

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

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

September 30, 2011

TABLE OF CONTENTS

Management’s Discussion and Analysis	M-1
PART I - FINANCIAL SECTION	
Independent Auditor’s Report	1-2
Basic Financial Statements:	
Government-wide Statements:	
Statement of Net Assets	3
Statement of Activities	4
Governmental Funds:	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	8
Proprietary Funds:	
Statement of Fund Net Assets - Proprietary Funds	9
Statement of Revenues, Expense and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Financial Statements	12-29
PART II - REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General fund	30
PART III- COMPLIANCE	
Report on Compliance and Other Matters and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	31-32

TABLE OF CONTENTS

PART IV - MANAGEMENT LETTER 33-34

PART V - SINGLE AUDIT

Independent Auditor's Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133 35-36

Schedule of Expenditures of Federal Awards 37

Notes to the Schedule of Expenditures of Federal Awards 38

Schedule of Findings and Questioned Costs 39-42

MANAGEMENTS' DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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, 2011. We encourage readers to consider the information presented here in conjunction with the Town's financial statements beginning on page 3.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$15,004,166 (net assets). Of this amount, \$1,150,856 (unrestricted net assets) may be used to meet the Town's obligations which is an increase of \$276,650 over the prior year.
- The Town's unrestricted cash and cash equivalents totaled \$757,102, an increase of \$84,798 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, 2011
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 3 and 4 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, 2011
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 5 - 8.

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 9 -11 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 12-29 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 30 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
TOWN OF DUNDEE, FLORIDA
(Continued)

Government-Wide Financial Analysis

The following is a summary of the Statement of Net Assets found on page 3 of this report:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$1,229,527	\$2,132,192	\$1,292,857	\$2,289,879	\$2,522,384	\$4,422,071
Capital assets	4,982,055	4,241,604	17,723,446	16,195,613	22,705,501	20,437,217
Total assets	6,211,582	6,373,796	19,016,303	18,485,492	25,227,885	24,859,288
Current and other liabilities	190,387	113,558	1,222,589	1,639,822	1,412,976	1,753,380
Long-term liabilities	2,553,073	2,673,246	6,257,670	6,376,520	8,810,743	9,049,766
Total liabilities	2,743,460	2,786,804	7,480,259	8,016,342	10,223,719	10,803,146
Net assets:						
Invested in capital assets, net of related debt	2,370,124	2,438,983	10,479,212	9,667,312	12,849,336	12,106,295
Restricted	545,294	738,191	458,680	337,350	1,003,974	1,075,541
Unrestricted	552,704	409,818	598,152	464,488	1,150,856	874,306
Total net assets	\$3,468,122	\$3,586,992	\$11,536,044	\$10,469,150	\$15,004,166	\$14,056,142

The Town's assets exceeded its liabilities by \$15,004,166 (net assets) at the close of the fiscal year, an increase of \$948,024 over the prior year primarily due to an increase in capital grants of \$1,167,791 to fund water system improvements.

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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,150,856 may be used to meet the Town's ongoing obligations to citizens and creditors, which is an increase of \$84,798 over the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
TOWN OF DUNDEE, FLORIDA
(Continued)

The following is a summary of the information presented in the Statement of Activities found on page 4 of this report:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$153,009	\$148,877	\$1,672,782	\$1,544,378	\$1,825,791	\$1,693,255
Operating grants and contributions	45,603	55,305			45,603	55,305
Capital grants and contributions	75,056	109,458	1,268,224	66,031	1,343,280	175,489
General revenues:						
Property taxes	911,684	1,140,860			911,684	1,140,860
Other taxes	872,294	933,517			872,294	933,517
State shared revenue	228,751	215,763			228,751	215,763
Other	83,319	34,524	492	1,802	83,811	36,326
Total revenues	2,369,716	2,638,304	2,941,498	1,612,211	5,311,214	4,250,515
Expenses:						
Governmental Activities:						
General government	624,608	650,785			624,608	650,785
Library	138,234	190,345			138,234	190,345
Police	765,739	733,301			765,739	733,301
Fire	160,968	162,291			160,968	162,291
Building and zoning	115,061	102,160			115,061	102,160
Streets	299,659	297,341			299,659	297,341
Parks and recreation	208,461	234,330			208,461	234,330
Historic train depot	18,889	19,276			18,889	19,276
Code enforcement	25,464	43,177			25,464	43,177
Interest on long-term debt	131,503	150,902			131,503	150,902
Business-type Activities:						
Water			732,543	606,256	732,543	606,256
Sewer			669,633	1,204,965	669,633	1,204,965
Stormwater			66,877	49,922	66,877	49,922
Sanitation			405,551	347,587	405,551	347,587
Total expenses	2,488,586	2,583,908	1,874,604	2,208,730	4,363,190	4,792,638
Increase (decrease) in net assets before transfers	(118,870)	54,396	1,066,894	(596,519)	948,024	(542,123)
Transfers		483,250		(483,250)		
Increase (decrease) in net assets	(118,870)	537,646	1,066,894	(1,079,769)	948,024	(542,123)
Net assets - October 1	3,586,992	3,049,346	10,469,150	11,548,919	14,056,142	14,598,265
Net assets - September 30	\$3,468,122	\$3,586,992	\$11,536,044	\$10,469,150	\$15,004,166	\$14,056,142

