

Annual Comprehensive Financial Report



The Town of Dundee, Florida

For the Year Ended
September 30, 2023

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Town of Dundee



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Dundee, Florida (the Town) as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Correction of Error

As discussed in Note 16 to the financial statements, the Town has restated its 2022 financial statements to correct several misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (concluded)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as provided in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2025, on our consideration of the Town's internal control 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 solely 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 24, 2025

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 financial activities of the Town for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 12.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,304,304 (net position). Of this amount, \$2,785,325 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors which compares to \$2,414,423 at the end of the prior year as previously reported, an increase of \$370,902.
- The government's total net position increased by \$2,759,500 because of current year operations or a 11% increase compared to the prior year.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balance of \$6,996,871 (compared to \$6,355,983 at the prior year end as previously reported). Of this total amount, \$2,907,711 is available for spending at the government's discretion (unassigned fund balance) compared to \$2,380,274 at the end of the prior year, a \$527,437 improvement or 22%.
- The Town identified several errors in the previously reported net position of the governmental activities and the business-type activities, mainly related to an error in the calculation of depreciation expense in the prior year. As a result, the previously reported net position of the governmental activities and business-type activities were restated downward by \$104,057 and \$46,774, respectively. See Note 16 in the notes to the financial statements for more information.

Overview of the Financial Statements

This 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: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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 like a private-sector business.

The *Statement of Net Position* presents information on all the Town's assets, liabilities, and deferred inflows and outflows of resources with the residual measure reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner like the approach used by private-sector business in that revenue is 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 year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both 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, building/zoning and code enforcement, law enforcement, fire control, streets, library, parks, the historic depot and recreation. The business-type activities of the Town include water, sewer, stormwater, and sanitation.

The government-wide financial statements can be found by referencing the table of contents of this report.

Fund Financial Statements

Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the Town, rather than reporting on the Town as a whole. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 nonspendable, restricted, committed, assigned or unassigned. 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 and measurement focus used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented.

For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities' column on the statement of net position. 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 position as reported in the governmental activities' column in the statement of activities.

The Town has three governmental funds which are the general fund, impact fee special revenue fund and the fire service special revenue fund which can be found by referencing the table of contents of this report.

Proprietary Funds - Proprietary fund financial statements consist of a statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows. These statements are prepared on an accounting basis and measurement focus 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.

Fund Financial Statements (concluded)

Proprietary Funds (concluded)

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 sanitation departments. *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 by referencing the table of contents 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 reports one fiduciary fund, a custodial fund to account for impact fees collected on behalf of Polk County, Florida (the "County"). These funds are collected on behalf of the County as new construction takes place within the Town and remitted to the County monthly.

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 by referencing the table of contents 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 statements of the major governmental funds which can be found by referencing the table of contents of this report.

TOWN OF DUNDEE, FLORIDA

Management's Discussion and Analysis

September 30, 2023

Government-wide Financial Analysis

The following is a summary of the information presented in the statement of net position which can be located by referencing the table of contents of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,806,040	\$ 9,433,041	\$ 1,270,134	\$ 1,193,631	\$ 11,076,174	\$ 10,626,672
Capital assets	9,270,617	7,217,250	15,774,361	16,089,816	25,044,978	23,307,066
Total assets	19,076,657	16,650,291	17,044,495	17,283,447	36,121,152	33,933,738
Current and other liabilities	2,793,545	3,044,883	924,141	774,051	3,717,686	3,818,934
Long-term liabilities	895,035	1,102,224	4,181,515	4,276,244	5,076,550	5,378,468
Total liabilities	3,688,580	4,147,107	5,105,656	5,050,295	8,794,236	9,197,402
Deferred inflows	22,612	40,701	-	-	22,612	40,701
Net position:						
Net investment in capital assets	8,359,637	5,977,124	11,800,891	12,055,340	20,160,528	18,032,464
Restricted	4,085,077	3,975,709	273,374	273,039	4,358,451	4,248,748
Unrestricted	2,920,751	2,509,650	(135,426)	(95,227)	2,785,325	2,414,423
Total net position	\$ 15,365,465	\$ 12,462,483	\$ 11,938,839	\$ 12,233,152	\$ 27,304,304	\$ 24,695,635

Seventy-four (74%) of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, sewer and water system, machinery, 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.

Sixteen percent (16%) of the Town's net position represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF DUNDEE, FLORIDA

Management's Discussion and Analysis

September 30, 2023

The following is a summary of the information presented in the Statement of Activities which can be located by referencing the table of contents of this report.

**Statement of Activities (Summary)
For the year ended September 30,**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 1,147,562	\$ 386,336	\$ 3,503,881	\$ 3,140,049	\$ 4,651,443	\$ 3,526,385
Operating grants and contributions	138,425	279,609	-	-	138,425	279,609
Capital grants and contributions	2,406,926	478,273	-	-	2,406,926	478,273
<i>General revenues:</i>						
Property taxes	2,399,430	1,914,715	-	-	2,399,430	1,914,715
Other taxes	1,473,412	1,410,069	-	-	1,473,412	1,410,069
State shared revenue	716,440	663,620	-	-	716,440	663,620
Other	35,007	18,865	46,423	2,773	81,430	21,638
Total revenues	8,317,202	5,151,487	3,550,304	3,142,822	11,867,506	8,294,309
Expenses:						
<i>Governmental Activities:</i>						
General government	1,444,850	1,104,813	-	-	1,444,850	1,104,813
Library	205,810	198,678	-	-	205,810	198,678
Law enforcement	1,030,185	962,544	-	-	1,030,185	962,544
Fire control	722,650	535,361	-	-	722,650	535,361
Building and zoning	505,866	298,265	-	-	505,866	298,265
Streets	759,452	461,895	-	-	759,452	461,895
Parks and recreation	426,191	309,276	-	-	426,191	309,276
Historic train depot	53,851	43,386	-	-	53,851	43,386
Code enforcement	111,231	89,972	-	-	111,231	89,972
Interest on long-term debt	50,077	60,933	-	-	50,077	60,933
<i>Business-type Activities:</i>						
Water	-	-	1,433,758	1,474,938	1,433,758	1,474,938
Sewer	-	-	1,011,280	875,694	1,011,280	875,694
Stormwater	-	-	214,582	216,066	214,582	216,066
Sanitation	-	-	1,138,223	791,548	1,138,223	791,548
Total expenses	5,310,163	4,065,123	3,797,843	3,358,246	9,108,006	7,423,369
Increase (decrease) in net position before transfers	3,007,039	1,086,364	(247,539)	(215,424)	2,759,500	870,940
Transfers	-	125,000	-	(125,000)	-	-
Change in net position	3,007,039	1,211,364	(247,539)	(340,424)	2,759,500	870,940
Net position - Beg.	12,462,483	11,251,119	12,233,152	12,573,576	24,695,635	23,824,695
Restatement	(104,057)	-	(46,774)	-	(150,831)	-
Net position - End	\$ 15,365,465	\$ 12,462,483	\$ 11,938,839	\$ 12,233,152	\$ 27,304,304	\$ 24,695,635

Governmental activities:

Governmental activities' change in net position for 2023 was an increase of \$3,007,039 as compared to an increase of \$1,211,364 for the prior year as previously reported.

- Total revenue increased by \$3,165,715 (61%) mainly due to the following:
 - Property taxes increased by \$484,715 (25%) due to increased property values within the Town and capital grants.
 - Capital contributions increased by \$1,928,653 (403%) mainly due to \$1,994,444 donated roadways in 2023.

Governmental activities: (concluded)

- Charges for services increased by \$761,226 (197%) due to the following:
 - Land development fees increased by approximately \$171,185 and building permit fees increased by approximately \$157,500 due to increased building related activities within the Town.
 - Insurance settlements increased by approximately \$164,100 related to Hurricane Ian damage.
 - In 2023 the Town adopted and charged a fire services special assessment accounted for as a charge for service in the amount of \$266,769.
- Total expenses increased by \$1,245,040 (31%) mainly due to the following:
 - Payroll and payroll related expenses that increased by approximately \$384,500 (29%) due to increased staff and salaries.
 - Repair and maintenance expenses increased by approximately \$425,000 (205%) mainly due to Hurricane Ian related costs.
 - Depreciation expense increased by approximately \$205,000 (62%) due to a prior period error of approximately \$82,800 and also more capital assets being added in 2023, including \$1,994,444 of donated roadways, resulting in an increase in depreciation expense.
 - Building plan review fee costs increased by approximately \$133,700 (285%) due to increase building related activity within the Town.
 - The remaining increase of approximately \$96,840 is due to general increases/decreases in a large variety of diverse expense categories within the governmental activities.
- Program revenues increased 223%, general revenues of the governmental activities increased 15% and total governmental activities expenses increased by 31%.

Business-type activities:

Business-type activities' change in net position for 2023 was a decrease of \$247,539 before transfers, as compared to a decrease of \$215,424 for the prior year as previously reported.

The declining change in net position is mainly due to an increase in total revenue of \$407,482 or 13% and an increase in total expenses of \$439,597 or 13%.

The increase in revenue is mainly due to an increase of \$363,832 (12%) in charges for services revenue due to more customers being added to the Town's utility system because of increased construction within the Town.

Expenses increased by \$439,597 or 13% mainly due to increased operating expenses as follows:

- Personnel costs increased by approximately \$162,000 or 18% due to increases in wages for training/promotions, salary & benefit allocations to enterprise fund, and addition of new in-house sanitation department.
- Depreciation expense increased by approximately \$234,000 or 35% due mainly to an error in the prior year depreciation calculation of \$69,000 coupled with the corrected depreciation expense calculation applied to the current year. The main depreciation expense category that increased was the right to use leased equipment in the sanitation department whose which depreciation expense increased by approximately \$173,000.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported ending fund balance of \$6,996,871, an increase of \$662,156 in comparison with the reported balance in the prior year. Of this total, \$2,907,711 constitutes unassigned fund balance, which is available for spending at the government's discretion which was \$2,380,274 in the prior year. The remainder of fund balance is nonspendable or restricted by enabling legislation or contract and can only be spent on the purposes for which it is intended.

