

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

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

September 30, 2010

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MANAGEMENTS' DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
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, 2010. 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 \$14,056,142 (net assets). Of this amount, \$874,306 (unrestricted net assets) may be used to meet the Town's obligations which is an increase of \$575,800 over the prior year.
- The Town's unrestricted cash and cash equivalents totaled \$672,304, an increase of \$210,314 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, 2010
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, 2010
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, 2010
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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$2,132,192	\$2,253,432	\$2,289,879	\$1,257,996	\$4,422,071	\$3,511,428
Capital assets	4,241,604	3,770,692	16,195,613	14,608,901	20,437,217	18,379,593
Total assets	6,373,796	6,024,124	18,485,492	15,866,897	24,859,288	21,891,021
Current and other liabilities	113,558	201,956	1,639,822	968,754	1,753,380	1,170,710
Long-term liabilities	2,673,246	2,817,796	6,376,520	3,349,224	9,049,766	6,167,020
Total liabilities	2,786,804	3,019,752	8,016,342	4,317,978	10,803,146	7,337,730
Net assets:						
Invested in capital assets, net of related debt	2,438,983	2,332,782	9,667,312	10,906,785	12,106,295	13,239,567
Restricted	738,191	659,891	337,350	355,327	1,075,541	1,015,218
Unrestricted	409,818	11,699	464,488	286,807	874,306	298,506
Total net assets	\$3,586,992	\$3,004,372	\$10,469,150	\$11,548,919	\$14,056,142	\$14,553,291

The Town's assets exceeded its liabilities by \$14,056,142 (net assets) at the close of the fiscal year, a decrease of \$497,149 over the prior year primarily due to a \$519,057 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 (86%) 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 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$874,306 may be used to meet the Town's ongoing obligations to citizens and creditors, which is a \$575,800 increase over the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for services	\$148,877	\$184,639	\$1,544,378	\$1,417,070	\$1,693,255	\$1,601,709
Operating grants and contributions	55,305	45,600			55,305	45,600
Capital grants and contributions	109,458	58,381	66,031	(6,301)	175,489	52,080
General revenues:						
Property taxes	1,140,860	1,316,874			1,140,860	1,316,874
Other taxes	933,517	923,302			933,517	923,302
State shared revenue	215,763	224,176			215,763	224,176
Other	34,524	66,926	1,802	5,565	36,326	72,491
Total revenues	2,638,304	2,819,898	1,612,211	1,416,334	4,250,515	4,236,232
Expenses:						
Governmental Activities:						
General government	650,785	1,769,382			650,785	1,769,382
Library	190,345	146,409			190,345	146,409
Police	733,301	671,723			733,301	671,723
Fire	162,291	143,329			162,291	143,329
Building and zoning	102,160	111,421			102,160	111,421
Code enforcement	43,177	51,969			43,177	51,969
Streets	297,341	312,312			297,341	312,312
Parks and recreation	234,330	254,157			234,330	254,157
Historic train depot	19,276	11,510			19,276	11,510
Interest on long-term debt	150,902	145,719			150,902	145,719
Business-type Activities:						
Water			606,256	501,744	606,256	501,744
Sewer			1,204,965	754,074	1,204,965	754,074
Stormwater			49,922	29,670	49,922	29,670
Sanitation			347,587	338,511	347,587	338,511
Total expenses	2,583,908	3,617,931	2,208,730	1,623,999	4,792,638	5,241,930
Increase (decrease) in net assets before transfers	54,396	(798,033)	(596,519)	(207,665)	(542,123)	(1,005,698)
Transfers	483,250	450,015	(483,250)	(450,015)		
Increase (decrease) in net assets	537,646	(348,018)	(1,079,769)	(657,680)	(542,123)	(1,005,698)
Net assets - October 1	3,049,346	3,352,390	11,548,919	12,206,599	14,598,265	15,558,989
Net assets - September 30	\$3,586,992	\$3,004,372	\$10,469,150	\$11,548,919	\$14,056,142	\$14,553,291

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
TOWN OF DUNDEE, FLORIDA
(Continued)

Governmental Activities - Governmental activities increased the Town's net assets by \$537,646 (after transfers), as compared to a decrease of \$348,018 for the prior year. The current year improvement is primarily due to the prior year's \$899,332 impairment loss which depressed the prior year figures.

Business-type Activities - Business-type activities decreased the Town's net assets by \$1,079,169 (after transfers), as compared to a decrease of \$657,680 for the previous year. The decline from the previous year is primarily due to a current year impairment write-down in the sewer department of \$519,057, which is further discussed on page 21 of the report.

Fund Level Financial Analysis

Governmental Fund - 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 \$2,040,664 of which \$431,164 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 \$1,609,500 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 14% of the general fund's annual expenditures. Unreserved fund balance was a positive \$54,084 at the end of the previous year.

Total governmental revenues were down \$181,592 or 7% primarily due to the continuing decrease in tax revenues. Expenditures were down \$242,319 over the prior year after factoring out capital outlay which tends to be nonrecurring. Capital outlay expenditures were \$662,244 compared to \$82,232 for the prior year which increase is due to the construction of the new library. The decrease in expenditures is related to cost reductions in general government expenses.

