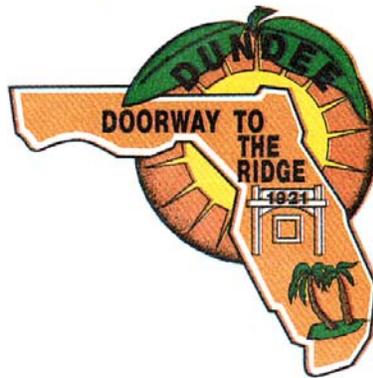


Town of Dundee



TOWN OF DUNDEE, FLORIDA
FINANCIAL STATEMENTS AND AUDITOR'S REPORTS
September 30, 2012

TABLE OF CONTENTS

FINANCIAL SECTION	
Management's Discussion and Analysis	M-1
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, Expenses and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Financial Statements	12-26
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General fund	27
OTHER REPORTS	
Report on Compliance and Other Matters and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Management Letter	30-31
Schedule of Current Year Findings and Responses	32-37
Summary Schedule of Prior Audit Findings	38

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
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, 2012. 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 \$14,862,522 (net assets). Of this amount, \$813,711 (unrestricted net assets) may be used to meet the Town's obligations which is a decrease of \$337,145 over the prior year.
- The Town's unrestricted cash and cash equivalents totaled \$552,483, a decrease of \$204,619 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, 2012
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 recreation, historic train depot, and code enforcement. 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, which is further categorized as to whether it is spendable, committed or assigned. Unassigned fund balance 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, 2012
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 12-26 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 27 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$971,587	\$1,229,527	\$1,296,193	\$1,292,857	\$2,267,780	\$2,522,384
Capital assets	4,937,728	4,982,055	17,259,415	17,723,446	22,197,143	22,705,501
Total assets	5,909,315	6,211,582	18,555,608	19,016,303	24,464,923	25,227,885
Current and other liabilities	89,039	190,387	969,800	1,222,589	1,058,839	1,412,976
Long-term liabilities	2,447,895	2,553,073	6,095,667	6,257,670	8,543,562	8,810,743
Total liabilities	2,536,934	2,743,460	7,065,467	7,480,259	9,602,401	10,223,719
Net assets:						
Invested in capital assets, net of related debt	2,531,949	2,370,124	10,436,112	10,479,212	12,968,061	12,849,336
Restricted	612,767	545,294	467,983	458,680	1,080,750	1,003,974
Unrestricted	227,665	552,704	586,046	598,152	813,711	1,150,856
Total net assets	\$3,372,381	\$3,468,122	\$11,490,141	\$11,536,044	\$14,862,522	\$15,004,166

The Town's net assets decreased by \$141,644 for the fiscal year to \$14,862,522, as compared to an increase of \$948,024 for the prior year or \$15,004,166 at the prior year end. The prior year increase was aided by capital grants of \$1,167,791 to fund water system improvements.

A substantial portion of the Town's net assets (87%) 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, \$813,711 may be used to meet the Town's ongoing obligations to citizens and creditors, which is a decrease of \$337,145 over the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program Revenues:						
Charges for services	\$119,843	\$153,009	\$1,758,885	\$1,672,782	\$1,878,728	\$1,825,791
Operating grants and contributions	34,276	45,603			34,276	45,603
Capital grants and contributions	10,036	75,056	180,436	1,268,224	190,472	1,343,280
General revenues:						
Property taxes	898,543	911,684			898,543	911,684
Other taxes	847,247	872,294			847,247	872,294
State shared revenue	256,931	228,751			256,931	228,751
Other	93,774	83,319		492	93,774	83,811
Total revenues	2,260,650	2,369,716	1,939,321	2,941,498	4,199,971	5,311,214
Expenses:						
Governmental Activities:						
General government	650,727	624,608			650,727	624,608
Library	96,979	138,234			96,979	138,234
Police	788,489	765,739			788,489	765,739
Fire	155,726	160,968			155,726	160,968
Building and zoning	116,247	115,061			116,247	115,061
Streets	247,917	299,659			247,917	299,659
Parks and recreation	149,360	208,461			149,360	208,461
Historic train depot	15,215	18,889			15,215	18,889
Code enforcement	9,808	25,464			9,808	25,464
Interest on long-term debt	125,923	131,503			125,923	131,503
Business-type Activities:						
Water			881,484	732,543	881,484	732,543
Sewer			614,991	669,633	614,991	669,633
Stormwater			105,837	66,877	105,837	66,877
Sanitation			382,912	405,551	382,912	405,551
Total expenses	2,356,391	2,488,586	1,985,224	1,874,604	4,341,615	4,363,190
Increase (decrease) in net assets before transfers	(95,741)	(118,870)	(45,903)	1,066,894	(141,644)	948,024
Transfers						
Increase (decrease) in net assets	(95,741)	(118,870)	(45,903)	1,066,894	(141,644)	948,024
Net assets - October 1	3,468,122	3,586,992	11,536,044	10,469,150	15,004,166	14,056,142
Net assets - September 30	\$3,372,381	\$3,468,122	\$11,490,141	\$11,536,044	\$14,862,522	\$15,004,166

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA
(Continued)

Governmental Activities - Governmental activities decreased the Town's net assets by \$95,741 as compared to a decrease of \$118,870 for the prior year. The current year decrease is comparable to the previous year and is indicative of revenue declines from pre-recession levels that have not been offset by expense reductions.