Activity during the current fiscal year included the following key components:

- Total governmental funds revenues increased by \$1,276,817 or 26% due to increased tax revenue of \$497,880, charges for services of \$288,029, intergovernmental revenue of \$49,638, fines/forfeiture of \$4,621 and licenses and permits of \$444,587 which was offset by decreases in other revenue of \$7,938.
- Total governmental funds expenditures increased by \$1,033,396 or 22% mainly due to increased current expenditures of \$807,210 (22%), increased capital outlay expenditures of \$233,855 (32%) and decreased debt service expenditures of \$7,669 (3%).
- Revenue generally increased due to increased property valuations coupled with increased residential construction within the Town. Expenditures increased mainly due to increased personnel costs of approximately \$384,000, increased insurance expenditures of approximately \$36,000, increased repair and maintenance expenditures of approximately \$150,000 and increased professional service costs of approximately \$45,000 consisting of legal, accounting and engineering assistance.

Proprietary funds: The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The major changes between 2022 and 2023 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual resources (revenues and insurance proceeds) were less than budgeted resources by \$83,790 and actual charges to appropriations (expenditures and interfund transfers) were \$97,498 less than budgeted resulting in an overall favorable budget variance of \$13,708. These budgetary variances were due to differences between original estimates and actual results. These differences were caused by many budgetary variances within a large pool of diverse revenue and expenditure categories with major budgetary variances explained below:

The final budget amendment approved by the Town Commission on November 14, 2023 increased budgeted resources by \$999,565 and increased budgeted outflows by \$1,111,911 to reflect the difference between the original budget and the estimated final actual amounts received and expended.

TOWN OF DUNDEE, FLORIDA

Management's Discussion and Analysis

September 30, 2023

Capital Assets

Capital assets: The Town's investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$25,044,978 (net of accumulated depreciation) which is an increase of \$2,036,290 or 9%. This increase is the result of current year additions in excess of current year depreciation expense and a restatement of the prior year amounts due to the correction of an error. The prior year balances in the table below reflect the restated amounts and more information can be found in Note 16 of the notes to the financial statements.

Information on the Town's capital assets is summarized in the following table.

Capital Assets Activity

(net of depreciation)

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,273,293	\$ 1,206,616	\$ 806,276	\$ 806,276	\$ 2,079,569	\$ 2,012,892
Buildings and improvements	2,953,124	2,586,869	14,232,165	14,581,738	17,185,289	17,168,607
Vehicles and equipment	548,592	594,486	469,288	355,498	1,017,880	949,984
Leased equipment	7,822	28,626	67,900	30,128	75,722	58,754
Construction in progress	111,197	158,873	198,732	100,587	309,929	259,460
Infrastructure	4,376,589	2,558,991	-	-	4,376,589	2,558,991
Total	\$ 9,270,617	\$ 7,134,461	\$ 15,774,361	\$ 15,874,227	\$ 25,044,978	\$ 23,008,688

Additional information on the Town's capital assets can be found in note 5 of the notes to financial statements which can be found by referencing the table of contents of this report.

TOWN OF DUNDEE, FLORIDA

Management’s Discussion and Analysis

September 30, 2023

Debt Administration

Long-Term Debt: As shown in the table below, the Town had total long-term debt outstanding of \$5,035,227 which represents a decrease of approximately 6% over the prior year.

Notes and Leases Payable
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue notes	\$ 822,087	\$ 1,003,009	\$ 4,094,472	\$ 4,225,518	\$ 4,916,559	\$ 5,228,527
Other notes and leases	49,448	80,565	69,220	37,420	118,668	117,985
Total	<u>\$ 871,535</u>	<u>\$ 1,083,574</u>	<u>\$ 4,163,692</u>	<u>\$ 4,262,938</u>	<u>\$ 5,035,227</u>	<u>\$ 5,346,512</u>

Additional information on the Town’s long-term debt can be found in note 6 of the notes to financial statements which can be found by referencing the table of contents of this report.

Economic Factors and Next Year’s Budget and Rates

The Town continues to face challenges in finding sufficient funding to support basic services and growth. As a result, the Town is concentrating on holding the line on expenses going forward and finding ways to increase revenues.

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.

TOWN OF DUNDEE, FLORIDA

Statement of Net Position

September 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,857,343	\$ 301,569	\$ 3,158,912
Receivables, net:			
Customer accounts, net	-	286,017	286,017
Franchise and public service taxes	103,170	-	103,170
Intergovernmental	144,623	181,721	326,344
Leases	23,190	-	23,190
Other	154	-	154
Prepaid expenses	4,083	1,719	5,802
Internal balances	925	(925)	-
Restricted assets:			
Cash and cash equivalents	6,672,552	500,033	7,172,585
Capital Assets:			
Non-depreciable	1,384,490	1,005,008	2,389,498
Depreciable, net	7,886,127	14,769,353	22,655,480
TOTAL ASSETS	19,076,657	17,044,495	36,121,152
LIABILITIES			
Accounts payable	140,061	265,313	405,374
Construction costs payable	39,445	28,630	68,075
Accrued payroll	35,350	17,667	53,017
Accrued interest payable	6,988	12,877	19,865
Due to other governments	22,991	4,159	27,150
Unearned revenue	2,526,306	381,713	2,908,019
Customer deposits	22,404	213,782	236,186
Long-term obligations:			
Due within one year	214,942	197,934	412,876
Due in more than one year	680,093	3,983,581	4,663,674
TOTAL LIABILITIES	3,688,580	5,105,656	8,794,236
DEFERRED INFLOWS OF RESOURCES			
Leases	22,612	-	22,612
NET POSITION			
Net investment in capital assets	8,359,637	11,800,891	20,160,528
Restricted for:			
Debt service	-	273,374	273,374
Stormwater management	-	-	-
Water system improvements	753,146	-	753,146
Sewer system improvements	285,698	-	285,698
Building code enforcement	216,163	-	216,163
Transportation improvements	1,662,760	-	1,662,760
Parks and recreation improvements	275,631	-	275,631
Library improvements	493,890	-	493,890
Public safety improvements	331,611	-	331,611
Fire control	66,178	-	66,178
Unrestricted	2,920,751	(135,426)	2,785,325
TOTAL NET POSITION	\$ 15,365,465	\$ 11,938,839	\$ 27,304,304

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
Statement of Activities
for the year ended September 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,444,850	\$ 237,651	\$ 11,680	\$ 127,645	\$ (1,067,874)	\$ -	\$ (1,067,874)
Law enforcement	1,030,185	13,856	-	2,809	(1,013,520)	-	(1,013,520)
Fire control	722,650	430,936	-	24,183	(267,531)	-	(267,531)
Building and zoning	505,866	428,491	36,568	-	(40,807)	-	(40,807)
Streets	759,452	-	56,249	2,179,467	1,476,264	-	1,476,264
Library	205,810	4,433	33,928	15,423	(152,026)	-	(152,026)
Parks and recreation	426,191	32,195	-	57,399	(336,597)	-	(336,597)
Historic train depot	53,851	-	-	-	(53,851)	-	(53,851)
Code enforcement	111,231	-	-	-	(111,231)	-	(111,231)
Interest on long-term debt	50,077	-	-	-	(50,077)	-	(50,077)
Total governmental activities	5,310,163	1,147,562	138,425	2,406,926	(1,617,250)	-	(1,617,250)
Business-type activities							
Water utility	1,433,758	1,460,989	-	-	-	27,231	27,231
Sewer utility	1,011,280	863,796	-	-	-	(147,484)	(147,484)
Stormwater management	214,582	161,821	-	-	-	(52,761)	(52,761)
Sanitation	1,138,223	1,017,275	-	-	-	(120,948)	(120,948)
Total business-type activities	3,797,843	3,503,881	-	-	-	(293,962)	(293,962)
TOTAL PRIMARY GOVERNMENT	\$ 9,108,006	\$ 4,651,443	\$ 138,425	\$ 2,406,926	(1,617,250)	(293,962)	(1,911,212)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					2,399,430	-	2,399,430
Franchise taxes					411,550	-	411,550
Public service taxes					765,615	-	765,615
Fuel taxes for transportation purposes					296,247	-	296,247
State shared revenue - unrestricted					716,440	-	716,440
Investment earnings					1,183	42,753	43,936
Gain on sale of capital assets					6,556	3,670	10,226
Other revenues					27,268	-	27,268
Total general revenues					4,624,289	46,423	4,670,712
Change in net position					3,007,039	(247,539)	2,759,500
NET POSITION, beginning of year - previous					12,462,483	12,233,152	24,695,635
Restatement (Note 16)					(104,057)	(46,774)	(150,831)
NET POSITION, beginning of year					12,358,426	12,186,378	24,544,804
NET POSITION, end of year					\$ 15,365,465	\$ 11,938,839	\$ 27,304,304

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
Balance Sheet – Governmental Funds
September 30, 2023