Proprietary Fund - The fund financial statements for the Town's proprietary fund, pages 8-10, provide essentially the same type of information found in the government-wide financial statements in more detail. Factors concerning the finances of the proprietary fund have been addressed in the previous 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 less than budgeted expenditures by \$1,199,418, which represented the amount of money that was budgeted to come out of the prior year surplus. Actual revenues came in \$129,014 more than budgeted and expenditures came in \$1,386,763 under budget as certain budgeted capital projects did not take place.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
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 totaled \$20,437,216 (net of accumulated depreciation) which is an increase of \$2,057,623 after depreciation of \$595,581 and after the impairment write down in the sewer system discussed previously. The overall increase is due to construction of the new library and water plant.

Following is a summary of capital assets:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,012,606	\$1,012,606	\$806,275	\$806,275	\$1,818,881	\$1,818,881
Construction in progress	513,151		3,269,478	1,251,753	\$3,782,629	\$1,251,753
Buildings and improvements	2,215,792	2,121,718	15,632,217	15,632,217	17,848,009	17,753,935
Vehicles and equipment	860,559	860,561	310,110	283,939	1,170,669	1,144,500
Infrastructure	1,332,438	1,332,438			1,332,438	1,332,438
Less: Accumulated depreciation	(1,692,942)	(1,556,631)	(3,822,468)	(3,365,283)	(5,515,410)	(4,921,914)
Net	\$4,241,604	\$3,770,692	\$16,195,612	\$14,608,901	\$20,437,216	\$18,379,593

Additional information on the Town's capital assets can be found in Note 5 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 \$8,972,125 (excluding accrued compensated absences) an increase of \$2,914,237 over the previous year resulting from \$3,136,000 in new borrowings and normal annual principal repayments of \$221,763. The following is a summary of the long-term debt outstanding:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue notes	\$2,591,746	\$2,685,754	\$6,342,590	\$3,324,514	\$8,934,336	\$6,010,268
Notes and leases payable	37,789	47,620			37,789	47,620
Total	\$2,629,535	\$2,733,374	\$6,342,590	\$3,324,514	\$8,972,125	\$6,057,888

Additional information on the Town's long-term debt can be found in notes 6 and 7 beginning on page 21 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
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 continuing decline in real estate values which have resulted in decreased revenues from almost every source. As a result, the Town is continuing to hold the line on expenses.

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, Office of the City Manager, PO Box 1000, Florida 33838 or call (863) 419-3100.

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, 2010, 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, 2010, 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 August 24, 2011 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
August 24, 2011

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of [September 30, 2010](#)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 377,630	\$ 294,674	\$ 672,304
Receivables, current:			
Customer, net		135,101	135,101
Franchise and public service taxes	45,657		45,657
Intergovernmental	79,229		79,229
Prepaid expenses	31,308		31,308
Restricted assets:			
Cash and cash equivalents	1,598,368	1,755,227	3,353,595
Capital assets, net:			
Non-depreciable	1,525,757	4,075,754	5,601,511
Depreciable	2,715,847	12,119,859	14,835,706
Unamortized deferred bond costs, net		104,877	104,877
TOTAL ASSETS	6,373,796	18,485,492	24,859,288
LIABILITIES			
Accounts payable	49,841	73,186	123,027
Accrued wages payable	9,724	3,847	13,571
Accrued interest payable	22,030	21,628	43,658
Construction costs payable		777,524	777,524
Due to other governments	14,913		14,913
Deferred revenue	17,050	650,869	667,919
Customer deposits		112,768	112,768
Long-term liabilities:			
Due within one year	109,109	123,763	232,872
Due in more than one year	2,564,137	6,252,757	8,816,894
TOTAL LIABILITIES	2,786,804	8,016,342	10,803,146
NET ASSETS			
Invested in capital assets, net of related debt	2,438,983	9,667,312	12,106,295
Restricted for:			
Revenue bond retirement		116,504	116,504
Sewer system improvements		220,846	220,846
Transportation improvements	255,366		255,366
Parks and recreation	125,911		125,911
Library improvements	28,961		28,961
Public safety improvements	43,138		43,138
Roads	284,815		284,815
Unrestricted	409,818	464,488	874,306
TOTAL NET ASSETS	\$ 3,586,992	\$ 10,469,150	\$ 14,056,142

