitation as well as expansion. The City has been pursuing grant and loan program funding for both water and wastewater facilities projects. Several of these projects are likely to be constructed over the next few years. The City increased its utility rates and utility impact fees during the 2008-2009 fiscal year, but will need to monitor revenues to ensure adequate funding for the current and future operation of the system.

In 2004, the voters of Pasco County approved a local government infrastructure surtax, which adds an additional penny to the County sales tax rate through December 2014. These funds are shared by the County, the School Board, and the municipalities within the County, and may only be used for infrastructure improvements. A referendum is planned for November 2012 to ask voters to renew the tax for another ten years. If the referendum fails, proposed infrastructure projects may be cancelled or delayed while other funding is sought.

Increased pension funding requirements, rising fuel prices, and potential federal and state legislation could have significant impacts on future budgets, reducing the resources available to maintain the levels of services that the City is providing.

CITY OF DADE CITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMMUNITY REDEVELOPMENT
Assets:				
Cash and cash equivalents	\$ 7,676,192	\$ 4,273,460	\$ 11,949,652	\$ 862,990
Investments	3,291,827	1,490,078	4,781,905	-
Receivables ( net )	125,527	696,982	822,509	40,136
Inventories	-	29,136	29,136	-
Due from other governments	127,095	-	127,095	-
Internal balances	25,162	(24,262)	900	(900)
Capital assets:				
Land, improvements, and construction in progress	631,178	7,335,168	7,966,346	-
Other capital assets, net of depreciation	4,344,550	9,561,162	13,905,712	-
Total capital assets	4,975,728	16,896,330	21,872,058	-
Total assets	16,221,531	23,361,724	39,583,255	902,226
Liabilities:				
Accounts payable and accrued expenses	146,768	507,343	654,111	40,136
Retainage payable	-	99,881	99,881	-
Deposits	51,292	-	51,292	-
Long-term liabilities:				
Due within one year				
Leases payable	56,535	9,085	65,620	-
Bonds payable	-	45,000	45,000	-
Notes payable	-	159,036	159,036	-
Compensated absences	140,927	12,584	153,511	-
Due in more than one year				
Bonds payable	-	2,320,400	2,320,400	-
Leases payable	-	9,538	9,538	-
Notes payable	-	1,539,970	1,539,970	-
Landfill closure costs	27,960	-	27,960	-
Customer deposits	-	419,252	419,252	-
OPEB liability	14,520	-	14,520	-
Compensated absences	564,008	50,336	614,344	-
Total liabilities	1,002,010	5,172,425	6,174,435	40,136
Net Assets				
Invested in capital assets, net of related debt	4,919,193	12,813,301	17,732,494	-
Restricted for:				
Capital projects	3,371,589	-	3,371,589	-
Other purposes	-	1,309,014	1,309,014	862,090
Unrestricted	6,928,739	4,066,984	10,995,723	-
Total net assets	\$ 15,219,521	\$ 18,189,299	\$ 33,408,820	\$ 862,090

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, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		COMPONENT UNITS
				GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Primary government:						
General government	\$ 990,500	\$ 95,099	\$ 9,396	\$ (886,005)	\$ -	\$ -
Public safety	2,547,239	97,897	15,471	(2,433,871)	-	(2,433,871)
Physical environment	257,347	706,483	-	664,231	-	664,231
Transportation	805,825	156,948	-	(648,877)	-	(648,877)
Culture and recreation	319,337	-	-	(319,337)	-	(319,337)
Total governmental activities	4,920,248	1,056,427	24,867	(3,623,859)	-	(3,623,859)
Business-Type Activities:						
Sanitary landfill	214,152	230,200	-	-	16,048	16,048
Public utility	2,273,848	3,184,790	265,990	-	1,176,932	1,176,932
Total business-type activities	2,488,000	3,414,990	265,990	-	1,192,980	1,192,980
Total primary government	\$ 7,408,248	\$ 4,471,417	\$ 290,857	(3,623,859)	1,192,980	(2,430,879)
Component units:						
Community redevelopment	\$ 155,295	\$ -	\$ -			(155,295)
Total component units	\$ 155,295	\$ -	\$ -			(155,295)
General Revenues						
Taxes:						
Property taxes				1,792,262	-	1,792,262
Sales taxes				1,002,192	-	1,002,192
Gas taxes				266,588	-	266,588
Franchise fees				629,459	-	629,459
Communication tax				257,658	-	257,658
Utility tax				622,003	-	622,003
Intergovernmental revenues				298,614	-	298,614
Investment income				142,608	57,006	199,614
Loss on sale of fixed assets				(2,320)	-	(2,320)
Miscellaneous				-	25,750	25,750
Transfers				(168,141)	58,855	(109,286)
Total General Revenues and Transfers				4,840,923	141,611	4,982,534
Change in Net Assets				1,217,064	1,334,591	2,551,655
Net Assets at Beginning of Year				14,002,457	16,854,708	30,857,165
Net Assets at End of Year				\$ 15,219,521	\$ 18,189,299	\$ 33,408,820
						\$ 862,090

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

CITY OF DADE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>			
Cash	\$ 4,707,600	\$ 2,968,592	\$ 7,676,192
Investments	3,291,827	-	3,291,827
Accounts receivable (net of allowance for uncollectible accounts)	114,327	-	114,327
Special assessments receivable	11,200	-	11,200
Due from other funds	25,162	317,830	342,992
Due from other governments	73,804	53,291	127,095
<b>TOTAL ASSETS</b>	<b>\$ 8,223,920</b>	<b>\$ 3,339,713</b>	<b>\$ 11,563,633</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 146,768	\$ -	\$ 146,768
Accrued liabilities and compensated absences	140,927	-	140,927
Due to other funds	317,830	-	317,830
Deposits	51,292	-	51,292
<b>Total Liabilities</b>	<b>656,817</b>	<b>-</b>	<b>656,817</b>
Fund Balance:			
Restricted for:			
Building permit fees	104,951	-	104,951
Bond covenants	381,454	-	381,454
Public safety	-	37,041	37,041
Police education	4,791	-	4,791
Forfeiture fund	2,988	-	2,988
Special revenue	-	3,302,672	3,302,672
Committed to:			
Reserve policy	5,431,933	-	5,431,933
Tree fund	4,160	-	4,160
Park & recreation	5,799	-	5,799
Masoleum care	14,137	-	14,137
Assigned:			
PO encumbrances	8,653	-	8,653
Budgeted reserve	223,032	-	223,032
Unassigned	1,385,205	-	1,385,205
<b>Total Fund Balances</b>	<b>7,567,103</b>	<b>3,339,713</b>	<b>10,906,816</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,223,920</b>	<b>\$ 3,339,713</b>	<b>\$ 11,563,633</b>