	General Fund	Impact Fee Special Revenue Fund	Fire Service Special Revenue Fund	Total
ASSETS				
Cash and cash equivalents	\$ 2,857,343	\$ 3,575,175	\$ 244,101	\$ 6,676,619
Receivables, net:				
Franchise and public service taxes	103,170	-	-	103,170
Intergovernmental	144,574	-	49	144,623
Leases	23,190	-	-	23,190
Other	-	-	154	154
Due from other funds	371,062	317,161	209,929	898,152
Prepaid items	3,504	-	579	4,083
Restricted assets:				
Cash and cash equivalents	2,853,276	-	-	2,853,276
TOTAL ASSETS	<u>\$ 6,356,119</u>	<u>\$ 3,892,336</u>	<u>\$ 454,812</u>	<u>\$ 10,703,267</u>
LIABILITIES				
Accounts payable	133,176	1,681	5,204	140,061
Construction costs payable	-	39,445	-	39,445
Accrued payroll	23,561	-	11,789	35,350
Due to other governments	22,991	-	-	22,991
Due to other funds	316,236	209,929	371,062	897,227
Unearned revenue	2,526,306	-	-	2,526,306
Customer deposits	22,404	-	-	22,404
TOTAL LIABILITIES	<u>3,044,674</u>	<u>251,055</u>	<u>388,055</u>	<u>3,683,784</u>
DEFERRED INFLOWS OF RESOURCES				
Leases	22,612	-	-	22,612
FUND BALANCE				
Nonspendable	\$ 3,504	\$ -	\$ 579	4,083
Restricted for:				
Transportation infrastructure - gas taxes	34,715	-	-	34,715
Parks	76,092	-	-	76,092
Building code enforcement	216,163	-	-	216,163
Recreation improvements (impact fees)	-	199,539	-	199,539
Library improvements (impact fees)	-	493,890	-	493,890
Law enforcement improvements (impact fees)	-	331,611	-	331,611
Roads improvements (impact fees)	-	1,628,045	-	1,628,045
Water system improvements (impact fees)	-	753,146	-	753,146
Sewer system improvements (impact fees)	-	285,698	-	285,698
Fire control	-	-	66,178	66,178
Unassigned	2,958,359	(50,648)	-	2,907,711
TOTAL FUND BALANCE	<u>3,288,833</u>	<u>3,641,281</u>	<u>66,757</u>	<u>6,996,871</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,356,119</u>	<u>\$ 3,892,336</u>	<u>\$ 454,812</u>	<u>\$ 10,703,267</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

September 30, 2023

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

FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 6,996,871
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	9,270,617
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(6,988)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(895,035)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 15,365,465</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDAStatement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
for the year ended September 30, 2023

	General Fund	Impact Fee Special Revenue Fund	Fire Service Special Revenue Fund	Total
REVENUES:				
Taxes	\$ 3,888,182	\$ -	\$ -	\$ 3,888,182
Licenses and permits	386,977	406,107	-	793,084
Intergovernmental revenue	806,617	-	6,375	812,992
Charges for services	352,049	-	266,769	618,818
Fines and forfeitures	14,167	-	-	14,167
Other	24,791	-	-	24,791
Total revenues	<u>5,472,783</u>	<u>406,107</u>	<u>273,144</u>	<u>6,152,034</u>
EXPENDITURES:				
Current:				
General government	1,331,925	-	-	1,331,925
Public safety	1,539,124	-	612,456	2,151,580
Transportation	359,291	-	-	359,291
Culture/recreation	585,591	-	-	585,591
Capital outlay	583,268	329,606	49,131	962,005
Debt service	242,368	-	21,285	263,653
Total expenditures	<u>4,641,567</u>	<u>329,606</u>	<u>682,872</u>	<u>5,654,045</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>831,216</u>	<u>76,501</u>	<u>(409,728)</u>	<u>497,989</u>
OTHER FINANCING SOURCES				
Transfer in (out)	(476,485)	-	476,485	-
Insurance proceeds	164,167	-	-	164,167
Total other financing sources	<u>(312,318)</u>	<u>-</u>	<u>476,485</u>	<u>164,167</u>
NET CHANGE IN FUND BALANCE	518,898	76,501	66,757	662,156
FUND BALANCE, beginning of year, previously reported	2,791,203	3,564,780	-	6,355,983
Restatement (Note 16)	(21,268)	-	-	(21,268)
FUND BALANCE, beginning of year	<u>2,769,935</u>	<u>3,564,780</u>	<u>-</u>	<u>6,334,715</u>
FUND BALANCE, end of year	<u>\$ 3,288,833</u>	<u>\$ 3,641,281</u>	<u>\$ 66,757</u>	<u>\$ 6,996,871</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities
for the year ended September 30, 2023

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

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 662,156

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of capital assets recorded in the current period. 2,674,529

This is the amount of depreciation expense recorded in the current period. (533,516)

This is the amount of capital assets disposed in the current period. (4,857)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities, 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. 1,538

Long-term obligations including bonds and notes payable and compensated absences are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:

This is the change in accrued compensated absences during the year. (4,850)

Repayment of loan/lease principal reported as an expenditure in governmental funds. 212,039

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,007,039

TOWN OF DUNDEE, FLORIDA
Statement of Net Position – Proprietary Fund
September 30, 2023

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 301,569
Customer accounts receivable, net	286,017
Due from other governments	181,721
Prepaid expenses	1,719
Total current assets	<u>771,026</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	500,033
Capital assets:	
Non-depreciable	1,005,008
Depreciable, net	14,769,353
Total noncurrent assets	<u>16,274,394</u>
TOTAL ASSETS	<u>17,045,420</u>
LIABILITIES	
Current liabilities:	
Accounts payable	265,313
Construction costs payable	28,630
Accrued payroll	17,667
Due to other governments	4,159
Due to other funds	925
Compensated absences, current	1,782
Leases payable, current	69,221
Long-term debt current	126,931
Total current liabilities	<u>514,628</u>
Noncurrent liabilities:	
Compensated absences, noncurrent	16,041
Unearned revenue	381,713
Liabilities payable from restricted assets:	
Customer deposits	213,782
Accrued interest payable	12,877
Long-term debt, noncurrent	3,967,540
Total noncurrent liabilities	<u>4,591,953</u>
TOTAL LIABILITIES	<u>5,106,581</u>
NET POSITION	
Net investment in capital assets	11,800,891
Restricted for:	
Debt service	273,374
Unrestricted	(135,426)
TOTAL NET POSITION	<u>\$ 11,938,839</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDAStatement of Revenues, Expenses and Change in Fund Net Position – Proprietary Fund
for the year ended September 30, 2023

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 3,503,881
Total operating revenues	<u>3,503,881</u>
OPERATING EXPENSES:	
Personnel services	1,064,291
Operating expenses	1,648,012
Depreciation	903,042
Total operating expenses	<u>3,615,345</u>
OPERATING INCOME	<u>(111,464)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(192,109)
Interest revenue	42,753
Other, net	13,281
Total nonoperating revenues (expenses)	<u>(136,075)</u>
CHANGE IN NET POSITION	<u>(247,539)</u>
TOTAL NET POSITION, beginning of year - previously reported	12,233,152
Restatement (Note 16)	(46,774)
TOTAL NET POSITION, beginning of year	<u>12,186,378</u>
TOTAL NET POSITION, end of year	<u><u>\$ 11,938,839</u></u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA
Statement of Cash Flows – Proprietary Fund
for the year ended September 30, 2023

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 3,470,964
Other receipts	3,671
Payments to suppliers	(1,505,089)
Payments for salaries and benefits	(1,055,177)
Net cash flows provided by operating activities	<u>914,369</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds, net of interfund receivables/payables	<u>104,969</u>
Net cash flows provided by (used for) noncapital financing activities	<u>104,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(571,802)
Principal paid on long-term debt	(121,436)
Principal paid on leases payable	(182,354)
Interest paid on borrowings, including leases payable	(192,444)
Net cash provided by (used for) capital and related financing activities	<u>(1,068,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on invested funds	<u>42,753</u>
Net cash flows provided by (used for) investing activities	<u>42,753</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,945)
CASH AND CASH EQUIVALENTS, beginning of year	<u>807,547</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 801,602</u>
As shown in the Accompanying Financial Statements	
Cash and cash equivalents	\$ 301,569
Restricted cash and cash equivalents	500,033
Total cash and cash equivalents	<u>\$ 801,602</u>
Noncash financing and investment activities:	
Joint venture loan guarantee	<u>\$ 9,610</u>
Acquisition of right to use leased assets	<u>\$ 214,154</u>

... continued

TOWN OF DUNDEE, FLORIDAStatement of Cash Flows – Proprietary Fund (concluded)
for the year ended September 30, 2023

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (111,464)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	903,042
Nonoperating revenue reported as operating cash flows	3,671
Transfer of capital assets to the governmental activities	11,410
(Increase) decrease in accounts receivable	(8,358)
(Increase) decrease in prepaid expenses	(1,719)
(Increase) decrease in amounts due from other governments	(30,352)
Increase (decrease) in customer deposits	5,793
Increase (decrease) in accounts payable	137,228
Increase (decrease) in accrued wages and compensated absences	9,114
Increase (decrease) in amounts due to other governments	(3,996)
Net cash flows from operating activities	<u>\$ 914,369</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA

Statement of Fiduciary Net Position – Fiduciary Funds

September 30, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 165,669
TOTAL ASSETS	<u>165,669</u>
LIABILITIES	
Due to other governments	<u>165,669</u>
TOTAL LIABILITIES	<u>165,669</u>
NET POSITION	
TOTAL NET POSITION	<u>\$ -</u>

See Accompanying Notes to Financial Statements

TOWN OF DUNDEE, FLORIDA

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
for the year ended September 30, 2023

	<u>Custodial Fund</u>
ADDITIONS:	
Fees collected on behalf of other governments	\$ 390,476
Total additions	<u>390,476</u>
DEDUCTIONS:	
Remittances of fees to other governments	390,476
Total deductions	<u>390,476</u>
NET INCREASE (DECREASE)	-
NET POSITION - beginning of year	-
NET POSITION - end of year	<u>\$ -</u>

See Accompanying Notes to Financial Statements

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 statements (GASBS) and Interpretations (GASBI). 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. Criteria for determining if other entities are potential component units of the Town which should be reported with the Town's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the Town's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes.

Based on these criteria, the financial reporting entity does not include or exclude any component units.

The financial reporting entity does not include the assets of the employee defined contribution pension plan, which were determined not to be assets of the Town.

B. BASIS OF PRESENTATION

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 Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town.

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

The Town's fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements - The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises 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 Cod. Sec 2200 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:

Governmental Funds - The focus of the governmental fund 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 major 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.
- **Impact Fee Special Revenue Fund** – In response to the requirements of Section 163.31801, Florida Statutes, this fund was created to account for the financial transactions of the Town impact fees, including water and sewer impact fees, which were previously accounted for in the enterprise fund.
- **Fire Control Special Revenue Fund** – A special revenue fund used to account for the proceeds of the Town's fire services assessment and the cost of providing fire control and related public safety services to area residents.

