



City of Orange City

Comprehensive Annual Financial Report

For the year ended September 30, 2005



"Beach Sunflower Basking in the Sunshine"

FLORIDA STATE WILDFLOWER

CITY OF ORANGE CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2005

Audit Report Delivery Date:

March 10, 2006

Prepared by:

Finance

CITY OF ORANGE CITY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2005

MAYOR

Albert T. Erwin

COUNCIL

Donald C. Sherrill, Vice Mayor
Chuck Abell
Tony Yebba
Jeff Allebach
Gary A. Blair
Joelle Devane

CITY MANAGER

John J. McCue

CITY CLERK

Deborah J. Renner

FINANCE DIRECTOR

Christine C. Davis

CITY ATTORNEY

Stenstrom, McIntosh, Colbert, Whigham & Simmons, P.A.
Attorneys and Counsellors at Law

INDEPENDENT AUDITORS

Greene, Dycus & Co., P.A.
Certified Public Accountants
Sanford, Florida

CITY OF ORANGE CITY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2005

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March 10, 2006

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Orange City, Florida:

It is with great pleasure that we present to you the City of Orange City, Florida (“the City”) Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005. This report fulfills the requirements of the City Charter, Florida Statutes and the Rules of the Florida Auditor General. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

CITY PROFILE

The City of Orange City is located in Southwest Volusia County between the cities of Debarry, Deland and Deltona, creating a “Metropolitan Area” of over 200,000 residents. Orange City has historically enjoyed a moderate Central Florida population growth rate influenced by both the Orlando and Daytona Beach areas. However, recent data indicates that our growth rate is increasing. The City of Orange City was chartered as a municipality under law of the State of Florida on May 30, 1889, although the City was formed on August 26, 1882. The City currently has a land area of 6.8 square miles and a population of approximately 8,800. The City of Orange City has operated under the council-manager form of government since 1988. Policymaking and legislative authority are vested in an elected City Council, which consists of a mayor and six council members.

During 2005 the City’s taxable property valuations increased by 20.2% (\$83,755,670) with 21.8% (\$18,292,622) of the increase coming from new construction and annexation. A large portion of the increased valuation attributed to new construction is commercial and other non-residential development; this bodes well for the City as commercially developed property typically requires a lower level of City services while providing a higher level of revenue to the City as compared to residential development.

Throughout fiscal year 2004-2005, the City continued to be successful in its efforts to solicit voluntary annexations. As a result, there were 11 annexations, consisting of 7.9 acres, with a taxable value of \$934,721, and City ad valorem revenue of \$4,557. The City began the voluntary annexation program in March 2002. Since inception the City has realized a total of 108 annexations, consisting of 487 acres, with an assessed value of \$61,669,000, a taxable value of \$33,726,000, and City ad valorem revenue of \$160,860.

FINANCIAL INFORMATION

Independent Audit: The City of Orange City, Florida’s financial statements have been audited by Greene, Dycus & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Orange City, Florida's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with United States GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

Management of the City of Orange City is responsible for establishing and maintaining internal controls that are designed to ensure that the assets of the City are protected from loss because of theft or misuse and to insure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with United States GAAP. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City had expenditures of federal awards in excess of \$500,000. Thus, a single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133 was required.

We believe the City's internal controls function adequately to safeguard assets, provide reasonable assurance of proper recording of financial transactions, and provide for proper authorization of all transactions and activities.

Budgetary Control: The City maintains extensive budgetary control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Excise Tax Fund (Debt Service Fund), and the Water and Wastewater Enterprise Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is with department heads that are accountable to the City Manager. Appropriations shall lapse at the close of the fiscal year to the extent that they have not been expended.

Cash Management: Cash temporarily idle during the year was invested with the State Board of Administration. This investment alternative, similar to a mutual fund or money market fund, allows flexibility in investments, almost instant liquidity and minimal risk of principal loss.

The average yield on investments through the State pool during the fiscal year was 2.71%, a 51% increase from the prior year average return of 1.51%. In addition, the City maintains a repurchase agreement at a local bank. Interest earned during the year on all investments was \$153,744.

Risk Management: The City is insured for workers' compensation, general liability, automobile, public officials and property liability through the umbrella of Risk Management Associates.

The City is exposed to a variety of accidental losses and has established a Safety Committee that meets monthly to strategize on ways to minimize losses. Safety measures have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposure related to their duties. Furthermore, supervisory personnel are held accountable for monitoring safety control measures on an operational basis.

Other Information

Awards and Acknowledgements: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual report (CAFR) for the fiscal year ended September 30, 2004; this was the fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Our sincere appreciation is extended to each member of the department for the contributions made in the preparation of this report.

Other City Departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Appreciation must also be expressed to the City's auditors whose suggestions and attention to detail enhanced the quality of this report.

In closing, we would also like to thank the Mayor and the City Council for their interest and support in our efforts for maintaining fiscal accountability for the City.

Sincerely,

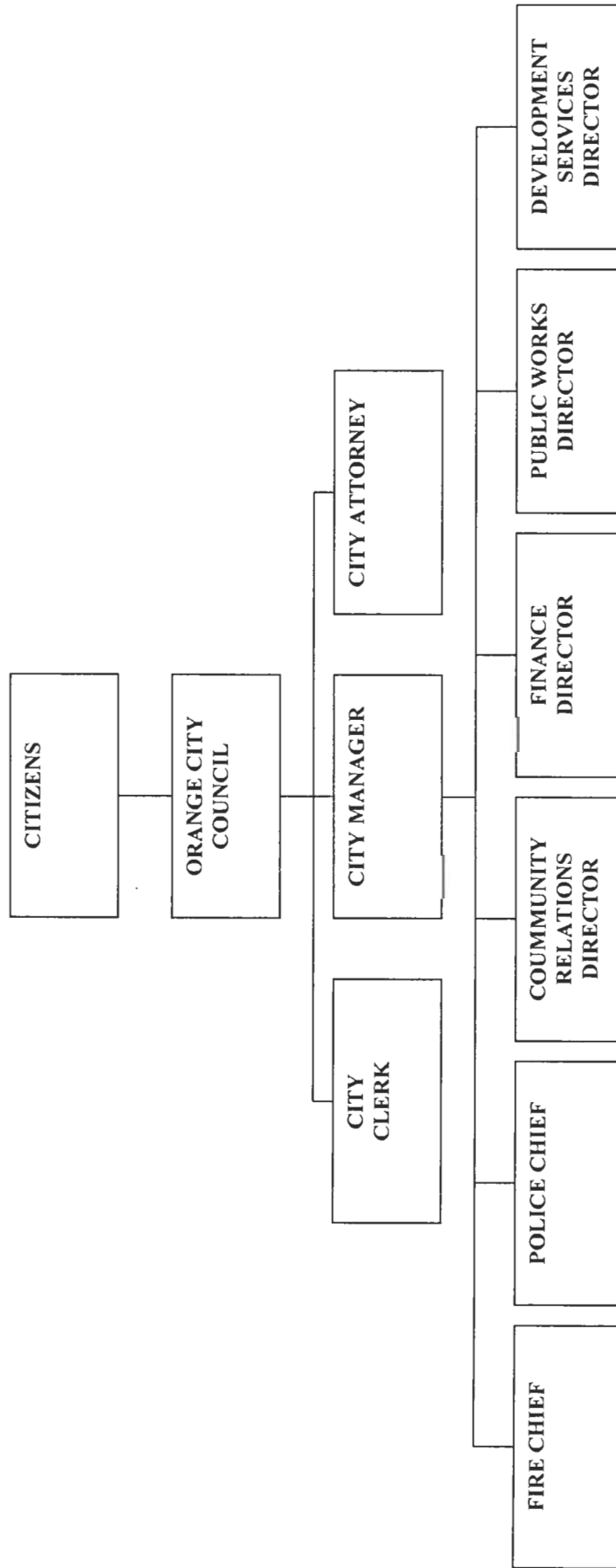


John J. McCue
City Manager



Christine C. Davis
Finance Director

City of Orange City Organizational Chart



CITY OF ORANGE CITY, FLORIDA

PRINCIPAL OFFICIALS

MAYOR

Albert T. Erwin

VICE MAYOR

Donald C. Sherrill

COUNCIL MEMBERS

Tony Yebba

Gary A. Blair

Jeff Allebach

Joelle Devane

Chuck Abell

STAFF

John J. McCue, City Manager

Christine C. Davis, Finance Director

Deborah J. Renner, City Clerk

Chester Murray, Development Services Director

Paul Johnson, Public Works Director

Jeffrey Baskoff, Police Chief

Herb Hoffman, Acting Fire Chief

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Council
and City Manager
City of Orange City, Florida

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

We conducted our audit in accordance with U. S. generally accepted auditing standards 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, each major fund, and the aggregate remaining fund information of the City of Orange City as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the City of Orange 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 result of that testing, and not to provide an opinion on the internal control over financial control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 12 and 40 through 41 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Orange City's basic financial statements. The introductory section, combining financial statements and individual nonmajor fund financial statements, and statistical section 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 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 Orange City, Florida. The schedule of expenditures of federal awards, the combining financial statements and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Greene, Dyck & Co.

Professional Association
Certified Public Accountants
December 9, 2005
Sanford, Florida

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

The City of Orange City's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (i.e. its ability to address next year's and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 14).

Financial Highlights

- The assets of the City of Orange City exceeded its liabilities at September 30, 2005 by \$11,091,159 (Net Assets). Of this amount, \$5,695,835 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$1,548,779 (or 16%).
- As of September 30, 2005, the City of Orange City's governmental funds reported combined ending fund balances of \$4,600,982 an increase of \$1,555,403 in comparison with the prior year. Approximately 65% of this amount, or \$2,975,739, is available for spending at the City's discretion (unreserved fund balance). The principal amount of debt outstanding for governmental activities was reduced by \$72,765 off-set by new debt in the amount of \$450,000 and the principal amount outstanding for business-type activities was reduced by a net amount of \$142,941 in conjunction with refinancing the existing bonds into a bank-qualified loan.

City Highlights

- The millage rate at 4.875 mills represents the same rate as last year.
- Construction of the Gazebo/Band shell in Dickinson Park.
- Fleet replacement program continued with the purchase of six (6) fleet vehicles citywide.
- Continued development has added 260 new single family homes and 18 large scale commercial projects with a combined construction value of \$53.3 million and this has increased the population by an estimated 650 residents (est. population 8,800).
- The City's General Fund committed funding in the amount of \$1.5 million toward the construction cost of a joint partnership that will construct a West Volusia Partnership Center within the city limits of Orange City. At the close of September 30, 2005, \$450,000 was funded. The total construction cost of the project is \$23 million.
- The City refinanced the business-type bond debt resulting in an economic gain of \$404,000 in interest payable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Orange City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector companies. The focus is on major funds, rather than the previous model's fund types.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to the "bottom line" results for the City and its governmental and business-type activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, is one indicator of whether its financial position is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, public works and parks and general government. Property taxes, franchise fees and state-shared revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to cover the cost of providing water and wastewater utility services.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, in the governmental and business-type funds, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The government activities include general government, public safety, transportation, and culture and recreation. The business-type activities of the City include water and sewer.

The government-wide financial statements include only the City of Orange City (known as the primary government). There are no component units. The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, rather than (the previous reporting model's) fund types.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, and Excise Tax Fund (a Debt Service Fund), which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report, immediately following the notes to the financial statements.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget. The General Fund is presented as required supplemental information.

The governmental fund financial statements can be found on pages 16-18 of this report.

Enterprise Funds. The City maintains one enterprise fund. Enterprise funds are used to present the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. The Enterprise Fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic enterprise fund financial statements can be found on pages 19-22 of this report.

Notes to the Financials Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 23-38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 44-48 of this report.

Infrastructure assets

Typically, a government's largest group of assets (infrastructure – roads, bridges, underground pipes [unless associated with a utility] etc.) have not been reported nor depreciated in governmental fund financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. The City had the option to either (a) depreciate these assets over their useful life or (b) develop a system of asset management (the alternative method) designed to maintain the service delivery potential to near perpetuity. The City has elected to implement the depreciation method, and will monitor and consider, over time, a possible conversion to the alternative method.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$11,091,159.

