

TOWN OF DUNDEE, FLORIDA
T.I.N. No. 59-6000309

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

September 30, 2009

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MANAGEMENTS' DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA

As management of the Town of Dundee, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the activities of the Town for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the Town's financial statements beginning on page 2.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$14,553,291 (net assets). Of this amount, \$298,506 (unrestricted net assets) may be used to meet the Town's obligations which is an increase of \$735,461 over the prior year.
- The Town's unrestricted cash and cash equivalents totaled \$461,990, an increase of \$350,458 over the prior year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: government-wide financial statements; fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents revenue and expenses and shows how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by a private sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Government-Wide Financial Statements (cont...)

Both of the government-wide financial statements distinguish functions of the Town 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 costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, library, police, fire, building and zoning, streets, parks and recreational historic train depot. The business-type activities include water, sewer, stormwater, and sanitation.

The Town's government-wide financial statements can be found on pages 2 and 3 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Town rather than the Town as a whole. The Town's fund financial statements are divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Governmental Funds (cont...)

For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities' column on the statement of net assets. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities' column in the statement of activities.

The Town has only one governmental fund which is the general fund presented on pages 4 - 7.

Proprietary Funds - Proprietary fund financial statements consist of a statement of net assets, statement of revenues, expenses, and changes in net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a single enterprise fund for its water, sewer, stormwater and solid waste. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the government's various functions. The Town does not use internal service funds.

The proprietary fund financial statements can be found on pages 8 -10 of this report.

Fiduciary Funds - Assets held by the Town for other parties, either as a trustee or as an agent, and that cannot be used to finance the Town's own operating programs are reported as fiduciary funds. The Town has no fiduciary funds.

Notes to the Financial 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. The notes to the financial statements can be found on pages 11-28 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* consisting of the budgetary comparison statement for the general fund which can be found on page 29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Government-Wide Financial Analysis

The following schedule is a summary of the Statement of Net Assets found on page 2 of this report:

Statement of Net Assets (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$2,253,432	\$2,389,986	\$1,257,996	\$1,689,185	\$3,511,428	\$4,079,171
Capital assets	3,770,692	4,795,752	14,608,901	14,958,319	18,379,593	19,754,071
Total assets	6,024,124	7,185,738	15,866,897	16,647,504	21,891,021	23,833,242
Current and other liabilities	201,956	841,664	968,754	979,309	1,170,710	1,820,973
Long-term liabilities	2,817,796	2,991,684	3,349,224	3,461,596	6,167,020	6,453,280
Total liabilities	3,019,752	3,833,348	4,317,978	4,440,905	7,337,730	8,274,253
Net assets:						
Invested in capital assets, net of related debt	2,332,782	3,255,172	10,906,785	11,062,430	13,239,567	14,317,602
Restricted	659,891	720,860	355,327	957,482	1,015,218	1,678,342
Unrestricted	11,699	(623,642)	286,807	186,687	298,506	(436,955)
Total net assets	\$3,004,372	\$3,352,390	\$11,548,919	\$12,206,599	\$14,553,291	\$15,558,989

The Town's assets exceeded its liabilities by \$14,553,291 at the close of the fiscal year, a decrease of \$1,005,698 over the prior year primarily due to an \$899,332 impairment write down of certain capital assets more fully described on page 21 of the report.

A substantial portion of the Town's net assets (91%) reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town'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.

A small portion of the Town's net assets (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$298,506, may be used to meet the Town's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

The following is a summary of the information presented in the Statement of Activities found on page 3 of this report:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$184,639	\$215,762	\$1,417,070	\$1,640,066	\$1,601,709	\$1,855,828
Operating grants and contributions	45,600	93,969			45,600	93,969
Capital grants and contributions	58,381	347,198	(6,301)	925,764	52,080	1,272,962
General revenues:						
Property taxes	1,316,874	1,254,606			1,316,874	1,254,606
Other taxes	923,302	853,533			923,302	853,533
State shared revenue	224,176	249,208			224,176	249,208
Other	66,926	73,993	5,565	33,326	72,491	107,319
Total revenues	2,819,898	3,088,269	1,416,334	2,599,156	4,236,232	5,687,425
Expenses:						
Governmental Activities:						
General government	1,769,382	1,548,819			1,769,382	1,548,819
Library	146,409	123,804			146,409	123,804
Police	671,723	927,951			671,723	927,951
Fire	143,329	144,464			143,329	144,464
Building and zoning	111,421	121,077			111,421	121,077
Code enforcement	51,969	38,756			51,969	38,756
Streets	312,312	507,770			312,312	507,770
Parks and recreation	254,157	220,129			254,157	220,129
Historic train depot	11,510	17,103			11,510	17,103
Interest on long-term debt	145,719	82,043			145,719	82,043
Business-type Activities:						
Water			501,744	602,037	501,744	602,037
Sewer			754,074	657,085	754,074	657,085
Stormwater			29,670	18,002	29,670	18,002
Sanitation			338,511	314,376	338,511	314,376
Total expenses	3,617,931	3,731,916	1,623,999	1,591,500	5,241,930	5,323,416
Increase (decrease) in net assets before transfers	(798,033)	(643,647)	(207,665)	1,007,656	(1,005,698)	364,009
Transfers	450,015	322,551	(450,015)	(322,551)		
Increase (decrease) in net assets	(348,018)	(321,096)	(657,680)	685,105	(1,005,698)	364,009
Net assets - October 1	3,352,390	3,673,486	12,206,599	11,521,494	15,558,989	15,194,980
Net assets - September 30	\$3,004,372	\$3,352,390	\$11,548,919	\$12,206,599	\$14,553,291	\$15,558,989

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Governmental Activities - Governmental activities decreased the Town's net assets by \$348,018 (after transfers), as compared to a decrease of \$321,096 for the prior year. The current year decrease is primarily due to the \$899,332 impairment loss discussed previously.