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, 2011

Amounts reported for governmental activities in the Statement of Net  
Assets are different because:

Total fund balance of governmental funds	\$ 10,906,816
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The costs of the assets are \$8,687,883 and the accumulated depreciation is \$3,712,155	4,975,728
---	-----------

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	(27,960)	
Capital leases	(56,535)	
OPEB liability	(14,520)	
Compensated absences	(564,008)	(663,023)

Net assets of governmental activities	<u>\$ 15,219,521</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, 2011

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues :			
Taxes and special assessments	\$ 3,301,382	\$ 781,840	\$ 4,083,222
Licenses and permits	142,466	-	142,466
Intergovernmental revenue	792,106	215,095	1,007,201
Charges for services	161,101	-	161,101
Fines and forfeitures	53,709	-	53,709
Miscellaneous revenue	282,404	2,127	284,531
Impact fees	-	575,542	575,542
Total Revenues	<u>4,733,168</u>	<u>1,574,604</u>	<u>6,307,772</u>
Expenditures :			
Current:			
General government	797,604	133,573	931,177
Public safety	2,402,814	-	2,402,814
Physical environment	245,394	-	245,394
Transportation	686,619	-	686,619
Culture and recreation	296,054	-	296,054
Capital outlay	29,139	212,497	241,636
Debt Service:			
Principal retirement	-	107,035	107,035
Interest and fiscal charges	-	6,232	6,232
Total Expenditures	<u>4,457,624</u>	<u>459,337</u>	<u>4,916,961</u>
Excess of Revenues Over Expenditures	275,544	1,115,267	1,390,811
Other Financing Sources ( Uses ) :			
Transfers in	478,046	-	478,046
Transfers out	(109,287)	(536,900)	(646,187)
Total Other Financing Sources ( Uses )	<u>368,759</u>	<u>(536,900)</u>	<u>(168,141)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	644,303	578,367	1,222,670
Fund Balances - October 1	6,922,800	2,761,346	9,684,146
Fund Balances - September 30	<u>\$ 7,567,103</u>	<u>\$ 3,339,713</u>	<u>\$ 10,906,816</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, 2011

Amounts reported for governmental activities in the Statement  
 of Net Assets are different because:

Net change in fund balances - total governmental funds	\$ 1,222,670
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current year.	241,636
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Depreciation expense on capital assets is reported in the government-wide Statement of Activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(331,541)
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The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(2,320)
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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 debt and related items are:

Principal repayments	107,035
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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:

Compensated absences	(5,896)	
OPEB Liabilities	(14,520)	(20,416)

Change in net assets of governmental activities	<u>\$ 1,217,064</u>
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CITY OF DADE CITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE ( NEGATIVE )
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	
	ORIGINAL	FINAL		
Revenues :				
Taxes and special assessments	\$ 3,216,430	\$ 3,216,430	\$ 3,301,382	\$ 84,952
Licenses and permits	87,500	87,500	142,466	54,966
Intergovernmental revenue	888,582	888,582	792,106	(96,476)
Charges for services	40,300	41,950	161,101	119,151
Fines and forfeitures	21,800	31,602	53,709	22,107
Miscellaneous revenue	93,700	104,103	282,404	178,301
Total Revenues	4,348,312	4,370,167	4,733,168	363,001
Expenditures :				
Current:				
General government	862,540	891,808	797,604	94,204
Public safety	2,413,702	2,455,297	2,402,814	52,483
Physical environment	273,982	275,632	245,394	30,238
Transportation	729,361	828,661	686,619	142,042
Culture and recreation	338,485	342,985	296,054	46,931
Contingency	275,420	196,244	-	196,244
Capital outlay	5,341,250	1,054,780	29,139	1,025,641
Total Expenditures	10,234,740	6,045,407	4,457,624	1,587,783
Excess of Revenues Over ( Under ) Expenditures	(5,886,428)	(1,675,240)	275,544	1,950,784
Other Financing Sources ( Uses ) :				
Transfers in	1,675,240	1,675,240	478,046	(1,197,194)
Transfers out	-	-	(109,287)	(109,287)
Total Other Financing Sources ( Uses )	1,675,240	1,675,240	368,759	(1,306,481)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(4,211,188)	-	644,303	644,303
Fund Balances - October 1	6,922,800	6,922,800	6,922,800	-
Fund Balances - September 30	\$ 2,711,612	\$ 6,922,800	\$ 7,567,103	\$ 644,303

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, 2011

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

**ASSETS**

Current Assets:

Cash	\$ 2,324,013	\$ 640,433	\$ 2,964,446
Investments	1,490,078	-	1,490,078
Accounts receivable ( net of allowance for uncollectible accounts )	685,371	11,611	696,982
Inventory	29,136	-	29,136
Total Current Assets	<u>4,528,598</u>	<u>652,044</u>	<u>5,180,642</u>

Restricted Assets:

Cash	1,279,484	29,530	1,309,014
Total Restricted Assets	<u>1,279,484</u>	<u>29,530</u>	<u>1,309,014</u>

Property and equipment, net of accumulated  
depreciation and amortization

16,896,330	-	16,896,330
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Total Assets	<u>\$ 22,704,412</u>	<u>\$ 681,574</u>	<u>\$ 23,385,986</u>
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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, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>PUBLIC UTILITY</b>	<b>NONMAJOR ENTERPRISE FUND</b>	<b>TOTAL</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities ( payable from current assets ):			
Accounts payable	\$ 477,447	\$ 20,600	\$ 498,047
Compensated absences	12,584	-	12,584
Retainage payable	99,881	-	99,881
Due to other funds	24,262	-	24,262
Capital lease, current portion	9,085	-	9,085
Notes payable, current portion	159,036	-	159,036
Revenue refunding bonds payable, current portion	45,000	-	45,000
Total Current Liabilities ( payable from current assets )	827,295	20,600	847,895
Current Liabilities ( payable from restricted assets ):			
Accrued liabilities	9,296	-	9,296
Total Current Liabilities ( payable from restricted assets )	9,296	-	9,296
Long - term Liabilities, less current portion			
Compensated absences	50,336	-	50,336
Capital lease, net of current portion	9,538	-	9,538
Notes payable, net of current portion	1,539,970	-	1,539,970
Payable from restricted assets- customer deposits	419,252	-	419,252
Revenue refunding bonds, net of current portion	2,320,400	-	2,320,400
Total Long - Term Liabilities	4,339,496	-	4,339,496
Total Liabilities	5,176,087	20,600	5,196,687
Net Assets:			
Invested in capital assets, net of related debt	12,813,301	-	12,813,301
Restricted for			
Debt service	850,936	-	850,936
Customer deposits	419,252	-	419,252
Accrued liabilities	9,296	-	9,296
Closure and postclosure costs	-	29,530	29,530
Unrestricted	3,435,540	631,444	4,066,984
Total Net Assets	17,528,325	660,974	18,189,299
Total Liabilities and Net Assets	\$ 22,704,412	\$ 681,574	\$ 23,385,986