The following table reflects the condensed Statement of Net Assets compared to the prior year.

For more detailed information see the Statement of Net Assets on page 14.

	Statement of Net Assets As of September 30, 2005					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$5,599,344	\$4,270,070	\$2,754,345	\$2,295,362	\$8,353,689	\$6,565,432
Restricted assets	-	-	1,103,088	1,241,973	1,103,088	1,241,973
Capital assets	1,975,832	1,746,649	6,001,292	5,629,594	7,977,124	7,376,243
Total assets	<u>7,575,176</u>	<u>6,016,719</u>	<u>9,858,725</u>	<u>9,166,929</u>	<u>17,433,901</u>	<u>15,183,648</u>
Current liabilities	1,196,335	1,002,389	463,349	210,840	1,659,684	1,213,229
Long term liabilities outstanding	566,376	168,416	4,116,682	4,259,623	4,683,058	4,428,039
Total liabilities	<u>1,762,711</u>	<u>1,170,805</u>	<u>4,580,031</u>	<u>4,470,463</u>	<u>6,342,742</u>	<u>5,641,268</u>
Net assets:						
Invested in capital assets, net of related debt	1,885,471	1,607,523	1,884,610	1,369,971	3,770,081	2,977,494
Restricted for						
Debt service	782,068	267,726	-	-	782,068	267,726
Other purposes	843,175	302,575	-	-	843,175	302,575
Unrestricted	<u>2,301,751</u>	<u>2,668,090</u>	<u>3,394,084</u>	<u>3,326,495</u>	<u>5,695,835</u>	<u>5,994,585</u>
Total net assets	<u>\$5,812,465</u>	<u>\$4,845,914</u>	<u>\$5,278,694</u>	<u>\$4,696,466</u>	<u>\$11,091,159</u>	<u>\$9,542,380</u>

Thirty-four percent (34%) of the City's net assets are reflected in its investment in capital assets (e.g., land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

It is noted that \$1,625,243 of the City's net assets represents resources that are subject to external restrictions on how they may be used, primarily for debt service and acquisitions of capital assets. Unrestricted net assets (\$5,695,835) may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2005, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

Statement of Activities

The following table reflects the condensed Statement of Activities as compared to the prior year. For more detailed information see the Statement of Activities on page 15.

Changes in Net Assets
For the Year Ended September 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues	\$2,220,852	\$1,740,384	2,621,116	\$2,760,379	\$4,841,968	\$4,500,763
General revenues	4,869,463	4,477,521	120,516	16,268	4,989,979	4,493,789
Total revenues	<u>7,090,315</u>	<u>6,217,905</u>	<u>2,741,632</u>	<u>2,776,647</u>	<u>9,831,947</u>	<u>8,994,552</u>
Expenses:						
General government	2,548,196	1,884,654	-	-	2,548,196	1,884,654
Public safety	2,946,955	2,861,928	-	-	2,946,955	2,861,928
Highways and streets	548,755	753,808	-	-	548,755	753,808
Parks and recreation	187,938	150,524	-	-	187,938	150,524
Interest on long-term debt	11,920	-	-	-	11,920	-
Water and sewer	-	-	2,039,404	1,888,107	2,039,404	1,888,107
Total expenses	<u>6,243,764</u>	<u>5,650,914</u>	<u>2,039,404</u>	<u>1,888,107</u>	<u>8,283,168</u>	<u>7,539,021</u>
Increase in net assets before transfers	846,551	566,991	702,228	888,540	1,548,779	1,455,531
Transfers	120,000	120,000	(120,000)	(120,000)	-	-
Increase in net assets	<u>966,551</u>	<u>686,991</u>	<u>582,228</u>	<u>768,540</u>	<u>1,548,779</u>	<u>1,455,531</u>
Net assets - October 1	<u>4,845,914</u>	<u>4,158,923</u>	<u>4,696,466</u>	<u>3,927,926</u>	<u>9,542,380</u>	<u>8,086,849</u>
Net assets - September 30	<u>\$5,812,465</u>	<u>\$4,845,914</u>	<u>\$5,278,694</u>	<u>\$4,696,466</u>	<u>\$11,091,159</u>	<u>\$9,542,380</u>

The City's total revenues increased by 9.3% (\$837,395). The total cost of all program expenses increased by 9.8% (\$744,147). Governmental activities increased the City's net assets by \$966,551, thereby accounting for 62% of the total increase in the net assets of the City.

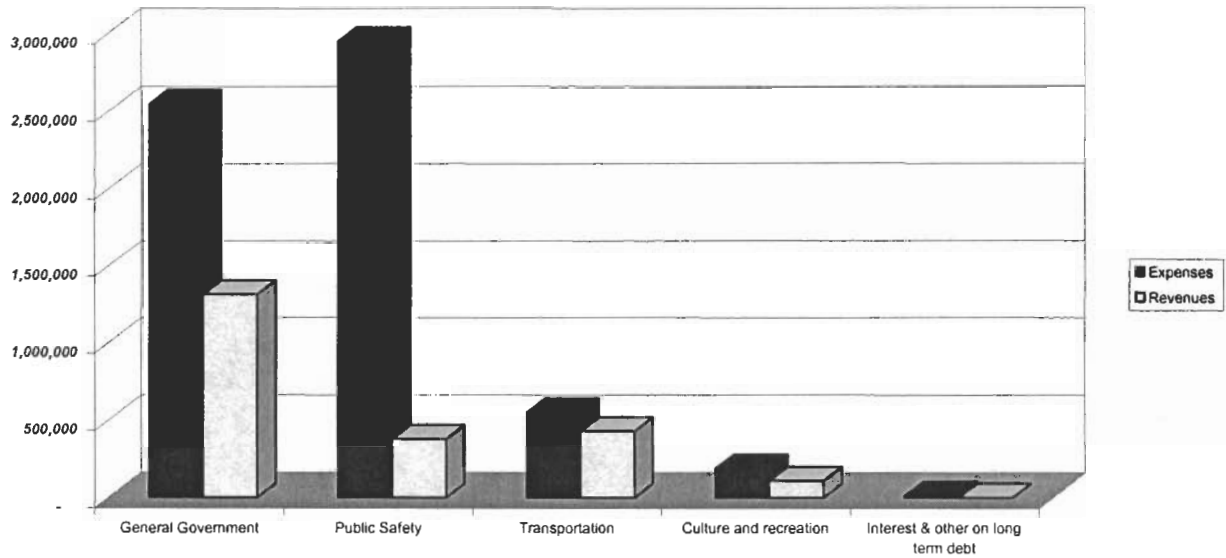
The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

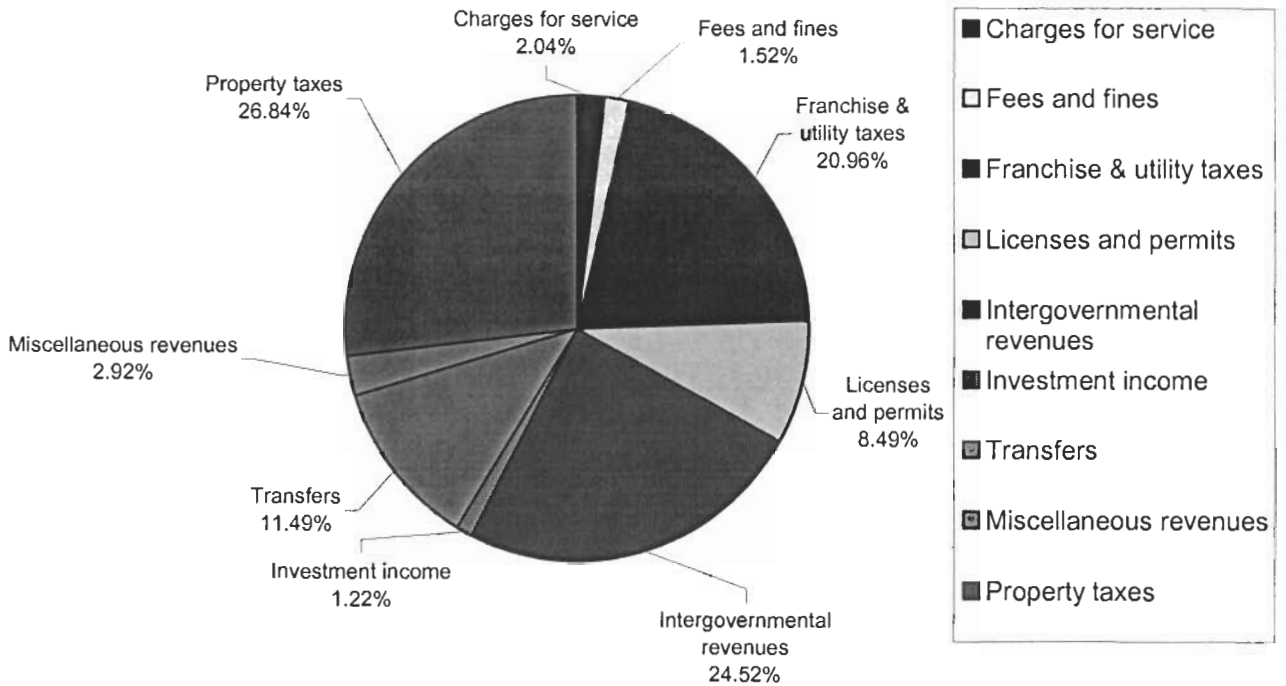
The cost of all governmental activities this year was \$6,243,764 compared to \$5,650,914 last year. However, as shown in the Statement of Activities on page 15, the amount the City's taxpayers ultimately financed for these activities through City taxes was \$4,022,912 because some of the costs were paid by those who directly benefited from the programs (\$1,472,789) or by other governments and organizations that subsidized certain programs with grants and contributions (\$748,063). Overall the City's governmental program revenues increased in fiscal year 2005 from \$1,740,384 to \$2,220,852, primarily due to new development from both residential and commercial growth, which resulted in increases in ad valorem taxes, utility taxes and franchise fees (\$350,000). The City paid for the remaining "public benefit" portion of governmental activities with \$4,022,912 in taxes and with other revenue, such as interest and general entitlements.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

Program Expenses vs. Revenues



Governmental Revenues by Source



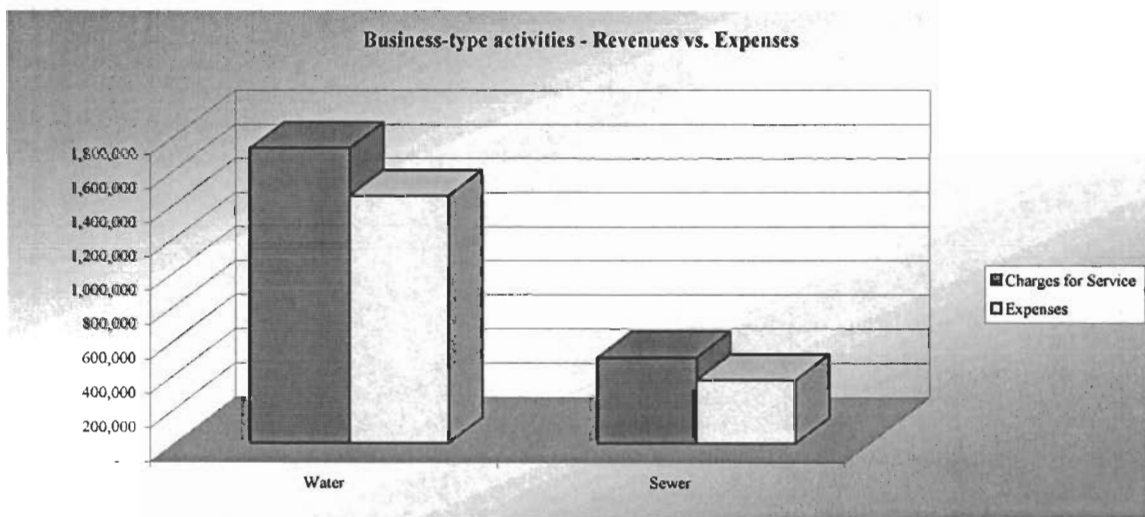
**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

Business-type activities

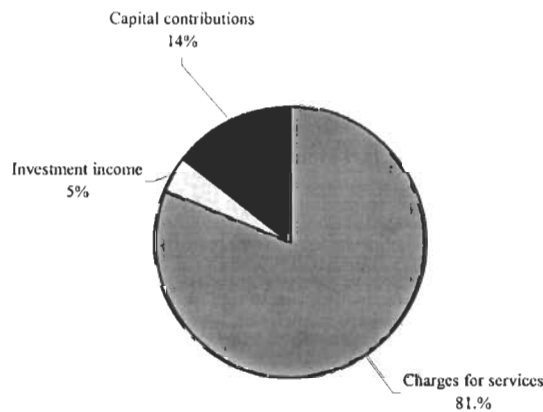
Revenues of the City's business-type activities decreased by 1.3% (\$2,741,632 in fiscal year 2005 compared to \$2,776,647 in fiscal year 2004) and expenses rose by 8%. The factors driving these results are:

- The City's adopted policy requires the water and wastewater rates to incrementally escalate in October each year. The water and wastewater revenue increased 9.6% or \$194,355, however the capital contributions declined, resulting in a net decrease in revenue compared to the prior year.
- The utility operation expenses increased 8% or \$151,297 due to normal increases in benefit cost and operational expenses compared to the previous year.