Business-type Activities - Business-type activities decreased the Town's net assets by \$45,903 as compared to an increase of \$1,066,894 for the previous year. The decline from the previous year is primarily due to capital grants of \$1,268,224 in 2011 as compared to \$180,436 in 2012. Business-type activities charges for services were up \$86,130 which increase was partially offset by increased depreciation expense, \$577,325 in 2012 verses \$511,001 in 2011. Other operating expenses were comparable between the years.

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 \$902,854 of which \$263,263 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 \$639,591 is restricted 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 10% of the general fund's annual expenditures.

Governmental fund expenditures exceeded revenues by \$157,478 in 2012 as compared to a deficit of \$980,332 in 2011. Total governmental revenues were down \$20,947 and expenditures were down \$843,801 over the prior year. Capital outlay expenditures were down \$718,663 accounting for most of the decrease in expenditures over the prior year. There is no particular factor affecting the current year deficit as the deficit was budgeted to occur and is likely to recur in the future if expenditures continue at current levels.

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. 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 27 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 \$265,349, which represented the amount of money that was budgeted to come out of transfers from the enterprise fund and the prior year surplus. Actual revenues came in \$126,705 less than budgeted and expenditures came in \$18,834 over budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
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 \$22,197,143 (net of accumulated depreciation) which is a decrease of \$508,358 after depreciation of \$726,334 which, net of additions of \$215,807, accounts for the overall decrease.

Following is a summary of capital assets:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$989,601	\$989,601	\$806,276	\$806,276	\$1,795,877	\$1,795,877
Construction in progress		664,800				\$664,800
Buildings and improvements	3,601,965	2,938,883	20,999,848	20,940,529	24,601,813	23,879,412
Vehicles and equipment	866,629	890,996	297,563	310,110	1,164,192	1,201,106
Infrastructure	1,332,438	1,332,438			1,332,438	1,332,438
Less: Accumulated depreciation	(1,852,905)	(1,834,663)	(4,844,272)	(4,333,469)	(6,697,177)	(6,168,132)
Net	\$4,937,728	\$4,982,055	\$17,259,415	\$17,723,446	\$22,197,143	\$22,705,501

Additional information on the Town's capital assets can be found in Note 5 beginning on page 20 of this report.

Long-term Debt - At the end of the year, the Town had total long-term debt outstanding of \$8,460,726 (excluding accrued compensated absences) a decrease of \$278,527 over the previous year, which decrease represents normal annual principal repayments on existing debt. The following is a summary of the long-term debt outstanding:

Additional information on the Town's long-term debt can be found in note 6 beginning on page 22 of this report.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue notes	\$2,388,913	\$2,492,883	\$6,054,947	\$6,218,827	\$8,443,860	\$8,711,710
Notes and leases payable	16,866	27,543			16,866	27,543
Total	\$2,405,779	\$2,520,426	\$6,054,947	\$6,218,827	\$8,460,726	\$8,739,253

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
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 concentrating on reducing expenses going forward.

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 Town Manager, PO Box 1000, Florida 33838 or call (863) 438-8330.

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, 2012, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Dundee, Florida as of September 30, 2012, 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 17, 2013 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, consisting of management's discussion and analysis and the budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

INDEPENDENT AUDITOR'S REPORT

(cont...)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
June 17, 2013

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 238,715	\$ 313,768	\$ 552,483
Receivables, current:			
Customer, net	-	143,062	143,062
Franchise and public service taxes	45,497	-	45,497
Intergovernmental	47,784	143,038	190,822
Restricted assets:			-
Cash and cash equivalents	639,591	608,141	1,247,732
Capital assets, net:			
Non-depreciable	989,601	806,276	1,795,877
Depreciable	3,948,127	16,453,139	20,401,266
Unamortized deferred bond costs, net	-	88,184	88,184
TOTAL ASSETS	5,909,315	18,555,608	24,464,923
LIABILITIES			
Accounts payable	42,263	55,136	97,399
Accrued wages payable	9,884	6,150	16,034
Accrued interest payable	20,306	27,042	47,348
Construction costs payable	-	134,126	134,126
Due to other governments	16,586	-	16,586
Deferred revenue	-	634,230	634,230
Customer deposits	-	113,116	113,116
Long-term liabilities:			
Due within one year	120,467	171,122	291,589
Due in more than one year	2,327,428	5,924,545	8,251,973
TOTAL LIABILITIES	2,536,934	7,065,467	9,602,401
NET ASSETS			
Invested in capital assets, net of related debt	2,531,949	10,436,112	12,968,061
Restricted for:			
Revenue bond retirement	-	187,299	187,299
Stormwater management	-	79,111	79,111
Sewer system improvements	-	201,573	201,573
Transportation improvements	381,354	-	381,354
Parks and recreation improvements	127,712	-	127,712
Library improvements	34,977	-	34,977
Public safety improvements	51,216	-	51,216
Roads	17,508	-	17,508
Unrestricted	227,665	586,046	813,711
TOTAL NET ASSETS	\$ 3,372,381	\$ 11,490,141	\$ 14,862,522