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, overall 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 fund used by the Town:

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

- **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 services; potable water services; sewer collection, treatment and disposal services; and stormwater management services to area residents.

Fiduciary Fund - The Town uses a fiduciary fund to report assets held in a trustee or agency capacity that are, therefore, not available to support Town programs. The accounting for fiduciary funds is much like that used for proprietary funds. Town reports the following fiduciary fund:

- **Custodial Fund** – The custodial fund is to account for impact fees collected on behalf of Polk County, Florida (the “County”). These funds are collected on behalf of the County as new construction takes place within the Town and remitted to the County monthly.

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 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.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Proprietary fund operating revenues generally result from producing and providing goods and services such as sanitation services, stormwater management, potable water services and sewer collection and disposal services. 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. Changes in fair value of investments are recognized at the end of each year. 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.

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

Property taxes, franchise and public service taxes 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 measurable and available only when cash is received by the government.

D. ASSETS, LIABILITIES AND NET POSITION 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, local government investment pool investments reported at amortized cost, money-market and savings accounts. As of September 30, 2023, all the Town’s cash and investments met this definition.

INVESTMENTS - The types of investments in which the Town may invest are governed by Section 218.415(17), Florida Statutes. In accordance with Section 218.415(17), Florida 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 Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories or direct obligations of the U.S. Treasury.

RECEIVABLES - 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 \$54,067 on September 30, 2023. 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, 2023, the reserve for doubtful accounts totaled \$31,164 for the utility service receivables.

INVENTORY - 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.

PREPAID ITEMS - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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 purchased, and at acquisition 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 Cod. Sec. 1400.

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

RESTRICTED ASSETS – 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 COSTS - Interest costs incurred before the end of a construction period is a financing activity separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as an expense in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Town reports one type of deferred flows of resources on September 30, 2023 which are lease related deferred inflows representing the total unrecognized revenue related to the Town’s antenna placement lease.

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

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. 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.

COMPENSATED ABSENCES - The Town's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for the accumulated vacation time 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 reported as capital contributions when the requirements of the developer agreements are met by the Town.

INTERFUND BALANCES AND TRANSFERS - Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

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

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and unearned impact fees that are attributable to the acquisition, construction, or improvement of those assets. The calculation of the net investment in capital assets is as follows:

	Governmental Activities	Business-type Activities
Capital assets, net	\$ 9,270,617	\$ 15,774,361
Less:		
Construction costs payable	(39,445)	(28,630)
Long-term debt related to capital assets:		
Vehicle purchase note, 2019	(42,226)	-
Capital Improvement Revenue Note, Series 2007A	(822,087)	-
Leases payable	(7,222)	(69,220)
USDA Water and Sewer, Series 2001	-	(1,195,610)
USDA Water and Sewer, Series 2011	-	(2,625,622)
Equipment purchase note, 2021	-	(54,388)
Net investment in capital assets	<u>\$ 8,359,637</u>	<u>\$ 11,800,891</u>

Restricted net position - Consists of net position with constraints placed on their 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.

Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position is available for use, it is the Town's policy to use restricted net position first, and then unrestricted net position as they are needed.

Fund Statements - 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 the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the Town's circumstances. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

Committed - amounts constrained to specific purposes by formal action (ordinance) of the Town using its highest level of decision-making authority (the Town Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Town Commission takes the same highest-level action (ordinance) to remove or change the constraint.

Assigned - 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 Commission has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

Unassigned - This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

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.

LEASES - Lessee: The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements when the initial, individual value of the lease liability is \$2,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for a noncancellable antenna placement lease. The Town recognizes a lease receivable and a deferred inflow of resources in the governmental activities and the general fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses the stated interest rate in the lease agreement if available and if not, utilizes a high-quality municipal bond rate based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest to the date of lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

USE OF ESTIMATES – The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

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, 2023, was 7.900.

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

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by resolution 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. The budgets for the governmental funds are adopted on the accounting basis used for financial reporting purposes and the enterprise fund budget is adopted essentially on the cash basis.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - The Town's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida ("CFO") in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08 Florida Statutes.

INVESTMENTS – The Town invests surplus funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to elect to measure all of the investment in Florida PRIME at amortized cost, as a cash equivalent.

The dollar weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2023 was 35 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME on September 30, 2023 was 75 days.

Regarding redemption gates, Chapter 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

Regarding liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

NOTE 4 - DEPOSITS AND INVESTMENTS (concluded)

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, are summarized below.

Cash and cash equivalents:		
Cash on hand	\$	7,075
Deposits in financial institutions:		
Insured or fully collateralized bank deposits		9,961,242
State Board of Administration - local government pool		<u>363,180</u>
Total cash and cash equivalents	\$	<u>10,331,497</u>

The Town has no policy regarding custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

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NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022 (*)	Transfers	Increases	Decreases	Balance September 30, 2023
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,206,616	\$ -	\$ 66,677	\$ -	\$ 1,273,293
Construction-in-progress	158,873	(464,288)	416,612	-	111,197
Total capital assets, not being depreciated	<u>1,365,489</u>	<u>(464,288)</u>	<u>483,289</u>	<u>-</u>	<u>1,384,490</u>
Capital assets, being depreciated:					
Buildings and improvements	4,493,922	331,579	184,184	-	5,009,685
Equipment and vehicles	1,467,295	22,697	67,879	(29,282)	1,528,589
Right to use leased equipment	37,492	(11,287)	-	-	26,205
Infrastructure:					
Road network	3,199,389	132,709	1,927,767	-	5,259,865
Sidewalk network	225,432	-	-	-	225,432
Parks	59,393	-	-	-	59,393
Total capital assets, being depreciated	<u>9,482,923</u>	<u>475,698</u>	<u>2,179,830</u>	<u>(29,282)</u>	<u>12,109,169</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,907,053)	-	(149,508)	-	(2,056,561)
Equipment and vehicles	(872,809)	-	(131,613)	24,425	(979,997)
Right to use leased equipment	(8,866)	-	(9,517)	-	(18,383)
Infrastructure:					
Road network	(885,441)	-	(225,667)	-	(1,111,108)
Sidewalk network	(28,164)	-	(11,272)	-	(39,436)
Parks	(11,618)	-	(5,939)	-	(17,557)
Total accumulated depreciation	<u>(3,713,951)</u>	<u>-</u>	<u>(533,516)</u>	<u>24,425</u>	<u>(4,223,042)</u>
Total capital assets being depreciated, net	<u>5,768,972</u>	<u>475,698</u>	<u>1,646,314</u>	<u>(4,857)</u>	<u>7,886,127</u>
Governmental activities capital assets, net	<u>\$ 7,134,461</u>	<u>\$ 11,410</u>	<u>\$ 2,129,603</u>	<u>\$ (4,857)</u>	<u>\$ 9,270,617</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 806,276	\$ -	\$ -	\$ -	\$ 806,276
Construction-in-progress	100,587	(205,128)	303,273	-	198,732
Total capital assets, not being depreciated	<u>906,863</u>	<u>(205,128)</u>	<u>303,273</u>	<u>-</u>	<u>1,005,008</u>
Capital assets, being depreciated:					
Utility plant	24,799,955	205,128	81,942	-	25,087,025
Equipment and vehicles	750,692	(11,410)	215,217	(43,690)	910,809
Right to use leased equipment	104,897	-	214,154	(104,897)	214,154
Total capital assets, being depreciated	<u>25,655,544</u>	<u>193,718</u>	<u>511,313</u>	<u>(148,587)</u>	<u>26,211,988</u>
Less accumulated depreciation for:					
Utility plant	(10,218,217)	-	(636,643)	-	(10,854,860)
Equipment and vehicles	(395,194)	-	(90,017)	43,690	(441,521)
Right to use leased equipment	(74,769)	-	(176,382)	104,897	(146,254)
Total accumulated depreciation	<u>(10,688,180)</u>	<u>-</u>	<u>(903,042)</u>	<u>148,587</u>	<u>(11,442,635)</u>
Total capital assets being depreciated, net	<u>14,967,364</u>	<u>193,718</u>	<u>(391,729)</u>	<u>-</u>	<u>14,769,353</u>
Business-type activities capital assets, net	<u>\$ 15,874,227</u>	<u>\$ (11,410)</u>	<u>\$ (88,456)</u>	<u>\$ -</u>	<u>\$ 15,774,361</u>

(*) – the previously reported balances above on October 1, 2022 have been restated due to the correction of an error. See Note 16 for more detail.

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>		
General government	\$	96,036
Law enforcement		5,724
Fire		59,426
Building code enforcement		44,694
Code enforcement		543
Streets		271,803
Library		18,077
Parks & recreation		37,213
Total depreciation expense - governmental activities	\$	<u>533,516</u>
 <u>Business-type Activities:</u>		
Water	\$	344,248
Sewer		344,518
Stormwater		35,048
Sanitation		179,228
Total depreciation expense - business-type activities	\$	<u>903,042</u>

NOTE 6 - LEASES

Lease receivable – The Town reports one lease receivable related to an antenna lease agreement originally executed in 2000. The lease term was originally for an initial 5-year period with the option of 4 separate 5-year renewal periods thereafter. The Town receives quarterly payments which are increased each year by 3% and the Town recognized \$18,089 in lease revenue during the fiscal year related to this lease. On September 30, 2023, the Town’s receivable for lease payments was \$23,190. Also, the Town reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term on a straight-line basis. On September 30, 2023, the balance of the deferred inflow of resources was \$22,612.