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
TOWN OF DUNDEE, FLORIDA
(Continued)

Governmental Activities - Governmental activities decreased the Town's net assets by \$118,870 (after transfers), as compared to an increase of \$537,646 for the prior year. The current year decrease is primarily due to revenue declines in taxes and the fact that the enterprise fund did not make a transfer to the general fund as was done in the prior year.

Business-type Activities - Business-type activities increased the Town's net assets by \$1,066,894 (after transfers), as compared to a decrease of \$1,079,169 for the previous year. The improvement from the previous year is primarily due to a non-recurring prior year impairment write-down in the sewer department of \$519,057, current year increases in capital grants of \$1,202,193 and not making a transfer to the general fund in the current year.

Fund Level Financial Analysis

Governmental Fund - The fund financial statements for the general fund are provided on pages 5 - 8. At the end of the fiscal year, the Town's governmental fund (the general fund) reported total ending fund balance of \$1,060,332 of which \$488,533 constituted *unassigned fund balance*, which is available for spending at the Town's discretion subject to budgetary constraints. The remainder of the fund balance totaling \$571,799 is reserved or assigned 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, unassigned fund balance represents 14% of the general fund's annual expenditures.

Total governmental revenues were down \$245,583 or 10% primarily due to the continuing decreases in tax revenues. Expenditures were up \$217,858 over the prior year due to increased capital outlay spending which tends to be nonrecurring. Capital outlay expenditures were \$963,153 compared to \$662,244 for the prior year which increase is due to the construction of the Town hall.

Proprietary Fund - The fund financial statements for the Town's proprietary fund, pages 9-11, 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 30 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 \$1,283,208, which represented the amount of money that was budgeted to come out of new debt, transfers from the enterprise fund, and the prior year surplus. Actual revenues came in \$82,708 less than budgeted and expenditures came in \$385,584 under budget as certain budgeted debt service did not take place.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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 \$22,705,501 (net of accumulated depreciation) which is an increase of \$2,268,285 after depreciation of \$652,722. The overall increase is due to construction of the new Town hall and water plant.

Following is a summary of capital assets:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$989,601	\$1,012,606	\$806,276	\$806,275	\$1,795,877	\$1,818,881
Construction in progress	664,800	513,151		3,269,478	\$664,800	\$3,782,629
Buildings and improvements	2,938,883	2,215,792	20,940,529	15,632,217	23,879,412	17,848,009
Vehicles and equipment	890,996	860,559	310,110	310,110	1,201,106	1,170,669
Infrastructure	1,332,438	1,332,438			1,332,438	1,332,438
Less: Accumulated depreciation	(1,834,663)	(1,692,942)	(4,333,469)	(3,822,468)	(6,168,132)	(5,515,410)
Net	\$4,982,055	\$4,241,604	\$17,723,446	\$16,195,612	\$22,705,501	\$20,437,216

Additional information on the Town's capital assets can be found in Note 5 beginning on page 22 of this report.

Long-term Debt - At the end of the year, the Town had total long-term debt outstanding of \$8,739,253 (excluding accrued compensated absences) a decrease of \$232,872 over the previous year which decrease represents normal annual principal repayments on existing debt. The Town replaced interim financing for the new water plant of \$3,136,000 with permanent financing. The following is a summary of the long-term debt outstanding:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue notes	\$2,492,883	\$2,591,746	\$6,218,827	\$6,342,590	\$8,711,710	\$8,934,336
Notes and leases payable	27,543	37,789			27,543	37,789
Total	\$2,520,426	\$2,629,535	\$6,218,827	\$6,342,590	\$8,739,253	\$8,972,125

Additional information on the Town's long-term debt can be found in note 6 beginning on page 24 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
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 Commission
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, 2011, 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, 2011, 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 June 22, 2012 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.