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

CITY OF DADE CITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>PUBLIC UTILITY</b>	<b>NONMAJOR ENTERPRISE FUND</b>	<b>TOTALS</b>
Operating Revenues :			
Charges for services	\$ 3,184,790	\$ 230,200	\$ 3,414,990
Total Operating Revenues	<u>3,184,790</u>	<u>230,200</u>	<u>3,414,990</u>
Operating Expenses :			
Personal services	582,869	-	582,869
Contractual services	456,602	188,514	645,116
General operating	651,558	19,738	671,296
Depreciation	410,011	5,900	415,911
Total Operating Expenses	<u>2,101,040</u>	<u>214,152</u>	<u>2,315,192</u>
Operating Income	1,083,750	16,048	1,099,798
Nonoperating Revenues ( Expenses )			
Other income	8,455	17,295	25,750
Operating grants	265,990	-	265,990
Unrealized gain on investments	28,027	-	28,027
Interest income	28,588	391	28,979
Interest expense	(172,808)	-	(172,808)
Total Nonoperating Revenues ( Expenses )	<u>158,252</u>	<u>17,686</u>	<u>175,938</u>
Income Before Transfers	1,242,002	33,734	1,275,736
Transfers in (out)	<u>70,555</u>	<u>(11,700)</u>	<u>58,855</u>
Change in Net Assets	1,312,557	22,034	1,334,591
Net Assets - Beginning	16,215,768	638,940	16,854,708
Net Assets - Ending	<u>\$ 17,528,325</u>	<u>\$ 660,974</u>	<u>\$ 18,189,299</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, 2011

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

	<b>PUBLIC UTILITY</b>	<b>NONMAJOR ENTERPRISE FUND</b>	<b>TOTALS</b>
Cash flows from operating activities :			
Cash received from customers	\$ 3,430,230	\$ 231,013	\$ 3,661,243
Cash payments to suppliers for goods and services	(1,042,332)	(202,934)	(1,245,266)
Cash payments to employees for services	(582,869)	-	(582,869)
Net cash provided by operating activities	1,805,029	28,079	1,833,108
Cash flows from noncapital financing activities :			
Other income	8,474	17,295	25,769
Operating grants received	265,990	-	265,990
Transfers from (to) other funds	70,555	(11,700)	58,855
Net cash provided by noncapital financing activities	345,019	5,595	350,614
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,143,354)	-	(1,143,354)
Principal paid on debt	(373,433)	-	(373,433)
Proceeds from debt	424,434	-	424,434
Interest paid	(172,808)	-	(172,808)
Net cash used in capital and related financing activities	(1,265,161)	-	(1,265,161)
Cash flows from investing activities :			
Purchase of investments	(236,158)	-	(236,158)
Interest on investments	28,588	391	28,979
Net cash provided by (used in) investing activities	(207,570)	391	(207,179)
Net increase in cash	677,317	34,065	711,382
Cash at beginning of year	2,926,180	635,898	3,562,078
Cash at end of year	\$ 3,603,497	\$ 669,963	\$ 4,273,460
Classified as:			
Cash	\$ 2,324,013	\$ 640,433	\$ 2,964,446
Restricted cash	1,279,484	29,530	1,309,014
Total	\$ 3,603,497	\$ 669,963	\$ 4,273,460

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, 2011

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>PUBLIC UTILITY</b>	<b>NONMAJOR ENTERPRISE FUND</b>	<b>TOTALS</b>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,083,750	\$ 16,048	\$ 1,099,798
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	410,011	5,900	415,911
Changes in assets and liabilities :			
Decrease (Increase) in accounts receivable	(15,715)	813	(14,902)
Decrease in due from other governments	261,155	-	261,155
Increase in accounts payable	267,928	5,318	273,246
Increase in due to other funds	4,209	-	4,209
Decrease in accrued liabilities	(5,655)	-	(5,655)
Increase in customer deposits	9,634	-	9,634
Decrease in retainage payable	(210,288)	-	(210,288)
Total Adjustments	721,279	12,031	733,310
Net cash provided by operating activities	<u>\$ 1,805,029</u>	<u>\$ 28,079</u>	<u>\$ 1,833,108</u>

CITY OF DADE CITY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011

	<b>FIREFIGHTERS' PENSION</b>	<b>POLICE OFFICERS' PENSION</b>	<b>TOTAL</b>
<u>ASSETS</u>			
Cash	\$ 280,149	\$ 371,704	\$ 651,853
Investments	3,779,187	5,380,974	9,160,161
Accounts receivable, net of allowance for uncollectible accounts	45,689	240	45,929
Total Assets	<u>\$ 4,105,025</u>	<u>\$ 5,752,918</u>	<u>\$ 9,857,943</u>
<u>LIABILITIES AND NET ASSETS</u>			
Net assets held in trust for pension benefits	\$ 4,105,025	\$ 5,752,918	\$ 9,857,943
Total Net Assets	<u>\$ 4,105,025</u>	<u>\$ 5,752,918</u>	<u>\$ 9,857,943</u>

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, 2011

	<u>FIREFIGHTERS'</u> <u>PENSION</u>	<u>POLICE</u> <u>OFFICERS'</u> <u>PENSION</u>	<u>TOTAL</u>
<u>ADDITIONS</u>			
Contributions:			
Employee	\$ 3,625	\$ 10,088	\$ 13,713
City	106,862	164,688	271,550
Insurance premium tax	55,248	78,109	133,357
Total Contributions	<u>165,735</u>	<u>252,885</u>	<u>418,620</u>
Investment income:			
Interest and dividends	107,051	161,414	268,465
Gain on sale of assets	226,742	389,024	615,766
Net depreciation in fair value of investments	<u>(301,230)</u>	<u>(476,388)</u>	<u>(777,618)</u>
Total Investment Income	<u>32,563</u>	<u>74,050</u>	<u>106,613</u>
Less investment expense	<u>(42,996)</u>	<u>(60,642)</u>	<u>(103,638)</u>
Net investment income	<u>(10,433)</u>	<u>13,408</u>	<u>2,975</u>
Total Additions	<u>155,302</u>	<u>266,293</u>	<u>421,595</u>
<u>DEDUCTIONS</u>			
Retirement and disability benefits	<u>163,172</u>	<u>531,771</u>	<u>694,943</u>
Total Deductions	<u>163,172</u>	<u>531,771</u>	<u>694,943</u>
Change in net assets	(7,870)	(265,478)	(273,348)
Net assets held in trust for pension benefits:			
Beginning of year	<u>4,112,895</u>	<u>6,018,396</u>	<u>10,131,291</u>
End of year	<u>\$ 4,105,025</u>	<u>\$ 5,752,918</u>	<u>\$ 9,857,943</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, 2011