The future lease receipts were discounted using an interest rate of 3.44% which was an estimated yield on high quality municipal bonds as of the beginning of the period of implementation (October 1, 2021)

NOTE 6 – LEASES (concluded)

Lease payable – The following is information related to the Town’s lease’s payable on September 30, 2023:

Leased asset(s)	Balances as of September 30, 2023			Payment Frequency	Payment Amount	Interest Rate	Inception Year	Lease Term at Inception (months)
	Cost	Accumulated Amortization	Lease Payable					
Multifunction copiers	\$ 15,088	\$ (14,276)	\$ -	Monthly	\$ 824	5.00%	2018	60
Multifunction copier	8,200	(2,651)	5,667	Monthly	154	5.00%	2022	60
Postage equipment	2,917	(1,456)	1,555	Monthly	66	5.00%	2020	60
Governmental activities	26,205	(18,383)	7,222					
Sanitation vehicle	83,430	(45,459)	39,486	Monthly	6,750	8.75%	2023	13
Sanitation vehicle	49,069	(26,369)	23,224	Monthly	3,970	8.75%	2023	13
Sanitation vehicle	81,655	(74,426)	6,510	Monthly	6,550	7.25%	2023	13

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NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term debt:					
Notes payable:					
Vehicle purchase note, 2019	\$ 61,461	\$ -	\$ (19,235)	\$ 42,226	\$ 19,997
Capital Improvement Revenue Note, Series 2007A	1,003,009	-	(180,922)	822,087	190,267
Total long-term debt	<u>1,064,470</u>	-	<u>(200,157)</u>	<u>864,313</u>	<u>210,264</u>
Other liabilities:					
Compensated absences	18,650	4,850	-	23,500	2,350
Leases payable	19,104	-	(11,882)	7,222	2,328
Total other liabilities	<u>37,754</u>	<u>4,850</u>	<u>(11,882)</u>	<u>30,722</u>	<u>4,678</u>
Total long-term liabilities	<u>\$ 1,102,224</u>	<u>\$ 4,850</u>	<u>\$ (212,039)</u>	895,035	<u>\$ 214,942</u>
Less amount due in one year				<u>(214,942)</u>	
Net long-term liabilities in excess of one year				<u>\$ 680,093</u>	
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue certificates:					
USDA Water and Sewer, Series 2001	\$ 1,242,410	\$ -	\$ (46,800)	\$ 1,195,610	\$ 48,850
USDA Water and Sewer, Series 2011	2,678,210	-	(52,588)	2,625,622	54,757
Equipment purchase note, 2021	76,436	-	(22,048)	54,388	23,325
Other long-term debt:					
Joint venture loan guarantee	228,462	-	(9,610)	218,852	-
Total long-term debt	<u>4,225,518</u>	-	<u>(131,046)</u>	<u>4,094,472</u>	<u>126,932</u>
Other liabilities:					
Compensated absences	13,306	4,517	-	17,823	1,782
Leases payable	37,420	214,154	(182,354)	69,220	69,220
Total other liabilities	<u>50,726</u>	<u>218,671</u>	<u>(182,354)</u>	<u>87,043</u>	<u>71,002</u>
Total long-term liabilities	<u>\$ 4,276,244</u>	<u>\$ 218,671</u>	<u>\$ (313,400)</u>	4,181,515	<u>\$ 197,934</u>
Less amount due in one year				<u>(197,934)</u>	
Net long-term liabilities in excess of one year				<u>\$ 3,983,581</u>	

Notes to Long-Term Obligations Table

Long term liabilities, including compensated absences, are typically liquidated by the individual fund to which the liability is directly associated, in the governmental funds, such long-term obligations have been liquidated by the general fund.

All of the Town's long-term debt arose through direct borrowings or direct placements.

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

Governmental Activities:

- Capital Improvement Revenue Note, Series 2007A - This note is secured by the Town's franchise and utility taxes on the sale of electricity, natural gas, propane and the communication services tax. Principal and interest are payable semi-annually on February 1 and August 1, in equal amounts of \$114,900 through maturity on August 1, 2027. The original amount of the loan was \$2,800,000 and was used for capital acquisitions and renovations of certain municipal facilities and bears interest at 5.10%.
- Vehicle Purchase Note 2019 – The Town financed the purchase of a fire rescue vehicle through a loan with a local bank in the original amount of \$130,000. The terms of the note require monthly payments of principal and interest in the amount of \$1,774 and matures on October 4, 2025. The note bears interest at 3.89%.

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 original bond amount was \$1,857,840 and was 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 in the amount of \$101,160 with a final maturity of September 1, 2040.
- 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 original bond amount was \$3,136,000 and was used to construct a new water plant. The bonds bear interest at 4.125% with principal and interest payable annually on September 1 in the amount of \$163,072 with a final maturity of September 1, 2050.
- Equipment Purchase Note 2021 – The Town financed the purchase of a Vac-Tron series vacuum excavation technology vehicle and equipment through a financed purchase in the original amount of \$112,157. The terms of the note require monthly payments of principal and interest in the amount of \$2,150 and matures in December 2025. The note bears interest at 5.64%.

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

Business-Type Activities: (concluded)

- Joint Venture Loan Guarantee – The Town has entered into an agreement with the Florida Department of Environmental Protection to guarantee to pay the principal and interest of the Town’s proportional share of the State Revolving Fund (SRF) loan funds borrowed by the Polk Regional Water Cooperative to fund the projects of the combined projects implementation agreement. The SRF loan bears interest at 1.89% and principal and interest are due semiannually beginning on February 15, 2025 for a ten-year term to maturity on August 15, 2034. As of September 30, 2023, the Polk Regional Water Cooperative has borrowed \$9,005,398 through this SRF funding of which, \$218,852 has been guaranteed by the Town and has been recorded as a liability in the Town’s enterprise fund. See Note 14 for more information on the Polk Regional Water Cooperative.

Remedies upon Default – The debt obligations all allow for the obligors/lenders to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- Capital Improvement Revenue Note, Series 2007A – The lender may increase the interest rate to the lender’s published prime rate plus 2%, retroactive to the date of default. Upon the cure of default, the interest rate shall return to the rate in effect immediately preceding the default. If a default is not cured within 30 days, the lender may declare all outstanding amounts immediately due and payable.
- Vehicle Purchase Note 2019 and Equipment Purchase Note 2021 - In the event of default, the interest rate on the loan increases to 18% per annum and may declare all outstanding amounts immediately due and payable.

NOTE 7 - LONG-TERM OBLIGATIONS (concluded)

Maturities: Annual requirements to repay the long-term debt of the governmental and business-type activities as of September 30, 2023, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 210,264	\$ 40,820	\$ 126,932	\$ 163,093
2025	220,883	30,200	152,752	161,405
2026	211,869	19,702	139,432	155,379
2027	221,297	8,500	138,201	150,153
2028	-	-	143,579	144,775
2029 - 2033	-	-	806,581	635,221
2034 - 2038	-	-	878,269	467,002
2039 - 2043	-	-	734,967	282,706
2044 - 2048	-	-	667,311	148,049
2049 - 2053	-	-	306,448	19,093
Total	\$ 864,313	\$ 99,222	\$ 4,094,472	\$ 2,326,876

Annual requirements to repay the leases payable of the governmental and business-type activities as of September 30, 2023, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 2,328	\$ 308	\$ 69,220	\$ 1,649
2025	2,448	189	-	-
2026	1,836	79	-	-
2027	610	6	-	-
Total	\$ 7,222	\$ 582	\$ 69,220	\$ 1,649

The Town has pledged various future revenue sources for various debt issues. For the water system, the Town has pledged future revenues, net of certain operating expenses. 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 Revenue	% of Revenues to Principal and Interest Paid
Franchise, public services and communication taxes	8/1/2027	\$ 919,191	\$ 229,798	\$ 1,078,807	469.46%
Water and sewer net revenues and half cent sales tax	9/1/2050	\$ 6,122,005	\$ 264,227	\$ 1,231,494	466.07%

NOTE 8 - DEFINED CONTRIBUTION 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. Since these assets do not belong to the Town, they are not reported in the accompanying financial statements. The benefit terms and contribution rates were established by the Town Commission passing a resolution and may be amended in the same manner. 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. Town contributions for the fiscal year ended September 30, 2023 totaled \$20,760. The Town owes the plan \$4,916 on September 30, 2023 for unpaid employer and employee contributions.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended September 30, 2023, consisted of:

	General fund	Fire service special revenue fund
Transfer in (out):	\$ (476,485)	\$ 476,485
	<u>\$ (476,485)</u>	<u>\$ 476,485</u>

The transfer from the general fund to the fire service special revenue fund was to help the fire service special revenue fund cover annual expenditures.

Interfund Receivables and payables:

	<u>Interfund (payable)</u>					Total, net
	Interfund Receivable	Impact fee special revenue fund	Fire control special revenue fund	General fund	Enterprise fund	
General Fund	\$ 371,062	\$ -	\$ (371,062)	\$ -	\$ -	\$ (371,062)
Impact fee fund	317,161	-	-	(316,236)	(925)	(317,161)
Fire Fund	209,929	(209,929)	-	-	-	(209,929)
	<u>\$ 898,152</u>	<u>\$ (209,929)</u>	<u>\$ (371,062)</u>	<u>\$ (316,236)</u>	<u>\$ (925)</u>	<u>\$ (687,298)</u>

The year-end interfund receivables and payables generally arose from a myriad of transactions including revenues, expenditures and cash transfers that were not reported in the correct fund when the original transaction was posted and the interfund balances reflect those amounts being moved to the correct fund. The Town had not paid off these accumulated interfund balances as of September 30, 2023.

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Town has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. 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 position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2023, is presented below:

	Water & Sewer System	Sanitation System	Stormwater System	Total
Condensed statement of revenues, expenses and changes in net position:				
Operating revenues	\$ 2,324,785	\$ 1,017,275	\$ 161,821	\$ 3,503,881
Personnel services	(727,493)	(243,722)	(93,076)	(1,064,291)
Operating expenses	(867,286)	(697,716)	(83,010)	(1,648,012)
Depreciation	(688,766)	(179,228)	(35,048)	(903,042)
Operating income (loss)	41,240	(103,391)	(49,313)	(111,464)
Non-operating revenues (expenses):				
Interest income	42,753	-	-	42,753
Interest expense	(171,104)	(17,557)	(3,448)	(192,109)
Other, net	13,281	-	-	13,281
Change in net position	<u>\$ (73,830)</u>	<u>\$ (120,948)</u>	<u>\$ (52,761)</u>	<u>\$ (247,539)</u>
Summary information from statement of net position:				
Capital assets, net	<u>\$ 15,300,171</u>	<u>\$ 118,134</u>	<u>\$ 356,056</u>	<u>\$ 15,774,361</u>
Long-term debt, including current portion	<u>\$ 4,094,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,094,472</u>

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

The Town follows GASB Cod. Sec. P50 for certain post-employment health care and dental benefits provided by the Town.

