

**FLORIDA DEPARTMENT OF ENVIRONMENTAL
PROTECTION LOAN NO. WW67006P**

**SPECIAL PURPOSE FINANCIAL STATEMENT
AND INDEPENDENT AUDITORS' REPORTS
AUGUST 2007 (DATE OF LOAN INCEPTION)
THROUGH SEPTEMBER 2011**

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

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LOAN NO. WW67006P**

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statement of the Florida Department of Environmental Protection (FDEP) Loan No. WW67006P Revenues and Expenditures—Budget and Actual of the City of Dade City, Florida (the City) for the period August 2007 (date of loan inception) through September 2011 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this special purpose financial statement in accordance with the financial reporting model required by FDEP. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statement referred to above presents fairly, in all material respects, the FDEP Loan No. WW67006P Loan Revenues and Expenditures—Budget and Actual of the City for the period August 2007 (date of loan inception) through September 2011, on the basis of accounting described in Note 2.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared by the City for the purpose of complying with the rules and regulations of the FDEP, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the rules and regulations referred to above. Our opinion is not modified with respect to this matter.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2015, on our consideration of the City's internal control over financial reporting and 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 should be considered in conjunction with this report in considering the results of our audit.

Restriction on Use

Our report is intended solely for the information and use of the City, management of the City, and the Florida Department of Environmental Protection, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

August 31, 2015
Ocala, Florida

**CITY OF DADE CITY, FLORIDA
 FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
 LOAN NO. WW67006P SPECIAL PURPOSE STATEMENT OF LOAN
 REVENUES AND EXPENDITURES - BUDGET AND ACTUAL FOR THE PERIOD
 AUGUST 2007 (DATE OF INCEPTION) THROUGH SEPTEMBER 2011**

	Budget	Actual
Revenues		
Capitalization Grant-State Revolving Fund:		
Loan Amount	\$ 440,000	\$ 440,000
Total Revenues	440,000	440,000
 Expenditures		
Pre-Construction Activities Allowance	440,000	440,000
(Total Expenditures)	(440,000)	(440,000)
 Excess of Revenues Over Expenditures	\$ 0	\$ 0

See accompanying notes to the special purpose financial statement.

**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
LOAN NO. WW67006P
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD AUGUST 2007 (DATE OF LOAN INCEPTION)
THROUGH SEPTEMBER 2011
CITY OF DADE CITY, FLORIDA**

Note 1 - General

The City of Dade City, Florida (the City) is a political subdivision of the State of Florida. The City provides for water and wastewater services as shown in the City's Annual Financial Report. The City has completed the following Project No. WW67006P Clean Water State Revolving Funds Loan Agreement. The project was funded through the State of Florida Department of Environment Protection (FDEP) as follows: Project No. WW67006P Loan amount \$440,000.

Note 2 - Basis of Accounting

This Special Purpose Statement of Loan Revenues and Expenditures—Budget and Actual is prepared on the basis of accounting prescribed by the FDEP in order to comply with the loan agreement WW67006P. Under this basis, loan proceeds are recognized as the expenditures are incurred. This Special Purpose Statement of Loan Revenues and Expenditures—Budget and Actual covers only the project described in the loan agreement and does not include any of the funds, departments, or agencies of the City.

Note 3 - Contingency

The loan revenue amounts from the FDEP are subject to audit and adjustment. If any expenditures are disallowed by the FDEP as a result of such audit, any claim for reimbursement would become a liability of the City. In the opinion of management, all loan expenditures are in compliance with the terms of the loan agreement and Chapter 62-552 of the Florida Administrative Code.

Note 4 - Rate Coverage and Pledged Revenues

Pursuant to paragraph 5.01 of the construction loan agreement, the City is required to maintain rates and charges for the services furnished by the Water and Wastewater System which will be sufficient to provide in each fiscal year, pledged revenues equal to or exceeding 1.15 times the sum of the semi-annual loan payments due in such fiscal year.

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

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

We have audited the special purpose financial statement of Florida Department of Environmental Protection (FDEP) Loan No. WW67006P Revenues and Expenditures—Budget and Actual of the City of Dade City, Florida (the City) for the period August 2007 (date of loan inception) through September 2011 and have issued our report thereon dated August 31, 2015. 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 of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses 2014-1 and 2012-1.

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

- **2014-1 – *Utility Accounts Receivable and Customer Deposits***
While reviewing the accounts receivable and customer deposit subsidiary ledgers for the utility fund, we noted that those ledgers did not agree to the general ledger. Additionally, we noted that the accounts receivable subsidiary ledger included a material balance in the aged receivables column. After further review, it was determined that the balance consisted of multiple utility customer receivable accounts that were several years old, with an insufficient allowance for un-collectability recorded to adjust to an accurate net receivable balance. This weakness resulted in a material adjustment to the accounts receivable, customer deposit, net position and allowance for doubtful accounts balances.

- **2012-1 – *Capital Asset Reconciliation***
The City did not properly reconcile the capital assets and depreciation schedule to the general ledger, record all the addition and disposition of assets, calculate depreciation expense, and record the transfer of assets from the County that occurred in a prior year. The weaknesses resulted in material adjustments to the capital assets records.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below to be a significant deficiency 2014-2.

- **2014-2 – *Segregation of Duties***
The review of the key transactional areas of the City noted insufficient separation of duties among personnel to properly receipt, reconcile and record transactions. Additionally, we noted that there were not enough personnel available to timely perform all the accounting functions required by the City. The City lacks sound internal control over financial reporting due to a lack of separation of duties among personnel. Timely reconciliations of accounting transactions is deficient because of the lack of personnel to perform all necessary duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's special purpose financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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

Purpose of this Report

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

This report is for the information and use of the City Commissioners and management of the City, and the Florida Department of Environmental Protection, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

August 31, 2015
Ocala, Florida