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2012

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 650,727	\$ 33,479	\$ -	\$ -	\$ (617,248)	\$ -	\$ (617,248)
Library	96,979	6,360	24,445	361	(65,813)	-	(65,813)
Police	788,489	14,381	-	5,527	(768,581)	-	(768,581)
Fire	155,726	-	-	657	(155,069)	-	(155,069)
Building and zoning	116,247	34,511	-	-	(81,736)	-	(81,736)
Streets	247,917	29,775	-	3,491	(214,651)	-	(214,651)
Parks and recreation	149,360	1,337	9,516	-	(138,507)	-	(138,507)
Historic train depot	15,215	-	315	-	(14,900)	-	(14,900)
Code enforcement	9,808	-	-	-	(9,808)	-	(9,808)
Interest on long term debt	125,923	-	-	-	(125,923)	-	(125,923)
Total governmental activities	2,356,391	119,843	34,276	10,036	(2,192,236)	-	(2,192,236)
Business-type activities:							
Water utility	881,484	706,167	-	180,436	-	5,119	5,119
Sewer utility	614,991	433,924	-	-	-	(181,067)	(181,067)
Stormwater	105,837	82,534	-	-	-	(23,303)	(23,303)
Sanitation	382,912	536,260	-	-	-	153,348	153,348
Total business-type activities	1,985,224	1,758,885	-	180,436	-	(45,903)	(45,903)
TOTAL PRIMARY GOVERNMENT	\$ 4,341,615	\$ 1,878,728	\$ 34,276	\$ 190,472	(2,192,236)	(45,903)	(2,238,139)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					898,543	-	898,543
Franchise taxes					289,385	-	289,385
Public service taxes					349,856	-	349,856
Fuel taxes for transportation purposes					208,006	-	208,006
State shared revenue					256,931	-	256,931
Investment earnings					5	-	5
Miscellaneous					93,769	-	93,769
Total general revenues, special items, and transfers					2,096,495	-	2,096,495
CHANGE IN NET ASSETS					(95,741)	(45,903)	(141,644)
NET ASSETS - beginning of year					3,468,122	11,536,044	15,004,166
NET ASSETS - end of year					\$ 3,372,381	\$ 11,490,141	\$ 14,862,522

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 238,715
Receivables, net	
Intergovernmental	47,784
Franchise and public service taxes	45,497
Restricted assets:	
Cash and cash equivalents	<u>639,591</u>
TOTAL ASSETS	<u>\$ 971,587</u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 42,263
Due to other governments	16,586
Accrued wages	<u>9,884</u>
TOTAL LIABILITIES	<u>68,733</u>
FUND BALANCE:	
Restricted for:	
Transportation infrastructure-gas taxes	381,354
Parks	60,843
Recreation impact fees	66,869
Library impact fees	34,977
Law enforcement impact fees	11,068
Roads impact fees	17,508
Fire impact fees	40,148
Assigned to the Historic Depot	26,824
Unassigned	<u>263,263</u>
TOTAL FUND BALANCE	<u>902,854</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 971,587</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, 2012

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 902,854
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.	4,937,728
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(20,306)
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>(2,447,895)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,372,381</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, 2012

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 1,717,792
Licenses and permits	37,279
Intergovernmental revenue	314,433
Charges for services	68,126
Fines and forfeitures	14,438
Other	219,707
Total revenues	<u>2,371,775</u>
EXPENDITURES:	
General government	581,595
Public safety	1,033,807
Transportation	204,012
Culture/recreation	223,896
Capital outlay	244,490
Debt service	241,453
Total expenditures	<u>2,529,253</u>
NET CHANGE IN FUND BALANCE	(157,478)
FUND BALANCE, beginning of year	<u>1,060,332</u>
FUND BALANCE, end of year	<u>\$ 902,854</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
for the year ended September 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (157,478)**

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.	215,807
This is the amount of capital assets disposed in the current period.	(111,125)

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.	(149,009)
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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.	(9,469)
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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.	886
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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.	114,647

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (95,741)**

TOWN OF DUNDEE, FLORIDA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2012

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 313,768
Accounts receivable:	
Customers, net	143,062
Other governments	143,038
Total current assets	<u>599,868</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	608,141
Capital assets, net	
Non-depreciable	806,276
Depreciable	16,453,139
Unamortized bond issue costs	88,184
Total noncurrent assets	<u>17,955,740</u>
TOTAL ASSETS	<u>18,555,608</u>
LIABILITIES	
Current liabilities:	
Accounts payable	55,136
Accrued Wages	6,150
Construction costs payable	134,126
Bonds payable - current portion	171,122
Total current liabilities	<u>366,534</u>
Noncurrent liabilities:	
Compensated absences	40,720
Deferred revenue	634,230
Payable from restricted assets:	
Customer deposits	113,116
Accrued interest payable	27,042
Bonds and notes payable, noncurrent portion	5,883,825
Total noncurrent liabilities	<u>6,698,933</u>
TOTAL LIABILITIES	<u>7,065,467</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,436,112
Restricted for:	
Debt service	187,299
Stormwater management	79,111
Sewer system improvements	201,573
Unrestricted	586,046
TOTAL NET ASSETS	<u>\$ 11,490,141</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, 2012