INDEPENDENT AUDITOR'S REPORT

(cont...)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Town of Dundee, Florida's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Town of Dundee, Florida**. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
June 22, 2012

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of **September 30, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 565,889	\$ 191,213	\$ 757,102
Receivables, current:			
Customer, net		127,650	127,650
Franchise and public service taxes	44,510		44,510
Intergovernmental	47,329	276,982	324,311
Prepaid expenses			
Restricted assets:			
Cash and cash equivalents	571,799	600,279	1,172,078
Capital assets, net:			
Non-depreciable	1,654,401	806,276	2,460,677
Depreciable	3,327,654	16,917,170	20,244,824
Unamortized deferred bond costs, net		96,733	96,733
TOTAL ASSETS	6,211,582	19,016,303	25,227,885
LIABILITIES			
Accounts payable	35,793	51,387	87,180
Accrued wages payable	11,009	4,196	15,205
Accrued interest payable	21,192	28,101	49,293
Construction costs payable	91,505	374,538	466,043
Due to other governments	30,888		30,888
Deferred revenue		650,869	650,869
Customer deposits		113,498	113,498
Long-term liabilities:			
Due within one year	114,647	163,592	278,239
Due in more than one year	2,438,426	6,094,078	8,532,504
TOTAL LIABILITIES	2,743,460	7,480,259	10,223,719
NET ASSETS			
Invested in capital assets, net of related debt	2,370,124	10,479,212	12,849,336
Restricted for:			
Revenue bond retirement		137,026	137,026
Stormwater management		96,999	96,999
Sewer system improvements		224,655	224,655
Transportation improvements	318,859		318,859
Parks and recreation	127,712		127,712
Library improvements	34,616		34,616
Public safety improvements	50,090		50,090
Roads	14,017		14,017
Unrestricted	552,704	598,152	1,150,856
TOTAL NET ASSETS	\$ 3,468,122	\$ 11,536,044	\$ 15,004,166

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2011

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	\$ 624,608	\$ 64,773	\$	\$ 14,172	\$ (545,663)	\$	\$ (545,663)
Library	138,234	6,643	41,770	5,656	(84,165)		(84,165)
Police	765,739	16,625		9,431	(739,683)		(739,683)
Fire	160,968			2,978	(157,990)		(157,990)
Building and zoning	115,061	62,521			(52,540)		(52,540)
Streets	299,659			23,064	(276,595)		(276,595)
Parks and recreation	208,461	2,447	3,654	19,755	(182,605)		(182,605)
Historic train depot	18,889		179		(18,710)		(18,710)
Code enforcement	25,464				(25,464)		(25,464)
Interest on long term debt	131,503				(131,503)		(131,503)
Total governmental activities	<u>2,488,586</u>	<u>153,009</u>	<u>45,603</u>	<u>75,056</u>	<u>(2,214,918)</u>		<u>(2,214,918)</u>
Business-type activities:							
Water utility	732,543	641,400		1,249,972		1,158,829	1,158,829
Sewer utility	669,633	377,729		18,252		(273,652)	(273,652)
Stormwater	66,877	114,760				47,883	47,883
Sanitation	405,551	538,893				133,342	133,342
Total business-type activities	<u>1,874,604</u>	<u>1,672,782</u>		<u>1,268,224</u>		<u>1,066,402</u>	<u>1,066,402</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,363,190</u>	<u>\$ 1,825,791</u>	<u>\$ 45,603</u>	<u>\$ 1,343,280</u>	<u>(2,214,918)</u>	<u>1,066,402</u>	<u>(1,148,516)</u>
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					911,684		911,684
Franchise taxes					293,220		293,220
Public service taxes					370,415		370,415
Fuel taxes for transportation purposes					208,659		208,659
State shared revenue					228,751		228,751
Investment earnings					815	492	1,307
Miscellaneous					82,504		82,504
Total general revenues, special items, and transfers					<u>2,096,048</u>	<u>492</u>	<u>2,096,540</u>
CHANGE IN NET ASSETS					<u>(118,870)</u>	<u>1,066,894</u>	<u>948,024</u>
NET ASSETS - beginning of year					<u>3,586,992</u>	<u>10,469,150</u>	<u>14,056,142</u>
NET ASSETS - end of year					<u>\$ 3,468,122</u>	<u>\$ 11,536,044</u>	<u>\$ 15,004,166</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2011