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2010

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	\$ 650,785	\$ 48,543	\$	\$ 70,658	\$ (531,584)	\$	\$ (531,584)
Library	190,345	7,184	37,239	1,885	(144,037)		(144,037)
Police	733,301	31,090		23,723	(678,488)		(678,488)
Fire	162,291		1,728	1,775	(158,788)		(158,788)
Building and zoning	102,160	45,657			(56,503)		(56,503)
Streets	297,341	3,182		10,767	(283,392)		(283,392)
Parks and recreation	234,330	13,221	5,530	650	(214,929)		(214,929)
Historic train depot	19,276		10,808		(8,468)		(8,468)
Code enforcement	43,177				(43,177)		(43,177)
Interest on long term debt	150,902				(150,902)		(150,902)
Total governmental activities	<u>2,583,908</u>	<u>148,877</u>	<u>55,305</u>	<u>109,458</u>	<u>(2,270,268)</u>		<u>(2,270,268)</u>
Business-type activities:							
Water utility	606,256	584,121		66,031		43,896	43,896
Sewer utility	1,204,965	342,654				(862,311)	(862,311)
Stormwater	49,922	93,050				43,128	43,128
Sanitation	347,587	524,553				176,966	176,966
Total business-type activities	<u>2,208,730</u>	<u>1,544,378</u>		<u>66,031</u>		<u>(598,321)</u>	<u>(598,321)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,792,638</u>	<u>\$ 1,693,255</u>	<u>\$ 55,305</u>	<u>\$ 175,489</u>	<u>(2,270,268)</u>	<u>(598,321)</u>	<u>(2,868,589)</u>
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					1,140,860		1,140,860
Franchise taxes					316,294		316,294
Public service taxes					401,675		401,675
Fuel taxes for transportation purposes					215,548		215,548
State shared revenue					215,763		215,763
Investment earnings					6,151	1,802	7,953
Miscellaneous					28,373		28,373
Transfers					483,250	(483,250)	
Total general revenues, special items, and transfers					<u>2,807,914</u>	<u>(481,448)</u>	<u>2,326,466</u>
CHANGE IN NET ASSETS					537,646	(1,079,769)	(542,123)
NET ASSETS - beginning of year before restatement					3,004,372	11,548,919	14,553,291
Restatement (see Note 14)					44,974		44,974
NET ASSETS - end of year					<u>\$ 3,586,992</u>	<u>\$ 10,469,150</u>	<u>\$ 14,056,142</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2010

	General Fund
ASSETS	
Cash and cash equivalents	\$ 377,630
Receivables, net	
Intergovernmental	79,229
Franchise and public service taxes	45,657
Prepaid expenses	31,308
Restricted assets:	
Cash and cash equivalents	<u>1,598,368</u>
TOTAL ASSETS	<u><u>\$ 2,132,192</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 49,841
Due to other governments	14,913
Accrued wages	9,724
Due to other funds	
Deferred revenues	<u>17,050</u>
TOTAL LIABILITIES	<u>91,528</u>
FUND BALANCE:	
Reserved for:	
Prepaid expenses	31,308
Historic Dundee Depot	14,203
Transportation infrastructure-gas taxes	255,366
Town Center Construction	825,798
Parks	60,842
Recreation impact fees	65,069
Library impact fees	28,961
Law enforcement impact fees	6,625
Roads impact fees	284,815
Fire impact fees	36,513
Unreserved	<u>431,164</u>
TOTAL FUND BALANCE	<u>2,040,664</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,132,192</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, 2010

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,040,664
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.	4,241,604
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(22,030)
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>(2,673,246)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,586,992</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, 2010

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 2,050,192
Licenses and permits	42,449
Intergovernmental revenue	369,798
Charges for services	76,295
Fines and forfeitures	31,090
Other	58,481
Total revenues	<u>2,628,305</u>
EXPENDITURES:	
General government	582,431
Public safety	981,943
Transportation	243,639
Culture/recreation	419,399
Capital outlay	662,244
Debt service	255,540
Total expenditures	<u>3,145,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(516,891)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers in (out)	483,250
Total other financing sources	<u>483,250</u>
NET CHANGE IN FUND BALANCE	(33,641)
FUND BALANCE, beginning of year	<u>2,074,305</u>
FUND BALANCE, end of year	<u>\$ 2,040,664</u>

Proof

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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (33,641)**

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. 608,129
- This is the net book value of capital assets disposed in the current period. (906)
- This is the net book value of capital assets transferred to the enterprise fund.

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. (136,311)

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. (4,263)

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. 799

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. 103,839

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 537,646**

TOWN OF DUNDEE, FLORIDA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2010

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 294,674
Customer receivables, net	<u>135,101</u>
Total current assets	<u>429,775</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,755,227
Capital assets, net	
Non-depreciable	4,075,754
Depreciable	12,119,859
Unamortized bond issue costs	<u>104,877</u>
Total noncurrent assets	<u>18,055,717</u>
TOTAL ASSETS	<u>18,485,492</u>
LIABILITIES	
Current liabilities:	
Accounts payable	73,186
Accrued Wages	3,847
Construction costs payable	777,524
Bonds payable - current portion	<u>123,763</u>
Total current liabilities	<u>978,320</u>
Noncurrent liabilities:	
Compensated absences	33,930
Deferred revenue	650,869
Payable from restricted assets:	
Customer deposits	112,768
Accrued interest payable	21,628
Bonds and notes payable, noncurrent portion	<u>6,218,827</u>
Total noncurrent liabilities	<u>7,038,022</u>
TOTAL LIABILITIES	<u>8,016,342</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,667,312
Restricted for:	
Debt service	116,504
Sewer system improvements	220,846
Unrestricted	<u>464,488</u>
TOTAL NET ASSETS	<u>\$ 10,469,150</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, 2010

	Enterprise Fund
OPERATING REVENUES:	
Customer user fees	\$ 1,544,378
Total operating revenues	<u>1,544,378</u>
OPERATING EXPENSES:	
Personal services	349,499
Operating expenses	717,959
Depreciation	459,270
Total operating expenses	<u>1,526,728</u>
OPERATING INCOME	<u>17,650</u>
NONOPERATING REVENUE (EXPENSE):	
Interest revenue	1,802
Interest expense	(162,945)
Asset impairment write down	(519,057)
Total nonoperating revenues (expenses)	<u>(680,200)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(662,550)
CAPITAL CONTRIBUTIONS:	
Capital grants	57,701
Impact fees received, net of impact fee refunds	8,330
Total capital contributions	<u>66,031</u>
TRANSFER (OUT)	<u>(483,250)</u>
Change in net assets	(1,079,769)
TOTAL NET ASSETS - beginning of year	<u>11,548,919</u>
TOTAL NET ASSETS - end of year	<u>\$ 10,469,150</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2010