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, 2011

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, 2011

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, 2011

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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following is reported as a major enterprise fund:

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

The City also reports the following funds:

Fiduciary Funds – These are trust funds used to account for assets held by the City in a trustee capacity. The City maintains two Fiduciary Funds; 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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Information (Continued)

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.

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.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation were reported in the financial statements prior to the implementation of GASB 34. 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 any 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, 2011

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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Government-wide and proprietary fund net assets

As of September 30, 2011, net assets are classified as follows:

Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets – consists of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net assets are reported in this category.

O. Governmental fund balances

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

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

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used only for specific purposes determined by a formal action of City Council – the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

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

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Governmental fund balances (continued)

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

NOTE 2 - CASH AND INVESTMENTS

At September 30, 2011, 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	\$ 10,640,638	\$ -	\$ 10,640,638
Restricted Cash	1,309,014	651,853	1,960,867
Total	<u>\$ 11,949,652</u>	<u>\$ 651,853</u>	<u>12,601,505</u>
Component Unit:			
Cash			862,990
Total			<u>862,990</u>
Total			<u>\$ 13,464,495</u>

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2011, 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
Corporate stocks	\$ 6,490,678	\$ 6,490,678	\$ -	\$ -	\$ -
U.S. agencies	3,003,795	-	-	-	3,003,795
U.S. treasuries	3,178,567	1,522,112	1,486,766	169,689	-
Corporate bonds	746,277	-	420,298	325,979	-
Mortgage-backed securities	272,768	-	-	-	272,768
Certificate of deposit	249,981	199,963	50,018	-	-
Total	<u>\$ 13,942,066</u>	<u>\$ 8,212,753</u>	<u>\$ 1,957,082</u>	<u>\$ 495,668</u>	<u>\$ 3,276,563</u>

Investments are reflected in the financial statements as follows:

Governmental funds	\$ 3,291,827
Enterprise funds	1,490,078
Fiduciary Funds:	
Pension Trust	9,160,161
Total Primary Government	<u>\$ 13,942,066</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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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.

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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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

Investment Type	Moody Ratings											Total
	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Other	
Corporate stocks	1%	-	1%	2%	7%	6%	8%	6%	3%	2%	10%	46%
U.S. agencies	22%	-	-	-	-	-	-	-	-	-	-	22%
U.S. treasuries	23%	-	-	-	-	-	-	-	-	-	-	23%
Corporate bonds	-	-	-	-	-	3%	2%	1%	1%	-	-	7%
Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	0%
Certificates of deposit	-	-	-	-	1%	-	-	-	-	-	1%	2%
Total	46%	-	1%	2%	8%	9%	10%	7%	4%	2%	11%	100%

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 interest 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, 2011.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, at September 30, 2011 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	\$ 125,527	\$ -	\$ 125,527
Utility Fund	739,304	42,322	696,982
Total Primary Government	<u>\$ 864,831</u>	<u>\$ 42,322</u>	<u>\$ 822,509</u>

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:

	Interfund Receivable	Interfund Payable
Governmental activities:		
General Fund	\$ 25,162	\$ 317,830
Nonmajor governmental funds	317,830	-
Business-type activities:		
Public Utility	-	24,262
Component Unit	-	900
Total Due To/Due From Other Funds	<u>\$ 342,992</u>	<u>\$ 342,992</u>

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

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers:

Individual interfund transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ 478,046	\$ 109,287
Nonmajor governmental funds	-	536,900
Business-type activities:		
Public Utility	270,555	200,000
Nonmajor Enterprise Fund	-	11,700
Component Unit	109,286	-
Total Transfers In/Transfers Out	<u>\$ 857,887</u>	<u>\$ 857,887</u>

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 631,178	\$ -	\$ -	\$ 631,178
Infrastructure	2,636,781	-	-	2,636,781
Total capital assets, not being depreciated	<u>3,267,959</u>	<u>-</u>	<u>-</u>	<u>3,267,959</u>
Capital assets, being depreciated:				
Infrastructure	578,627	98,522	-	677,149
Buildings	1,250,086	41,995	-	1,292,081
Machinery and Equipment	3,424,831	101,119	75,256	3,450,694
Total capital assets being depreciated	<u>5,253,544</u>	<u>241,636</u>	<u>75,256</u>	<u>5,419,924</u>
Less accumulated depreciation for:				
Infrastructure	28,983	30,279	-	59,262
Buildings	999,066	20,635	-	1,019,701
Machinery and Equipment	2,425,501	280,627	72,936	2,633,192
Total accumulated depreciation	<u>3,453,550</u>	<u>331,541</u>	<u>72,936</u>	<u>3,712,155</u>
Total capital assets, being depreciated, net	<u>1,799,994</u>	<u>(89,905)</u>	<u>2,320</u>	<u>1,707,769</u>
Governmental activities capital assets, net	<u>\$ 5,067,953</u>	<u>\$ (89,905)</u>	<u>\$ 2,320</u>	<u>\$ 4,975,728</u>



CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 405,901	\$ -	\$ -	\$ 405,901
Construction in Progress	5,847,509	1,081,758	-	6,929,267
Total capital assets, not being depreciated	6,253,410	1,081,758	-	7,335,168
Capital assets, being depreciated:				
Buildings	334,740	-	-	334,740
Infrastructure	14,433,607	20,537	-	14,454,144
Machinery and Equipment	2,616,818	41,060	-	2,657,878
Total capital assets being depreciated	17,385,165	61,597	-	17,446,762
Less accumulated depreciation for:				
Buildings	247,495	13,585	-	261,080
Infrastructure	4,891,280	268,482	-	5,159,762
Machinery and Equipment	2,330,914	133,844	-	2,464,758
Total accumulated depreciation	7,469,689	415,911	-	7,885,600
Total capital assets, being depreciated, net	9,915,476	(354,314)	-	9,561,162
Business-Type activities capital assets, net	<u>\$ 16,168,886</u>	<u>\$ 727,444</u>	<u>\$ -</u>	<u>\$ 16,896,330</u>