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,758,885
Total operating revenues	<u>1,758,885</u>
OPERATING EXPENSES:	
Personal services	358,705
Operating expenses	769,015
Depreciation	577,325
Total operating expenses	<u>1,705,045</u>
OPERATING INCOME	<u>53,840</u>
NONOPERATING REVENUE (EXPENSE):	
Interest expense	<u>(280,179)</u>
Total nonoperating revenues (expenses)	<u>(280,179)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(226,339)
CAPITAL CONTRIBUTIONS:	
Capital grants	167,780
Impact fees received, net of impact fee refunds	<u>12,656</u>
Total capital contributions	<u>180,436</u>
Change in net assets	(45,903)
TOTAL NET ASSETS - beginning of year	<u>11,536,044</u>
TOTAL NET ASSETS - end of year	<u>\$ 11,490,141</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2012

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,729,388
Payments to suppliers	(732,579)
Payments for salaries and benefits	(354,874)
Net cash flows from operating activities	<u>641,935</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
None	-
Net cash flows from noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets, net of change in construction payables	(377,844)
Principal paid on notes and bonds	(163,880)
Impact fees received	9,720
Capital contributions received in cash	301,724
Interest paid on borrowings	(281,238)
Net cash flows from capital and related financing activities	<u>(511,518)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
None	-
Net cash flows from investing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	130,417
CASH AND CASH EQUIVALENTS, beginning of year	791,492
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 921,909</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 53,840
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	577,325
(Increase) decrease in unamortized bond issue costs	8,549
Noncash loss on disposal of capital assets	24,138
(Increase) decrease in accounts receivable	(15,412)
(Increase) decrease in customer deposits	(382)
Noncash capacity charges	(13,703)
Increase (decrease) in accounts payable and accrued expenses	7,580
Net cash flows from operating activities	<u>\$ 641,935</u>
Noncash financing and investing activities:	
Book value of capital assets disposed	<u>\$ 24,138</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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.

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.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

B. BASIC FINANCIAL STATEMENTS (cont...)

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.

- 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.

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

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.

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, 2012, all of the Town's cash and investments met this definition.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 totaled \$25,076 at September 30, 2012. 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, 2012, the reserve for doubtful accounts totaled \$21,005 for the utility service receivable.

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, 2012

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. There was no interest cost capitalized in the enterprise fund for the year ended September 30, 2012.

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, 2012

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 \$1,080,749 of restricted net assets of which \$893,450 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, 2012

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

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

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, the Town's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the Town Commission. 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, 2012.

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 Town had monies assigned to the historic depot as of September 30, 2012.

Unassigned: This classification is for all other spendable amounts

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.

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, 2012, was 7.6495.

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.

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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. For the year ended September 30, 2012, expenditures exceeded appropriations in the general fund by \$18,834. The overexpenditures were funded by greater than anticipated revenue.

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	1,799,665
	<hr/>
Total cash and cash equivalents	<u>\$ 1,800,215</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012, was as follows:

	Balance October 1, 2011	Reclassifications	Additions	Deletions	Balance September 30, 2012
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 989,601	\$ -	\$ -	\$ -	\$ 989,601
Construction in process	664,800	(676,050)	11,250	-	-
Total	<u>\$ 1,654,401</u>	<u>\$ (676,050)</u>	<u>\$ 11,250</u>	<u>\$ -</u>	<u>\$ 989,601</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,938,883	\$ 676,050	\$ 168,335	\$ (181,303)	\$ 3,601,965
Equipment	417,552	-	36,222	(60,589)	393,185
Vehicles	473,444	-	-	-	473,444
Infrastructure:					-
Road Network	1,332,438	-	-	-	1,332,438
Total	<u>5,162,317</u>	<u>676,050</u>	<u>204,557</u>	<u>(241,892)</u>	<u>5,801,032</u>
Total all capital assets	<u>6,816,718</u>	<u>-</u>	<u>215,807</u>	<u>(241,892)</u>	<u>6,790,633</u>
Less accumulated depreciation for:					
Buildings and improvements	(950,256)	-	(88,766)	70,178	(968,844)
Equipment	(378,983)	-	(13,115)	60,589	(331,509)
Vehicles	(356,832)	-	(13,935)	-	(370,767)
Infrastructure:					-
Road Network	(148,592)	-	(33,193)	-	(181,785)
Total accumulated depreciation	<u>(1,834,663)</u>	<u>-</u>	<u>(149,009)</u>	<u>130,767</u>	<u>(1,852,905)</u>
Depreciable capital assets, net	<u>\$ 3,327,654</u>	<u>\$ 676,050</u>	<u>\$ 55,548</u>	<u>\$ (111,125)</u>	<u>\$ 3,948,127</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 806,276	\$ -	\$ -	\$ -	\$ 806,276
Total	<u>\$ 806,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806,276</u>
Capital assets being depreciated:					
Utility plant	\$ 20,940,529	\$ -	\$ 137,432	\$ (78,113)	\$ 20,999,848
Equipment	310,110	-	-	(12,547)	297,563
Total	<u>21,250,639</u>	<u>-</u>	<u>137,432</u>	<u>(90,660)</u>	<u>21,297,411</u>
Total all capital assets	<u>22,056,915</u>	<u>-</u>	<u>137,432</u>	<u>(90,660)</u>	<u>22,103,687</u>
Less accumulated depreciation for:					
Utility plant	(4,076,484)	-	(549,490)	53,975	(4,571,999)
Equipment	(256,985)	-	(27,835)	12,547	(272,273)
Total accumulated depreciation	<u>(4,333,469)</u>	<u>-</u>	<u>(577,325)</u>	<u>66,522</u>	<u>(4,844,272)</u>
Depreciable capital assets, net	<u>\$ 16,917,170</u>	<u>\$ -</u>	<u>\$ (439,893)</u>	<u>\$ (24,138)</u>	<u>\$ 16,453,139</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 56,239
Fire	18,137
Building and zoning	415
Roads & streets	38,208
Library	18,077
Parks & recreation	14,672
Historic train depot	<u>3,261</u>
Total depreciation expense - governmental activities	<u>\$ 149,009</u>