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,556,061
Payments to suppliers	(808,833)
Payments for salaries and benefits	(349,694)
Net cash flows from operating activities	<u>397,534</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	(1,005)
Transfers to other funds, net of change in due from (to)	(416,279)
Net cash flows from noncapital financing activities	<u>(417,284)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets, net of change in construction payables	(1,785,430)
Principal paid on notes and bonds	(117,924)
Impact fees received (repaid)	8,330
Capital contributions received in cash	57,701
Proceeds from borrowings	3,136,000
Interest paid on borrowings	(160,904)
Net cash flows from capital and related financing activities	<u>1,137,773</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	1,802
Net cash flows from investing activities	<u>1,802</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,119,825</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>930,076</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,049,901</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 17,650
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	459,270
(Increase) decrease in unamortized bond issue costs	9,288
(Increase) decrease in accounts receivable	11,683
Other, net	(2,085)
Increase (decrease) in accounts payable and accrued expenses	(98,272)
Net cash flows from operating activities	<u>\$ 397,534</u>
Noncash financing and investing activities:	
Asset impairment write down	<u>\$ 519,057</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

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, 2010

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, 2010

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, 2010

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, 2010**, all of the Town's cash and investments met this definition.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

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 representing the estimated value of service from the last billing date to year end which totalled \$22,328 at **September 30, 2010**. 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, 2010**, the reserve for doubtful accounts totalled \$28,125 for the utility service receivable and \$394,712 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, 2010

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. \$53,023 of net interest cost was capitalized in the enterprise fund for the year ended [September 30, 2010](#), related to new water plant construction.

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, 2010](#)

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 \$1,075,541 of restricted net assets of which \$959,037 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, 2010](#), was **7.0**.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

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.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 4 - 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	\$	550
Fully collateralized deposits in financial institutions		4,025,349
		<hr/>
Total cash and cash equivalents	<u>\$</u>	<u>4,025,899</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009	Reclassifications	Additions	Deletions	Balance September 30, 2010
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,012,606	\$	\$	\$	\$ 1,012,606
Construction in process			513,151		513,151
Total	<u>\$ 1,012,606</u>	<u>\$</u>	<u>\$ 513,151</u>	<u>\$</u>	<u>\$ 1,525,757</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,121,718	\$ 2	\$ 94,978	\$ (906)	\$ 2,215,792
Equipment	400,855	(13,740)			387,115
Vehicles	459,706	13,738			473,444
Infrastructure:					
Road Network	1,332,438				1,332,438
Other					
Total	<u>4,314,717</u>		<u>94,978</u>	<u>(906)</u>	<u>4,408,789</u>
Total all capital assets	<u>5,327,323</u>		<u>608,129</u>	<u>(906)</u>	<u>5,934,546</u>
Less accumulated depreciation for:					
Buildings and improvements	(816,071)		(62,694)		(878,765)
Equipment	(341,913)		(13,230)		(355,143)
Vehicles	(316,307)		(27,328)		(343,635)
Infrastructure:					
Road Network	(82,340)		(33,059)		(115,399)
Other					
Total accumulated depreciation	<u>(1,556,631)</u>		<u>(136,311)</u>		<u>(1,692,942)</u>
Depreciable capital assets, net	<u>\$ 2,758,086</u>	<u>\$</u>	<u>\$ (41,333)</u>	<u>\$ (906)</u>	<u>\$ 2,715,847</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 806,275	\$	\$ 1	\$	\$ 806,276
Construction in process	1,251,753		2,536,782	(519,057)	3,269,478
Total	<u>\$ 2,058,028</u>	<u>\$</u>	<u>\$ 2,536,783</u>	<u>\$ (519,057)</u>	<u>\$ 4,075,754</u>
Capital assets being depreciated:					
Utility plant	\$ 15,632,217	\$	\$	\$	\$ 15,632,217
Equipment	283,939		26,171		310,110
Total	<u>15,916,156</u>		<u>26,171</u>		<u>15,942,327</u>
Total all capital assets	<u>17,974,184</u>		<u>2,562,954</u>	<u>(519,057)</u>	<u>20,018,081</u>
Less accumulated depreciation for:					
Utility plant	(3,174,242)	2,085	(422,001)		(3,594,158)
Equipment	(191,041)		(37,269)		(228,310)
Total accumulated depreciation	<u>(3,365,283)</u>	<u>2,085</u>	<u>(459,270)</u>		<u>(3,822,468)</u>
Depreciable capital assets, net	<u>\$ 12,550,873</u>	<u>\$ 2,085</u>	<u>\$ (433,099)</u>	<u>\$</u>	<u>\$ 12,119,859</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 45,103
Fire	27,089
Building and zoning	3,670
Code enforcement	693
Roads & streets	38,492
Parks & recreation	14,247
Historic train depot	<u>7,017</u>
Total depreciation expense - governmental activities	<u>\$ 136,311</u>
<u>Business-type Activities:</u>	
Water	\$ 147,624
Sewer	306,968
Stormwater	<u>4,678</u>
Total depreciation expense - business-type activities	<u>\$ 459,270</u>

Impairments:

The Town's business-type activities includes a charge-off of \$519,057, representing the net book value of certain capital assets whose value had been determined to have been impaired. The charge-off related to preliminary engineering costs incurred in connection with a planned sewer re-use project that is no longer going to be pursued.