	General Fund
ASSETS	
Cash and cash equivalents	\$ 565,889
Receivables, net	
Intergovernmental	47,329
Franchise and public service taxes	44,510
Restricted assets:	
Cash and cash equivalents	<u>571,799</u>
TOTAL ASSETS	<u>\$ 1,229,527</u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 35,793
Construction costs payable	91,505
Due to other governments	30,888
Accrued wages	<u>11,009</u>
TOTAL LIABILITIES	<u>169,195</u>
FUND BALANCE:	
Restricted for:	
Transportation infrastructure-gas taxes	318,859
Parks	60,843
Recreation impact fees	66,869
Library impact fees	34,616
Law enforcement impact fees	10,599
Roads impact fees	14,017
Fire impact fees	39,491
Assigned to the Historic Depot	26,505
Unassigned	<u>488,533</u>
TOTAL FUND BALANCE	<u>1,060,332</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,229,527</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, 2011

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,060,332
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.	4,982,055
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(21,192)
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>(2,553,073)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,468,122</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, 2011

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 1,759,168
Licenses and permits	72,237
Intergovernmental revenue	332,915
Charges for services	64,997
Fines and forfeitures	15,755
Other	147,650
Total revenues	<u>2,392,722</u>
EXPENDITURES:	
General government	573,008
Public safety	1,029,230
Transportation	231,433
Culture/recreation	334,777
Capital outlay	963,153
Debt service	241,453
Total expenditures	<u>3,373,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(980,332)</u>
NET CHANGE IN FUND BALANCE	(980,332)
FUND BALANCE, beginning of year	<u>2,040,664</u>
FUND BALANCE, end of year	<u>\$ 1,060,332</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
for the year ended September 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (980,332)**

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. 905,177

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. (141,721)

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. (11,064)

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. (39)

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. 109,109

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (118,870)**

TOWN OF DUNDEE, FLORIDA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2011

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 191,213
Accounts receivable:	
Customers, net	127,650
Other governments	<u>276,982</u>
Total current assets	<u>595,845</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	600,279
Capital assets, net	
Non-depreciable	806,276
Depreciable	16,917,170
Unamortized bond issue costs	<u>96,733</u>
Total noncurrent assets	<u>18,420,458</u>
TOTAL ASSETS	<u>19,016,303</u>
LIABILITIES	
Current liabilities:	
Accounts payable	51,387
Accrued Wages	4,196
Construction costs payable	374,538
Bonds payable - current portion	<u>163,592</u>
Total current liabilities	<u>593,713</u>
Noncurrent liabilities:	
Compensated absences	38,843
Deferred revenue	650,869
Payable from restricted assets:	
Customer deposits	113,498
Accrued interest payable	28,101
Bonds and notes payable, noncurrent portion	<u>6,055,235</u>
Total noncurrent liabilities	<u>6,886,546</u>
TOTAL LIABILITIES	<u>7,480,259</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,479,212
Restricted for:	
Debt service	137,026
Stormwater management	96,999
Sewer system improvements	224,655
Unrestricted	<u>598,152</u>
TOTAL NET ASSETS	<u>\$ 11,536,044</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, 2011

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Customer user fees	\$ 1,672,782
Total operating revenues	<u>1,672,782</u>
OPERATING EXPENSES:	
Personal services	335,609
Operating expenses	785,535
Depreciation	511,001
Total operating expenses	<u>1,632,145</u>
OPERATING INCOME	<u>40,637</u>
NONOPERATING REVENUE (EXPENSE):	
Interest revenue	492
Interest expense	<u>(242,459)</u>
Total nonoperating revenues (expenses)	<u>(241,967)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(201,330)
CAPITAL CONTRIBUTIONS:	
Capital grants	1,250,466
Impact fees received, net of impact fee refunds	<u>17,758</u>
Total capital contributions	<u>1,268,224</u>
Change in net assets	1,066,894
TOTAL NET ASSETS - beginning of year	<u>10,469,150</u>
TOTAL NET ASSETS - end of year	<u>\$ 11,536,044</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2011

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,680,233
Payments to suppliers	(799,190)
Payments for salaries and benefits	(330,347)
Net cash flows from operating activities	<u>550,696</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	<u>730</u>
Net cash flows from noncapital financing activities	<u>730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets, net of change in construction payables	(2,441,820)
Principal paid on notes and bonds	(3,259,763)
Impact fees received (repaid)	17,758
Capital contributions received in cash	973,484
Proceeds from borrowings	3,136,000
Interest paid on borrowings	(235,986)
Net cash flows from capital and related financing activities	<u>(1,810,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	<u>492</u>
Net cash flows from investing activities	<u>492</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,258,409)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,049,901</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 791,492</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 40,637
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	511,001
(Increase) decrease in unamortized bond issue costs	8,144
(Increase) decrease in accounts receivable	7,451
Increase (decrease) in accounts payable and accrued expenses	(16,537)
Net cash flows from operating activities	<u>\$ 550,696</u>
Noncash financing and investing activities:	
None	<u>\$ NA</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 commission members. These financial statements include all of the funds, organizations, agencies and departments 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, 2011