Depreciation expense was charged to functions as follows:

Government activities:	
General government	\$ 25,090
Public Safety	163,932
Physical Environment	7,634
Transportation	112,404
Culture and Recreation	22,481
Total depreciation for governmental activities	<u>\$ 331,541</u>
Business-type activities:	
Physical Environment	<u>\$ 415,911</u>
Total depreciation for business-type activities	<u>\$ 415,911</u>

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The major components of accounts payable and accrued expenses as of September 30, 2011, were as follows:

	Governmental Activities		Business-Type Activities		
	General Fund	Nonmajor Funds	Public Utility Fund	Nonmajor Funds	Total
Suppliers	\$ 146,768	\$ -	\$ 477,447	\$ 20,600	\$ 644,815
Interest	-	-	9,296	-	9,296
	<u>\$ 146,768</u>	<u>\$ -</u>	<u>\$ 486,743</u>	<u>\$ 20,600</u>	<u>\$ 654,111</u>

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
Governmental Activities:					
Capital Leases	\$ 163,570	\$ -	\$ 107,035	\$ 56,535	\$ 56,535
Landfill Closure/Post Closure	27,960	-	-	27,960	-
Compensated Absences	700,279	4,656	-	704,935	140,927
Total	<u>\$ 891,809</u>	<u>\$ 4,656</u>	<u>\$ 107,035</u>	<u>\$ 789,430</u>	<u>\$ 197,462</u>
Business-Type Activities:					
Notes Payable	\$ 1,598,363	\$ 424,434	\$ 323,791	\$ 1,699,006	\$ 159,036
Bonds Payable	2,406,400	-	41,000	2,365,400	45,000
Capital leases	27,274	-	8,651	18,623	9,085
Compensated Absences	68,575	-	5,655	62,920	12,584
Customer Deposits	409,618	9,634	-	419,252	-
Total	<u>\$ 4,510,230</u>	<u>\$ 434,068</u>	<u>\$ 379,097</u>	<u>\$ 4,565,201</u>	<u>\$ 225,705</u>

Notes Payable

Business-Type Activities:

The following is a schedule of notes outstanding at September 30, 2011:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Notes Payable:				
Meter System Lease	Meter System	\$ 1,701,686	\$ 1,135,627	4.39%
State Revolving Fund	Utility System	734,952	<u>563,379</u>	2.24%-2.31%
Total Notes Payable- Business-Type Activities			<u>\$ 1,699,006</u>	

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The following are the debt service requirements until maturity for the business-type activity notes outstanding as of September 30, 2011:

Notes Payable- Business-Type Activities

Year	Principal	Interest	Total
2012	\$ 188,687	\$ 46,679	\$ 235,366
2013	195,811	39,555	235,366
2014	203,254	32,112	235,366
2015-2018	1,111,254	48,893	1,160,147
	<u>\$ 1,699,006</u>	<u>\$ 167,239</u>	<u>\$ 1,866,245</u>

Bonds Payable

Business-Type Activities:

The following is a schedule of bonds outstanding at September 30, 2011:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Revenue Bonds:				
Series 1997	Utility System	\$ 1,000,000	\$ 824,000	4.50%
Series 1997	Utility System	445,000	372,000	5.00%
Series 2003	Utility System	1,275,400	<u>1,169,400</u>	4.50%
Total Bonds Payable - Business-Type Activities			<u>\$ 2,365,400</u>	

The following are the debt service requirements until maturity for the business-type activity bonds outstanding as of September 30, 2011:

Year	Principal	Interest	Total
2012	\$ 45,000	\$ 108,311	\$ 153,311
2013	46,000	106,238	152,238
2014	49,000	104,128	153,128
2015-2019	279,000	484,940	763,940
2020-2024	347,000	415,005	762,005
2025-2029	436,000	327,440	763,440
2030-2034	546,000	218,745	764,745
2035-2039	431,000	91,245	522,245
2040-2042	186,400	16,659	203,059
Total	<u>\$ 2,365,400</u>	<u>\$ 1,872,711</u>	<u>\$ 4,238,111</u>

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Leases Payable

Governmental-Type Activities:

The following is a schedule of leases outstanding at September 30, 2011:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Capital Lease	Police Cars	\$ 111,000	\$ 56,535	3.20%
Total Leases Payable Governmental-Type Activities			<u>\$ 56,535</u>	

The following are the debt service requirements until maturity for the governmental activity leases outstanding as of September 30, 2011:

Year	Principal	Interest	Total
2012	56,535	1,804	58,339
	<u>\$ 56,535</u>	<u>\$ 1,804</u>	<u>\$ 58,339</u>

The City incurred interest cost of \$6,232, all of which was charged to operations.

Business-Type Activities:

The following is a schedule of leases outstanding at September 30, 2011:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Capital Lease	Utility Truck	\$ 35,514	\$ 18,623	4.93%
Total Leases Payable Business-Type Activities			<u>\$ 18,623</u>	

The following are the debt service requirements until maturity for the business-like activity leases outstanding as of September 30, 2011:

Year	Principal	Interest	Total
2012	9,085	931	10,016
2013	9,538	479	10,017
	<u>\$ 18,623</u>	<u>\$ 1,410</u>	<u>\$ 20,033</u>

The Cities business-type activities incurred interest costs of \$172,808, all of which were charged to operations.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 - STATE OF FLORIDA RETIREMENT SYSTEM

City employees, except for participants in the separate firefighters' and police officers' pension funds (See Note 9) and the City Manager participate in the State of Florida Retirement System (the "System"), a multiple-employer public employee retirement system. However, as discussed in Note 10, the City has elected to opt out of the System beginning with employees hired after January 1, 1996. The payroll for employees covered by the System for the year ended September 30, 2011 was \$452,371; the City's total payroll was \$3,021,337.

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

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

Contribution rates are established statewide for all participating governmental units by acts of the state legislature. These acts provide that if the accumulated funds are insufficient to pay the benefits due, future contributions to the plan will be adjusted upward accordingly. For the year ended September 30, 2011, the City contributed approximately 8.95% of covered salaries. The total contribution for the year ended September 30, 2011, and the preceding two years is as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Total</u> <u>Contribution</u>	<u>Percentage of</u> <u>Required Contribution</u>
2009	\$ 46,675	100%
2010	\$ 41,612	100%
2011	\$ 39,151	100%

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

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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.