NOTE 6 - TAX ANTICIPATION NOTE

The general fund entered into a short-term tax anticipated note borrowing arrangement with a bank and borrowed \$350,000 secured by all legally available resources. The interest rate was variable based on 67% of the 30-day LIBOR plus 100 basis points. The loan was repaid in full within the year.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended [September 30, 2010](#):

	Restated Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
6.50% Bank of America installment note	\$ 47,620	\$	\$ (9,831)	\$ 37,789	\$ 10,246
5.10% Capital Improvement Revenue Note, Series 2007A	2,685,754		(94,008)	2,591,746	98,863
Total long-term debt	2,733,374		(103,839)	2,629,535	109,109
Other liabilities:					
Compensated absences	39,448	4,263		43,711	
Total other liabilities	39,448	4,263		43,711	
Total long-term liabilities	<u>\$ 2,772,822</u>	<u>\$ 4,263</u>	<u>\$ (103,839)</u>	2,673,246	<u>\$ 109,109</u>
Less amount due in one year				(109,109)	
Net long-term liabilities due after one year				<u>\$ 2,564,137</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue certificates:					
Water and Sewer, Series 2001	\$ 1,699,060	\$	\$ (26,820)	\$ 1,672,240	\$ 28,000
Capital Improvement, Series 2007	1,625,454		(91,104)	1,534,350	95,763
Interim construction loan		3,136,000		3,136,000	
Total long-term debt	3,324,514	3,136,000	(117,924)	6,342,590	123,763
Other liabilities:					
Compensated absences	24,710	9,220		33,930	
Total other liabilities	24,710	9,220		33,930	
Total long-term liabilities	<u>\$ 3,349,224</u>	<u>\$ 3,145,220</u>	<u>\$ (117,924)</u>	6,376,520	<u>\$ 123,763</u>
Less amount due in one year				(123,763)	
Net long-term liabilities due after one year				<u>\$ 6,252,757</u>	

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2010](#)

NOTE 7 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

Governmental Activities:

- Bank of America Installment Note - The installment note was issued March 12, 2004 to fund fire equipment and bears interest at 6.50% and matures 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, 2010](#), the Town had \$845,974 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 utility taxes on the sale of electricity, natural gas and propane. 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-ad valorem revenue notes and for capital improvement projects. At [September 30, 2010](#), the Town had \$159,102 in unspent proceeds reported in restricted assets.
- Interim Construction Loan - This loan was issued in anticipation of permanent financing from the U.S. Department of Agriculture (USDA) and it is secured by water and sewer revenues and the proceeds of the USDA bonds which were issued subsequent to year end and fully retired this interim construction loan.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - 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, 2010](#), were as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 109,109	\$ 132,345	\$ 123,763	\$ 261,219
2012	114,647	126,806	163,880	272,689
2013	120,467	120,986	171,308	264,861
2014	120,726	114,900	180,049	256,672
2015	120,926	108,871	188,136	248,066
2016 - 2020	705,027	443,962	1,084,808	1,096,306
2021 - 2025	906,905	242,083	822,876	843,738
2026 - 2030	431,728	27,870	612,400	708,026
2031 - 2035	-	-	754,750	566,381
2036 - 2040	-	-	928,620	392,136
2041 - 2045	-	-	590,000	223,987
2046 - 2050	-	-	722,000	91,699
Total	<u>\$ 2,629,535</u>	<u>\$ 1,317,823</u>	<u>\$ 6,342,590</u>	<u>\$ 5,225,780</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:

<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Net Revenue</u>	<u>Percentage of Net Revenues to Principal and Interest Paid</u>
Franchise, public services and communications taxes	08/01/2027	\$ 5,971,209	\$ 401,852	\$ 717,969	178.67%
Water and sewer net revenues and half cent sales tax	09/01/2050	\$ 9,478,195	\$ 155,496	\$ 476,920	306.71%

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund transfers for the year ending September 30, 2010, consisted of:

Recurring budgeted annual operating transfer from the enterprise fund to the general fund	\$ 483,250
Fund level transfers	<u>483,250</u>
Government-wide transfers, net	<u>\$ 483,250</u>

NOTE 9 - 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 2010 totaled \$21,487.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 10 - 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, 2010, is presented below:

	Water & Sewer System	Sanitation System	Stormwater System	Total
Condensed statement of revenues, expenses and changes in net assets:				
Operating revenues	\$ 926,775	\$ 524,553	\$ 93,050	\$ 1,544,378
Personal services	(349,499)			(349,499)
Operating expenses	(325,128)	(347,587)	(45,244)	(717,959)
Depreciation	(454,592)		(4,678)	(459,270)
Asset impairment write-down	(519,057)			(519,057)
Non-operating revenues (expenses):				
Interest income	1,802			1,802
Interest expense	(162,945)			(162,945)
Capital contributions and impact fees	66,031			66,031
Transfers	(483,250)			(483,250)
Change in net assets	<u>\$ (1,299,863)</u>	<u>\$ 176,966</u>	<u>\$ 43,128</u>	<u>\$ (1,079,769)</u>