Business-type Activities - Business-type activities decreased the Town's net assets by \$657,680 (after transfers), as compared to an increase of \$685,105 for the previous year. The decline from the previous year is due to a decrease in capital contributions of \$932,065 from the prior year and a decrease in charges for services of \$222,996 related to a bad debts reserve for the idle capacity billings of \$291,365.

Governmental Funds - The fund financial statements for the general fund are provided on pages 4 - 7. At the end of the fiscal year, the Town's governmental fund (the general fund) reported total ending fund balance of \$2,074,305 of which \$54,084 constituted *unreserved fund balance*, which is available for spending at the Town's discretion subject to budgetary constraints. The remainder of the fund balance totaling \$2,020,221 is reserved to indicate that it is not available for general spending because it has already been committed or is restricted as to its use. In terms of the general fund's liquidity, unreserved fund balance represents 2% of the general funds annual expenditures. Unrestricted fund balance was a negative \$632,636 at the end of the previous year.

Total governmental revenues were flat over the prior year if you factor out the \$2,800,000 proceeds from debt last year. Expenditures were down \$522,288 over the prior year after factoring out the decrease in capital outlay over the prior year. The decrease in expenditures is related to decreases in general government salaries and professional fees and in police due to outsourcing this function to the Sheriff.

Proprietary Funds - The fund financial statements for the Town's proprietary funds provide essentially the same type of information found in the government-wide financial statements in more detail. The proprietary fund financial statements can be found on pages 8 - 10 of this report. Factors concerning the finances of the proprietary funds have been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights - The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the general fund can be found on page 29 of this report in the required supplementary information section. The general fund budget was not amended and budgeted revenues were equal to budgeted expenses (appropriations). Actual revenues came in \$77,548 more than budgeted and expenditures came in \$1,893,831 under budget as certain capital projects and planned borrowings (other sources) did not take place.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$18,379,593 (net of accumulated depreciation) which is a decrease of \$1,254,573 after depreciation of \$579,295 and after the impairment write down discussed previously.

Following is a summary of capital assets:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,012,606	\$545,606	\$806,275	\$806,275	\$1,818,881	\$1,351,881
Construction in progress		1,447,427	1,251,753	1,105,817	\$1,251,753	\$2,553,244
Buildings and improvements	2,121,718	2,057,740	15,632,217	15,560,045	17,753,935	17,617,785
Vehicles and equipment	860,561	959,703	283,939	283,939	1,144,500	1,243,642
Infrastructure	1,332,438	1,384,508			1,332,438	1,384,508
Less: Accumulated depreciation	(1,556,631)	(1,599,232)	(3,365,283)	(2,917,662)	(4,921,914)	(4,516,894)
Net	\$3,770,692	\$4,795,752	\$14,608,901	\$14,838,414	\$18,379,593	\$19,634,166

Additional information on the Town's capital assets can be found in Note 6 beginning on page 20 of this report.

Long-term Debt - At the end of the year, the Town had total long-term debt outstanding of \$6,102,862 (excluding accrued compensated absences) a decrease of \$237,704 over the previous year resulting from no new borrowings and normal annual principal repayments. The following is a summary of the long-term debt outstanding:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue notes	\$2,685,754	\$2,775,144	\$3,324,514	\$3,436,886	\$6,010,268	\$6,212,030
Notes and leases payable	92,594	128,536			92,594	128,536
Total	\$2,778,348	\$2,903,680	\$3,324,514	\$3,436,886	\$6,102,862	\$6,340,566

Additional information on the Town's long-term debt can be found in notes 7 and 8 beginning on page 21 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009
TOWN OF DUNDEE, FLORIDA
(Continued)

Economic Factors and Next Year's Budget and Rates

The Town continues to face economic challenges from the economic slow down and the housing crisis which have resulted in decreased revenues from almost every source. As a result, the Council adopted a budget that sharply reduced, eliminated and delayed expenditures.

Requests for Information

This financial report is designed to provide users with a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Dundee, Finance Department, PO Box 1000, Florida 33838 or call (863) 419-3100 extension 225.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Dundee, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of **Town of Dundee, Florida** as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Town of Dundee, Florida's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the **Town of Dundee, Florida** as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010 on our consideration of **Town of Dundee, Florida's** internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information, as listed in the accompanying table of contents, consisting of management's discussion and analysis and the budgetary comparison schedule, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 1, 2010

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of **September 30, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 179,704	\$ 282,286	\$ 461,990
Receivables, current:			
Customer, net		146,784	146,784
Franchise and public service taxes	46,084		46,084
Intergovernmental	74,394		74,394
Internal balances	(66,971)	66,971	
Restricted assets:			
Cash and cash equivalents	2,020,221	647,790	2,668,011
Capital assets, net:			
Non-depreciable	1,012,606	2,058,028	3,070,634
Depreciable	2,758,086	12,550,873	15,308,959
Unamortized deferred bond costs, net		114,165	114,165
TOTAL ASSETS	6,024,124	15,866,897	21,891,021
LIABILITIES			
Accounts payable	106,193	171,263	277,456
Accrued wages payable	34,170	13,262	47,432
Accrued interest payable	22,829	19,587	42,416
Due to other governments	10,114		10,114
Deferred revenue	28,650	650,869	679,519
Customer deposits		113,773	113,773
Long-term liabilities:			
Due within one year	129,752	117,924	247,676
Due in more than one year	2,688,044	3,231,300	5,919,344
TOTAL LIABILITIES	3,019,752	4,317,978	7,337,730
NET ASSETS			
Invested in capital assets, net of related debt	2,332,782	10,906,785	13,239,567
Restricted for:			
Revenue bond retirement		105,527	105,527
Sewer system improvements		249,800	249,800
Transportation improvements	189,245		189,245
Parks and recreation	125,261		125,261
Library improvements	27,075		27,075
Public safety improvements	39,593		39,593
Roads	278,717		278,717
Unrestricted	11,699	286,807	298,506
TOTAL NET ASSETS	\$ 3,004,372	\$ 11,548,919	\$ 14,553,291