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, 2011

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, 2011

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, 2011**, all of the Town's cash and investments met this definition.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 \$16,823 at **September 30, 2011**. 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, 2011**, the reserve for doubtful accounts totalled \$55,073 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, 2011

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. \$23,980 of net interest cost was capitalized in the enterprise fund for the year ended **September 30, 2011**, 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, 2011

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 \$1,003,974 of restricted net assets of which \$866,948 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 Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental fund can be spent. The classifications used in the governmental fund financial statements are as follows:

Non spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has no items reported as being non spendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

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

EQUITY CLASSIFICATIONS -

The Town has classified debt service balances, impact fees and transportation revenues restricted for capital improvements as being restricted because their use is restricted by State Statute and/or local ordinance. Debt service resources are to be used for future servicing of the revenue notes and are restricted through debt covenants. The Town has impact fees for parks, recreation, library facilities, law enforcement, roads, and fire services all of which are reported as restricted.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Commission. These amounts cannot be used for any other purpose unless the Town Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of September 30, 2011.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Commission or through the Town Commission delegating this responsibility to the Town Manager through the budgetary process.

The details of the fund balances are included in the governmental fund balance sheet. The Town uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 Commission 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, 2011](#), was **7.0**.

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 Commission. Budgets for all funds are adopted on the accounting basis used for financial reporting purposes.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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 Commission 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	1,928,630
	<hr/>
Total cash and cash equivalents	<u>\$ 1,929,180</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CAPITAL ASSETS

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

	Balance October 1, 2010	Reclassifications	Additions	Deletions	Balance September 30, 2011
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 1,012,606	\$	\$	\$ (23,005)	\$ 989,601
Construction in process	513,151	(723,091)	874,740		664,800
Total	<u>\$ 1,525,757</u>	<u>\$ (723,091)</u>	<u>\$ 874,740</u>	<u>\$ (23,005)</u>	<u>\$ 1,654,401</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,215,792	\$ 723,091	\$	\$	\$ 2,938,883
Equipment	387,115		30,437		417,552
Vehicles	473,444				473,444
Infrastructure:					
Road Network	1,332,438				1,332,438
Total	4,408,789	723,091	30,437		5,162,317
Total all capital assets	5,934,546		905,177	(23,005)	6,816,718
Less accumulated depreciation for:					
Buildings and improvements	(878,765)		(71,491)		(950,256)
Equipment	(355,143)		(23,840)		(378,983)
Vehicles	(343,635)		(13,197)		(356,832)
Infrastructure:					
Road Network	(115,399)		(33,193)		(148,592)
Total accumulated depreciation	(1,692,942)		(141,721)		(1,834,663)
Depreciable capital assets, net	<u>\$ 2,715,847</u>	<u>\$ 723,091</u>	<u>\$ (111,284)</u>	<u>\$</u>	<u>\$ 3,327,654</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 806,276	\$	\$	\$	\$ 806,276
Construction in process	3,269,478	(5,234,839)	1,965,361		
Total	<u>\$ 4,075,754</u>	<u>\$ (5,234,839)</u>	<u>\$ 1,965,361</u>	<u>\$</u>	<u>\$ 806,276</u>
Capital assets being depreciated:					
Utility plant	\$ 15,632,217	\$ 5,308,312	\$	\$	\$ 20,940,529
Equipment	310,110				310,110
Total	15,942,327	5,308,312			21,250,639
Total all capital assets	20,018,081	73,473	1,965,361		22,056,915
Less accumulated depreciation for:					
Utility plant	(3,594,158)		(482,326)		(4,076,484)
Equipment	(228,310)		(28,675)		(256,985)
Total accumulated depreciation	(3,822,468)		(511,001)		(4,333,469)
Depreciable capital assets, net	<u>\$ 12,119,859</u>	<u>\$ 5,308,312</u>	<u>\$ (511,001)</u>	<u>\$</u>	<u>\$ 16,917,170</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Fire	23,977
Building and zoning	2,796
Roads & streets	37,502
Library	9,039
Parks & recreation	14,348
Historic train depot	<u>5,091</u>
Total depreciation expense - governmental activities	<u>\$ 141,721</u>
<u>Business-type Activities:</u>	
Water	\$ 199,172
Sewer	306,414
Stormwater	<u>5,415</u>
Total depreciation expense - business-type activities	<u>\$ 511,001</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended **September 30, 2011**:

	Restated Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due within One Year
Governmental Activities					
Long-term debt:					
6.50% Bank of America installment note	\$ 37,789		\$ (10,246)	\$ 27,543	\$ 10,677
5.10% Capital Improvement Revenue Note, Series 2007A	2,591,746		(98,863)	2,492,883	103,970
Total long-term debt	2,629,535		(109,109)	2,520,426	114,647
Other liabilities:					
Compensated absences	43,711		(11,064)	32,647	
Total other liabilities	43,711		(11,064)	32,647	
Total long-term liabilities	<u>\$ 2,673,246</u>		<u>\$ (120,173)</u>	2,553,073	<u>\$ 114,647</u>
Less amount due in one year				(114,647)	
Net long-term liabilities due after one year				<u>\$ 2,438,426</u>	
Business-type Activities					
Long-term debt:					
Revenue certificates:					
USDA Water and Sewer, Series 2001	\$ 1,672,240		\$ (28,000)	\$ 1,644,240	\$ 29,220
Capital Improvement, Series 2007	1,534,350		(95,763)	1,438,587	100,660
Interim construction loan	3,136,000		(3,136,000)		
USDA Water and Sewer, Series 2011		3,136,000		3,136,000	33,712
Total long-term debt	6,342,590	3,136,000	(3,259,763)	6,218,827	163,592
Other liabilities:					
Compensated absences	33,930	4,913		38,843	
Total other liabilities	33,930	4,913		38,843	
Total long-term liabilities	<u>\$ 6,376,520</u>	<u>\$ 3,140,913</u>	<u>\$ (3,259,763)</u>	6,257,670	<u>\$ 163,592</u>
Less amount due in one year				(163,592)	
Net long-term liabilities due after one year				<u>\$ 6,094,078</u>	

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%.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

Business-Type Activities:

- USDA 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. The bonds bear interest at 4.375% with principal and interest payable annually on September 1 with a final maturity of September 1, 2040.
- Capital Improvement Series 2007 - This revenue note bears interest at 5.05% and is secured by the Town's franchise and utility taxes on the sale of electricity, natural gas, propane and communication services tax reported in the General Fund. 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.
- 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 in 2011 and the proceeds were used to fully retired this interim construction loan.
- USDA Water and Sewer Revenue Bonds, Series 2011 - 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 to construct a new water plant. The bonds bear interest at 4.125% with principal and interest payable annually on September 1 with a final maturity of September 1, 2050.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 6 - 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, 2011](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 114,647	\$ 126,806	\$ 163,592	\$ 261,219
2013	120,467	120,986	171,410	272,689
2014	120,726	114,900	179,599	264,861
2015	120,926	108,871	188,194	256,672
2016	127,172	102,626	197,192	248,066
2017 - 2021	741,442	407,547	1,136,939	1,096,306
2022 - 2026	953,748	195,242	684,683	843,738
2027 - 2031	221,298	8,500	638,754	708,026
2032 - 2036	-	-	786,325	566,381
2037 - 2041	-	-	866,815	392,136
2042 - 2046	-	-	615,486	223,987
2047 - 2051	-	-	589,838	91,699
Total	\$ 2,520,426	\$ 1,185,478	\$ 6,218,827	\$ 5,225,780

Pledged Revenues:

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

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Franchise, public services and communications taxes	08/01/2027	\$ 5,569,358	\$ 401,852	\$ 663,490	165.11%
Water and sewer net revenues and half cent sales tax	09/01/2050	\$ 9,292,931	\$ 128,041	\$ 541,549	422.95%

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 7 - 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 2011 totaled \$22,129.

NOTE 8 - 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, 2011](#), is presented below:

	Water & Sewer System	Sanitation System	Stormwater System	Total
Condensed statement of revenues, expenses and changes in net assets:				
Operating revenues	\$ 1,019,129	\$ 538,893	\$ 114,760	\$ 1,672,782
Personal services	(335,609)			(335,609)
Operating expenses	(318,522)	(405,551)	(61,462)	(785,535)
Depreciation	(505,586)		(5,415)	(511,001)
Non-operating revenues (expenses):				
Interest income	492			492
Interest expense	(242,459)			(242,459)
Capital contributions and impact fees	1,268,224			1,268,224
Transfers				
Change in net assets	<u>\$ 885,669</u>	<u>\$ 133,342</u>	<u>\$ 47,883</u>	<u>\$ 1,066,894</u>

Summary information from statement of net assets:

Capital assets, net	<u>\$ 17,633,486</u>	<u>\$</u>	<u>\$ 89,960</u>	<u>\$ 17,723,446</u>
Long-term debt, including current portion	<u>\$ 6,218,827</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,218,827</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2011](#)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

The basic premises of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions 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 10 - 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, 2011](#) and the contract calls for the following minimum costs going forward:

Fiscal Year Ending	Annual Cost
September 30, 2012	\$ 772,270
September 30, 2013	808,052
	<u>\$ 1,580,322</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 10 - COMMITMENTS AND CONTINGENCIES (cont...)