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single employer defined benefit plan administered by the Town. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the Town’s defined contribution plan to continue medical insurance coverage as a participant in the Town’s health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Town are eligible to participate in the Town’s healthcare and life insurance benefits. The Town subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (concluded)

The Town does not offer any explicit other postemployment benefits for Town retirees. The Town doesn't issue a stand-alone report for the OPEB Plan, and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy – OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes. The Town has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the Town who meet the eligibility requirements of the Town's defined contribution plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

Total OPEB Liability – The Town engaged an actuary to calculate the Town's total OPEB liability as of September 30, 2021 which was determined by an actuarial valuation as of September 30, 2021. The actuarial assumptions used in the September 30, 2021 valuation were as follows:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	2.43%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	53

Mortality rates were based on the PubG-2010 mortality tables projected to the valuation date using Projection Scale MP-2018.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 2.43%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest is used.

The results of the September 30, 2021 actuarial valuation produced an estimated actuarial determined total OPEB liability and OPEB expense that was immaterial to the Town's financial statements and accordingly, there is no OPEB liability recorded in the financial statements. It is the intent of the Town to engage an actuary to calculate the Town's total OPEB liability on a biennial basis. The total OPEB liability will be assessed biennially and will be reported if material to the financial statements taken as a whole.

NOTE 12 - 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 are 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, 2023 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 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. Settled claims resulting from these risks have not exceeded insurance coverage.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

- **Contract with Polk County Sheriff:** The Town is under contract with the Polk County Sheriff’s office to provide policing services to the Town through the year ended September 30, 2025. 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 \$955,806 for the year ended September 30, 2023. The contract calls for the following minimum costs going forward:

Fiscal Year Ending September 30,	Annual Cost
2024	\$ 974,812
2025	\$ 994,308

- 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 non-compliance with grant program regulations, the Town may be required to reimburse the grantor government/agency. As of September 30, 2023, 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 14 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between the Town of Dundee, City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes.

NOTE 14 – JOINT VENTURE (concluded)

These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2023, the total annual working capital needs of the PRWC was \$235,000 of which the Town's proportionate share was \$2,286.

Combined projects background - The Member Governments, except for the City of Frostproof, entered into a combined projects implementation agreement on March 16, 2017. This agreement established three combined projects to be pursued by the PRWC with a total estimated cost of \$23,000,000. The South West Florida Water Management District (SWFWMD) is funding 50% of the total estimated cost and the remainder is funded by the Member Governments based upon their average water use in comparison to the total average water use by all Member Governments.

Combined projects funding - The PRWC has entered into a state revolving fund (SRF) loan agreement with the State of Florida Department of Environmental Protection (FDEP) to borrow up to \$9,914,390 to assist Member Governments in meeting their local share of the total estimated combined project costs. Member Governments can elect to fund their local share of the project costs from their existing funds or participate in the SRF loan agreement. The Town has elected to participate in the SRF loan agreement to fund their estimated local share (\$331,104) of the project costs and as a result have entered into an agreement with FDEP to guarantee the Town's payment of their share of the SRF loan debt service requirements. The SRF loan bears interest at 1.89% and principal and interest are due semiannually beginning on February 15, 2025 for a ten-year term to maturity on August 15, 2034.

As of September 30, 2023, \$9,005,398 of SRF funds have been drawn by the PRWC. The Town's proportionate share of this liability totaled \$218,852 as of September 30, 2023 and has been recorded as a Town liability and the current year change as a nonoperating expense in the business-type activities/enterprise fund. See Note 6 for more detail.

Project implementation agreements - Effective April 19, 2021, the City entered into a project implementation agreement with other PRWC participating to be a project participant in the Southeast Wellfield (the Project), a new lower Floridan aquifer public water supply wellfield located in southeast Polk County, Florida. Project participants agree to receive potable water from the Project once completed. The Project is being funded through the PRWC using a combination of grants and loans and the ultimate debt service and operating costs of the project will be passed through to the project participants through the water service charges which have not been determined as of the date of this report.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 15 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION

During the fiscal year ended September 30, 2023, the Town implemented the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangement. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), improving the comparability of financial statements among governments that have entered into SBITAs and to enhance the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a government generally should recognize a subscription liability and an intangible right-to-use subscription asset. Due to the immaterial nature of the Town’s SBITAs, adoption of the new guidance had no effect on the financial statements.

NOTE 16 – CORRECTION OF ERRORS

During the fiscal year ended September 30, 2023 the Town identified several misstatements in previously issued financial statements and have corrected such errors retrospectively by restating beginning fund balance, net position and capital asset balances as appropriate. Detail of the restatements are below:

	Fund Balance	Net Position		
	General Fund	Enterprise Fund	Governmental Activities	Business-type Activities
September 30, 2022, previously reported	\$ 2,791,203	\$ 12,233,152	\$ 12,462,483	\$ 12,233,152
Prior year expense correction	13,559	21,827	13,559	21,827
Prior year revenue correction	(34,827)	-	(34,827)	-
Accumulated depreciation correction	-	(68,601)	(82,789)	(68,601)
September 30, 2022, as restated	\$ 2,769,935	\$ 12,186,378	\$ 12,358,426	\$ 12,186,378

	Capital Assets - Accumulated Depreciation - Governmental Activities					
	Buildings and Improvements	Equipment and Vehicles	Right to Use Leased Equipment	Infrastructure		
				Roadways	Parks	Total
October 1, 2022, previously reported	\$ (1,895,075)	\$ (833,311)	\$ (1,561)	\$ (873,051)	\$ -	\$ (3,602,998)
Correction of Errors:						
Depreciation correction	(11,978)	(39,498)	(7,305)	(12,390)	(11,618)	(82,789)
October 1, 2022, restated	\$ (1,907,053)	\$ (872,809)	\$ (8,866)	\$ (885,441)	\$ (11,618)	\$ (3,685,787)

	Capital Assets - Business-Type Activities				
	Accumulated Depreciation				Historical Cost
	Utility Plant	Equipment and Vehicles	Right to Use Leased Equipment	Total	Utility Plant
October 1, 2022, previously reported	\$ (10,206,825)	\$ (407,025)	\$ (5,729)	\$ (10,619,579)	\$ 24,946,943
Correction of Errors:					
Depreciation correction	(11,392)	11,831	(69,040)	(68,601)	-
Overstatement of asset	-	-	-	-	(146,988)
October 1, 2022, restated	\$ (10,218,217)	\$ (395,194)	\$ (74,769)	\$ (10,688,180)	\$ 24,799,955

NOTE 16 – CORRECTION OF ERRORS (concluded)

Explanation of restatements:

- Prior year expense correction – The Town identified several accounts payable previously reported on September 30, 2022 that were recorded in error mainly caused by duplicate entries.
- Prior year revenue correction – In October 2023 the Town was notified by Duke Energy that they had overpaid the electricity franchise fees to the Town totaling \$34,827 resulting in an amount due to Duke Energy on September 30, 2022 that was previously reported as revenue.
- Accumulated depreciation correction – The Town had incorrectly entered the useful lives of the 2022 capital asset additions in months rather than years which understated 2022 depreciation expense for these assets.
- Historical cost correction – In November 2023 the Town received a refund from the State of Florida in relation to a FDOT project that included the relocation of Town water and sewer lines. In 2021 the Town paid FDOT \$706,226 and deemed that project complete at the end of the 2022 fiscal year and placed the assets in service. The refund totaled \$172,694 and included \$25,706 of interest on the refund and the refund itself of \$146,988. This restatement did not affect net position as the restatement reduced capital assets by \$146,988 and recorded a receivable of this equal amount.

Town of Dundee



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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DUNDEE, FLORIDA
 Budgetary Comparison Schedule – General Fund
 for the year ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES:				
Taxes	\$ 3,503,299	\$ 3,939,500	\$ 3,888,182	\$ (51,318)
Licenses and permits	351,000	399,000	386,977	(12,023)
Intergovernmental revenue	676,107	820,888	806,617	(14,271)
Charges for services	173,827	328,802	352,049	23,247
Fines and forfeitures	6,292	15,400	14,167	(1,233)
Other	10,650	60,150	24,791	(35,359)
Total revenues	<u>4,721,175</u>	<u>5,563,740</u>	<u>5,472,783</u>	<u>(90,957)</u>
EXPENDITURES:				
General government	1,186,082	1,493,151	1,331,925	161,226
Public safety	1,318,293	1,712,150	1,539,124	173,026
Transportation	430,440	445,950	359,291	86,659
Culture/recreation	489,575	661,800	585,591	76,209
Capital outlay	299,450	672,700	583,268	89,432
Debt service	229,799	229,799	242,368	(12,569)
Total expenditures	<u>3,953,639</u>	<u>5,215,550</u>	<u>4,641,567</u>	<u>573,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>767,536</u>	<u>348,190</u>	<u>831,216</u>	<u>483,026</u>
OTHER FINANCING SOURCES (USES):				
Interfund transfers in (out)	150,000	-	(476,485)	(476,485)
Insurance proceeds	-	157,000	164,167	7,167
Total other financing sources (uses)	<u>150,000</u>	<u>157,000</u>	<u>(312,318)</u>	<u>(469,318)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 917,536</u>	<u>\$ 505,190</u>	<u>\$ 518,898</u>	<u>\$ 13,708</u>

Notes to Budgetary Comparison Schedule:

Basis of Accounting - The budget for the general fund was prepared on the modified accrual basis of accounting.