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2009

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 1,769,382	\$ 63,948	\$ 39,677	\$ 7,542	\$ (1,705,434)	\$	\$ (1,705,434)
Library	146,409	7,815			(91,375)		(91,375)
Police	671,723	25,501		8,781	(637,441)		(637,441)
Fire	143,329			4,604	(138,725)		(138,725)
Building and zoning	111,421	55,478			(55,943)		(55,943)
Streets	312,312	13,859		35,054	(263,399)		(263,399)
Parks and recreation	254,157	18,038	3,398	2,400	(230,321)		(230,321)
Historic train depot	11,510		2,525		(8,985)		(8,985)
Code enforcement	51,969				(51,969)		(51,969)
Interest on long term debt	145,719				(145,719)		(145,719)
Total governmental activities	3,617,931	184,639	45,600	58,381	(3,329,311)		(3,329,311)
Business-type activities:							
Water utility	501,744	633,899		1,303		133,458	133,458
Sewer utility	754,074	228,864		(7,604)		(532,814)	(532,814)
Stormwater	29,670	75,636				45,966	45,966
Sanitation	338,511	478,671				140,160	140,160
Total business-type activities	1,623,999	1,417,070		(6,301)		(213,230)	(213,230)
TOTAL PRIMARY GOVERNMENT	\$ 5,241,930	\$ 1,601,709	\$ 45,600	\$ 52,080	(3,329,311)	(213,230)	(3,542,541)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					1,316,874		1,316,874
Franchise taxes					267,039		267,039
Public service taxes					424,828		424,828
Fuel taxes for transportation purposes					231,435		231,435
State shared revenue					224,176		224,176
Investment earnings					9,613	5,565	15,178
Miscellaneous					57,313		57,313
Transfers					450,015	(450,015)	
Total general revenues, special items, and transfers					2,981,293	(444,450)	2,536,843
CHANGE IN NET ASSETS					(348,018)	(657,680)	(1,005,698)
NET ASSETS - beginning of year					3,352,390	12,206,599	15,558,989
NET ASSETS - end of year					\$ 3,004,372	\$ 11,548,919	\$ 14,553,291

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2009

	General Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 179,704
Receivables, net	
Intergovernmental	74,394
Franchise and public service taxes	46,084
Restricted assets:	
Cash and cash equivalents	<u>2,020,221</u>
TOTAL ASSETS	<u><u>\$ 2,320,403</u></u>
 LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 106,193
Due to other governments	10,114
Accrued wages	34,170
Due to other funds	66,971
Deferred revenues	<u>28,650</u>
TOTAL LIABILITIES	<u>246,098</u>
 FUND BALANCE:	
Reserved for:	
Historic Dundee Depot	19,892
Transportation infrastructure-gas taxes	189,245
Town Center Construction	1,340,438
Parks	60,842
Recreation impact fees	64,419
Library impact fees	27,075
Law enforcement impact fees	4,855
Roads impact fees	278,717
Fire impact fees	34,738
Unreserved	<u>54,084</u>
TOTAL FUND BALANCE	<u>2,074,305</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,320,403</u></u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
as of September 30, 2009

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,074,305
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	3,770,692
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(22,829)
Long-term liabilities (including certain accounts payable and compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(2,817,796)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,004,372</u></u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended September 30, 2009

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 2,214,878
Licenses and permits	63,305
Intergovernmental revenue	289,750
Charges for services	88,019
Fines and forfeitures	25,501
Other	77,464
Total revenues	<u>2,758,917</u>
EXPENDITURES:	
General government	861,190
Public safety	962,196
Transportation	272,942
Culture/recreation	367,131
Capital outlay	82,232
Debt service	271,812
Total expenditures	<u>2,817,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(58,586)</u>
OTHER FINANCING SOURCES (USES):	
Impact fees	60,980
Operating transfers in (out)	<u>500,000</u>
Total other financing sources	<u>560,980</u>
NET CHANGE IN FUND BALANCE	502,394
FUND BALANCE, beginning of year	<u>1,571,911</u>
FUND BALANCE, end of year	<u>\$ 2,074,305</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
for the year ended September 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 502,394**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

- This is the amount of capital assets recorded in the current period. 58,015
- This is the net book value of capital assets disposed in the current period. (899,332)
- This is the net book value of capital assets transferred to the enterprise fund. (49,985)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (133,758)

Long-term compensated absences are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. This is the net change in the liability during the year. 48,556

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the governmental funds. The following amount represents the change in accrued interest payable from the prior year. 760

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.
This amount represents long-term debt repayments. 125,332

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (348,018)**

TOWN OF DUNDEE, FLORIDA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2009

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 282,286
Customer receivables, net	146,784
Total current assets	<u>429,070</u>
Noncurrent assets:	
Due from other funds	66,971
Restricted assets:	
Cash and cash equivalents	647,790
Capital assets, net	
Non-depreciable	2,058,028
Depreciable	12,550,873
Unamortized bond issue costs	114,165
Total noncurrent assets	<u>15,437,827</u>
TOTAL ASSETS	<u>15,866,897</u>
LIABILITIES	
Current liabilities:	
Accounts payable	171,263
Accrued Wages	13,262
Bonds payable - current portion	117,924
Total current liabilities	<u>302,449</u>
Noncurrent liabilities:	
Compensated absences	24,710
Deferred revenue	650,869
Payable from restricted assets:	
Customer deposits	113,773
Accrued interest payable	19,587
Bonds and notes payable, noncurrent portion	3,206,590
Total noncurrent liabilities	<u>4,015,529</u>
TOTAL LIABILITIES	<u>4,317,978</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,906,785
Restricted for:	
Debt service	105,527
Sewer system improvements	249,800
Unrestricted	286,807
TOTAL NET ASSETS	<u>\$ 11,548,919</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
for the year ended September 30, 2009