Summary information from statement of net assets:

Capital assets, net	<u>\$ 16,100,236</u>	<u>\$</u>	<u>\$ 95,377</u>	<u>\$ 16,195,613</u>
Long-term debt, including current portion	<u>\$ 6,342,590</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,342,590</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 11 - 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 \$702,244 for the year ended [September 30, 2010](#) and the contract calls for the following minimum costs going forward:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Cost</u>
September 30, 2011	\$ 738,970
September 30, 2012	772,270
September 30, 2013	<u>808,052</u>
	<u>\$ 2,319,292</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, 2010](#).
- 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.

Construction Commitments:

The Town has outstanding construction commitments of \$1,092,517 which will be funded with loan proceeds already set aside for this purpose.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE 11 - 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 12 - SUBSEQUENT EVENTS

Subsequent to year end the Town entered into an agreement to borrow \$3,136,000 permanent financing for the construction of a new water plant from U.S. Department of Agriculture. The loan is secured by water and sewer revenues. The proceeds of the USDA financing were used to fully repay the interim construction financing.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The Town implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment benefits Other Than Pensions in the current fiscal year. 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. The Town currently does not have any retirees who have elected coverage under the Town's plan and the Town believes it is unlikely that any retirees will ever elect to take the Town's coverage. Because of this and the fact that the Town's current health insurance rates have never been impacted by the cost of having to insure its retirees, management believes there are no additional costs to be recorded as a result of the state requirement. As a result, the adoption of GASB 45 had no effect on the Town and no liability for any future payments has been recorded. It is possible that conditions could change whereby the Town may have some cost in the future which would be evaluated at that time.

NOTE 14 - NET ASSETS RESTATEMENT

The entity-wide governmental activities net assets were restated as of October 1, 2009, to correct an error in the amount of long-term debt reported as of September 30, 2009. The restatement resulted in an increase in the beginning net assets of \$44,974.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNDEE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2010

	<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	\$ 1,885,541	\$ 1,885,541	\$ 2,050,192	\$ 164,651
Licenses and permits	77,248	77,248	42,449	(34,799)
Intergovernmental revenue	381,253	381,253	369,798	(11,455)
Charges for services	81,118	81,118	76,295	(4,823)
Fines and forfeitures	26,866	26,866	31,090	4,224
Other	47,265	47,265	58,481	11,216
Total revenues	<u>2,499,291</u>	<u>2,499,291</u>	<u>2,628,305</u>	<u>129,014</u>
EXPENDITURES:				
General government	753,235	753,235	582,431	170,804
Public safety	1,024,612	1,024,612	981,943	42,669
Transportation	283,848	283,848	243,639	40,209
Culture/recreation	409,000	409,000	419,399	(10,399)
Capital outlay	1,462,980	1,462,980	662,244	800,736
Debt service	598,284	598,284	255,540	342,744
Total expenditures	<u>4,531,959</u>	<u>4,531,959</u>	<u>3,145,196</u>	<u>1,386,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,032,668)</u>	<u>(2,032,668)</u>	<u>(516,891)</u>	<u>1,515,777</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	350,000	350,000		(350,000)
Operating transfers in (out)	483,250	483,250	483,250	-
Total other financing sources	<u>833,250</u>	<u>833,250</u>	<u>483,250</u>	<u>(350,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>(1,199,418)</u>	<u>(1,199,418)</u>	<u>\$ (33,641)</u>	<u>\$ 1,165,777</u>
Reserve carry forward	<u>1,300,000</u>	<u>1,300,000</u>		
NET CHANGE IN FUND BALANCE	<u>\$ 100,582</u>	<u>\$ 100,582</u>		

COMPLIANCE

INDEPENDENT AUDITOR'S 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, 2010, and have issued our report thereon dated August 24, 2011. 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 10-01, 10-02, 10-03, 10-04, 10-05, 10-06, 10-07 and 10-08]

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 August 24, 2011.

Town of Dundee, Florida's response to the findings identified in our audit is described in the accompanying management letter. 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
August 24, 2011

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, 2010, and have issued our report thereon dated August 24, 2011.

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 10-01, 10-02 and 10-03.

- 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.

10-01: Utility Billing Subledgers Should be Reconciled to the General Ledger

Condition: In prior years we have reported that management does not periodically reconcile the utility accounts receivable and the customer deposit subsidiary ledgers to the general ledger control accounts. Based upon our current audit, we noted that this condition continues to exist.

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 no procedures in place to reconcile the aforementioned subsidiary ledgers to the general ledger control accounts.

Recommendation: We continue to 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: Procedures are in the process of being implemented to correct this, and make it a daily priority of the Finance department

10-02: Restricted Cash Monitoring Needs Improvement

Condition: In prior years we reported that 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 Town's stormwater fees that are restricted for stormwater management operations were not being segregated as a restricted asset on a monthly basis.

Criteria: Internal controls 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, should be in place.

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.