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:

Group	Firefighters	Police Officers
Retirees and beneficiaries		
currently receiving benefits	7	10
Vested terminated employees	12	1
Active employees	6	23
Total participants	25	34

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.

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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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 16.4% of covered earnings. The City contributed \$106,862 for the year ended September 30, 2011.

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 4.4% of covered earnings. The City was required to contribute \$164,688 for the year ended September 30, 2011.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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, 2011, 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, 2011 was \$1,388,286.

Additional Information

The total contributions to the pension trust funds by the City and other entities for the year ended September 30, 2011, and the preceding three years are as follows:

Firefighters' Pension Trust			
Years Ending September 30,	Total Contribution		Percentage of Required Contribution
	City	State	
2008	\$ 45,519	\$ 81,087	100%
2009	\$ 67,746	\$ 63,016	100%
2010	\$ 87,034	\$ 41,584	100%
2011	\$ 106,862	\$ 36,813	100%

Police Officers' Pension Trust			
Years Ending September 30,	Total Contribution		Percentage of Required Contribution
	City	State	
2008	\$ 97,780	\$ 120,938	100%
2009	\$ 134,257	\$ 106,204	100%
2010	\$ 118,677	\$ 82,882	100%
2011	\$ 164,688	\$ 77,414	100%

There is no net pension obligation as of September 30, 2011 for either plan.



CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Additional Information (Continued)

The information presented above, and in the required supplementary schedules included elsewhere in this report, was determined as part of the actuarial valuations dated October 1, 2006. Additional information relative to both of the pension trusts is as follows:

Actuarial cost method -	Aggregate actuarial cost
Asset valuation method -	4 Year Smooth Market

Actuarial assumptions:

Investment rate of return	8%
Projected salary increases	6%
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 9).

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 (PEBSO) 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, 2011 was \$1,437,445 and the City's contribution was \$48,949.

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.

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 12 - RISK MANAGEMENT

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

Type of Coverage	Limits
General/Professional liability	\$ 2,000,000
Law enforcement liability	\$ 3,000,000
Automobile liability	\$ 2,000,000
Property damage	blanket/replacement cost
Worker's compensation	statutory
Employee dishonesty	\$ 1,000,000

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

NOTE 13 - SEGMENT INFORMATION FOR COMBINED PROPRIETARY FUND TYPES

As of September 30, 2011, the City had two enterprise funds, for which combined operations and cash flows are presented on pages 18 and 19. 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
<u>Condensed Statement of Net Assets</u>			
Current assets	\$ 4,528,598	\$ 652,044	\$ 5,180,642
Capital assets	16,896,330	-	16,896,330
Other assets	1,279,484	29,530	1,309,014
Total assets	<u>\$ 22,704,412</u>	<u>\$ 681,574</u>	<u>\$ 23,385,986</u>
Current liabilities	\$ 836,591	\$ 20,600	\$ 857,191
Non current liabilities	4,339,496	-	4,339,496
Total liabilities	<u>5,176,087</u>	<u>20,600</u>	<u>5,196,687</u>
Invested in capital assets, net of related debt	12,813,301	-	12,813,301
Restricted for			
Debt service	850,936	-	850,936
Customer deposits	419,252	-	419,252
Accrued liabilities	9,296	-	9,296
Closure and postclosure costs	-	29,530	29,530
Unrestricted	<u>3,435,540</u>	<u>631,444</u>	<u>4,066,984</u>
Total net assets	<u>17,528,325</u>	<u>660,974</u>	<u>18,189,299</u>
Total liabilities and net assets	<u>\$ 22,704,412</u>	<u>\$ 681,574</u>	<u>\$ 23,385,986</u>

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 13 - SEGMENT INFORMATION FOR COMBINED PROPRIETARY FUND TYPES  
(CONTINUED)

Condensed Statement of Revenues,

Expenses and Change in Net Assets

OPERATING REVENUES AND EXPENSES

Operating revenues	\$ 3,184,790	\$ 230,200	\$ 3,414,990
Operating expenses			
Depreciation	410,011	5,900	415,911
Other operating	1,691,029	208,252	1,899,281
Total operating expenses	2,101,040	214,152	2,315,192
Operating income	1,083,750	16,048	1,099,798

NONOPERATING REVENUES (EXPENSES)

Interest income	28,588	391	28,979
Interest expense	(172,808)	-	(172,808)
Grant income	265,990	-	265,990
Unrealized gain on sale of investments	28,027		28,027
Other income	8,455	17,295	25,750
Transfers in (out)	70,555	(11,700)	58,855
Total nonoperating revenues	228,807	5,986	234,793
Change in net assets	1,312,557	22,034	1,334,591
NET ASSETS, beginning of year	16,215,768	638,940	16,854,708
NET ASSETS, end of year	\$ 17,528,325	\$ 660,974	\$ 18,189,299

Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 1,805,029	\$ 28,079	\$ 1,833,108
Net cash flows from capital and related financing activities	(1,265,161)	-	(1,265,161)
Net cash flows from noncapital financing activities	345,019	5,595	350,614
Net cash flows from investing activities	(207,570)	391	(207,179)
Net increase in cash	677,317	34,065	711,382
Beginning cash	2,926,180	635,898	3,562,078
Ending cash	\$ 3,603,497	\$ 669,963	\$ 4,273,460

CITY OF DADE CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 14 - 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 \$6.50 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, 2011 was \$188,514.

NOTE 15 - LANDFILL POST-CLOSURE COSTS

Regulations of the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) required the City to place 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, 2011, investments of \$27,960 were held for these purposes. These are reported as restricted assets on the balance sheet.

NOTE 16 - COMMITMENTS

At September 30, 2011, the City had outstanding construction contracts for various projects totaling \$6,929,263, with costs to complete of approximately \$630,363.

NOTE 17 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description

The City administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The Retiree Health Plan does not issue a publicly available financial report.

CITY OF DADE CITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 17 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Funding Policy

The City does not contribute to the cost of the current-year premiums for eligible, retired plan members and their spouses.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and the related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

OPEB CALCULATION

Annual required contribution	\$ 26,030
Interest on net OPEB obligation	-
Annual OPEB cost (expense)	<u>26,030</u>
Employer contributions made	<u>(11,510)</u>
Increase in net OPEB obligation	14,520
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 14,520</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2011	\$ 26,030	44%	\$ 14,520

Funded Status and Funding Progress

As of September 30, 2011, the actuarial accrued liability for benefits was \$211,027 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,437,445 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15 percent.