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Customer user fees	\$ 1,417,070
Total operating revenues	<u>1,417,070</u>
OPERATING EXPENSES:	
Personal services	319,397
Operating expenses	693,510
Depreciation	445,537
Total operating expenses	<u>1,458,444</u>
OPERATING INCOME	<u>(41,374)</u>
NONOPERATING REVENUE (EXPENSE):	
Interest revenue	5,565
Interest expense	<u>(165,555)</u>
Total nonoperating revenues (expenses)	<u>(159,990)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(201,364)
CAPITAL CONTRIBUTIONS:	
Impact fees received, net of impact fee refunds	<u>(6,301)</u>
Total capital contributions	<u>(6,301)</u>
TRANSFER (OUT)	<u>(450,015)</u>
Change in net assets	(657,680)
TOTAL NET ASSETS - beginning of year	<u>12,206,599</u>
TOTAL NET ASSETS - end of year	<u>\$ 11,548,919</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2009

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,545,575
Payments to suppliers	(586,960)
Payments for salaries and benefits	(317,441)
Net cash flows from operating activities	<u>641,174</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	(2,252)
Transfers to other funds, net of change in due from (to)	(567,430)
Net cash flows from noncapital financing activities	<u>(569,682)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets, net of change in construction payables	(276,288)
Principal paid on notes and bonds	(112,372)
Impact fees received (repaid)	(6,301)
Interest paid on borrowings	(166,374)
Net cash flows from capital and related financing activities	<u>(561,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	5,565
Net cash flows from investing activities	<u>5,565</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(484,278)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,414,354</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 930,076</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (41,374)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	445,537
(Increase) decrease in unamortized bond issue costs	5,740
(Increase) decrease in accounts receivable	128,505
Increase (decrease) in accounts payable and accrued expenses	102,766
Net cash flows from operating activities	<u>\$ 641,174</u>
Noncash financing and investing activities:	
Stormwater infrastructure transferred from governmental activities	<u>\$ 49,985</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town'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 Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. REPORTING ENTITY

The Town of Dundee, Florida (the "Town") is a municipal corporation incorporated on December 16, 1924 by general vote of the registered voters of the incorporating limits under then sections 1825 of the Revised General Statutes of Florida. The Corporation operates under a charter form of government created by Ordinance No. 77-6 adopted at the general election on November 1, 1977, and most recently recodified and readopted by Ordinance No. 93-09 dated June 8, 1993. The Town is governed by a board of five elected council members. These financial statements include all of the funds, organizations, agencies, departments and account groups of the Town (the "primary government") and any legally separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town (as distinct from legal relationships). The Town does not exert significant influence over any legally separate entities, nor are there any entities for which financial relationships with the Town are significant. As a result, the financial reporting entity does not include or exclude any component units.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide financial statements - The required government-wide financial statements are the Statement of Net Assets and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town. The effects of interfund activity have been removed from these statements. The Town has no fiduciary funds, however if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The Town does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements - The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the Town's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements. The following fund types and funds are used and reported by the Town:

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS (cont...)

a) **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- **General Fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

b) **Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town has one *Enterprise Fund* which accounts for the activities associated with providing sanitation, potable water and sewer collection, treatment and disposal and stormwater management services to area residents.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (cont...)

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as solid waste collection, water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to 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 as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS - Includes all short-term highly liquid investments with a maturity of three months or less when purchased, including all bank demand deposits, certificates of deposit, money-market and savings accounts. At **September 30, 2009**, all of the Town's cash and investments met this definition.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

CUSTOMER ACCOUNTS RECEIVABLE - The Town accrues unbilled service of its enterprise fund. This represents the estimated value of service from the last billing date to year end and totalled \$24,479 at September 30, 2009. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2009, the reserve for doubtful accounts totaled \$3,939 for the utility service receivable and \$291,365 for the idle capacity receivables.

INTERFUND RECEIVABLES AND PAYABLES - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

INVENTORIES - Supplies inventories of the general fund and the enterprise fund are immaterial and not recorded as assets. Such items are charged to expense when purchased.

CAPITAL ASSETS - In the government-wide financial statements, capital assets include land, buildings, improvements, utility and infrastructure with an individual cost of \$25,000 and furniture and equipment with an individual cost of \$2,000. Such assets are recorded at historical cost, if purchase, and at fair market value at date of gift, if donated. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system), acquired prior to October 1, 2003, have not been reported as allowed by GASB Statement No. 34.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives, as follows:

	<u>Years</u>
Utility plant in service	40-50
Buildings and improvements	40
Machinery and equipment	3-10
Vehicles	5-10
Infrastructure:	
Streets	50-75
Drainage	50

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2009](#)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

RESTRICTED ASSETS - Include cash and investments that are legally restricted to specific uses by external parties. The Town generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

INTEREST DURING CONSTRUCTION - Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended [September 30, 2009](#).

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as assets, net of amortization. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES - The Town's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for these upon termination of employment. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities, and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the Town's future water or wastewater facilities are deferred and reported as capital contributions when the requirements of the developer agreements are met by the Town.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual governmental funds and/or enterprise funds have been eliminated.

EQUITY CLASSIFICATIONS -

Government-wide Statements - Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets and certain other restricted assets, net of accumulated depreciation and reduced by the outstanding balances of any debt, construction payables and deferred impact fees that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports **\$1,015,218** of restricted net assets of which **\$909,691** is restricted by enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 - PROPERTY TAX CALENDAR

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 tax levy of the Town is established by the Town Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The Town's millage rate in effect for the fiscal year ended **September 30, 2009**, was **7.0**.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2009](#)

NOTE 2 - PROPERTY TAX CALENDAR (cont...)