Business-type Activities:

Water	\$ 268,553
Sewer	303,357
Stormwater	<u>5,415</u>
Total depreciation expense - business-type activities	<u>\$ 577,325</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2012:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Amounts Due within One Year
Governmental Activities					
Long-term debt:					
6.50% Bank of America installment note	\$ 27,543	\$ -	\$ (10,677)	\$ 16,866	\$ 11,127
5.10% Capital Improvement Revenue Note, Series 2007A	2,492,883	-	(103,970)	2,388,913	109,340
Total long-term debt	<u>2,520,426</u>	<u>-</u>	<u>(114,647)</u>	<u>2,405,779</u>	<u>120,467</u>
Other liabilities:					
Compensated absences	32,647	9,469	-	42,116	-
Total other liabilities	<u>32,647</u>	<u>9,469</u>	<u>-</u>	<u>42,116</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,553,073</u>	<u>\$ 9,469</u>	<u>\$ (114,647)</u>	<u>2,447,895</u>	<u>\$ 120,467</u>
Less amount due in one year				<u>(120,467)</u>	
Net long-term liabilities due after one year				<u>\$ 2,327,428</u>	
Business-type Activities					
Long-term debt:					
Revenue certificates:					
USDA Water and Sewer, Series 2001	\$ 1,644,240	\$ -	\$ (29,220)	\$ 1,615,020	\$ 30,500
Capital Improvement, Series 2007	1,438,587	-	(100,660)	1,337,927	105,808
USDA Water and Sewer, Series 2011	3,136,000	-	(34,000)	3,102,000	34,814
Total long-term debt	<u>6,218,827</u>	<u>-</u>	<u>(163,880)</u>	<u>6,054,947</u>	<u>171,122</u>
Other liabilities:					
Compensated absences	38,843	1,877	-	40,720	-
Total other liabilities	<u>38,843</u>	<u>1,877</u>	<u>-</u>	<u>40,720</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,257,670</u>	<u>\$ 1,877</u>	<u>\$ (163,880)</u>	<u>6,095,667</u>	<u>\$ 171,122</u>
Less amount due in one year				<u>(171,122)</u>	
Net long-term liabilities due after one year				<u>\$ 5,924,545</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, 2012

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.
- 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, 2012

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, 2012, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 120,467	\$ 120,986	\$ 171,122	\$ 264,873
2014	120,726	114,900	179,599	256,680
2015	120,926	108,871	188,194	248,092
2016	127,172	102,626	197,192	239,090
2017	133,741	96,057	206,630	229,655
2018 - 2022	779,737	369,252	1,191,403	990,006
2023 - 2027	1,003,010	145,979	540,945	780,201
2028 - 2032	-	-	665,870	655,271
2033 - 2037	-	-	819,692	501,455
2038 - 2042	-	-	802,328	316,498
2043 - 2047	-	-	640,875	174,485
2048 - 2052	-	-	451,097	37,702
Total	\$ 2,405,779	\$ 1,058,671	\$ 6,054,947	\$ 4,694,008

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	\$ 5,167,505	\$ 401,852	\$ 638,620	158.92%
Water and sewer net revenues and half cent sales tax	09/01/2050	\$ 9,028,416	\$ 264,516	\$ 660,536	249.71%

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 7 - DEFERRED COMPENSATION PLAN

The Town Commission has established by Resolution an Internal Revenue Code Section 457 and a 401(a) defined contribution pension plan covering all employees who have completed one year of service. 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 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. The plan trust is administered by the Town and the assets are not considered part of the Town's reporting entity. Since these assets do not belong to the Town, they are not reported in the accompanying financial statements. The Town's contribution expense for 2012 totaled \$17,702 and the employees contributed \$17,730.