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, 2011](#).
- The Town's workers compensation coverage is provided through Preferred Governmental Insurance Trust (PGI Trust). The PGI Trust was created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law. The Town pays an annual premium to the PGI Trust for its workers' compensation coverage. The PGI Trust is non-assessable and therefore, the Town has no liability for future deficits of the PGI Trust, if any.

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DUNDEE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2011

	<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	\$ 1,762,073	\$ 1,762,073	\$ 1,759,168	\$ (2,905)
Licenses and permits	46,000	46,000	72,237	26,237
Intergovernmental revenue	316,193	316,193	332,915	16,722
Charges for services	60,108	60,108	64,997	4,889
Fines and forfeitures	23,197	23,197	15,755	(7,442)
Other	267,859	267,859	147,650	(120,209)
Total revenues	<u>2,475,430</u>	<u>2,475,430</u>	<u>2,392,722</u>	<u>(82,708)</u>
EXPENDITURES:				
General government	571,768	571,768	573,008	(1,240)
Public safety	1,041,885	1,041,885	1,029,230	12,655
Transportation	257,981	257,981	231,433	26,548
Culture/recreation	297,591	297,591	334,777	(37,186)
Capital outlay	1,097,130	1,097,130	963,153	133,977
Debt service	492,283	492,283	241,453	250,830
Total expenditures	<u>3,758,638</u>	<u>3,758,638</u>	<u>3,373,054</u>	<u>385,584</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,283,208)</u>	<u>(1,283,208)</u>	<u>(980,332)</u>	<u>302,876</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	250,000	250,000		(250,000)
Operating transfers in (out)	283,208	283,208		(283,208)
Total other financing sources	<u>533,208</u>	<u>533,208</u>	<u>-</u>	<u>(533,208)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>(750,000)</u>	<u>(750,000)</u>	<u>\$ (980,332)</u>	<u>\$ (230,332)</u>
Reserve carry forward	<u>750,000</u>	<u>750,000</u>		
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</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 Commission
Town of Dundee, Florida

We have audited the 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, 2011, and have issued our report thereon dated June 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 11-01, 11-02 and 11-03.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies as item 11-04.

Town of Dundee, Florida's responses in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit **Town of Dundee, Florida's** responses and accordingly, we express no opinion on the responses.

We noted certain matters that we reported to management of **Town of Dundee, Florida** in the accompanying management letter dated June 22, 2012.

This report is intended solely for the information and use of the Town Commission, 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
June 22, 2012

MANAGEMENT LETTER

MANAGEMENT LETTER

Honorable Mayor and Members of the Town Commission
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, 2011, and have issued our report thereon dated June 22, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 22 2012, should be considered in conjunction with this management letter.

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

Findings 11-01, 11-02 and 11-03 were reported in the prior year management letter as findings 10-02, 10-03 and 10-06, respectively. Findings 11-01 and 11-02 were reported in the second preceding fiscal year audit report as findings 09-02 and 09-03, respectively.

- 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 1 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 did not have any such recommendations.
- 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. In connection with our audit we do not have any such findings.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the **Town of Dundee, Florida** did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the **Town of Dundee, Florida** for the fiscal year ended September 30, 2011, 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, 2011. 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 Commission 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 Commission, 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
June 22, 2012

SINGLE AUDIT

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

(cont...)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 11-04.

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
June 22, 2012

TOWN OF DUNDEE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2011

Federal Agency/Pass-through Entity/ Federal Project	CFDA Number	Contract Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Rural Development			
Hickory Walk WTP:			
RD Grant	10.760	00-04	\$1,244,466
RD Loan	10.760	LN 91-03	3,136,000
Passed through Florida Department of Agriculture and Community Services			
Forest Health Improvement Initiative	10.688	C110200	<u>17,955</u>
Total U.S. Department of Agriculture			<u>4,398,421</u>
Department of Justice			
Passed through Florida Department of Law Enforcement			
Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-JAGC-POLK-9-B2-096	<u>5,458</u>
Total Department of Justice			<u>5,458</u>
Total Expenditures of Federal awards			<u>\$4,403,879</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2011

NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town of Dundee, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B - MAJOR PROGRAMS

Major Federal awards are identified in the summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