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a Town-wide basis for all Town funds on or before October 1 of each year as required by State Statute. Town Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the Town Council. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Compliance With Finance Related Legal and Contractual Provisions - The Town has no material violations of finance related legal and contractual provisions including with respect to investment of funds and long-term debt covenants.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of [September 30, 2009](#), no individual fund had a deficit fund balance or net assets deficit.
- C. Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended [September 30, 2009](#), no budgetary fund had an excess of expenditures over appropriations.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - Municipalities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance.

INVESTMENTS - The types of investments in which the Town may invest are governed by State Statutes and Town policy. According to the State Statutes, the Town is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized through the Florida Inter-local Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. By Council Resolution, dated September 10, 1996, the Town is authorized to invest only in direct obligations issued or unconditionally guaranteed by the U.S. Government and collateralized or federally-insured interest-bearing time deposits.

The captions on the government-wide statement of net assets for "cash and cash equivalents", both restricted and unrestricted, are summarized below. There were no investment securities maintained during the year.

Cash and cash equivalents:	
Cash on hand	\$ 600
Fully collateralized deposits in financial institutions	3,129,401
	<hr/>
Total cash and cash equivalents	<u>\$ 3,130,001</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Reclassifications	Additions	Deletions	Balance September 30, 2009
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 545,606	\$ 467,000	\$	\$	\$ 1,012,606
Construction in process	1,447,427	(1,505,442)	58,015		
Total	<u>\$ 1,993,033</u>	<u>\$ (1,038,442)</u>	<u>\$ 58,015</u>	<u>\$</u>	<u>\$ 1,012,606</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,057,740	\$ 1,038,442	\$	\$ (974,464)	\$ 2,121,718
Equipment	400,855				400,855
Vehicles	558,848			(99,142)	459,706
Infrastructure:					
Road Network	1,332,438				1,332,438
Other	52,070	(52,070)			
Total	<u>4,401,951</u>	<u>986,372</u>		<u>(1,073,606)</u>	<u>4,314,717</u>
Total all capital assets	<u>6,394,984</u>	<u>(52,070)</u>	<u>58,015</u>	<u>(1,073,606)</u>	<u>5,327,323</u>
Less accumulated depreciation for:					
Buildings and improvements	(836,349)		(54,854)	75,132	(816,071)
Equipment	(308,266)		(33,647)		(341,913)
Vehicles	(402,594)		(12,855)	99,142	(316,307)
Infrastructure:					
Road Network	(49,938)		(32,402)		(82,340)
Other	(2,085)	2,085			
Total accumulated depreciation	<u>(1,599,232)</u>	<u>2,085</u>	<u>(133,758)</u>	<u>174,274</u>	<u>(1,556,631)</u>
Depreciable capital assets, net	<u>\$ 2,802,719</u>	<u>\$ 988,457</u>	<u>\$ (133,758)</u>	<u>\$ (899,332)</u>	<u>\$ 2,758,086</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 806,275	\$	\$	\$	\$ 806,275
Construction in process	1,105,817	(20,102)	166,038		1,251,753
Total	<u>\$ 1,912,092</u>	<u>\$ (20,102)</u>	<u>\$ 166,038</u>	<u>\$</u>	<u>\$ 2,058,028</u>
Capital assets being depreciated:					
Utility plant	\$ 15,560,045	\$ 72,172	\$	\$	\$ 15,632,217
Equipment	283,939				283,939
Total	<u>15,843,984</u>	<u>72,172</u>			<u>15,916,156</u>
Total all capital assets	<u>17,756,076</u>	<u>52,070</u>	<u>166,038</u>		<u>17,974,184</u>
Less accumulated depreciation for:					
Utility plant	(2,754,318)	(2,094)	(417,830)		(3,174,242)
Equipment	(163,344)	10	(27,707)		(191,041)
Total accumulated depreciation	<u>(2,917,662)</u>	<u>(2,084)</u>	<u>(445,537)</u>		<u>(3,365,283)</u>
Depreciable capital assets, net	<u>\$ 12,926,322</u>	<u>\$ 70,088</u>	<u>\$ (445,537)</u>	<u>\$</u>	<u>\$ 12,550,873</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 41,472
Library	1,214
Police	354
Fire	24,444
Building and zoning	2,748
Code enforcement	695
Roads & streets	41,716
Parks & recreation	13,866
Historic train depot	<u>7,249</u>
Total depreciation expense - governmental activities	<u>\$ 133,758</u>
<u>Business-type Activities:</u>	
Water	\$ 133,667
Sewer	306,385
Stormwater	<u>5,485</u>
Total depreciation expense - business-type activities	<u>\$ 445,537</u>

Impairments:

The Town's governmental activities includes a charge-off of \$899,332, representing the net book value of certain capital assets whose value had been determined to have been impaired. Most of the charge-off related to several buildings to be used for a planned Town Center. Subsequent to their purchase, the buildings were determined to not be suitable for their intended purpose and were demolished and charged to expense in general government.