TOWN OF DUNDEE, FLORIDABudgetary Comparison Schedule – Impact Fee Special Revenue Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 1,920,741	\$ 1,920,741	\$ 406,107	\$ (1,514,634)
Total revenues	1,920,741	1,920,741	406,107	(1,514,634)
EXPENDITURES:				
Public safety	65,357	65,357	-	65,357
Capital outlay	1,403,896	1,403,896	329,606	1,074,290
Total expenditures	1,469,253	1,469,253	329,606	1,139,647
NET CHANGE IN FUND BALANCE	\$ 451,488	\$ 451,488	\$ 76,501	\$ (374,987)

Notes to Budgetary Comparison Schedule:

Basis of Accounting - The budget for the impact fee special revenue fund was prepared on the modified accrual basis of accounting.

TOWN OF DUNDEE, FLORIDA

Budgetary Comparison Schedule – Fire Services Special Revenue Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ 13,565	\$ 6,375	\$ (7,190)
Charges for services	218,918	270,000	266,769	(3,231)
Total revenues	218,918	283,565	273,144	(10,421)
EXPENDITURES:				
Public safety	657,372	644,350	612,456	31,894
Capital outlay	72,500	94,200	49,131	45,069
Debt service	21,500	21,500	21,285	215
Total expenditures	751,372	760,050	682,872	77,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(532,454)	(476,485)	(409,728)	66,757
OTHER FINANCING SOURCES (USES):				
Interfund transfers in (out)	-	476,485	476,485	-
Total other financing sources (uses)	-	476,485	476,485	-
NET CHANGE IN FUND BALANCE	\$ (532,454)	\$ -	\$ 66,757	\$ 66,757

Notes to Budgetary Comparison Schedule:

Basis of Accounting - The budget for the fire services special revenue fund was prepared on the modified accrual basis of accounting.

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Town of Dundee, Florida as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Dundee, Florida's basic financial statements, and have issued our report thereon dated January 24, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Dundee, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Town of Dundee, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2020-001 and 2023-001 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 accompanying schedule of findings and recommendations as items 2020-002 and 2022-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dundee, Florida's financial statements are free from 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*.

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

Town of Dundee, Florida' Response to Findings

Town of Dundee, Florida's response to the findings identified in our audit is described in the accompanying letter of management response. Town of Dundee, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 24, 2025

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Dundee, Florida as of and for the year ended September 30, 2023, and have issued our report thereon dated January 24, 2025.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 24, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except for following findings.

Tabulation of Uncorrected Audit Findings		
Current Year Finding	2021-22 FY Finding	2022-23 FY Finding
2020-001	2020-001	2020-001
2020-002	2020-002	2020-002
2022-001	2022-001	Na
2022-004	2022-004	Na
2022-005	2022-005	Na
2022-006	2022-006	Na

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the Town of Dundee, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Town of Dundee, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit of the financial statements of the Town of Dundee, Florida, we determined that the Town of Dundee, Florida did not meet any of the specified conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Dundee, Florida. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had one such recommendation noted as finding 2022-004 in the accompanying schedule of findings and recommendations.

Other Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we noted findings 2022-001, 2022-005, 2022-006, 2023-002, 2023-003 and 2023-004 in the accompanying schedule of findings and recommendations.

Town of Dundee's Response to Findings

Town of Dundee, Florida's response to the findings identified in our audit is described in the accompanying letter of management response. Town of Dundee, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, members of the Town Commission, and applicable management, 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.
Auburndale, Florida
January 24, 2025

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined Town of Dundee, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2023. Management is responsible for Town of Dundee, Florida's compliance with those specified requirements. Our responsibility is to express an opinion on Town of Dundee, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards required that we plan and perform the examination to obtain reasonable assurance about whether the Town of Dundee, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Town of Dundee, Florida complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the Town of Dundee, Florida and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our examination.

Our examination does not provide a legal determination of Town of Dundee's compliance with the specified requirements.

In our opinion, Town of Dundee, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2023.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 24, 2025

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
TOWN OF DUNDEE, FLORIDA**

2020-001 – Bank Reconciliations

Type: Material Weakness - Uncorrected from prior year.

Criteria: Good internal control requires that a proper reconciliation between the Town's bank statements and the related general ledger balances be performed monthly, and this bank reconciliation process should be performed by someone other than the preparer of bank deposits and the individuals preparing checks.

Condition: During our current audit we continue to report that the Town's bank accounts are not being reconciled in a timely manner. The September 30, 2023 bank reconciliation was completed on January 17, 2024.

Cause: Improper bank reconciliation processes.

Effect: Without a proper reconciliation between the Town's bank statements and the related general ledger balances, there is no assurance that all cash transactions have been recorded nor any assurance that errors are identified and corrected in a timely manner.

Recommendation: We continue to recommend that the activity posted to the Town's bank accounts be monitored and reconciled monthly to provide assurance that the activity posted to the bank accounts and the related general ledger balances are correct.

View of Responsible Official: *See accompanying letter of management's response.*

2020-002 – Internal Control Over Financial Reporting

Type: Significant Deficiency - Uncorrected from prior year.

Criteria: The Town's internal control over financial reporting should provide reasonable assurance that all transactions are properly recorded in the general ledger, including properly classifying transactions, recording the transactions in the proper funds and departments and periodic review to ensure accuracy.

Condition: We continue to report that the transactions being posted to the Town's accounting information system contained many errors, some of which were material, that required correction by the Town's financial reporting consultant.

Cause: The condition was caused by inadequate internal control exacerbated by finance department staff with inadequate skills, knowledge, and experience to properly record Town transactions and to monitor these processes.

Effect: The financial information used to manage the Town's finances contained many errors, some of which were material, which created additional costs as the Town's financial reporting consultant was engaged to make the necessary corrections to prepare for the annual audit.

Recommendation: Effective internal controls over financial reporting, including controls to ensure financial records are prepared and maintained by personnel with the appropriate knowledge and capabilities, are essential to management's assurance regarding accurate financial reporting. We continue to recommend training of Town accounting personnel to further the knowledge and improve the skills required to adequately review the general ledger and prepare financial reports that are free of material misstatement.

View of Responsible Official: *See accompanying letter of management's response.*

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
TOWN OF DUNDEE, FLORIDA**

2022-001 – Restricted Cash Monitoring

Type: Management letter finding under Chapter 10.554(1)(i)(3), Rules of the Auditor General – Uncorrected from prior year.

Criteria: Section 218.33(3), Florida Statutes requires the establishment and maintenance of internal control to provide reasonable assurance that the Town is in compliance with restrictions placed upon certain resources by enabling legislation and debt-related covenants.

Condition: During our audit we noted:

- Debt service sinking fund bank accounts were not adjusted monthly as required by debt-related covenants.
- Transportation infrastructure, parkland reserve fees, customer deposits, stormwater fees, debt service and the unspent building permits bank accounts were not adjusted during 2023 to reflect the required balances in these accounts.

Cause: The process of reviewing and adjusting restricted cash balances was not performed for all restricted sources, resulting in overrestricted transportation infrastructure (\$136,000), stormwater fees (\$267,000), debt service reserves (\$57,000) and unspent building permit fees (\$69,000) and underrestricted parkland reserve fees (\$15,000) and customer deposits (\$49,000).

Effect: Noncompliance.

Recommendation: We continue to recommend that management establish and maintain internal controls to monitor the sources and uses of all restricted funds and to ensure compliance with enabling legislation and debt-related covenants. We also recommend that this process be performed monthly.

View of Responsible Official: *See accompanying letter of management's response.*

2022-004 – Water Loss

Type: Management letter finding under Chapter 10.554(1)(i)(2), Rules of the Auditor General - Uncorrected from prior year.

Criteria: The ratio of water volume sold (gallons) compared to the volume of water produced of less than 90% is an indicator of concern.

Condition: During our audit we identified the following:

- The water volume sold (gallons) compared to the volume of water produced was calculated at 70% for the fiscal year ended September 30, 2023 compared to 71% in the prior year.

Cause: Unknown.

Effect: Excessive water loss could indicate leaks, faulty meters, unbilled water consumption or inaccurate monitoring of gallons of water pumped at the Town water facilities.

Recommendation: We continue to recommend that management perform a review of the Town's water system in an attempt to reduce the water loss ratio to a reasonable level.

View of Responsible Official: *See accompanying letter of management's response.*

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
TOWN OF DUNDEE, FLORIDA**

2022-005 – Developer Deposits

Type: Management letter finding under Chapter 10.554(1)(i)(3), Rules of the Auditor General - Uncorrected from prior year.

Criteria: The Land Development Code of the Town's Code of Ordinances contains regulations for transactions related to development review costs. It is the intent of these regulations that the town shall not be required to bear any part of the costs of development review, and that the fees and established charges represent the actual costs involved in the processing of petitions for development approval.

These regulations require a deposit to be paid and utilized for the staff time of Town employees, advertising expenses and legal fees pertaining to the review and processing of the development application. When the deposit has been reduced to 25% of the initial fee, a supplemental payment is required by the applicant before any further processing takes place. Upon completion of the review and processing of the application any remaining deposit will be refunded to the applicant.

Condition: During our audit we identified the following:

- The initial deposit is collected and recorded as a developer review deposit liability in the Town's accounting information system but no further processing or monitoring of these fees takes place.

Cause: Unknown.

Effect: Without monitoring these deposits and the related costs incurred by the Town, it is not possible to determine when the actual costs have exceeded the amounts on deposit nor when to request additional funds from the applicant. Furthermore, there is no processing taking place once a review is complete to refund any residual balances in the deposit account.

Recommendation: We continue to recommend that management design and implement accounting policies and related internal controls to provide assurance that Town development review activity is in compliance with the Land Development Code of the Town's Code of Ordinances.

View of Responsible Official: *See accompanying letter of management's response.*

2022-006 – Accounts Receivable and Customer Deposit Reconciliations

Type: Significant Deficiency - Uncorrected from prior year.

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

Condition: During our audit we noted that management does not reconcile the utility accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts.

Cause: Unknown.

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
TOWN OF DUNDEE, FLORIDA**

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

View of Responsible Official: *See accompanying letter of management's response.*

2023-001 – Payroll Related Liabilities

Type: Material weakness.