Business-type activities increased the City's net assets by \$582,228, accounting for 38% of the total growth in the City's net assets.



Revenues by Source - Business-type activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

As of September 30, 2005, the City's governmental funds reported combined ending fund balances of \$4,600,982, an increase of \$1,555,403 in comparison with the prior year. Approximately 65% of this total amount, \$2,975,739 constitutes the unreserved and undesignated fund balance, which is available for spending at the City's discretion. \$782,068 of the fund balance is reserved to indicate that it is not available for spending because it has already been committed for debt service payments, \$211,641 committed in April 2005 for the purchase of a replacement fire truck. The remaining reserved fund balance of \$631,534 is Impact Funds, which are restricted in use for acquisitions of capital assets resulting from growth (not replacement of capital assets).

The General Fund is the chief operating fund of the City. As of September 30, 2005, the unreserved and undesignated fund balance of the General Fund was \$2,975,739, while the total fund balance of all governmental funds was \$4,600,982. As a measure of the General Fund liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unreserved fund balance represents 45.7% of total General Fund expenditures.

Enterprise Fund. The City's enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at September 30, 2005, amounted to \$3,394,084 an increase of 2% from the prior year.

General Fund Budgetary Highlights

The general fund budget was increased by \$2,410,700 from the original budget (an increase of 35%) and included the following significant changes:

- \$1,865,000 increase in General Government for a contribution of \$1.5 million for the West Volusia Partnership Center, \$300,000 for hurricane Jeanne related expenditures, \$40,000 for contractual services and \$25,000 for attorney fees.
- \$300,000 increase in public safety contracted services for building inspections.
- \$134,500 increase in transportation for various operating expenses.

Actual revenues were \$496,093 greater than the final budget, and actual expenditures were \$2,718,141 less than the final budget. These differences are primarily attributed to:

Revenues:

- Actual year-end revenue exceeded budget by just under 9%. The positive variance was attributed primarily to Communications Services Tax, Electric Franchise and Utility Fees, State Revenue Sharing, State Sales Tax and Development Review Fees.
- The most significant negative variance was Building Permit Fees, which was approximately 32% below budget due to several large scale projects not coming to fruition before September 30, 2005.

Expenditures:

- Total General Fund expenditures reflected 70.5% of the budget. The significant items that resulted in the under-spent budget were related to large projects that will be carried forward into 2006, such as; the remaining contribution balance for the West Volusia Partnership Center (\$1,050,000), the replacement fire truck (\$220,000), the planned new fire station (\$220,000 – currently on hold), the Thorpe Avenue construction project (\$325,000) and consultant fees within the Building Department (related to the large scale construction projects not far enough along in the process at year end (\$173,000).

Of the increase in expenditures, \$801,200 was offset by revenues and the remaining \$1,609,500 was appropriated from proceeds from long-term debt (\$1,500,000), inter-fund transfer (\$100,000), and reserves (\$9,500).

Capital Assets and Debt Administration

Capital Assets. At the end of 2005 the City had \$7,977,124 (net of accumulated depreciation) invested in a broad range of capital assets, including land, equipment, buildings, park facilities and infrastructure. This amount represents a net increase (including additions and deductions) of \$600,881, or 8.2%, over last year. The following table illustrates the changes in capital assets:

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

Capital Assets
(net of depreciation)
As of September 30

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$480,880	\$480,880	\$166,287	\$166,287	\$647,167	\$647,167
Buildings	356,995	255,624	609,904	609,904	966,899	865,528
Water/sewer transmission lines and facilities	-	-	4,906,893	4,407,387	4,906,893	4,407,387
Machinery and equipment	995,447	890,213	308,123	436,431	1,303,570	1,326,644
Infrastructure	142,510	119,932	-	-	142,510	119,932
Construction in progress	-	-	10,085	9,585	10,085	9,585
Total	\$1,975,832	\$1,746,649	\$6,001,292	\$5,629,594	\$7,977,124	\$7,376,243

Major projects completed during the current fiscal year include the following:

- E. Minnesota line extension in the utility department
- Third consecutive year of touch-read meter replacement program
- Two (2) new sidewalk segments
- New Gazebo/Band Shell in Dickinson Park
- Albertus Cottage restoration
- New software for Occupational Licensing and Code Enforcement

The City's fiscal year 2006 governmental capital budget calls for \$1,624,700 in capital projects, with five (4) major projects; continuation of the Town Hall renovations (grant funding of \$110,000, project cost \$220,000), continuation of the Thorpe Avenue construction (\$275,000), Rotary Park restrooms (\$50,000), renovation/expansion of the Police Department (\$100,000) and phase one of the implementation of the City Parks Master Plan. The City's fiscal year 2006 business-type capital budget calls for \$1,650,000 in capital projects, with four (4) major projects, two new wells (\$600,000), systems interconnects with the City of Deland (\$100,000), main plant expansion (\$175,000) and storage tanks (\$600,000), and distribution improvements – replacement water lines (\$150,000). Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements in this report.

Long-term Debt. At September 30, 2005, the City had \$4,735,043 in bonds, notes payable, and capital leases outstanding versus \$4,500,749 at September 30, 2004 – a increase of 5.2% - as shown in the following table:

Long-Term Debt
As of September 30

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Notes and Bonds Payable	\$78,000	\$102,000	\$ -	\$ -	\$78,000	\$102,000
Capital Lease Obligations	90,361	139,126	-	-	90,361	139,126
Line of Credit	450,000	-	-	-	450,000	-
Utility Revenue Bonds 1995 and 1996	-	-	4,116,682	4,259,623	4,116,682	4,259,623
Total	\$618,361	\$241,126	\$4,116,682	\$4,259,623	\$4,735,043	\$4,500,749

**CITY OF ORANGE CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005**

The City's governmental activities had a net increase of \$377,235. The decrease in debt is solely attributable to principal payments in the amount of \$72,765. The net increase in debt is attributable to principal payment reductions of \$72,765 combined with the City issuing \$450,000 in new debt, which was a contribution toward a joint venture that will construct a West Volusia Partnership Center with a total construction cost of \$23 million within the city limits of Orange City. The business-type activities had a net increase of \$142,941. The City refinanced the existing bonds into one bank qualified loan, structured with a fixed rate of 3.94% and keeping the maturity date the same as the original bonds (2021). This results in a reduction in interest paid, totaling \$404,000.

The City intends to issue new debt during fiscal year 2006 of up to \$1.5 million (additional funding for the construction cost of the West Volusia Partnership Center in the City limits) in governmental activities and the business-type activities of the City does not intend to issue any new debt. Additional information on the City's long-term liabilities can be found in Notes 6-9 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider many factors when adopting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities. The primary focus for this fiscal year was continued funding to maintain the City's capital assets through proper and timely replacement, and strategically adding personnel to maintain effective services levels within the governmental activities and business-type activities. In addition, the City implemented a new transportation impact fee rate during the fiscal year 2005.

Orange City remains successful in building and maintaining a strong local economy. The progressive leadership of the City Council, and their commitment to establish goals and objectives directed at diversifying and increasing our economic base has resulted in tangible outcomes. The City continues to expand our tax base through growth, development, and annexations. This has historically increased the amount of funding available to provide public services through new resource, which allowed the City to lower the tax rate in fiscal year 2003 from 5.217 to 4.875 (the 4.875 represented 1/10 of a mill below the roll-back rate of 4.975, which is a tax reduction) in fiscal year 2004, the City maintained the 4.875 rate for fiscal year 2005 and again in fiscal year 2006. The tax rate of 4.875 millage for fiscal year 2006, assisted in funding four (4) full time positions (one planning and zoning analyst, one police sergeant, one police officer and two firefighter/EMT positions). The City continues to function as the regional economic center for southwest Volusia County and services an estimated 200,000 Volusia County residents. Our current demographics of 70% non-residential to 30% residential, provides several positive factors, such as; easy access to medical, shopping, entertainment and restaurants. In addition, commercial taxpayers (businesses) typically require less resources (police and fire) and they contribute over 50% of ad valorem tax, utility tax, and franchise fee revenues to the City annually.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City of Orange City, 205 East Graves Avenue, Orange City, Florida 32763.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

ASSETS	Governmental	Business	Total
Current assets:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash and cash equivalents, unrestricted	\$ 5,193,001	\$ 2,486,543	\$ 7,679,544
Receivables, net	190,007	234,125	424,132
Internal balances	(28,310)	28,310	-
Receivables from other governments	244,646	-	244,646
Prepaid expenses and other current assets	-	5,367	5,367
	<u>5,599,344</u>	<u>2,754,345</u>	<u>8,353,689</u>
Noncurrent assets:			
Cash and cash equivalents, restricted	-	159,294	159,294
Capital assets not being depreciated			
Land and improvements	480,880	166,287	647,167
Construction in progress	-	10,085	10,085
Capital assets (net of accumulated depreciation)			
Buildings and improvements	356,995	211,978	568,973
Machinery and equipment	995,419	114,953	1,110,372
Water and sewer system	-	5,497,989	5,497,989
Infrastructure	142,538	-	142,538
Wastewater capacity	-	892,521	892,521
Other assets	-	51,273	51,273
	<u>1,975,832</u>	<u>7,104,380</u>	<u>9,080,212</u>
Total assets	<u><u>\$ 7,575,176</u></u>	<u><u>\$ 9,858,725</u></u>	<u><u>\$ 17,433,901</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 408,155	\$ 275,698	\$ 683,853
Customer deposits	-	159,294	159,294
Accrued compensation	237,533	28,357	265,890
Deferred revenue	149,989	-	149,989
Due to other governments	348,673	-	348,673
Noncurrent liabilities due within one year	51,985	-	51,985
	<u>1,196,335</u>	<u>463,349</u>	<u>1,659,684</u>
Long-term liabilities:			
Due in more than one year	566,376	4,116,682	4,683,058
Total liabilities	<u>1,762,711</u>	<u>4,580,031</u>	<u>6,342,742</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,885,471	1,884,610	3,770,081
Restricted for debt service	782,068	-	782,068
Restricted for other purposes	843,175	-	843,175
Unrestricted	2,301,751	3,394,084	5,695,835
Total net assets	<u>5,812,465</u>	<u>5,278,694</u>	<u>11,091,159</u>
Total liabilities and net assets	<u><u>\$ 7,575,176</u></u>	<u><u>\$ 9,858,725</u></u>	<u><u>\$ 17,433,901</u></u>