NOTE 7 - TAX ANTICIPATION NOTE SERIES 2008

The Tax Anticipation Note Series 2008 was a short-term borrowing arrangement with a bank to borrow not-to-exceed \$750,000 secured by ad valorem taxes. The interest rate was variable based on 67% of the 30-day LIBOR plus 100 basis points. The loan was repaid in full in 2009.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended [September 30, 2009](#):

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
6.50% Bank of America installment note, matures 3-12-14	\$ 57,053	\$	\$ (9,433)	\$ 47,620	\$ 9,831
5.23% Bank of America installment note, matures 3-16-09	1,661		(1,661)		
4.22% Bank of America installment note, matures 12-7-10	69,822		(24,848)	44,974	25,913
5.10% Capital Improvement Revenue Note, Series 2007A	2,775,144		(89,390)	2,685,754	94,008
Total long-term debt	2,903,680		(125,332)	2,778,348	129,752
Other liabilities:					
Compensated absences	88,004		(48,556)	39,448	
Total other liabilities	88,004		(48,556)	39,448	
Total long-term liabilities	\$ 2,991,684	\$	\$ (173,888)	2,817,796	\$ 129,752
Less amount due in one year				(129,752)	
Net long-term liabilities due after one year				\$ 2,688,044	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue certificates:					
Water and Sewer, Series 2001	\$ 1,724,760	\$	\$ (25,700)	\$ 1,699,060	\$ 26,820
Capital Improvement, Series 2007	1,712,126		(86,672)	1,625,454	91,104
Total long-term debt	3,436,886		(112,372)	3,324,514	117,924
Other liabilities:					
Compensated absences	24,710			24,710	
Total other liabilities	24,710			24,710	
Total long-term liabilities	\$ 3,461,596	\$	\$ (112,372)	3,349,224	\$ 117,924
Less amount due in one year				(117,924)	
Net long-term liabilities due after one year				\$ 3,231,300	

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 8 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

Governmental Activities:

- Bank of America Installment Notes - The installment notes were issued March 12, 2004 to December 7, 2005, to fund equipment acquisition and bear interest ranging from 4.22% to 6.50%. Maturities range from March 16, 2009 to March 12, 2014.
- Capital Improvement Revenue Note, Series 2007A - This note is secured by the Town's franchise and utility service taxes and the communication services tax. Principal and interest are payable semi-annually on February 1 and August 1, in equal amounts through maturity on August 1, 2027. The loan proceeds were used for capital acquisitions and renovations of certain municipal facilities and bear interest at 5.10%. At [September 30, 2009](#), the Town had [\\$1,340,438](#) in unspent proceeds reported in restricted assets.

Business-Type Activities:

- Water and Sewer Revenue Bonds, Series 2001 - These bonds are secured by the net revenues of the water and sewer systems and the half cent sales tax reported in the General Fund, and the sewer impact fees on deposit in the enterprise fund. The bond proceeds were used primarily to construct a sewer system and related improvements and bear interest at 4.375% with a final maturity of September 1, 2040.
- Capital Improvement Series 2007 - This revenue note is secured by the Town's franchise and public service taxes. Principal and interest are payable semi-annually on February 1 and August 1, in equal amounts through maturity on August 1, 2022. The loan proceeds were used to refund the Series 2000A non-advalem revenue notes and for capital improvement projects. At [September 30, 2009](#), the Town had [\\$159,102](#) in unspent proceeds reported in restricted assets.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 8 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table (cont...)

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of [September 30, 2009](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 129,752	\$ 139,104	\$ 117,924	\$ 155,283
2011	128,170	132,545	123,763	149,451
2012	114,647	126,806	129,880	143,329
2013	120,467	120,986	136,308	136,903
2014	120,726	114,900	143,049	130,158
2015 - 2019	670,400	478,589	828,769	537,284
2020 - 2024	862,365	286,624	698,061	323,885
2025 - 2029	631,821	57,573	278,230	227,549
2030 - 2034	-	-	344,670	161,123
2035 - 2039	-	-	426,940	78,835
2040 - 2044	-	-	96,920	4,240
Total	<u>\$ 2,778,348</u>	<u>\$ 1,457,127</u>	<u>\$ 3,324,514</u>	<u>\$ 2,048,040</u>

Pledged Revenues:

The following table provides a summary of the pledged revenues for the Town's outstanding debt issues. Additional information regarding the Town's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Franchise, public services and communications taxes	08/01/2027	\$ 6,373,060	\$ 229,798	\$ 961,867	418.57%
Water and sewer net revenues and half cent sales tax	09/01/2040	\$ 3,135,856	\$ 101,158	\$ 205,459	203.11%

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund receivables and payables as of September 30, 2009, consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	\$ 66,971

The general fund owes the enterprise fund for cash held in the general fund that belongs to the enterprise fund at year end

Interfund transfers for the year ending September 30, 2009, consisted of:

Recurring budgeted annual operating transfer from the enterprise fund to the general fund	\$ 500,000
Fund level transfers	500,000
Transfer of stormwater infrastructure from governmental activities to business-type activities, at book value	(49,985)
Government-wide transfers, net	\$ 450,015

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these plans, employees may purchase life insurance annuities with pretax earnings or invest in a selection of mutual funds. Participation is voluntary and the employee determines the amount of their contribution. The Town will match the employee's contribution up to 5% of gross pay. Amounts of compensation deferred under the section 457 plans are not available to employees until termination, retirement, death, disability or unforeseeable emergency and are held in trust accounts solely for the benefit of the participants. Since these assets do not belong to the Town, they are not reported in the accompanying financial statements. The Town's contribution expense for 2009 totaled **\$9,347**.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Town has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net assets. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended **September 30, 2009**, is presented below:

	Water & Sewer System	Sanitation System	Stormwater System	Total
Condensed statement of revenues, expenses and changes in net assets:				
Operating revenues	\$ 862,763	\$ 478,671	\$ 75,636	\$ 1,417,070
Operating expenses	(650,211)	(338,511)	(24,185)	(1,012,907)
Depreciation	(440,052)		(5,485)	(445,537)
Non-operating revenues (expenses):				
Interest income	5,565			5,565
Interest expense	(165,555)			(165,555)
Capital contributions	(6,301)			(6,301)
Transfers	(450,015)			(450,015)
Change in net assets	<u>\$ (843,806)</u>	<u>\$ 140,160</u>	<u>\$ 45,966</u>	<u>\$ (657,680)</u>