10-02: Restricted Cash Monitoring Needs Improvement (concluded)

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.

Recommendation: We continue to 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: Restricted cash will be reconciled on a monthly basis. State monies will be deposited directly into the bank account, so that at the end of each month they are posted correctly.

10-03: 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.
- A bad debt analysis of the utility accounts receivables was not completed nor was an allowance for uncollectible utility accounts receivables recorded.
- The interfund due to/from accounts were out of balance by significant amounts.
- Several of the general fund revenues were posted to incorrect accounts.
- Development review fee deposits were incorrectly recorded as deferred revenue.
- The detailed revenue and expenditure sub-ledgers for each fund did not agree to the general ledger control accounts.
- The detailed accounts payable listing for each fund did not agree to the general ledger control accounts.
- The individual funds were not in balance throughout the year.

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.

10-03: Internal Control over Budget-to-Actual Reporting (concluded)

Management's response: A monthly checklist is currently being implemented to ensure all of the areas of concern are addressed monthly. This list will be verified by City Management. A monthly report will be prepared for council to show the budget to actual totals on a monthly basis.

10-04: Payroll

Condition: Based upon our audit procedures, we noted the following conditions where the internal control procedures over the payroll processing and human resources function have not been adequately designed or were not operating properly.

- There was inadequate documentation in the employee personnel files to support status changes and pay rate increases of all the Town's employees, making it impossible to validate the employees' rate of pay.
- The personnel manual allows for each full time employee to get sixteen personal holiday hours each year. We noted five employees who took more than sixteen holiday hours in the 2010 fiscal year.
- The personnel manual requires sick hours to be taken in one hour increments and vacation time in two hour increments. We noted several instances where sick and vacation time were not taken in the prescribed increments.
- The personnel manual allows employees to earn vacation time without limit during the year but requires that all accrued vacation hours in excess of the prior two years' accrual be forfeited at the employees' anniversary hire date. We noted instances where employees' vacation earned was capped immediately upon reaching the maximum number of vacation hours (160) payable at termination, rather than capping the employees' vacation hours on their anniversary hire date at the total of the prior two years' accrual. In all instances the prior two years' accrual was greater than 160 hours, thereby denying the employee benefits for the vacation earned in excess of 160 hours.
- The personnel manual allows employees separating from employment to be compensated for fifty percent of their accumulated sick leave, with a maximum payout of 300 hours. For external financial reporting, management must calculate and record a liability for accrued compensated absences, including sick leave. We noted that management's calculation of the year-end accrued compensated absences was incorrect due to not applying the 300 hour limitation on sick leave payout.

Criteria: Adequate internal controls, including segregation of duties, are required to be designed and implemented to provide reasonable assurance that payroll related transactions are properly calculated and recorded, agree to authorized pay rates, supported by sufficient documentation approved by management and in accordance with the adopted personnel manual.

Effect: The internal control deficiencies noted above could result in noncompliance and/or material misstatements due to errors or fraud which could remain undetected by management.

Cause: Improper design of internal control over the payroll processing and human resources function.

10-04: Payroll (concluded)

Recommendation: Management must design and implement adequate internal controls over the payroll processing transaction cycle and the human resources function. Management should require all employee status changes and pay rate increases to be documented in the individual employees' personnel file and signed by the Town Manager and the employee. We recommend that management educate the Town employees on the provisions contained in the personnel manual. Furthermore we recommend that management work with their payroll service provider to automate the process of leave time accounting.

Management's response: The payroll process is being improved. Segregation of duties is happening. One employee will input data, another will input changes to employees and verify payroll after calculation. Final approval of file will be done by the City Manager or City Clerk. ADP has been contracted to track leave time, and accrue leave hours. Management is working with ADP to make sure going forward the proper security levels are established for each employee involved in the process.

10-05: Check Stock

Condition: During our audit we noted that the Town stores the blank check stock in a location that is accessible by several employees. Furthermore, we found several blank checks in the box with the blank check stock that had been voided in the accounting system or represented electronic payments.

Criteria: Good internal control requires that the blank check stock be stored in a secure location that would allow access only by the designated custodian. Furthermore, all voided checks should be defaced or otherwise rendered unusable.

Effect: Unsecured check stock could allow blank checks to be taken and used for unauthorized and unrecorded cash disbursements.

Cause: There are no policies or procedures in place to adequately secure check stock.

Recommendation: We also recommend that when the blank check stock arrives that the box is examined to ensure that it has not been tampered with and then immediately stored in a secure location to which only the authorized custodian has access. Voided checks should be immediately defaced or otherwise rendered unusable and filed in numerical sequence.

Management's response: Check stock will be locked up, and a check log will be used to ensure checks are accounted for at all times.

Finding 10-06: Cash Receipts

Condition: Based upon our audit procedures, we noted the following conditions where the internal control procedures over cash receipts have not been adequately designed.

- The finance director has the ability to make utility billing adjustments to the utility billing system and also has custody and recording responsibilities related to the daily cash receipt deposit and reconciling the bank accounts. The bank validated deposit slip is not compared to the daily cash deposit sheets by someone other than the finance director.
- The utility billing cashier has the ability to make adjustments to customer accounts without supervisor approval.

Criteria: Adequate internal controls, including segregation of duties, are required to be designed and implemented to provide reasonable assurance that the daily cash receipts are complete and properly recorded to the general ledger.