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

Honorable City Council  
City of Dade City  
Dade City, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dade City, Florida as of and for the year ended September 30, 2011, which collectively comprise the City of Dade City's basic financial statements and have issued our report thereon dated June 26, 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

In planning and performing our audit, we considered 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 Council  
City of Dade City  
Dade City, Florida

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William McLean, WMA : Cash, P.A.*

Inverness, Florida  
June 26, 2012



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable City Council  
City of Dade City  
Dade City, Florida

### **Compliance**

We have audited the City of Dade City, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Dade City, Florida's major federal programs for the year ended September 30, 2011. City of Dade City, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Dade City, Florida's management. Our responsibility is to express an opinion on the City of Dade City, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Dade City, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Dade City, Florida's compliance with those requirements.

In our opinion, City of Dade City, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.



Honorable City Council  
City of Dade City  
Dade City, Florida

### **Internal Control Over Compliance**

Management of City of Dade City, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Dade City, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Dade City, Florida's internal control over compliance.

*A deficiency in internal control over compliance* 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William McGraw, Arthur: Cash, P.A.*

Inverness, Florida  
June 26, 2012

CITY OF DADE CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Grantor/Pass-Through Program Title	CFDA Number	Contract Number	Program or Award Amount	Expenditures
<b>U.S. Department of Justice</b>				
<i>Passed Through the Florida Department of Law Enforcement</i>				
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2010-JAGD-PASC-1-4Y-093	\$ 4,162	\$ 4,162
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.803	2010-ARRC-PASC-1-W7-052	100,000	1,506
<b>U.S. Department of Labor</b>				
<i>Passed Through the Pasco-Hernando Workforce Board, Inc.</i>	17.258	NA	5,400	5,400
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed Through the Florida Department of Community Affairs</i>				
Small Cities Community Development Block Grant	14.228	10DB-4N-08-61-02-N06	700,000	215,095
<b>U.S. Department of Environmental Protection</b>				
<i>Passed Through the Florida Department of Environmental Protection</i>				
Capitalization Grants for the State Revolving Fund	66.458	WW67006P	1,390,264	390,000
Capitalization Grants for the State Revolving Fund	66.458	DW510400	1,532,455	49,281
<b>Total Federal Awards</b>			<u>\$ 3,732,281</u>	<u>\$ 665,444</u>

**Notes to Schedule of Expenditures of Federal Awards**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Dade City, Florida under programs of the federal government for the year ended September 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of City of Dade City, Florida, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Dade City, Florida.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF DADE CITY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**PART A – SUMMARY OF AUDIT RESULTS**

**Financial Statements**

- The independent auditor's report expresses an unqualified opinion on the financial statements of City of Dade City, Florida.
- No instances of noncompliance material to the financial statements of City of Dade City, Florida were disclosed during the audit.

**Federal Awards**

- The auditors' report on compliance with requirements applicable to the major programs of City of Dade City, Florida expresses our unqualified opinion.
- There were no material weaknesses in internal control over the major programs of City of Dade City, Florida.
- The dollar threshold used to distinguish between Types A and B programs was \$300,000.
- The City of Dade City did not qualify as a low-risk auditee.
- The programs tested as major programs included the following:

U.S. Department of Environmental Protection  
Capitalization Grant for the State  
Revolving Fund

CFDA No. 66.458.

**PART B – FINANCIAL STATEMENT FINDINGS**

No findings to report.

**PART C – MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS & QUESTIONED COSTS**

No findings to report.

CITY OF DADE CITY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011 (CONTINUED)

**PART D – PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

Reference  
Number  
2010-01

Criteria:	An integral part of any internal control system is an effective financial statement close process. This process involves, but is not limited to, the development and communication of a standardized format and instructions for the financial reporting activities to be performed by the accounting personnel and the design of control policies and procedures related to the preparation of the financial statements.
Condition:	During our audit for the year ended September 30, 2010, we noted a significant deficiency in internal control over financial reporting exists in the City's financial statement close process for preparing its year-end financial statements for the following account classifications: accounts receivable, notes payable, depreciation, and certain payroll related accruals.
Effect:	As a result of the above significant deficiency, the financial records did not accurately reflect the financial position or activities of the City in accordance with U.S. generally accepted accounting principles. Consequently, significant adjustments were necessary to properly classify the above items in accordance with U.S. generally accepted accounting principles.
Recommendation:	To improve the financial statement close process and eliminate these significant deficiencies we recommend that the City (a) establish a more efficient and effective responsibilities matrix for its close process to provide timely and accurate approval by management of all balance sheet reconciliations and account balances.
Action Taken:	As of September 30, 2011, all prior year findings have been resolved.

**PART E – PRIOR YEAR MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS & QUESTIONED COSTS**

No prior year findings to report.

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. 24 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		
	Annual Required Contribution	Contribution		Annual Required Contribution	Contribution	
		City	State		City	State
1992	\$36,038	\$26,486	\$31,012	-	\$21,806	\$47,427
1993	28,719	31,420	32,441	-	23,815	50,408
1994	27,983	34,667	33,618	-	22,915	50,264
1995	29,514	29,324	35,193	-	25,601	55,097
1996	45,489	29,447	36,492	-	27,287	51,346
1997	67,433	29,999	37,434	-	28,133	58,733
1998	73,274	19,426	53,848	-	6,963	59,177
1999	-	-	8,599	-	-	81,240
2000	69,793	69,793	108,628	-	-	86,459
2001	-	-	60,367	-	-	67,403
2002	-	-	44,844	-	-	76,374
2003	98,251	44,958	54,850	-	-	113,217
2004	119,499	41,982	77,517	-	-	115,438
2005	149,789	60,461	89,328	-	-	118,839
2006	137,968	54,619	83,349	174,617	41,778	132,839
2007	134,874	36,686	98,188	197,542	66,669	130,873
2008	126,606	45,519	81,087	218,718	97,780	120,938
2009	130,762	67,746	63,016	240,461	134,257	106,204
2010	128,618	87,034	41,584	201,559	118,677	82,882
2011	143,675	106,862	36,813	242,102	164,688	77,414