Summary information from statement of net assets:

Capital assets, net	<u>\$ 14,508,846</u>	<u>\$</u>	<u>\$ 100,055</u>	<u>\$ 14,608,901</u>
Long-term debt, including current portion	<u>\$ 3,324,514</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,324,514</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2009](#)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Contract with Polk County Sheriff:

The Town is under a five year contract with the Polk County Sheriff's office to provide policing services to the Town through the year ended September 30, 2013. The Town is required to provide the Sheriff with adequate office space at the Town's expense and the contract can be terminated by either party upon 365 days written notice. The Town paid \$668,839 for the year ended September 30, 2009 and the contract calls for the following minimum costs going forward:

Fiscal Year Ending	Annual Cost
September 30, 2010	\$ 702,244
September 30, 2011	738,970
September 30, 2012	772,270
September 30, 2013	808,052
	<u>\$ 3,021,536</u>

Risk Management:

- Commercial insurance protection with normal deductibles is in place to limit the Town's exposure from losses arising from liability, property and equipment damages for which there has been no significant reduction in coverages, nor have settlement amounts exceeded the Town's coverages during the year ended [September 30, 2009](#).
- The Town's workers compensation coverage is provided through a local government pooled trust which has the ability to make further assessments of its member governments should the assets of the trust be insufficient to pay claims. To reduce this exposure, the trust has purchased "excess of loss structure" coverage from commercial insurers for individual claims in excess of \$100,000, with each participating municipality named as an additional insured.

Unemployment Claims:

The Town has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements,

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 12 - COMMITMENTS AND CONTINGENCIES (cont...)

Litigation:

The Town is contingently liable with respect to claims which arise in the ordinary course of carrying out its public service for which management carries various forms of liability insurance to limit exposure to losses.

NOTE 13 - SUBSEQUENT EVENTS

The Town entered into an agreement with a local lender to borrow up to \$350,000 Tax Anticipation Notes Series 2009, secured by all legally available revenues to be repaid within nine months of closing at an interest rate of 67% of the one-year U.S. Swap Rate plus 4.02%.

The Town entered into an agreement to borrow \$3,136,000 interim financing for the construction of a new water plan to be repaid with permanent financing from U.S. Department of Agriculture. The interim financing loan is secured by water and sewer revenues and the proceeds of the USDA financing.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment benefits Other Than Pensions. The basic premises of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. By State Statute, all of the Town's retirees may, at the retiree's cost, elect to purchase health insurance at the rates currently offered by the Town to its active employees. Because of this state mandate, there is an implicit cost to the Town by virtue of the fact that the cost to the retiree is a blended rate which could be less than the rate the retiree would have to pay if private coverage were arranged. While the Town currently does not have any retirees who have elected coverage under the Town's plan, accounting for OPEB under GASB No. 45 may result in the Town reporting an actuarially-based liability for the cost of these benefits. The Town will be required to implement GASB No. 45 in the fiscal year beginning October 1, 2009 and has not yet determined the impact on the financial statements of implementing this statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNDEE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 2,022,718	\$ 2,022,718	\$ 2,214,878	\$ 192,160
Licenses and permits	136,677	136,677	63,305	(73,372)
Intergovernmental revenue	337,206	337,206	289,750	(47,456)
Charges for services	132,679	132,679	88,019	(44,660)
Fines and forfeitures		-	25,501	25,501
Other	52,089	52,089	77,464	25,375
Total revenues	<u>2,681,369</u>	<u>2,681,369</u>	<u>2,758,917</u>	<u>77,548</u>
EXPENDITURES:				
General government	928,190	928,190	861,190	67,000
Public safety	982,833	982,833	962,196	20,637
Transportation	270,379	270,379	272,942	(2,563)
Culture/recreation	426,328	426,328	367,131	59,197
Capital outlay	1,368,806	1,368,806	82,232	1,286,574
Debt service	734,798	734,798	271,812	462,986
Total expenditures	<u>4,711,334</u>	<u>4,711,334</u>	<u>2,817,503</u>	<u>1,893,831</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,029,965)</u>	<u>(2,029,965)</u>	<u>(58,586)</u>	<u>1,971,379</u>
OTHER FINANCING SOURCES (USES):				
Impact fees		-	60,980	60,980
Debt proceeds	420,000	420,000		(420,000)
Operating transfers in (out)	<u>309,965</u>	<u>309,965</u>	<u>500,000</u>	<u>190,035</u>
Total other financing sources	<u>729,965</u>	<u>729,965</u>	<u>560,980</u>	<u>(168,985)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>\$ 502,394</u>	<u>\$ 1,802,394</u>
Reserve carry forward	<u>1,300,000</u>	<u>1,300,000</u>		
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>		

COMPLIANCE

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

Honorable Mayor and Members of the Town Council
Town of Dundee, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **Town of Dundee, Florida**, as of and for the year ended September 30, 2009, and have issued our report thereon dated September 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Town of Dundee, Florida's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Town of Dundee, Florida's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Town of Dundee, Florida's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Town of Dundee, Florida's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

(cont...)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Town of Dundee, Florida's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Town of Dundee, Florida's** financial statements that is more than inconsequential will not be prevented or detected by **Town of Dundee, Florida's** internal control. We consider the deficiencies described in the accompanying management letter to be significant deficiencies in internal control over financial reporting. [Findings 09-01, 09-02, and 09-03.]

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Town of Dundee, Florida's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that all of the significant deficiencies described above are material weaknesses.

We noted certain matters that we reported to management of **Town of Dundee, Florida** in a separate management letter dated September 1, 2010.