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, 2012, is presented below:

	Water & Sewer System	Sanitation System	Stormwater System	Total
Condensed statement of revenues, expenses and changes in net assets:				
Operating revenues	\$ 1,140,091	\$ 536,260	\$ 82,534	\$ 1,758,885
Personal services	(307,245)	-	(51,460)	(358,705)
Operating expenses	(337,141)	(382,912)	(48,962)	(769,015)
Depreciation	(571,910)	-	(5,415)	(577,325)
Non-operating revenues (expenses):				
Interest expense	(280,179)	-	-	(280,179)
Capital contributions	167,780	-	-	167,780
Impact fees	12,656	-	-	12,656
Change in net assets	<u>\$ (175,948)</u>	<u>\$ 153,348</u>	<u>\$ (23,303)</u>	<u>\$ (45,903)</u>

Summary information from statement of net assets:

Capital assets, net	<u>\$ 17,174,869</u>	<u>\$ -</u>	<u>\$ 84,546</u>	<u>\$ 17,259,415</u>
Long-term debt, including current portion	<u>\$ 6,054,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,054,947</u>

TOWN OF DUNDEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

- 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 \$772,270 for the year ended September 30, 2012 and the contract calls for a minimum annual cost for the year ended September 30, 2013 of \$808,052.
- The Town participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Town may be required to reimburse the grantor government/agency. As of September 30, 2012, the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.
- 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.

NOTE 11 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Town maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the Town. There have been no significant reductions in coverage nor have settlement amounts exceeded the Town's coverage during the year ended September 30, 2012 or the previous two fiscal years. In the opinion of the Town's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the Town. The Town's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DUNDEE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2012

	<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	\$ 1,770,649	\$ 1,770,649	\$ 1,717,792	\$ (52,857)
Licenses and permits	49,000	49,000	37,279	(11,721)
Intergovernmental revenue	323,232	323,232	314,433	(8,799)
Charges for services	66,365	66,365	68,126	1,761
Fines and forfeitures	10,824	10,824	14,438	3,614
Other	25,000	25,000	219,707	194,707
Total revenues	<u>2,245,070</u>	<u>2,245,070</u>	<u>2,371,775</u>	<u>126,705</u>
EXPENDITURES:				
General government	541,609	541,609	581,595	(39,986)
Public safety	1,054,533	1,054,533	1,033,807	20,726
Transportation	182,726	182,726	204,012	(21,286)
Culture/recreation	225,982	225,982	223,896	2,086
Capital outlay	264,229	264,229	244,490	19,739
Debt service	241,340	241,340	241,453	(113)
Total expenditures	<u>2,510,419</u>	<u>2,510,419</u>	<u>2,529,253</u>	<u>(18,834)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(265,349)</u>	<u>(265,349)</u>	<u>(157,478)</u>	<u>107,871</u>
OTHER FINANCING SOURCES (USES):				
Reappropriation of prior year surplus	150,000	150,000		(150,000)
Operating transfers in (out)	<u>115,349</u>	<u>115,349</u>	<u>-</u>	<u>(115,349)</u>
Total other financing sources	<u>265,349</u>	<u>265,349</u>	<u>-</u>	<u>(265,349)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>-</u>	<u>-</u>	<u>\$ (157,478)</u>	<u>\$ (157,478)</u>

OTHER REPORTS

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, 2012, and have issued our report thereon dated June 17, 2013. 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 current year findings and responses and the summary schedule of prior audit findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 at finding 12-1 in the accompanying schedule of current year findings and responses and at finding 11-01 in the summary schedule of prior audit findings to be material weaknesses.

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 current year findings and responses to be significant deficiencies as items 12-2 and 12-3.

Town of Dundee, Florida's responses in our audit are described in the accompanying schedule of current year findings and responses. 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 17, 2013.

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 17, 2013

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, 2012 and have issued our report thereon dated June 17, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and the Schedule of Current Year Findings and Responses and the Summary Schedule of Prior Audit Findings. Disclosures in those reports and schedules, which are dated June 17, 2013, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the accompanying Summary Schedule of Prior Audit Findings.
- 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 had one finding related to a violation of Florida Administrative Code as detailed in the accompanying Schedule of Current Year Findings and Responses at finding 12-5.
- 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 had five recommendations to improve financial management as detailed in the accompanying Schedule of Current Year Findings and Responses at findings 12-4, 12-6, 12-7 and 12-8.
- 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, 2012, 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, 2012. 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.

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, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and Federal and other granting agencies 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 17, 2013

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-1: Idle Capacity Billing (material weakness)

Condition: Management was unable to provide us any detail regarding the amount of idle capacity charges that have been billed, the amount of these billed charges that have been paid to the Town and the remaining outstanding idle capacity charges receivable as of September 30, 2012. There are approximately 2,100 outstanding certificates that reserve capacity of the Town's water or wastewater system. The monthly idle capacity charge is \$4.50 per unit of reservation which results in an approximate annual billing of idle capacity charges of \$113,400.

Criteria: Ordinance 07-03 established that idle capacity charges will be paid monthly by each person or company who has reserved any amount of capacity of a Town water or wastewater facility. Resolution 07-09 established that the monthly idle capacity charge is set at \$4.50 and is payable by the fifteenth day of each month.

Cause: The individual who was assigned the responsibility of tracking these idle capacity charges ceased employment with the Town and no one was assigned to take over these duties.