Effect: The internal control deficiencies noted above could result in incomplete deposits and improper use of cash due to errors or fraud which could remain undetected by management.

Cause: Improper design of internal control over cash receipts.

Recommendation: Management must design and implement adequate internal controls over the billing and cash receipts transaction cycle. Since the finance director has the ability to make utility billing adjustments to the utility billing system and also has custody and recording responsibilities related to the daily cash receipt deposit and reconciling of the bank accounts, we recommend that the bank validated deposit slip is agreed to the daily cash deposit sheets by someone other than the finance director. Internal controls over utility billing adjustments should be designed and implemented to prevent misappropriation of utility cash receipts. All utility billing adjustments should be approved by a supervisor at the time of the adjustment.

Management's response: Daily deposits are combined, prepared for the bank, and updated in the system by the Finance department. Each clerk at the counter will witness one another's deposit. The individual, whom takes the deposit to the bank, will verify the cash matches. When the slip from the bank comes back to the city, the Utility Billing clerk will verify it balances back to original deposit. The adjustment process is under review. Input will be sought from the software company.

Finding 10-07: Cash Disbursements

Condition: Based upon our audit procedures, we noted the following conditions where the internal control procedures over cash disbursements have not been adequately designed or were not operating properly.

- Management was unable to locate all the invoices we requested as part of our cash disbursement testing.
- The vendor files were in a state of disarray.
- Invoices received are not reviewed by the requisitioning department heads to ensure that the goods or services are received.
- There are insufficient internal controls in place over the processing of vendor electronic payments. The finance director has the ability to process a payment to any bank account with no required approvals or audit trail.

Criteria: Adequate internal controls, including segregation of duties, are required to be designed and implemented to provide reasonable assurance that cash disbursement are for valid transactions and are approved by management.

Effect: The internal control deficiencies noted above could result in material misstatements due to errors or fraud which could remain undetected by management.

Cause: Improper design of internal control over cash disbursements.

Recommendation: Management must design and implement adequate internal controls over the purchasing and cash disbursement transaction cycle. Invoices received by the Town should be reviewed by the requisitioning department head to ensure that the goods or services have been received prior to payment. The department head review should be evidenced on the individual invoices and returned to accounts payable for payment processing. We also recommend that the Town discontinue the policy of electronic vendor payments.

Management's response: Accounts payables files are now being fixed and staff has been instructed on the proper way to keep a vendor file. The purchase order process has been changed, and directors are verifying receipt of goods and services. Vendor electronic payments have stopped.

Finding 10-08: Bank Reconciliations

Condition: During our audit we noted that the Town's operating bank account was not being promptly reconciled during and subsequent to the 2009-2010 fiscal year. The bank reconciliation for September 2010 prepared by the Finance Director contained numerous errors and did not reconcile the general ledger balance to the actual bank balance. The September 2010 bank reconciliation was properly reconciled by the Town's consulting Financial Reporting Officer in June of 2011.

Finding 10-08: Bank Reconciliations (concluded)

Criteria: Good internal control requires the preparation of bank reconciliations as soon as possible after receipt of the monthly bank statements.

Effect: In the event of a loss of cash, failure to reconcile bank accounts to the City's accounting records could result in a failure to detect and recover the loss.

Cause: Employees with inadequate knowledge of proper bank reconciliation procedures.

Recommendation: We recommend that the activity posted to the Town's bank accounts be monitored and reconciled on a monthly basis to provide assurance that the activity posted to the account and the resulting balance are correct.

Management's response: Staff will receive proper training to prepare bank reconciliations. The finance department will turn completed bank reconciliations into the City Manager for verification.

- 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 have the following finding:

Finding 10-09: Amounts Payable to the Polk County Sheriff's Office

Pursuant to the contract with the Polk County Sherriff's Office for law enforcement services, the annual fee charged includes the services of two school resource deputies. The school resource officer program is supplemented financially by the Polk County School Board. Since January 2009, the payments from the Polk County School Board have been sent directly to the Polk County Sherriff's Office. Based upon our audit it appears that the Polk County Sheriff's Office is being compensated for the school resource deputies by the Town of Dundee and also being supplemented by the Polk County School Board. We recommend that the Town Attorney review the contract with the Polk County Sheriff's Office to determine the propriety of the current school resource officer payments from the Polk County School Board to the Polk County Sheriff's Office.

Furthermore, pursuant to the contract for law enforcement services with the Polk County Sheriff's Office, the Town of Dundee is required to transfer all law enforcement education funds levied and collected by the Polk County Clerk of the Court to the Polk County Sherriff's Office. The Town received law enforcement education funds totaling \$1,573 and \$1,347 for 2009 and 2010 respectively. As of the date of this letter, none of these funds have been remitted to the Polk County Sheriff's Office, resulting in an amount due totaling \$2,920. We recommend the Town pay the Polk County Sherriff's Office the amount due as soon as possible.

Finding 10-09: Amounts Payable to the Polk County Sheriff's Office (concluded)

Management's response: The check will be cut and mailed to the Sheriff's department before September 30, 2011. We will have the Town Attorney review the contract with the Polk County Sheriff's Office regarding the school resource officer arrangement.

- 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, 2010, 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, 2010. 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.

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
August 24, 2011