Town of Dundee, Florida's response to the findings identified in our audit is described in the accompanying letter of management's response and the accompanying schedule of findings and questioned costs. We did not audit **Town of Dundee, Florida's** response and, accordingly, we express no opinion on it

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 1, 2010

INDEPENDENT AUDITORS' MANAGEMENT LETTER

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of the Town Council
Town of Dundee, Florida

We have audited the financial statements of the **Town of Dundee, Florida**, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated September 1, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters as required by these standards which should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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

Prior year audit finding that has not been resolved is detailed at the current year finding 09-01.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the **Town of Dundee, Florida** complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the **Town of Dundee, Florida**, see footnote A of the summary of significant accounting policies in the notes to the financial statements of the basic financial statements.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations.

09-01: Utility Billing Subledgers Should be Reconciled to the General Ledger

Condition: Management does not periodically reconcile the utility accounts receivable and the customer deposit subsidiary ledgers to the general ledger control accounts.

Criteria: Good internal controls require that a periodic reconciliation be performed that would agree the utility accounts receivable and customer deposit subsidiary ledgers to the amounts posted to the general ledger control accounts.

Effect: Due to the lack of periodic reconciliations between the aforementioned subsidiary ledgers and the general ledger, the Town's financial statements could contain material misstatements that would not be detected by employees in the ordinary course of performing their assigned functions.

Cause: There are not procedures in place to reconcile the aforementioned subsidiary ledgers to the general ledger control accounts.

Recommendation: We recommend that management implement procedures to require monthly reconciliations between the utility accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts.

Management's response: *We concur and will implement the auditor's recommendation.*

09-02: Restricted Cash Monitoring Needs Improvement

Condition: Management is not always monitoring the restrictions placed on revenues that are restricted as to use by enabling legislation or contract on a monthly basis. Based upon our audit procedures, we noted the following conditions where the internal controls over restricted assets were deficient.

- The fifth-cent local option gas tax revenue that is restricted for transportation infrastructure was not being segregated as a restricted asset on a monthly basis.
- The Town's unspent impact fee cash balances as of year-end were greater than required.
- The enterprise fund debt related sinking and reserve funds were not being funded on a monthly basis and reconciled when payments were made.

Criteria: Internal controls should be in place that provide reasonable assurance that the Town is in compliance with restrictions placed upon certain resources by enabling legislation or contract and to monitor compliance with debt related covenants.

Effect: Without timely monitoring, there is no assurance that restricted funds are being used for allowable uses and that the Town is in compliance with debt related covenants.

Cause: The procedures in place are not adequate to track the sources and uses of all restricted resources or to monitor compliance with all debt related covenants.

09-02: Restricted Cash Monitoring Needs Improvement (concluded)

Recommendation: We recommend that management segregate and monitor the sources and uses of all restricted funds and compliance with debt related covenants on a monthly basis.

Management's response: *We concur and will implement the auditor's recommendation.*

09-03: Internal Control over Budget-to-Actual Reporting

Condition: The Town's internal control over budget-to-actual reporting failed to detect the following misstatements in a timely manner resulting in material year-end adjustments.

- The general fund and enterprise fund beginning equity balances did not agree to the prior year audited balance.
- Two quarters of idle capacity billings were not posted to the Town's accounting information system.
- A bad debt analysis of the idle capacity receivables was not completed nor was an allowance for uncollectible idle capacity receivables recorded.
- The interfund due to/from accounts were out of balance.
- Several of the general fund revenues were posted to incorrect accounts.
- Development review fee deposits were incorrectly recorded as revenue.
- The budget that was reflected in the Town's accounting information system was \$10,000 less than the total amount budgeted pursuant to resolution 08-23.

Criteria: Proper governance requires the council to periodically review the variances between the adopted budget and actual results. Financial reports presented to the council for review should reflect the legally adopted budget and accurate reporting of actual results.

Effect: Financial reports presented with an incorrect budget and inaccurate results of operations could yield erroneous variances between the budgeted amounts and the actual results.

Cause: The internal control procedures over budget-to-actual reporting were not adequate to ensure that budget-to-actual financial reports were materially correct.

Recommendation: Management must design and implement adequate internal controls over the budget-to-actual financial reporting process to provide reasonable assurance that the general ledger is free of material misstatements and that the budget-to-actual financial reports reflect the legally adopted budget.

Management's response: *We concur and will implement the auditor's recommendation.*

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the **Town of Dundee, Florida** did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the **Town of Dundee, Florida** for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the **Town of Dundee, Florida's** financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Last year we reported that the Town's financial condition was deteriorating due to the fact that expenditures had exceeded revenues for the past several years, resulting in decreased unrestricted cash. Furthermore, last year we reported that the Town met one of the conditions of Section 218.503(1), Florida Statutes as the Town had a negative combined (1) total general fund unreserved fund balance and (2) total enterprise fund unrestricted net assets.

We are pleased to report that the Town has significantly improved the levels of unrestricted cash. The overall unrestricted cash balance increased by \$350,458, or 314%, in fiscal year 2009. We are also pleased to report that as of September 30, 2009, the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

While there has been some improvement, the result of our assessment indicates the Town needs to continue to improve its financial condition. The general fund unreserved fund balance and enterprise fund unrestricted net assets remain low. The current year improvements were mainly due to a decrease in short term borrowing as well as an overall 19% decrease in expenditures as revenue remained constant in the general fund. The sewer utility reported an operating loss of \$359,654 which continues to negatively affect the enterprise fund operations. We continue to recommend that the Town develop short-term and long-term financial plans that include steps to continue to strengthen the Town's financial condition. Town management should analyze the existing rate structures for the enterprise funds' operations to determine their adequacy in covering expenses and should explore all available options to increase their revenues and/or decrease expenses.

Honorable Mayor and Members of the Town Council
Town of Dundee, Florida
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We would like to take this opportunity to thank the Town Councilors for allowing us the privilege to be of service, and the Town's staff and management for the courtesies and cooperation extended to us during our audit

Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Town Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 1, 2010