Effect: Due to the lack of internal control over these charges, there is no assurance that these charges are properly accounted for and that the corresponding revenues are received in a timely manner.

Recommendation: The Town should implement procedures to ensure compliance with its billing ordinances and to strengthen the collection of the idle capacity charges. Furthermore, while not explicitly reported above, the proper accounting for, and tracking of, the outstanding reservations of the Town's water or wastewater facilities is integral to proper internal control over the idle capacity charges. Accordingly, the Town should implement procedures to properly account for the certificates that have been purchased that represent reservation of the Town's water or wastewater facilities.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-2: Competitive Bid Procedures. (significant deficiency)

Condition: During the course of our audit we selected six purchases that individually exceeded \$5,000 which is the threshold that requires the contract to be awarded by competitive bids pursuant to ordinance 98-06. We requested documentation of the Town's competitive bid procedures related to these purchases. Management was unable to provide sufficient evidence that the purchases were either submitted to competitive bid procedures or were properly exempt from the competitive bid procedures of ordinance 98-06.

Criteria: To provide the Town with reasonable assurance that they are receiving the best price, quality and/or quantity on significant purchases, Management should establish internal controls to ensure procedures are being followed in compliance with the Town's procurement guidelines as adopted in ordinance 98-06.

Effect: Increased risk that the Town is not receiving the best price, quality and/or quantity on significant purchases.

Causes:

- Three of these purchases were made under section III.C.2 of ordinance 98-06 related to emergency purchases. Ordinance 98-06 defines emergency purchases as purchases that, if delayed, would be a detriment to the safety, health and welfare of the Town or its citizens.
- One purchase was made under section III related to contract renewal when the vendor was originally selected through a competitive process. Ordinance 98-06 does allow this if the renewal is within the same scope of the original contract.
- No cause has been determined in the remaining two purchases.

Recommendation: We recommend the Town design and implement internal controls to provide reasonable assurance that procurement of goods, services, materials, supplies and equipment over \$5,000 adhere to the competitive bid procedures required by ordinance 98-06. We also recommend that if management makes such a purchase under the alternative source selection guidelines (sole source purchase, emergency purchase or contract renewals) that the determination of allowability be reviewed for reasonableness and documented in writing and filed with the Town Clerk.

Management's Response: *The Town will implement a policy documenting emergency purchases and the reason for the purchase to be on file at the Town Clerk's Office.*

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-3: Fuel Accounting (significant deficiency)

Condition: During our audit, we reviewed the monthly fuel invoices for the year ended September 30, 2012 and we noted 15 instances where the same fuel key was used more than once in a given day. Since the Town has assigned a different fuel key to each vehicle, multiple uses in a given day should be investigated for reasonableness.

Criteria: Good internal control over the Town's fuel usage requires periodic monitoring and investigation of any fuel purchases that appear unusual.

Cause: We were informed that Town employees would, at times; use the same vehicle key to refuel several Town vehicles as a matter of convenience.

Effect: Due to the lack of internal control over fuel usage, there is an increased possibility that errors and irregularities could occur and not be detected in a timely manner.

Recommendation: The Town should design and implement internal controls to ensure accountability of fuel usage including a monthly review of the Town's fuel purchases and investigation of unusual items.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

12-4: Capital Asset Property Records (management letter comment)

Condition: During our audit of the Town's capital asset property records, we noted many instances where the property records lacked sufficient information necessary to properly identify the assets. Missing information included identification numbers; name, make or manufacturer; model number; manufacturer's serial number; method or date of acquisition or the custodian with assigned responsibility for the item.

Criteria: To ensure proper safeguarding and accountability of capital asset personal property, the Town should maintain an adequate record of each property item.

Effect: Increased possibility that errors and irregularities could occur and not be detected in a timely manner.

Cause: The Town is not following the capital asset property accounting policy as outlined in resolution 07-11.

Recommendation: We recommend that management reviews the asset accountability policy in resolution 07-11 and implement procedures to ensure that the property records are complete and include all information necessary to properly identify items that are entered into the property records.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-5: Capital Asset Inventory (management letter comment)

Condition: The Town did not perform a physical inventory of the Town's capital asset property for the fiscal year ended September 30, 2012.

Criteria: Florida Administrative Code 69I-73.006 requires the Town to take an annual inventory of the Town's property and to reconcile the results of the inventory to the Town's detailed property records.

Effect: Increased possibility that errors and irregularities could occur and not be detected in a timely manner and noncompliance with Florida Administrative Code 69I-73.006.

Cause: The Town is not following the capital asset property accounting policy as outlined in resolution 07-11.

Recommendation: We recommend that management reviews the asset accountability policy in resolution 07-11 and implement procedures to ensure that a physical inventory of all capital asset property is completed annually, and the result reconciled to the Town's property records.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

12-6: Personal Use of Town Vehicle (management letter comment)

Condition: During our audit we noted two employees who were assigned a Town vehicle on a 24-hour basis however the value of the personal use of these vehicles was not included in the employees' gross compensation reported to the Internal Revenue Service (IRS).

Criteria: United States Treasury Regulations requires that the personal use of an employer-provided vehicle is a fringe benefit that must be included in the employee's gross income.