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,548,196	\$ 1,040,551	\$ 270,216	\$ -	\$ (1,237,429)	\$ -	\$ (1,237,429)
Public safety	2,946,955	187,852	187,508	-	(2,571,595)	-	(2,571,595)
Transportation	548,755	235,986	191,650	-	(121,119)	-	(121,119)
Culture and recreation	187,938	8,400	98,689	-	(80,849)	-	(80,849)
Interest on long-term debt	11,920	-	-	-	(11,920)	-	(11,920)
Total governmental activities	6,243,764	1,472,789	748,063	-	(4,022,912)	-	(4,022,912)
Business-type activities:							
Water and waste water system	2,039,404	2,225,825	-	395,291	-	581,712	581,712
Total business-type activities	2,039,404	2,225,825	-	395,291	-	581,712	581,712
Total government	\$ 8,283,168	\$ 3,698,614	\$ 748,063	\$ 395,291	\$ (4,022,912)	\$ 581,712	\$ (3,441,200)
General revenues:							
Taxes:							
Property taxes					1,956,924	-	1,956,924
Local option gas and use tax					202,082	-	202,082
Utility service taxes					1,393,809	-	1,393,809
Franchise fees					734,893	-	734,893
State sales tax					431,721	-	431,721
Unrestricted investment earnings					96,837	-	96,837
Miscellaneous					53,197	120,516	173,713
Transfers					120,000	(120,000)	-
Total general revenues and transfers					4,989,463	516	4,989,979
Change in net assets					966,551	582,228	1,548,779
Net assets-beginning					4,845,914	4,696,466	9,542,380
Net assets-ending					\$ 5,812,465	\$ 5,278,694	\$ 11,091,159

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

CITY OF ORANGE CITY, FLORIDA

GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Excise Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,209,205	\$ 332,971	\$ 650,825	\$ 5,193,001
Receivables, net	113,154	76,853	-	190,007
Due from other funds	49,446			49,446
Receivables from other governments	244,646	-	-	244,646
Total assets	<u>\$ 4,616,451</u>	<u>\$ 409,824</u>	<u>\$ 650,825</u>	<u>\$ 5,677,100</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued liabilities	\$ 388,864	\$ -	\$ 19,291	\$ 408,155
Due to other governments	348,673	-	-	348,673
Due to other funds	-	77,756	-	77,756
Deferred revenue	241,534	-	-	241,534
Total liabilities	<u>979,071</u>	<u>77,756</u>	<u>19,291</u>	<u>1,076,118</u>
Fund balances:				
Reserved for:				
Debt service	450,000	332,068	-	782,068
Other purposes	211,641	-	631,534	843,175
Unreserved	2,975,739	-	-	2,975,739
Total fund balances	<u>3,637,380</u>	<u>332,068</u>	<u>631,534</u>	<u>4,600,982</u>
Total liabilities and fund balances	<u>\$ 4,616,451</u>	<u>\$ 409,824</u>	<u>\$ 650,825</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,975,832
Compensated absences and accrued closure costs are not recorded as a liability in the governmental funds balance sheet.	(237,533)
Certain liabilities are reflected as deferred revenue in the governmental funds balance sheet, but are reflected as revenue on the government-wide financial statements.	91,545
Long-term liabilities, including bonds payable, are not recorded as a liability in the governmental funds balance sheet.	(618,361)
Total net assets	<u>\$ 5,812,465</u>

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

CITY OF ORANGE CITY, FLORIDA

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Excise Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,956,924	\$ -	\$ -	\$ 1,956,924
Franchise taxes	134,479	734,893	-	869,372
Local option gas tax	202,082	-	-	202,082
Utility service taxes	1,393,809	-	-	1,393,809
Fees and fines	110,886	-	-	110,886
Licenses and permits	618,864	-	-	618,864
Intergovernmental	1,511,051	-	-	1,511,051
Charges for services	148,409	-	-	148,409
Impact fees	-	-	393,855	393,855
Investment earnings	88,633	627	11,022	100,282
Miscellaneous	213,231	-	-	213,231
Total revenues	<u>6,378,368</u>	<u>735,520</u>	<u>404,877</u>	<u>7,518,765</u>
EXPENDITURES				
Current:				
General government	2,505,877	-	-	2,505,877
Public safety	2,751,665	-	-	2,751,665
Transportation	506,990	-	-	506,990
Culture and recreation	151,647	-	100	151,747
Debt service:				
Principal	48,765	24,000	-	72,765
Interest and other charges	6,712	5,208	-	11,920
Capital outlay	532,398	-	-	532,398
Total expenditures	<u>6,504,054</u>	<u>29,208</u>	<u>100</u>	<u>6,533,362</u>
Excess (deficiency) of revenues over expenditures	<u>(125,686)</u>	<u>706,312</u>	<u>404,777</u>	<u>985,403</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from line of credit	450,000	-	-	450,000
Transfers in	837,788	-	-	837,788
Transfer out	-	(641,970)	(75,818)	(717,788)
Total other financing sources and uses	<u>1,287,788</u>	<u>(641,970)</u>	<u>(75,818)</u>	<u>570,000</u>
Net change in fund balance	1,162,102	64,342	328,959	1,555,403
Fund balances, beginning of year	<u>2,475,278</u>	<u>267,726</u>	<u>302,575</u>	<u>3,045,579</u>
Fund balances, end of year	<u>\$ 3,637,380</u>	<u>\$ 332,068</u>	<u>\$ 631,534</u>	<u>\$ 4,600,982</u>

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

CITY OF ORANGE CITY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances-total governmental funds.		\$	1,555,403
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
	Expenditures for capital assets	\$	532,398
	Current year depreciation		<u>(303,215)</u>
			229,183
Certain prior year deferred revenue was recorded as current year revenue in the governmental funds which had been recorded as revenue in the statement of activities in the prior year.			
			(520,000)
Some deferred revenue in the governmental funds are susceptible to full accrual in the statement of activities			
			91,545
Expenditures in the governmental funds for compensated absences and accrued closure costs are not recorded as expenses in the statement of activities.			
			(12,345)
Proceeds from line of credit is an other financing source in the governmental funds, but is not reflected as revenue in the statement of activities.			
			(450,000)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.			
			<u>72,765</u>
Change in net assets of governmental activities.		\$	<u>966,551</u>

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

ENTERPRISE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues:	
Charges for services	
Water sales	\$ 1,726,401
Waste water services	499,424
	2,225,825
 Operating Expenses:	
Purchase of waste water treatment	368,608
Salaries, wages and benefits	530,254
Water production and supplies	130,426
Repairs and maintenance	143,870
Contractual services	87,999
Other operating expenses	113,882
Depreciation and amortization	440,496
	1,815,535
Total Operating Expenses	
Total Operating Expenses	1,815,535
Operating Income	410,290
 Nonoperating Revenues (Expenses):	
Investment income	53,462
Other income	67,054
Interest expense and fiscal agent fees	(223,869)
	(103,353)
Total Nonoperating Revenues (Expenses)	
Total Nonoperating Revenues (Expenses)	(103,353)
Income before contributions and transfers	306,937
Capital Contributions	395,291
Transfers Out	(120,000)
	582,228
Change in Net Assets	
Change in Net Assets	582,228
Net assets, beginning of year	4,696,466
Net assets, end of year	\$ 5,278,694

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

CITY OF ORANGE CITY, FLORIDA

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,268,449
Cash payments to:	
Suppliers for goods and services	(607,641)
Employees for services	<u>(521,810)</u>
Net cash provided by operating activities	<u>1,138,998</u>
Cash Flows from Noncapital Financing Activities:	
Transfers out to other funds	<u>(120,000)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on revenue bonds	(170,000)
Capital contributed from developers	395,291
Interest paid on revenue bonds	(223,869)
Acquisition of capital assets	(823,466)
Other income	<u>67,054</u>
Net cash used by capital and related financing activities	<u>(754,990)</u>
Cash Flows from Investing Activities:	
Investment income	<u>53,462</u>
Net Increase in Cash and Cash Equivalents	317,470
Cash and Cash Equivalents, Beginning of Year	<u>2,328,367</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,645,837</u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents, unrestricted	\$ 2,486,543
Cash and cash equivalents, restricted	<u>159,294</u>
Total Cash and Cash Equivalents	<u>\$ 2,645,837</u>

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

CITY OF ORANGE CITY, FLORIDA
STATEMENT OF CASH FLOWS - CONTINUED

ENTERPRISE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

**Reconciliation of Net Income to Net Cash
Provided by Operating Activities:**

Operating income	<u>\$ 410,290</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	440,496
Changes in operating assets and liabilities:	
Accounts receivables	(3,920)
Accounts payable	276,281
Accrued compensation	8,444
Customer deposits	46,544
Due to other funds	<u>(39,137)</u>
Total adjustments	<u>728,708</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,138,998</u></u>

Noncash transactions:

Defeasance of debt, refer to note 9 for detail of this transaction.

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

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies

The City of Orange City, Florida (the "City") was incorporated on August 26, 1982, and is a municipal corporation chartered in the State of Florida. The City operates under a Council/City Manager form of government providing services of general government, finance, police and fire protection, sanitation services, water and sewer services, the construction and maintenance of street and infrastructure, recreational activities and cultural events to its residents. The legislative branch of the City is composed of a seven (7) member elected City Council. The City Council is governed by City Charter, state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Council appointed City Manager and City Clerk.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below. The financial statements have also been prepared in accordance with GASB Statement #34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.

A. Reporting Entity:

The City's financial statements include the accounts of all City operations. No component units existed for the year ended September 30, 2005.

B. Basic Financial Statements:

Government-Wide Financial Statements:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, and recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

B. Basic Financial Statements - Continued:

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. The City in its own discretion determines that the fund should be considered a major fund.

C. Basis of Presentation - Fund Accounting:

(1) Major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

Excise Tax Fund - The Excise Tax Fund is a Debt Service Fund that accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

(2) Major Proprietary Fund:

Enterprise Fund - The Enterprise Fund, a water and sewer system, is used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. This fund is also considered a major fund.

(3) Nonmajor Governmental Funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The City has two (2) Special Revenue Funds: the Impact Fees Fund and the Forfeiture Fund.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

D. Measurement Focus / Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

E. Budgets and Budgetary Accounting:

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) Prior to July 15 of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for all governmental funds that have a legally adopted budget.
- (5) Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).
- (6) Budget appropriations are prepared by the City Manager and authorized by the City Council on a departmental basis in accordance with Article VII, Section 7.01 of the City Charter. Subsidiary designations of departmental appropriations are authorized by the City Council. All interdepartmental budget amendments and/or transfers must be approved by the City Council. Budgetary control is exercised at the department level.
- (7) Every appropriation except for a specified major capital expenditure shall lapse at the close of the fiscal year to the extent that it has not been expended. The City does not use the encumbrance method of accounting.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

F. Accounts Receivable:

(1) Property Taxes Receivable - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to ten mills.

The property tax calendar is as follows:

- Valuation Date is January 1 of the year of assessment.
- Property Appraiser prepares the assessment roll with values as of January 1 of the year of assessment, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuation by July 1 of the assessment year.
- City Council holds two required public hearings, adopts a budget for the coming fiscal year, and adopts an ad valorem tax millage rate by September 30 of the assessment year.
- Property Appraiser certifies the assessment roll, and all real and tangible personal property taxes are due and payable November 1 (levy date) of the assessment year.
- A Notice of Taxes is mailed to each property owner on the assessment roll by November 1 of the assessment year. Taxes may be paid November 1 (year of assessment) through March 31 (following year of assessment) with the following applicable discounts:

<u>Month</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	0%

- All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year immediately following year of assessment.
- A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in April/May of the year immediately following the year of assessment.
- Tax certificates are sold on all real properties with unpaid real property taxes on June 1 (lien date) of the year immediately following the year of assessment.
- A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes by June 1 of the year immediately following the year of assessment.

(2) Unbilled Utility Accounts Receivable - Water revenues are generally recognized on the basis of cycle billings rendered monthly. The unbilled portion is accrued at year-end by calculating the City's October billing cycle and prorating the amount of days applicable to the current year.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

F. Accounts Receivable - Continued:

(3) Allowance for Uncollectible Accounts - Based upon an analysis of both past history and past due receivables, it is management's opinion that a \$15,444 allowance for uncollectible accounts is necessary. This balance relates entirely to the water and sewer system.

G. Long-term obligations:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or enterprise fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, capital lease obligations and accrued compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for the Enterprise Fund is the same in the fund statements as it is in the government-wide statements.

H. Cash and Equivalents:

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and mature within three (3) months of their acquisition.

I. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	10-50 years
Machinery and equipment	2-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

There were no capitalizable interest costs for 2005.

J. Operating Revenues and Expenses:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Enterprise Fund is charged to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

K. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

L. Inventory:

Inventory costs are reported in the period when inventory items are used, rather than when purchased.

M. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Annual leave accrues at varying rates, from twelve to twenty-four (12-24) days per year, depending on the length of employment. Upon termination, annual leave is paid subject to certain limitations.

Sick leave accrues at ninety-six (96) hours per year for full time permanent employees. There is no maximum amount of sick leave that can be accumulated. All unused sick leave in excess of thirty (30) days, up to a maximum of sixty (60) days, may, at the option of the employee, be converted to vacation time at the rate of three (3) sick days for each vacation day to be accrued.

N. Interfund Activity

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

O. Restricted Assets

Restricted assets represent security deposits held by the enterprise fund.

P. Prepaid Items

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

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

1. Summary of Significant Accounting Policies - Continued

Q. Deferred Revenue

Deferred revenues in governmental funds include amounts collected before the revenue recognition criteria are met. The deferred amount typically consists of funds collected in advance for permits or other fees relating to services to be rendered in the subsequent year. For fiscal year 2005, approximately \$92,000 is included for the funds estimated for reimbursement by the Federal Highway Administration, related to the three hurricanes, which affected our area in August and September 2004. These funds did not meet the 60-day criteria for revenue recognition in the governmental fund financial statements. These reimbursable funds are recorded as revenue in the government-wide financial statements as they meet the revenue recognition criteria under the accrual basis of accounting.

2. Reconciliation of Government-Wide and Fund Financial Statements:

a. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes reconciliation between *fund-balances – total governmental funds* and *net assets – governmental type activities* as reported in the government-wide statement of net assets.

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities.

3. Cash and Investments

The City's investment policy is to invest public funds in a manner so as to place the highest priority on the safety of principal and liquidity. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. The City's investment policy authorizes the City to invest public funds in: The Florida State Board of Administration (SBA) "The Local Government Surplus Funds Trust Fund, insured money market accounts, savings accounts, and certificates of deposits with state certified qualified public depositories. In addition, the City's investment policy authorizes the City to invest in direct obligations of the United States of America, and obligations of federal agencies and instrumentalities of the United States of America. During the current fiscal year, the City had no investments in treasury or agency securities.

The City maintains cash and cash equivalent pools that are available for use by all funds except those whose cash and cash equivalents must be segregated due to bond covenants or other legal restrictions.

Cash and Cash Equivalents - Cash and cash equivalents are carried at cost. In accordance with GASB Statement No. 40, the City's deposits are categorized to give an indication of the level of custodial credit risk assumed at year-end. At present, some of the City's excess funds are primarily deposits that are insured or collateralized pursuant to the Public Depository Security Act of the State of Florida. Demand deposits and money market accounts are insured by federal depository insurance up to \$100,000 of the aggregate account balances for each entity. Amounts in excess of \$100,000 are fully insured by U.S. Government securities held in the Public Deposit Security Trust Fund maintained and monitored by the Treasurer of the State of Florida. Demand deposits and cash on deposit bank balances at September 30, 2005 were \$4,574,029.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

3. Cash and Investments - Continued

Cash and Cash Equivalents continued - The Florida State Board of Administration (SBA) "The Local Government Surplus Funds Trust Fund" is not a registrant of, nor regulated by, the Securities and Exchange Commission (SEC) or any other regulatory agency; however, the SBA has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the pool is equal to the value of the pool shares. Such investments are stated at amortized cost, which is used as fair value for financial reporting. The Local Government Surplus Funds Trust Fund is similar to a money market fund in that funds are available on a same day basis.

Investments in the Local Government Surplus Funds Trust Fund and money market funds are not required to be categorized since the investments are not evidenced by securities that exist in physical or book form.

Following is a summary of the carrying amount of the cash and cash equivalents owned by the City at September 30, 2005.

	Carrying Amount	Fair Value
Cash and Cash Equivalents:		
Demand deposits, cash on deposit and petty cash	\$ 3,603,780	\$ 3,603,780
Local Government Surplus Funds Trust Fund	3,745,412	3,745,412
Money market account	330,352	330,352
Total Cash and Cash Equivalents	7,679,544	7,679,544
Restricted Assets:		
Demand deposits and cash on deposit	\$ 159,294	\$ 159,294

Cash and cash equivalents of \$159,294 is restricted for customer deposits.

4. Due from Other Governments

Amounts due from other governments at September 30, 2005 are as follows:

Local Option Gas Tax	\$ 19,020
Due from State Government	29,262
Sales Tax Revenue Sharing	34,850
Communication Services Tax	53,267
Due from Volusia County	16,702
Due from Federal Government	91,545
	\$ 244,646

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

5. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 480,880	\$ -	\$ -	\$ -	\$ 480,880
Depreciable capital assets:					
Buildings	460,235	114,468		-	574,703
Machinery and equipment	2,723,447	389,036		-	3,112,483
Infrastructure	122,954	28,894		-	151,848
	<u>3,306,636</u>	<u>532,398</u>		<u>-</u>	<u>3,839,034</u>
Total capital assets, gross	<u>3,787,516</u>	<u>532,398</u>	<u>-</u>	<u>-</u>	<u>4,319,914</u>
Less accumulated depreciation:					
Buildings	(204,611)	(13,097)			(217,708)
Machinery and equipment	(1,833,234)	(283,802)			(2,117,036)
Infrastructure	(3,022)	(6,316)		-	(9,338)
	<u>(2,040,867)</u>	<u>(303,215)</u>		<u>-</u>	<u>(2,344,082)</u>
Total capital assets, net	<u>\$ 1,746,649</u>	<u>\$ 229,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,975,832</u>
Business-type activities:					
Non-depreciable capital assets:					
Land and improvements	\$ 166,287	\$ -	\$ -	\$ -	\$ 166,287
Construction in progress	9,585	500		-	10,085
	<u>175,872</u>	<u>500</u>		<u>-</u>	<u>176,372</u>
Depreciable capital assets:					
Water and sewer system	7,874,065	740,082	(270,546)		8,343,601
Buildings and improvements	609,904			-	609,904
Equipment	436,431	82,884	(211,192)		308,123
	<u>8,920,400</u>	<u>822,966</u>	<u>(481,738)</u>		<u>9,261,628</u>
Total capital assets, gross	<u>9,096,272</u>	<u>823,466</u>	<u>(481,738)</u>	<u>-</u>	<u>9,438,000</u>
Less accumulated depreciation:					
	<u>(3,466,678)</u>	<u>(402,453)</u>	<u>432,423</u>	<u>-</u>	<u>(3,436,708)</u>
Total capital assets, net	<u>\$ 5,629,594</u>	<u>\$ 421,013</u>	<u>\$ (49,315)</u>	<u>\$ -</u>	<u>\$ 6,001,292</u>

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

5. Capital Assets – Continued

Depreciation expense was charged to governmental functions as follows:

General government	\$ 29,969
Public safety	195,290
Transportation	41,765
Culture and recreation	36,191
	303,215
Total depreciation expense	\$ 303,215

6. Long-Term Debt and Capital Leases - Governmental Funds

A. Capital Improvement Revenue Bonds, Series 1993:

On October 18, 1993, the City issued Capital Improvement Revenue Bonds, which proceeds totaled \$150,000, maturing in 2013. Bonds are retired on the first day of September of each year, along with interest. The interest rate on the outstanding bonds is 5.125% and is due annually on September 1 of each year. The bonds outstanding as of September 30, 2005 totaled \$78,000.

All debt service payments on the Capital Improvement Revenue Bonds and Excise Tax Revenue Bonds are collateralized by and funded from the proceeds of the City's Public Service Tax and Franchise Fees collected in the Debt Service Fund. Under the terms of the long-term debt agreement, the City has agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements.

B. Other Contractual Liabilities:

Other contractual liabilities payable at September 30, 2005, are comprised of the following:

Capital lease obligation to bank dated July 1997, collateralized by equipment, with an approximate book value of \$50,000 and interest at 5.05%, principal and interest payments of \$48,539 due annually beginning November 1997, maturing March 2007.	\$ 90,361
	90,361

7. Long-Term Debt - Enterprise Funds

A. Utility System Refunding Revenue Bonds:

On April 20, 2005, the City issued \$4,585,000, 3.94% fixed rate, Utility System Refunding Revenue Bonds, Series 2005, maturing 2021, to defease Series 1995 and series 1996 bonds and pay issuance costs. The bonds outstanding and the related unamortized bond issuance costs as of September 30, 2005 totaled \$4,415,000 and \$51,273, respectively.

These bonds are collateralized by the net revenues of the utility system. All gross revenues derived from the operation of the system shall be deposited in the Revenue Fund and net revenues shall be sufficient to pay at least one hundred and twenty-five percent (125%) of the annual debt service requirements.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

8. Long-Term Debt and Capital Lease Debt Services Schedule

A summary of payments required under long-term debt is as follows:

<u>General Long-Term Debt Group</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 8,000	\$ 3,998	\$ 11,998
2007	9,000	3,588	12,588
2008	9,000	3,126	12,126
2009	9,000	2,665	11,665
2010	10,000	2,204	12,204
Thereafter	<u>33,000</u>	<u>3,485</u>	<u>36,485</u>
	<u>\$ 78,000</u>	<u>\$ 19,066</u>	<u>\$ 97,066</u>
 <u>Enterprise Fund</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ -	\$ -
2007	210,000	173,951	383,951
2008	215,000	165,677	380,677
2009	225,000	157,206	382,206
2010	235,000	148,341	383,341
Thereafter	<u>3,530,000</u>	<u>962,542</u>	<u>4,492,542</u>
	4,415,000	1,607,717	6,022,717
Less discount and refunding costs	<u>(298,318)</u>	<u>-</u>	<u>(298,318)</u>
	<u>\$ 4,116,682</u>	<u>\$ 1,607,717</u>	<u>\$ 5,724,399</u>

The following is a schedule of future minimum lease payments under capital lease, together with the present value of the net minimum lease payments as of September 30, 2005:

2006	\$ 48,539
2007	47,397
Total Future Minimum Lease Payments	<u>95,936</u>
Amount Representing Interest	<u>(5,575)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 90,361</u>

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

8. Long-Term Debt and Capital Lease Debt Services Schedule - Continued

Long-term liability activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
Bond payable	\$ 102,000	\$ -	\$ (24,000)	\$ 78,000	\$ 8,000
Capital lease obligations	139,126	-	(48,765)	90,361	43,985
Total bonds and notes payable	<u>241,126</u>	<u>-</u>	<u>(72,765)</u>	<u>168,361</u>	<u>51,985</u>
Other liabilities:					
Compensated absences	215,938	21,595		237,533	23,753
Line of credit (see note 14)	-	450,000	-	450,000	
Accrued closure costs	9,250	-	(9,250)	-	-
Total other liabilities	<u>225,188</u>	<u>471,595</u>	<u>(9,250)</u>	<u>687,533</u>	<u>23,753</u>
Governmental activities long-term liabilities	<u>\$ 466,314</u>	<u>\$ 471,595</u>	<u>\$ (82,015)</u>	<u>\$ 855,894</u>	<u>\$ 75,738</u>
Business-type activities:					
Bonds and notes payable:					
Revenue bonds	\$ 4,390,000	\$ 4,585,000	\$ (4,560,000)	\$ 4,415,000	\$ -
Less deferred amount on refundings	(130,377)	(298,318)	130,377	(298,318)	-
Total bonds and notes payable	<u>4,259,623</u>	<u>4,286,682</u>	<u>(4,429,623)</u>	<u>4,116,682</u>	<u>-</u>
Compensated absences	<u>18,595</u>	<u>9,762</u>	<u>-</u>	<u>28,357</u>	<u>2,836</u>
Business-type activities long-term liabilities	<u>\$ 4,278,218</u>	<u>\$ 4,296,444</u>	<u>\$ (4,429,623)</u>	<u>\$ 4,145,039</u>	<u>\$ 2,836</u>

Compensated absences will be funded from the general fund.