NOTE C - CONTINGENCY

The grant revenue received is subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Town. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

TOWN OF DUNDEE, FLORIDA
T.I.N. 59-6000309
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2011

Section I: Summary of Auditor's Results

Financial Statements

(a) Type of auditors' report issued:	Unqualified
(b) Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be a material weakness?	Yes
(c) Noncompliance material to the financial statements noted?	No

Federal Awards Section

(d) Internal control over major federal award programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	Yes
(e) Type of auditors' report issued on compliance for major programs:	Unqualified
(f) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	Yes
(g) Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
(h) Auditee qualified as a low-risk auditee?	No

Major federal program:

- (i) 10.760 – U.S. Department of Agriculture – Hickory Walk WTP Grant/Loan

Section II: Financial Statement Findings

11-01: 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.

1. 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.
2. The Town's unspent impact fee cash balances as of year-end were greater than required.
3. The Town's stormwater fees that are restricted for stormwater management operations were not being segregated as a restricted asset on a monthly basis.

Section II: Financial Statement Findings (cont...)

11-01: Restricted Cash Monitoring Needs Improvement (concluded)

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.

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: *The Town agrees with the auditors concerning restricted cash and will be working with the auditors and implementing procedures for tracking restricted cash amounts in appropriate G/L accounts and to monitor and make sure that the restricted monies are being used for their designated purposes and to make sure that debt covenant restrictions are in compliance.*

11-02: 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.
- The trial balance was not in balance throughout the year.
- The Town Commission is not receiving monthly financial reports
- 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.
- The individual funds were not in balance throughout the year.
- The Town bank accounts were not being properly reconciled.
- Payroll related journal entries were not being posted to the general ledger in a timely manner.

Section II: Financial Statement Findings (cont...)

11-02: Internal Control over Budget-to-Actual Reporting (concluded)

Criteria: Proper governance requires the commission to periodically review the variances between the adopted budget and actual results. Financial reports should be presented to the commission on a monthly basis and 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 and timely reported to the commission.

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

Management's response: *The town agrees with the auditors concerning Budget to Actual reporting. The Town has taken the following actions to help resolve the issues with this finding.*

1. *Bank Statements are now being reconciled in a timely manner.*
2. *Payroll related journal entries and now being posted the week that payroll occurs.*
3. *The Finance Director is working with Edmund's & Associates to implement Financial Statements being produced on a monthly basis.*
4. *The Finance Director is now checking on a monthly basis to make sure that the interfund due to/from accounts are in balance.*
5. *A bad debt analysis will be done for the fiscal year ending 2012.*

11-03: 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.

1. The utility billing cashiers, the finance director and the administrative assistant have the ability to make adjustments to customer accounts without supervisor approval. Furthermore, there are no control procedures in place to review utility account adjustments.

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.

TOWN OF DUNDEE, FLORIDA
T.I.N. 59-6000309
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2011

Section II: Financial Statement Findings (concluded)

11-03: Cash Receipts (concluded)

Effect: The internal control deficiencies noted above could result in 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: 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: *The Finance director is working with Edmund's and associates to find a solution to limit access to who can enter and process a balance adjustment. The Finance director will also be running a month list for balance adjustments and checking against the adjustments that were made to be sure that they had approval at the time the balance adjustment entry was made.*

Section III: Federal Award Findings and Questioned Costs

11-04: CFDA# 10.760 – U.S. Department of Agriculture – Hickory Walk WTP Grant/Loan Reporting.

Condition: Based upon our audit procedures, we noted the Town had not filed the required quarterly and annual form *RD-442: Statement of Budget, Income and Equity* with the United States Department of Agriculture for the fiscal year ended September 30, 2011.

Criteria: The Town has entered into several grant and loan agreements with the United States Department of Agriculture that require both quarterly and annual filing of form *RD-442: Statement of Budget, Income and Equity*.

Effect: Failure to comply with the reporting requirements could result in a reduction or loss of Federal funds.

Cause: Inadequately designed internal control over compliance with federal grant/loan provisions.

Recommendation: We recommend that Town staff improve its tracking or reporting due dates so that agencies are properly notified of the Town's financial status and program progress. Staff working on grants should be aware of the reporting requirements of grant/loan agreements and compliance supplements.

Management's response: The Town agrees with the auditors on the filing of the necessary forms for reporting to the USDA. The Finance Director has filed all of the necessary form RD442 for the fiscal year ending 2011. The financial director is currently filing the RD-442 forms when they are due.

Section IV: Prior-Year Audit Findings

The Town of Dundee, Florida had no prior audit findings related to Federal Awards.