Effect: Incorrect reporting to the IRS of gross compensation for the employees who are assigned a vehicle on a 24-hour basis.

Cause: Lack of understanding of United States Treasury Regulations.

Recommendation: We recommend that the Town determine whether or not vehicles are to be assigned on a 24-hour basis to employees. If the Town decides to continue to assign vehicles to employees on a 24-hour basis we recommend maintenance of vehicle usage logs documenting personal use mileage, and begin reporting the value of such personal usage to the IRS.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-7: Investment of Surplus Funds (management letter comment)

Condition: The Town maintains 7 checking accounts in non-interest bearing accounts that totaled \$1,800,215 as of September 30, 2012. Interest earning reported by the Town for the 2011-2012 fiscal year totaled \$5. Furthermore, the Town reported approximately \$4,200 in bank fees.

Criteria: Section 218.415, Florida Statutes, governs the investment of surplus funds by local governmental entities and authorizes various types of investments including the Local Government Surplus Funds Trust Fund (Florida PRIME) administered by the Florida State Board of Administration (SBA), money market funds, interest bearing time deposits, savings accounts and direct obligations of the United States Treasury.

Cause: Management makes investment decisions and has decided to leave their surplus funds in their current non-interest bearing accounts.

Effect: The Town could have earned additional interest if it had taken a more proactive approach to investing rather than allowing surplus funds to remain in non-interest bearing accounts.

Recommendation: To maximize interest earning on surplus Town funds, the Town should, when appropriate, make investments through the SBA or other authorized investments offering competitive returns consistent with safety and liquidity requirements. We also recommend that management review their current banking relationship to see to what extent the bank fees can be reduced or eliminated.

Management's Response: *The Town agrees with the recommendations provided by the Auditor. In addition, the Town will need to adopt a policy requiring these investment decisions to be approved by the Town Commission.*

**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

12-8: Utility Billing (management letter comment)

Condition: During our audit, we reviewed 22 customer accounts that had been placed on vacation status. We noted the following:

- 8 instances where the utility customers were billed incorrectly while on vacation status.
- Customers that request to have their water turned off during their vacation status are not being charged the \$15 turn off fee.
- One instance where a customer went on vacation status but their water consumption maintained their normal level while on vacation.

Criteria: The Town has implemented a policy whereby Town utility customers may request to place their account on vacation status. While on vacation status the customer account will not be billed.

Cause: The 8 instances of incorrect billing was caused by Town staff placing the customer account on vacation status immediately upon receipt of the vacation status request rather than billing them for their usage to the date of the request and then placing them on vacation status for the time period the customer is to be gone. We also noted there were no internal controls in place to assure that customer accounts on vacation status were periodically reviewed and placed on active status when the customer returned.

Effect: Due to the lack of internal control over customer accounts that are on vacation status, there is an increased possibility that errors and irregularities could occur and not be detected in a timely manner.

Recommendation: The Town should design and implement internal controls to ensure that customer accounts are billed correctly when on vacation status and to include a monthly review of the Town's customer accounts that are on vacation status and investigate any unusual items such as increased consumption which is an indicator that the customer has returned from vacation.

Management's Response: *The Town agrees with the Recommendation provided by the Auditor.*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
TOWN OF DUNDEE, FLORIDA**

Second Preceding Audit Finding Number	Current/Prior Year Audit Finding Number	Title	Brief Description	Status	Comments
10-01	11-01	Restricted cash monitoring needs improvement	In the past three audits we have recommended that management segregate and monitor the sources and uses of all restricted funds, and compliance with debt related covenants. <i>Management's Response: The Town agrees with the Recommendation provided by the Auditor.</i>	Not Resolved	Based upon the results of our audit procedures we noted that none of the restricted cash balances had been monitored or adjusted during the fiscal year and were only reviewed as part of the year end financial statement preparation process.
10-03	11-02	Internal Control over Budget-to-Actual Reporting	In the past three years we have noted several misstatements of the Town's internal financial reports that were not detected or corrected in a timely manne resulting in material year-end adjustments. <i>Management's Response: The Town agrees with the Recommendation provided by the Auditor.</i>	Not Resolved	While we noted significant improvements in the accuracy of the Town's internal financial reporting we did detect severa significant misstatements in the Town's internal financial reports that were not corrected until the year-end audit preparation process.
10-06	11-03	Cash Receipts	In prior years we recommended that internal controls over the utility billing adjustments should be designed and implemented to prevent missappropriation of utility cash receipts. We also recommended that all billing adjustments should approved by a supervisor at the time the adjustment is being made.	Resolved	We noted that management requires supervisor approval of utility billing adjustments and has implemented monitoring procedures to provide assurance that no unapproved utility billing adjustments are being entered.
NA	11-04	CFDA# 10.760- U.S. Department of Agriculture - Hickory Walk WTP Grant/ Loan Reporting	In the prior year we noted that the Town had not filed the required quarterly and annual form <i>RD-442: Statement of Budget, Income and Equity</i> with the United States Department of Agriculture for the fiscal year ended September 30, 2013	Resolved	We noted that management has filed all the necessary form RD-422 for the fiscal year ending September 30, 2011 and is currently filing the RD-422 forms when they are due