9. Defeasance of Debt

As mentioned above, the City issued new debt during the current year. This debt was issued for the following purposes:

- To refund the outstanding principal amount of the City's Utility Refunding Revenue Bond, Series 1995, with interest rates ranging from 5.08% to 5.58%.
- To advance refund the outstanding principal amount of the City's Utility Improvement Revenue Bond, Series 1996, with interest rates ranging from 4.0% to 5.875%.
- To pay the cost (\$51,273) of issuing the series 2005 bonds.

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

9. Defeasance of Debt - Continued

The net proceeds of \$4,533,727 (after payment of issuance costs of \$51,273) were used to purchase United States Treasury Obligations. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the above noted debt. As a result, both the series 1995 and series 1996 debt are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The refunding of the debt resulted in a difference between the reacquisition price and the net carrying amount of old debt of approximately \$298,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight line method. The City completed the refunding of debt to reduce its total debt service payments over the next 16 years by approximately \$541,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$404,000.

10. Employee Benefit Plans

A. Defined Benefit Pension Plan:

All active employees of the City are enrolled in the Florida Retirement System (FRS), a multiple-employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees.

FRS members are eligible for retirement after vesting, which may occur at six (6) years of credible service for regular members. Normal retirement age is attained at the earlier of thirty (30) years of credible service, regardless of age or retirement at age 62 with at least six (6) years of credible service. Early retirement may be taken anytime; however, there is a five-percent (5%) benefit reduction for each year prior to normal retirement age (less than thirty (30) years of service or 62 years of age) for regular members. Special risk class employees (sworn law enforcement officers or firefighters) who retire at or after age 55 with 10 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3% of their final average compensation for each year of credited service. A post-employment health insurance subsidy is also provided to eligible retirement employees through the FRS in accordance with Florida Statutes. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation, and service credit.

Funding Policy:

The FRS has ten (10) classes of membership. Only four (4) classes are applicable to the City's eligible employees. These four (4) classes, with descriptions and contribution rates in effect during the period ended September 30, 2005 are as follows:

Regular Class - Members not qualifying for other classes (7.39% rate through July 1, 2005 and 7.83% through September 30, 2005).

Senior Management Service Class - Members of senior management who do not elect the optional annuity retirement program (9.37% rate through July 1, 2005 and 10.45% through September 30, 2005).

Special Risk Class - Members employed as law enforcement offices, firefighters, or correctional officers and meet the criteria set to qualify for this class (18.53% rate).

Elected State Officer's Class - Certain elected City officials (15.23% rates).

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

10. Employee Benefit Plans – Continued

The contribution requirements of the City are established and may be amended by FRS. The plan is non-contributory for employees with all contributions being the obligation of the employer. The City's contributions to their benefit plan for the years ended September 30, 2005, 2004 and 2003 was approximately \$335,000, \$280,000 and \$210,000 respectively, and was equal to the required contribution for the years ended September 30, 2005, 2004 and 2003.

The State of Florida issues a publicity report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, State of Florida, Tallahassee, Florida, 32399-1560.

B. 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 an unforeseeable emergency. The plan assets are held and administered by a third party; thus, the assets and related liabilities are not reflected in these financial statements.

11. Interfund Receivables and Payables

The following is a reconciling schedule of interfund receivables and payables as of September 30, 2005:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 49,446	\$ -
Excise Tax Fund	-	77,756
Enterprise Fund	28,310	-
	<u>\$ 77,756</u>	<u>\$ 77,756</u>

Interfund receivables and payables represent the residual portion of the balances paid out of the General Fund on behalf of the other funds.

12. Interfund Balances and Transactions

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. The interfund transfer activity for the year ended September 30, 2005 consisted of the following:

		Transfer from				
		General Fund	Impact Fee Fund	Excise Tax Fund	Enterprise Fund	Total
Transfer To	General Fund	\$ -	\$ (75,818)	\$ (641,970)	\$ (120,000)	\$ (837,788)
	Impact Fee Fund	75,818	-	-	-	75,818
	Excise Tax Fund	641,970	-	-	-	641,970
	Enterprise Fund	120,000	-	-	-	120,000
		<u>\$ 837,788</u>	<u>\$ (75,818)</u>	<u>\$ (641,970)</u>	<u>\$ (120,000)</u>	<u>\$ -</u>

CITY OF ORANGE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

12. Interfund Balances and Transactions - Continued

The transfer of \$75,818 from the Impact Fee Fund to the General Fund is for the acquisition of certain capital assets.

The transfer of \$641,970 from the Excise Tax Fund to the General Fund is to transfer funds after satisfying the sinking fund requirement and applicable debt service payments are made.

The transfer of \$120,000 from the Enterprise Fund to the General Fund is to cover administrative costs including city manager's and other general government employees' salaries and other unallocated costs.

13. Fund Equity

The City has established certain reserves within the fund equity section of the Governmental Fund Types. Reserved fund balance at September 30, 2005 consists of the following:

General Fund:	
Reserved for debt service	\$ 450,000
Reserved for fire equipment	211,641
Excise Tax Fund:	
Reserved for debt service	332,068
Special Revenue Funds:	
Reserved for expansion and law enforcement	<u>631,534</u>
	<u>\$ 1,625,243</u>

14. Commitments and Contingencies

Various suits and claims arising in the ordinary course of the City's operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.

The City has outsourced its police and fire emergency dispatch. The police dispatch contract has expired, as the City is operating under a temporary contract. The fire dispatch contract has been extended to September 30, 2008. The current year annual cost is \$36,200, with annual increases tied to the CPI index. In general, the contracts may be terminated with or without cause, with a one year written notice. The minimum future payment for these contracts are as follows for September 30:

2006	\$ 123,017
2007	36,200
2008	<u>36,200</u>
	<u>\$ 195,417</u>

The City has a contract with Volusia County whereby Volusia County has agreed to provide a wastewater treatment and disposal system for the benefit of the City. This contract remains in effect until 2039, at which time the contract can be extended for additional ten year terms. The fee for this service is established by Volusia County. The City's annual expense related to this contract for the year ended September 30, 2005 was approximately \$370,000.

CITY OF ORANGE CITY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

14. Commitments and Contingencies - Continued

The City entered into a \$1,500,000 line of credit from First Community Bank during March of 2005. The purpose of this line of credit was to fund the City's share of the West Volusia Partnership Center. The loan is expected to be paid off with semi annually interest and principal payments of \$165,117 (interest is fixed at 3.57%, with principal payments starting on June 1, 2007). At September 30, 2005, \$450,000 was outstanding on the line of credit; these proceeds have been contributed to the West Volusia Partnership Center.

The City has committed to the following various construction contracts outstanding at September 30, 2005. In the Enterprise Fund, various water and sewer projects are under construction. A summary of these projects at September 30, 2005 is as follows:

	<u>Primary Government</u>	
	<u>Governmental Funds</u>	<u>Enterprise Fund</u>
Total contract price	\$ 123,928	\$ 423,800
Total paid as of September 30, 2005	<u>(42,500)</u>	<u>(369,291)</u>
Remaining commitment at September 30, 2005	<u>\$ 81,428</u>	<u>\$ 54,509</u>

In addition to the above commitments, the City is in the process of acquiring some property through the process of "Eminent Domain". The actual cost for this property is unknown.

15. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded the specified commercial coverage limitations for the past three years. There have been no significant reductions in insurance coverage from the past year.

CITY OF ORANGE CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,000,500	\$ 2,000,500	\$ 1,956,924	\$ (43,576)
Franchise taxes	80,000	112,500	134,479	21,979
Local option gas tax	184,000	184,000	202,082	18,082
Utility service taxes	1,117,250	1,169,750	1,393,809	224,059
Fees and fines	147,100	104,100	110,886	6,786
Licenses and permits	489,625	830,625	618,864	(211,761)
Intergovernmental	794,500	1,119,500	1,511,051	391,551
Charges for services	100,500	110,500	148,409	37,909
Investment earnings	36,000	60,000	88,633	28,633
Miscellaneous	131,600	190,800	213,231	22,431
Total revenues	5,081,075	5,882,275	6,378,368	496,093
EXPENDITURES				
Current				
General government:				
City council	89,925	99,225	88,531	10,694
Administration	345,500	375,650	360,214	15,436
City clerk	166,860	173,860	161,016	12,844
Finance	230,110	230,110	215,079	15,031
Development services	358,740	355,140	350,577	4,563
General government	666,450	2,524,050	1,436,365	1,087,685
Public safety				
Police	1,663,600	1,692,100	1,636,860	55,240
Fire	1,443,510	1,443,510	917,174	526,336
Building division	341,355	641,355	466,446	174,909
Transportation	1,205,675	1,339,725	595,142	744,583
Parks and recreation				
Parks maintenance	96,315	144,015	132,111	11,904
Leisure services	203,455	203,455	144,539	58,916
Total expenditures	6,811,495	9,222,195	6,504,054	2,718,141
Excess (deficiency) of revenues over expenditures	(1,730,420)	(3,339,920)	(125,686)	(3,214,234)
OTHER FINANCING SOURCES				
Proceeds from line of credit	-	1,500,000	450,000	1,050,000
Transfers in	810,420	910,420	837,788	(72,632)
Total other financing sources	810,420	2,410,420	1,287,788	977,368
Net change in fund balance	(920,000)	(929,500)	1,162,102	(2,236,866)
Fund balances, beginning of year	2,475,278	2,475,278	2,475,278	-
Fund balances, end of year	\$ 1,555,278	\$ 1,545,778	\$ 3,637,380	\$ (2,236,866)

CITY OF ORANGE CITY, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2005

1. Summary of Significant Budget Policies

The City Council annually adopts budgets for the General Fund of the primary government. All appropriations are legally controlled at the fund and department level for the General Fund. On September 23, 2003, the City Council approved the original adopted budget and on November 9, 2004 approved the revised budget reflected in the financial statements.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. Material Violations

There were no material violations of the annual appropriated budget for the General Fund for the fiscal year ended September 30, 2005. In addition, there were no excesses of budgetary expenditures for the period.

CITY OF ORANGE CITY, FLORIDA

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF ORANGE CITY, FLORIDA

SPECIAL REVENUE FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of government. The City has the following Special Revenue Funds.

Forfeiture Fund:

This fund is established pursuant to The Florida Contraband Forfeiture Act for the receipts of contraband sales proceeds to be used for law enforcement, excluding normal operating expenditures.

Impact Fee Fund:

To account for Police, Fire and Park Impact Fees. The use of this revenue is restricted to expansion or construction of facilities and/or programs required because of such developments.