**SUPPLEMENTARY INFORMATION  
CITY OF DADE CITY  
DADE CITY, FLORIDA  
SEPTEMBER 30, 2011**



CITY OF DADE CITY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

	SPECIAL REVENUE						
	PUBLIC SAFETY IMPACT FEE FUND	TRANSPORTATION IMPACT FEE FUND	LOCAL OPTION GAS TAX FUND	WATER & SEWER IMPACT FEE FUND	LGIS FUND	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash	\$ 37,041	\$ 1,287,844	\$ -	\$ 1,643,707	\$ -	\$ -	\$ 2,968,592
Due from other funds	-	-	-	-	317,830	-	317,830
Due from other governments	-	-	21,195	-	32,096	-	53,291
TOTAL ASSETS	<u>\$ 37,041</u>	<u>\$ 1,287,844</u>	<u>\$ 21,195</u>	<u>\$ 1,643,707</u>	<u>\$ 349,926</u>	<u>\$ -</u>	<u>\$ 3,339,713</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Fund Balances:							
Reserved	\$ 37,041	\$ 1,287,844	\$ 21,195	\$ 1,643,707	\$ 349,926	\$ -	\$ 3,339,713
Total Fund Balances	<u>37,041</u>	<u>1,287,844</u>	<u>21,195</u>	<u>1,643,707</u>	<u>349,926</u>	<u>-</u>	<u>3,339,713</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,041</u>	<u>\$ 1,287,844</u>	<u>\$ 21,195</u>	<u>\$ 1,643,707</u>	<u>\$ 349,926</u>	<u>\$ -</u>	<u>\$ 3,339,713</u>

CITY OF DADE CITY  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	SPECIAL REVENUE						
	PUBLIC SAFETY IMPACT FEE FUND	TRANSPORTATION IMPACT FEE FUND	LOCAL OPTION GAS TAX FUND	WATER & SEWER IMPACT FEE FUND	LGIS FUND	COMMUNITY DEVELOPMENT BLOCK GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues :							
Taxes and special assessments	\$ -	\$ -	\$ 264,492	\$ -	\$ 517,348	\$ -	\$ 781,840
Intergovernmental revenue	-	-	-	-	-	215,095	215,095
Impact fees	1,353	26,115	-	548,074	-	-	575,542
Miscellaneous revenue	30	1,061	-	1,036	-	-	2,127
Total Revenues	<u>1,383</u>	<u>27,176</u>	<u>264,492</u>	<u>549,110</u>	<u>517,348</u>	<u>215,095</u>	<u>1,574,604</u>
Expenditures :							
Current:							
General government	-	-	-	-	133,573	-	133,573
Capital outlay	-	-	-	-	212,497	-	212,497
Debt Service:							
Principal retirement	-	-	-	-	107,035	-	107,035
Interest and fiscal charges	-	-	-	-	6,232	-	6,232
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,337</u>	<u>-</u>	<u>459,337</u>
Excess of Revenues Over Expenditures	1,383	27,176	264,492	549,110	58,011	215,095	1,115,267
Other Financing Uses :							
Transfers out	-	-	(266,346)	-	(55,459)	(215,095)	(536,900)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(266,346)</u>	<u>-</u>	<u>(55,459)</u>	<u>(215,095)</u>	<u>(536,900)</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	1,383	27,176	(1,854)	549,110	2,552	-	578,367
Fund Balances - October 1	35,658	1,260,668	23,049	1,094,597	347,374	-	2,761,346
Fund Balances - September 30	<u>\$ 37,041</u>	<u>\$ 1,287,844</u>	<u>\$ 21,195</u>	<u>\$ 1,643,707</u>	<u>\$ 349,926</u>	<u>\$ -</u>	<u>\$ 3,339,713</u>

## **SCHEDULES**

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

<u>MATURING SEPTEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
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	13,960
2032	45,000	11,070
2033	46,000	9,045
2034	49,000	6,975
2035	50,000	4,770
2036	56,000	2,528
	<u>\$ 824,000</u>	<u>\$ 567,333</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>
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>\$ 372,000</u>	<u>\$ 288,900</u>

CITY OF DADE CITY  
SCHEDULE OF MATURITIES  
UTILITY SYSTEM REVENUE BONDS, SERIES 2003

<u>MATURING SEPTEMBER 1,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
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>\$ 1,169,400</u>	<u>\$ 1,016,478</u>

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

Honorable City Council  
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, 2011, and have issued our report thereon dated June 26, 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. We have issued our report on internal control over financial reporting and on compliance and other matters and schedule of findings and responses. Disclosures in the report and schedule, which are dated June 26, 2012, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule.

Rules of the Auditor General (Section 10.554(1)(i)1.) require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Rules of the Auditor General (Section 10.554(1)(i)2.) require our audit to include 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.

Rules of the Auditor General (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Honorable City Council  
City of Dade City  
Dade City, Florida

Rules of Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Rules of the Auditor General (Section 10.554(1)(i)5.) provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Rules of the Auditor General (Section 10.554(1)(i)6.) 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.

Rules of the Auditor General (Section 10.554(1)(i)7.a.) require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Dade City did not meet any of the conditions described in Section 218.053(1), Florida Statutes.

Rules of the Auditor General (Section 10.554(1)(i)7.b.) require that we determine whether the annual financial report for the City of Dade City for the fiscal year ended September 30, 2011, filed with the 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

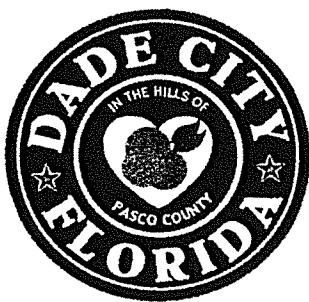
Rules of the Auditor General (Sections 10.554(i)(7)c. and 10.556(7)) require that we apply financial condition assessment procedures. It is management's responsibility to monitor the City of Dade City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit, we applied financial condition assessment procedures.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, McLean, W. L. & Co., P.A.*

Inverness, Florida  
June 26, 2012





# CITY OF DADE CITY

Proud Heritage, Promising Future

Camille Hernandez, Mayor  
Eunice M. Penix, Mayor Pro-Tem  
Scott Black, Commissioner  
William L. Dennis, Commissioner  
James D. Shive, Commissioner

William C. Poe, Jr., City Manager  
James D. Class, City Clerk/Finance Dir.  
Karla S. Owens, City Attorney

June 20, 2012

Honorable David W. Martin  
Auditor General  
State of Florida  
P. O. Box 1735  
Tallahassee, FL 32302

RE: Management Response to Auditor's Comments

Dear Mr. Martin:

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 to improve financial management

- There were no recommendations made for the current year.

Response to Schedule of Findings and Questioned Costs

- There were no findings for the current year and prior year findings have been addressed.

We hope you find these comments in order.

Sincerely,

James D. Class  
City Clerk / Finance Director

William C. Poe, Jr.  
City Manager

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