CITY OF ORANGE CITY, FLORIDA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	Special Revenue Funds		
	Forfeiture Fund	Impact Fee Fund	Total
ASSETS			
Cash and cash equivalents	\$ 15,709	\$ 635,116	\$ 650,825
Total assets	\$ 15,709	\$ 635,116	\$ 650,825
 LIABILITIES AND FUND BALANCE			
Accounts payable	-	\$ 19,291	\$ 19,291
Total liabilities	-	19,291	19,291
Fund balances:			
Reserved for law enforcement	15,709	-	15,709
Reserved for expansion	-	615,825	615,825
Total fund balance	15,709	615,825	631,534
Total liabilities and fund balance	\$ 15,709	\$ 635,116	\$ 650,825

CITY OF ORANGE CITY, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Special Revenue Funds</u>		
	<u>Forfeiture Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
REVENUES			
Impact fees	\$ -	\$ 393,855	\$ 393,855
Miscellaneous	3,575	7,447	11,022
Total revenues	<u>3,575</u>	<u>401,302</u>	<u>404,877</u>
EXPENDITURES			
Capital outlay	-	-	
Miscellaneous	100	-	100
Total expenditures	<u>100</u>	<u>-</u>	<u>100</u>
Excess of revenues over expenditures	3,475	401,302	404,777
OTHER FINANCING USES			
Transfers out	-	(75,818)	(75,818)
Total other financing (Uses)	<u>-</u>	<u>(75,818)</u>	<u>(75,818)</u>
Excess of revenues and other financing sources over expenditures and other uses	3,475	325,484	328,959
Fund balances, beginning of year	<u>12,234</u>	<u>290,341</u>	<u>302,575</u>
Fund balances, end of year	<u>\$ 15,709</u>	<u>\$ 615,825</u>	<u>\$ 631,534</u>

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
FORFEITURE FUND - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Confiscated property	\$ 5,000	\$ 5,000	\$ 3,447	\$ (1,553)
Investment earnings	-	-	128	128
Total revenues	5,000	5,000	3,575	(1,425)
EXPENDITURES				
Capital outlay	5,000	5,000	-	(5,000)
Miscellaneous	-	-	100	100
Total expenditures	5,000	5,000	100	(4,900)
Excess of revenues over expenditures	-	-	3,475	3,475
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Net change in fund balance	-	-	3,475	3,475
Fund balances, beginning of year	12,234	12,234	12,234	-
Fund balances, end of year	<u>\$ 12,234</u>	<u>\$ 12,234</u>	<u>\$ 15,709</u>	<u>\$ 3,475</u>

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
IMPACT FEE FUND - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Police fees	\$ 20,000	\$ 14,140	\$ 38,538	\$ 24,398
Fire impact fees	16,500	26,500	83,412	56,912
Transportation impact fees	-	65,000	191,649	126,649
Community park impact fees	8,500	15,000	29,714	14,714
Neighborhood park impact fees	7,200	23,000	50,542	27,542
Interest earnings	2,800	4,000	7,447	3,447
Total revenues	55,000	147,640	401,302	253,662
EXPENDITURES				
Current:				
Contingency	-	-	-	-
Excess of revenues over expenditures	55,000	147,640	401,302	253,662
OTHER FINANCING SOURCES (USES)				
Transfers in	92,640	-	-	-
Transfers out	(147,640)	(147,640)	(75,818)	71,822
Total other financial sources and uses	(55,000)	(147,640)	(75,818)	71,822
Net change in fund balance	-	-	325,484	325,484
Fund balances, beginning of year	290,341	290,341	290,341	-
Fund balances, end of year	\$ 290,341	\$ 290,341	\$ 615,825	\$ 325,484

CITY OF ORANGE CITY, FLORIDA

BUDGET TO ACTUAL COMPARISON
EXCISE TAX FUND - DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Franchise taxes	\$ 550,000	\$ 650,000	\$ 734,893	\$ 84,893
Investment earnings	1,600	1,600	627	(973)
Total revenues	<u>551,600</u>	<u>651,600</u>	<u>735,520</u>	<u>83,920</u>
EXPENDITURES				
Debt service:				
Principal	20,000	20,000	24,000	4,000
Interest and other charges	8,400	8,400	5,208	(3,192)
Total expenditures	<u>28,400</u>	<u>28,400</u>	<u>29,208</u>	<u>808</u>
Excess of revenues over expenditures	<u>523,200</u>	<u>623,200</u>	<u>706,312</u>	<u>83,112</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	19,580	19,580	-	(19,580)
Transfers out	(542,780)	(642,780)	(641,970)	810
Total other financial sources and uses	<u>(523,200)</u>	<u>(623,200)</u>	<u>(641,970)</u>	<u>(18,770)</u>
Net change in fund balance	-	-	64,342	64,342
Fund balances, beginning of year	<u>267,726</u>	<u>267,726</u>	<u>267,726</u>	<u>-</u>
Fund balances, end of year	<u>\$ 267,726</u>	<u>\$ 267,726</u>	<u>\$ 332,068</u>	<u>\$ 64,342</u>

CITY OF ORANGE CITY

STATISTICAL SECTION

Year Ended September 30, 2005

The Statistical Section consists of tables and charts designed to provide the reader with insights into the financial position of the City which are not readily apparent from the Financial Statements.

The following statistical tables recommended for inclusion by the Government Accounting Standards Board are not included for the reasons stated:

- A. Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita – Last Ten Fiscal Years

During the past ten years, the City of Orange City had no general bonded indebtedness.

- B. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years

During the past ten years, the City of Orange City had no general bonded indebtedness.

- C. Computation of Legal Debt Margin

Neither the Constitution of the State of Florida, the Florida Statutes, nor the Charter of the City of Orange City sets a legal debt margin.

- D. Special Assessments Billing and Collections – Last Ten Fiscal Years

During the past ten years, the City of Orange City had no Special Assessment Debt.

TABLE I

CITY OF ORANGE CITY, FLORIDA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks and Recreation</u>	<u>Interest on Long-term Debt</u>	<u>Water and Waste Water System</u>	<u>Total</u>
2003	\$ 1,113,090	\$ 2,267,966	\$ 613,317	\$ 141,758	\$ 22,992	\$ 1,843,375	\$ 6,002,498
2004	1,884,654	2,845,661	753,808	150,524	16,267	1,888,107	7,539,021
2005	2,548,196	2,946,955	548,755	187,938	11,920	2,039,404	8,283,168

The City converted to GASB 34 during 2003, historical data prior to 2003 is not available.

CITY OF ORANGE CITY, FLORIDA

TABLE II

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Investment Earnings</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 2,447,095	\$ 283,615	\$ 684,083	\$ 3,946,671	\$ 49,280	\$ 30,521	\$ 7,441,265
2004	3,053,752	718,102	728,909	4,401,055	56,242	36,492	8,994,552
2005	3,698,614	748,063	395,291	4,719,429	96,837	173,713	9,831,947

The City converted to GASB 34 during 2003, historical data prior to 2003 is not available.

TABLE III

CITY OF ORANGE CITY, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Option Gas and Use Taxes</u>	<u>Franchise Fees</u>	<u>Utility Services</u>	<u>Licenses and Permits</u>
1996	\$ 1,123,045	\$ 96,348	\$ 377,319	\$ 225,863	\$ 172,321
1997	1,149,290	106,425	401,057	230,444	170,898
1998	1,230,866	122,194	399,723	254,056	188,086
1999	1,295,616	108,168	457,198	276,315	224,271
2000	1,320,326	168,992	471,185	563,921	211,603
2001	1,479,447	187,417	575,779	814,572	220,462
2002	1,555,175	180,347	558,768	900,055	385,657
2003	1,661,057	183,565	604,325	999,305	346,188
2004	1,784,239	188,644	746,551	1,145,910	429,066
2005	1,956,924	202,082	869,372	1,393,809	618,864

(1) Includes General, Special Revenue and Debt Service Funds

<u>Fiscal Year</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1996	\$ 391,465	\$ 6,995	\$ 79,341	\$ 288,198	\$ 2,760,895
1997	520,264	4,695	66,204	157,135	2,806,412
1998	440,699	9,510	65,898	223,657	2,934,689
1999	464,314	11,975	52,827	310,008	3,200,692
2000	506,385	67,283	88,841	423,217	3,821,753
2001	517,245	9,585	99,800	223,248	4,127,555
2002	538,148	45,337	100,366	222,280	4,486,133
2003	723,383	122,143	97,257	251,563	4,988,786
2004	779,368	124,446	113,371	386,310	5,697,905
2005	1,511,051	148,409	110,886	707,368	7,518,765

TABLE IV

CITY OF ORANGE CITY, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Culture/ Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$ 679,962	\$ 1,271,339	\$ 345,614	\$ 54,069	\$ 349,023	\$ 151,043	\$ 2,851,050
1997	745,808	1,315,580	497,866	75,111	345,158	122,410	3,101,933
1998	837,325	1,415,256	416,371	90,506	728,433	199,889	3,687,780
1999	959,812	1,483,869	300,103	83,017	258,156	182,010	3,266,967
2000	821,006	1,460,439	293,745	55,542	119,957	166,930	2,917,619
2001	1,122,551	1,617,101	336,840	76,462	405,018	133,752	3,691,724
2002	1,201,760	1,924,331	460,500	105,517	689,399	114,577	4,496,084
2003	1,136,746	2,104,534	592,952	140,429	518,970	114,768	4,608,399
2004	1,819,715	2,648,198	723,772	118,340	458,638	114,502	5,883,165
2005	2,505,877	2,751,665	506,990	151,747	532,398	84,685	6,533,362

(1) Includes General, Special Revenue and Debt Service Funds.

CITY OF ORANGE CITY, FLORIDA

TABLE V

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collections As % of Current Levy</u>
1995	1996	\$ 1,168,133	\$ 1,118,015	95.71%	\$ 5,030	\$ 1,123,045	96.14%
1996	1997	1,194,170	1,148,617	96.19%	673	1,149,290	96.24%
1997	1998	1,283,744	1,225,289	95.45%	5,577	1,230,866	95.88%
1998	1999	1,330,974	1,283,970	96.47%	11,646	1,295,616	97.34%
1999	2000	1,389,328	1,299,755	93.55%	20,571	1,320,326	95.03%
2000	2001	1,526,523	1,446,605	94.76%	32,842	1,479,447	96.92%
2001	2002	1,607,144	1,538,011	95.70%	17,164	1,555,175	96.77%
2002	2003	1,684,595	1,647,316	97.79%	13,741	1,661,057	98.60%
2003	2004	1,822,858	1,755,865	96.32%	28,374	1,784,239	97.88%
2004	2005	2,025,339	1,933,955	95.49%	22,969	1,956,924	96.62%

(1) Volusia County Tax Collector's Office

TABLE VI

CITY OF ORANGE CITY, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Tax Year	Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	1996	\$186,605,264	\$232,160,788	\$30,097,873	\$30,408,384	\$216,703,137	\$262,569,172	82.53%
1996	1997	203,037,928	249,811,440	35,249,741	35,538,632	238,287,669	285,350,072	83.51%
1997	1998	210,277,291	261,510,366	36,041,403	36,400,207	246,318,694	297,910,573	82.68%
1998	1999	221,973,640	276,712,200	35,996,204	36,313,936	257,969,844	313,026,136	82.41%
1999	2000	245,409,683	325,924,050	38,005,963	40,101,841	283,415,646	366,025,891	77.43%
2000	2001	256,774,002	349,036,513	43,211,863	45,189,776	299,985,865	394,226,289	76.09%
2001	2002	282,338,745	385,825,348	48,341,758	50,050,091	330,680,503	435,875,439	75.87%
2002	2003	333,590,334	459,502,331	49,020,586	50,952,461	382,610,920	510,454,792	74.95%
2003	2004	364,040,990	510,983,878	51,364,152	53,186,241	415,405,142	564,170,119	73.63%
2004	2005	441,585,835	614,320,751	57,574,977	59,459,369	499,160,812	673,780,120	74.08%

Source: "Certification of Taxable Value" as filed with the Volusia County Property Appraiser's Office.

CITY OF ORANGE CITY, FLORIDA

TABLE VII

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>City of Orange City</u>	<u>Volusia County (1)</u>	<u>Volusia County School Board</u>	<u>Other</u>	<u>Total</u>
1995	1996	5.6000	5.6270	9.8690	3.4745	24.5705
1996	1997	5.6000	5.7160	10.2770	3.1560	24.7490
1997	1998	5.5000	6.1720	10.8870	3.0546	25.6136
1998	1999	5.5000	6.2170	10.8210	2.4200	24.9580
1999	2000	5.3795	6.3810	10.4870	2.4041	24.6516
2000	2001	5.3795	6.3780	10.3760	2.1290	24.2625
2001	2002	5.3795	6.3730	9.9170	2.0952	23.7647
2002	2003	5.2170	6.6040	8.8990	2.0973	22.8173
2003	2004	4.8751	6.6040	8.6990	2.3005	22.4786
2004	2005	4.8751	6.6040	8.5170	2.3005	22.2966

(1) Includes General Fund, County Transportation Trust Fund, Library Fund, and Limited Tax General Obligation Referring Bonds Debt Service Funds.

Note: Tax rates are per \$1,000 of taxable valuation.

Source: County of Volusia Financial Services Group 2000.

TABLE VIII

CITY OF ORANGE CITY, FLORIDA

PRINCIPAL TAXPAYERS (1)

SEPTEMBER 30, 2005

<u>Taxpayer Name</u>	<u>Business Name</u>	<u>Type of Business</u>	<u>2004 Assessed Value</u>	<u>2005 Assessed City Taxes</u>	<u>Percent of Total Assessed Taxes</u>
Wal-Mart Stores East, Inc.	Wal-Mart	Retail Store	\$ 15,060,234	\$ 73,420	2.93%
Sunshine Portfolio Ltd I	Market Place Center	Shopping Center	12,252,764	59,733	2.38%
John Knox Village	John Knox V of Central FL Inc.	Assisted Living Facility	11,191,692	54,560	2.18%
Sun Life Assurance of Canada	Crowne Centre	Shopping Center	9,320,958	45,440	1.81%
Lowe's Home Centers, Inc.	Lowe's Home Improvement Center	Home Improvement Center	9,272,333	45,203	1.80%
The Home Depot	Home Depot	Home Improvement Center	8,310,867	40,516	1.62%
Saxon Trace Partners LTD	Saxon Trace Apt.	Apartments	7,660,770	37,347	1.49%
NHC-FL 7 LP	Sunburst RV Park	RV Park	6,449,250	31,440	1.25%
Dayton Hudson Corp.	Target	Retail Store	5,982,461	29,165	1.16%
Grandville on Saxon LTD	Grandville Appt's.	Apartments	5,637,476	27,483	1.10%
Total For Principal Taxpayers			91,138,805	444,307	17.72%
Total For Other Taxpayers			423,082,241	2,062,551	82.28%
Total			<u>\$ 514,221,046</u>	<u>\$ 2,506,858</u>	<u>100.00%</u>

(1) Sources : Research conducted by the City of Orange City Finance Department from data supplied by the Volusia County Property Appraiser's Office

CITY OF ORANGE CITY, FLORIDA

TABLE IX

REVENUE BOND COVERAGE

WATER AND SEWER BONDS

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
1996	\$ 1,340,304	\$ 724,141	\$ 616,163	\$ 85,000	\$ 244,113	\$ 329,113	1.872
1997	1,438,167	725,381	712,786	90,000	339,762	429,762	1.659
1998	1,531,402	842,435	688,967	130,000	287,760	417,760	1.649
1999	1,520,099	804,659	715,440	135,000	282,530	417,530	1.714
2000	1,651,879	869,483	782,396	135,000	276,872	411,872	1.900
2001	1,713,910	914,460	799,450	135,000	271,075	406,075	1.969
2002	1,651,710	1,020,520	631,190	145,000	264,775	409,775	1.540
2003	1,751,451	1,209,729	541,722	155,000	258,110	413,110	1.311
2004	2,047,738	1,247,623	800,115	165,000	251,070	416,070	1.923
2005	2,225,825	1,375,039	850,786	170,000	223,869	393,869	2.160

(1) Gross revenues from water and sewer charges for services, plus interest income and service charges.

(2) Total operating expenses exclusive of depreciation and amortization of intangibles.

(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.

TABLE X

CITY OF ORANGE CITY, FLORIDA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
END OF FISCAL YEARS

SEPTEMBER 30, 2005

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Governmental Unit</u>	<u>City of Orange City, FL - Share of Debt</u>
Direct:			
The City of Orange City	\$ -	100%	\$ -
Overlapping:			
School District	19,423,845 (1)	1.68%	326,321
County of Volusia	<u>-</u>	1.68%	<u>-</u>
Total Direct and Overlapping Debt	<u>\$ 19,423,845</u>		<u>\$ 326,321</u>

(1) Information provided by Volusia County School Board.

CITY OF ORANGE CITY, FLORIDA

TABLE XI

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1996	6,137	785	4.5%
1997	6,248	839	3.6%
1998	6,292	818	3.9%
1999	6,400	778	3.0%
2000	6,604 (4)	729	3.0%
2001	6,646	756	3.9%
2002	6,686	745	5.2%
2003	7,102	797	5.2%
2004	7,900	799	5.0%
2005	8,854	865	3.4%

Sources:

- (1) Except as noted, Bureau of Economic and Business Research, University of Florida.
- (2) Public schools are within the jurisdiction of the Volusia County School Board. This table reflects the 20-day report for enrollment of public schools within the Orange City city limits.
- (3) State of Florida Workforce Innovation. Figures are for Volusia County.
- (4) 2000 U.S. Census.

TABLE XII

CITY OF ORANGE CITY, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Estimated Actual Value of Total Property (1)	Value of Construction Permits Issued (2)	Financial Institutions Deposits (In Thousands) (3)
1996	\$ 262,569,172	\$ 3,601,685	\$ 938,371
1997	285,350,072	12,190,115	1,014,117
1998	297,910,573	7,922,195	1,105,053
1999	313,026,136	5,459,186	1,134,579
2000	366,025,891	8,864,713	1,184,342
2001	394,226,289	9,081,383	1,282,942
2002	435,875,439	14,733,409	1,366,945
2003	510,454,792	24,808,226	1,508,658
2004	564,170,119	34,195,376	1,679,136
2005	673,780,120	53,359,321	1,902,697

Sources:

- (1) Volusia County Property Appraisers Office.
- (2) City of Orange City Permit Department.
- (3) Florida League of Financial Institutions and Florida Bankers Association.

CITY OF ORANGE CITY, FLORIDA

TABLE XIII

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2005

Date of Incorporation	August 26, 1882
City Charter Approved	May 30, 1889
Form of Government	Council - City Manager
Area	6.8 square miles
Miles of Streets	62.7 miles
Fire Protection :	
Number of Fire Stations	1
Number of Firefighters and Officers	22
Police Protection :	
Number of Stations	1
Number of Sworn Officers	24
Municipal Water System :	
Number of Customers	5,079
Average Daily Consumption	1.46 MGD
Plant Capacity - All Plants	2.82 MGD
Deep Wells	9
Number of Fire Hydrants	270
Municipal Sewer System :	
Number of Customers	1479
Treatment Facility Capacity	*
Annual Average Flow	.31 MGD
Building Permits Issued	1180
Recreation and Culture :	
Number of Regional Parks	1
Number of Neighborhood Parks	6
Park Area - # of acres	65
Number of Libraries / Museums	1
Number of Books	22,459
City Employees	91.5

* Pumped to Volusia County.

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

Honorable Mayor and City Council
City of Orange City
Orange City, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orange City, Florida (the "City") as of and for the year ended September 30, 2005, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

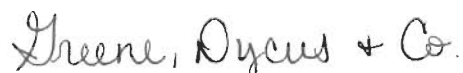
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Orange City, on page 75 of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, Auditor General State of Florida and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


Professional Association
Certified Public Accountants
Sanford, Florida
December 9, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Orange City
Orange City, Florida

Compliance

We have audited the compliance of the City of Orange City, Florida (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The City'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 requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the applicable standards 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 the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City 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 the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all of the matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Greene, Dycus & Co.

Professional Association
Certified Public Accountants
Sanford, Florida
December 9, 2005

CITY OF ORANGE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS
YEAR ENDED SEPTEMBER 30, 2005

Part I. Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expresses an unqualified opinion.
2. Reportable conditions relating to the audit of the financial statements. – None reported.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Reportable conditions relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program. – None Reported.
5. The Independent Auditors' Report on compliance for each major federal awards program expresses an unqualified opinion.
6. There were no audit findings relative to major federal awards programs.
7. The programs tested as major programs include the following:

	Number
U.S. Department of Homeland Security (FEMA)	97.036

8. The threshold used to distinguish between Type A and Type B programs was \$300,000 for major federal awards programs.
9. The City of Orange City, Florida qualifies as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II. Findings Related to The Financial Statements

This section identifies reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. None are reported.

Part III. Findings and Questioned Costs for Major Federal Awards Programs

There were no findings or questioned costs reported.

CITY OF ORANGE CITY, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
FEDERAL AWARDS PROGRAMS

YEAR ENDED SEPTEMBER 30, 2005

Prior Year Audit Findings:

There were no audit findings, relating to federal awards programs, in the prior year independent auditors' reports which required corrective action.

Corrective Action Plan:

There were no findings, relating to federal awards programs, in the current year that required a corrective action plan.

CITY OF ORANGE CITY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2005

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number / Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Federal Award Programs:			
U.S. Department of Homeland Security			
Public Assistance Grant *	97.036	WF037	\$ 344,623
Assistance to Firefighters Grant	97.044	EMW-2003-FG-04192	2,905
Federal Highway Administration, Dept of Transportation			
Emergency Relief Program Agreement	20.205	COC-003-463 VI	91,545
U.S. Department of Justice			
Public Safety Partnership and Community Policing Grants	16.710	2002 UMWX0386	56,565
Local Law Enforcement Block Grant	16.592	N/A	<u>6,087</u>
			<u>\$ 501,725</u>

* Tested as a major program.

CITY OF ORANGE CITY, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Note 1 – Reporting Entity

For reporting entity purposes, the Schedule of Federal Awards includes only the activities of the City of Orange City Florida.

Note 2 – Summary of Significant Accounting Policies / Basis of Presentation

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations. This schedule is prepared on the accrual basis of accounting and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and City Council
City of Orange City
Orange City, Florida


We have audited the basic financial statements of the City of Orange City, Florida (the "City") as of and for the year ended September 30, 2005, and have issued our report thereon dated December 9, 2005.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 9, 2005, should be considered in conjunction with this management letter.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

Sincerely,


Professional Association
Certified Public Accountants
Sanford, Florida
December 9, 2005

1. **ANNUAL REPORT UNDER FLORIDA STATUE 218.32**

We reviewed the City's financial report, as of September 30, 2005, required to be filed with the Department of Financial Services pursuant to Section 218.32(1)(b) of the Florida Statutes. This report was compared with the City's financial statements for the same period. No exceptions were noted during our review.

2. **LEGAL AUTHORITY**

The City was incorporated in 1882 by laws of Florida Chapter 59.1640.

3. **INVESTMENT OF PUBLIC FUNDS**

The City has complied with Section 218.415, Florida Statutes regarding the investment of public funds.

4. **FINANCIAL CONDITION ASSESSMENT PROCEDURES**

Based on our audit procedures performed, no indication came to our attention that caused us to believe that the City met any of the conditions described in F.S. 218.503(1). However, our audit does not provide a legal determination on the City's compliance with this requirement.

The auditors performed financial condition assessment procedures per Auditor General Rule 10.556(8).

AUDITORS' COMMENTS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR'S FINDINGS

Our recommendations regarding the consolidation of cash accounts have not been fully implemented during the current year. Therefore, we have included these items in our "Current Findings and Recommendations".

Capitalization of Assets

The City followed its capitalization policy.

CURRENT FINDINGS AND RECOMMENDATIONS

Donated Goods Policy

The City from time to time receives goods that have been donated by citizens and area businesses. The City should establish and follow a formal policy of accepting these items as well as reflecting these items on the City's books. Having a policy to follow will ensure that the donor is properly acknowledged. Reflecting the donated items on the books will allow for their future replacement to be budgeted, as well as to allow these assets to be covered by existing City insurance.

Bank Accounts

The City currently maintains numerous bank accounts which have no other function than to segregate funds by their intended purposes. This creates additional work in maintaining and reconciling each account. We recommend the City consolidate its cash accounts as practical, which will greatly reduce the work related to maintenance and reconciliations. The accounting system utilized by the City can adequately account for the different purposes of each of the various pools of cash.

In addition, the software that the City utilizes has a bank reconciliation module; the City is currently manually reconciling these bank accounts. Automating this process will reduce the time that it takes to reconcile the bank accounts.

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**MANAGEMENT'S RESPONSE TO
AUDITORS' COMMENTS AND RECOMMENDATIONS**

As required by the Rules of the Auditor General, let this serve as the City of Orange City's official response to the comments noted on your Independent Auditors' Management Letter regarding the recommendations made in the preceding annual financial audit report. The status of the items noted and recommendations listed in the memorandum is as follows:

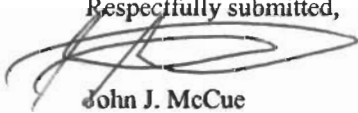
Bank Accounts

We concur with the recommendation. Staff did consolidate several bank accounts and will evaluate the remaining City's bank accounts and implement this recommendation as deemed practical within the Fiscal Year 2005-2006.

Donated Goods Policy

We concur with this recommendation. Staff is in the process of drafting such a policy.

Respectfully submitted,



John J. McCue
City Manager



Christine C. Davis
Finance Director