Criteria: Adequate internal controls are required to be designed and implemented to provide reasonable assurance that payroll related transactions are properly calculated and recorded and the amounts paid reconciled to the amounts recorded in the Town's general ledger.

Condition: Payroll liabilities, including insurance premiums and retirement contributions are not being reviewed or reconciled to the amounts being paid.

Cause: Lack of adequate internal controls.

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

Recommendation: We recommend that management design and implement adequate internal controls over payroll-related transactions to provide reasonable assurance that the correct amounts are deducted from employee paychecks, properly accrued as a Town liability, and that the ultimate payment of these liabilities is reviewed for accuracy and reconciled with the amounts recorded in the Town's general ledger.

View of Responsible Official: *See accompanying letter of management's response.*

2023-002 – Audit Completion

Type: Management letter finding under Chapter 10.554(1)(i)(3), Rules of the Auditor General.

Criteria: Section 218.32(d), Florida Statutes requires the final audit report of the Town to be submitted to the State of Florida Department of Financial Services no later than 9 months after the end of each fiscal year.

Condition: The Town audit was completed on January 24, 2025 which was after the deadline prescribed by Section 218.32(d), Florida Statutes.

Cause and Effect: The delay was primarily caused by a shortage of Town staff to adequately prepare for the audit and to facilitate timely responses to audit requests which resulted in a violation of the June 30, 2024 deadline.

Recommendation: We recommend the hiring of qualified staff to be able to prepare for and complete the annual audit within the prescribed time frame as required by Section 218.32(d), Florida Statutes.

View of Responsible Official: *See accompanying letter of management's response.*

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
TOWN OF DUNDEE, FLORIDA**

2023-003 – Polk County Impact Fee Collections and Remittances

Type: Management letter finding under Chapter 10.554(1)(i)(3), Rules of the Auditor General.

Criteria: Section 5b of the Town’s interlocal agreement with Polk County, Florida (the “County”) requires the Town to remit county impact fees no later than the 15th day of the month following collection.

Condition: During the audit we noted the following:

- Impact fee collections for the months of January to July 2023 totaling \$362,900 were not sent to the County until September 2023.
- During 2023, the Town overpaid the County \$32,842 and this was not discovered by the Town’s internal control but rather was detected by audit procedures.

Cause: The Town does not have adequate processes to ensure accurate and timely collection, remittance and reconciliation of impact fees received on behalf of Polk County, Florida.

Effect: Noncompliance

Recommendation: We recommend that management establish and document a well-defined process for identifying, collecting, remitting and reconciling impact fees received on behalf of Polk County, Florida.

View of Responsible Official: *See accompanying letter of management’s response.*

2023-004 – Direct Purchases

Type: Management letter finding under Chapter 10.554(1)(i)(3), Rules of the Auditor General.

Criteria: Adequate internal controls are required to be designed and implemented to provide reasonable assurance that direct material purchases for Town construction projects be reconciled to the related deductive change orders to ensure the Town receives proper credit for the direct purchases. Furthermore, Section 212.08(6), Florida Statutes requires the Town to provide each vendor and contractor with a Certificate of Entitlement to claim the tax-exemption of the direct purchase.

Condition: During our audit we noted the following:

- The Town made direct purchases of materials related to a construction project in the amount of \$23,438 but the related deductive change order only reduced the contract amount by \$15,943. Management was unable to explain the difference between the amounts paid and the credit given on the construction contractor billing.
- The Town was unable to provide evidence that a certificate of entitlement was provided to the direct purchase vendor or to the contractor of the construction project.

Cause: Lack of adequate internal controls.

Effect: Because no explanation for the difference was provided, the effect is unknown.

Recommendation: We recommend that management design and implement adequate internal controls over construction related transactions including using direct purchases whenever possible and to reconcile any direct purchases to the deductive change orders on the construction contractor billings. Furthermore, all direct purchases should be made in accordance with the Florida Statutes, including Section 212.08(6).

View of Responsible Official: *See accompanying letter of management’s response.*

Town of Dundee



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OTHER INFORMATION



Town of Dundee

Town Manager

◆ 202 E. Main Street ◆ PO Box 1000 ◆ Dundee, Florida 33838 ◆ (863) 438-8330 ◆ Fax (863) 438-8338

January 24, 2025

Dundee Town Commission
202 E Main Street
Dundee, Florida 33838

Honorable Mayor and Commissioners:

Town Management agrees with the following Audit Findings and are addressing the items and implementing corrections as needed to minimize recurring findings.

2020-001: Bank Reconciliations

During the audit it was noted that the Town's bank accounts are not being reconciled properly and as a result, the September 30, 2023, bank reconciliation was not completed until January 17, 2024.

2020-002: Internal Control Over Financial Reporting

The Town's internal controls over financial reporting should provide reasonable assurance that all transactions are properly recorded to the general ledger. The Town's internal controls over financial reporting failed to detect mistakes recorded to the general ledger resulting in material audit adjustments. The condition was caused by inadequate internal control exacerbated by finance department staff with inadequate skills, knowledge, and experience to properly record Town transaction and to monitor this process.

2022-006: Accounts Receivable and Customer Deposit Reconciliations

Good internal control requires that a periodic reconciliation be performed that would agree that utility accounts receivable and customer deposit subsidiary ledger to the amount posted to the general ledger control accounts.

2023-001 – Payroll Related Liabilities

Payroll liabilities, including insurance premiums and retirement contribution are not being reviewed or reconciled to the amounts being paid.

Management Response:

In May 2021, the town hired CPA was able to bring the existing finding into compliance. Although there are still several findings in our current year, the Finance

Department was able to bring several other findings into compliance. Town Staff and the CPA are working diligently to train and equip the new Finance Director to identify, reduce, and eliminate errors. A main objective is to have all bank statements reconciled each month by the 15th to reduce errors and allow the department to gain the proper internal controls over the financial reporting.

Management continues to recognize the need for accurate and timely financial reporting. The Finance Director, with the assistance of the CPA firm, will continue to strive for full financial compliance. Management has sought additional supports from the CPA firm to address the current finding and identify other financial reporting matters.

Pertaining to the Accounts Receivable and Customer Deposit Reconciliations. As we found with the Internal control over financial reporting, this reconciliation is also very important. Our finance team will make monthly reconciliations with the receivable and customer deposits accounts to verify they match. This will identify, reduce, and eliminate errors which would occur. Making sure that we reconcile these deposit and transfer appropriately to help manage all accounts in a timely manner is critical to the monthly task.

Payroll related liabilities are being reviewed monthly to ensure this oversight does not occur in the future. Each open enrollment cycle will be a great time to make sure the system updates roll over in CertiPay to allot time for corrections to occur prior to the new premiums are in place.

2022-001 - Restricted Cash Monitoring:

Section 218.33(3), Florida Statutes requires the establishment and maintenance of internal control to provide reasonable assurance that the Town is in compliance with restrictions placed upon certain resources by enabling legislation and debt-related covenants. During the audit it was noted that the Debit service sinking fund bank accounts were not adjusted monthly as required by debt-related covenants. Transportation infrastructure, parkland reserve fees, customer deposits and the unspent building permit accounts were not adjusted during 2022 but for reach related activity took place.

2022-004-Water Loss

During the audit it was noted that the ratio of water volume sold (gallons) compared to the volume of water produced was calculated at 75% for the fiscal year ended September 30, 2022. Excessive water loss could indicate leaks, faulty meters, unbilled water consumption or inaccurate monitoring of gallons of water pumped at the town water facility.

2022-005-Developer Deposit

The Land Development Code of the Town's Code of Ordinance contains regulation for truncations related to the development review costs. It is the intent of these regulations that the town shall not be required to bear any part of the costs of development review, and that the fees and established charges represent the actual costs involved in the process of petitions for development approval.

2023-002 – Audit Completion

The town audit was completed on January 24, 2025 which was after the deadline prescribed by Section

218.32(d), Florida Statues.

2023-003 – Polk County Impact Fee Collections and Remittances

During audit the following was noted: Impact fee collections was not sent to the county in the 15th day of the month, as well as one overpayment.

2023-004 – Direct Purchases

During the audit it was noted that the town made a direct purchase of materials related to a construction project that required a related deductive change order. Management was unable to provide and explanation to the difference between the amount the company paid and the credit given on the construction contractor billing.

Management Response:

Management will continue to increase the level of internal controls related to finance reports and will monitor restricted cash monitoring more effectively. Verifying every account, not just the ones with activities to make sure all accounts are reconciled monthly.

The Finance Director and Town Manager will work with the CPA to align budget preparatory with the government system to reduce errors from the existing excel spreadsheets. Factoring in both options listed above, will allow the Town's budget to become more transparent and freer of errors. The town will make sure we follow through with the monthly delays to help manage any outstanding obligations to the county. Also, the Town has reconciled the direct purchase with the vendor to secure the refund for the difference which was overpaid to the direct purchase vendor. The finance team is working diligently to have the audit completed by the June 30th deadline to make sure we meet the Section 218.32(d) statues. The town also is looking at the faulty meters and replacement program we currently have in place to see if there is a more accurate way to monitor this water loss. As well, we are looking into the leak indicator system to verify that we could be more efficient with the monitoring of such loss in those areas as well. It was found during the audit that the town is not monitoring the developer deposits closely. We are reevaluating the set amount currently being requested and has setup a monthly reconciliation sheet to match back to each process of the developer deposits. The town is also looking at every avenue to explore the necessary fees to be collected in a timely manner for the review process. This will eliminate the excessive fees the town is bearing and not offsetting with additional deposit fees.

Management will continue to work diligently to address all concerns expressed by the external auditors, understanding that compliance is a key factor to a successful run local government. We are looking forward to setting the expectations for the finance team higher every day. I am excited to work harder for a cleaner audit as well as to continue to bring new development to our community. As well, as we move Dundee forward, having the proper staff to help elevate the town.

I want to thank White Paper Consultants for assisting with the training of town staff as we move this finance team forward. As well as working diligently with our directors to identify new ways of working their budgets with better understanding.

I am excited to lead the Town of Dundee in a more efficient and financially sustainable direction and give thanks to Brynjulfson CPA, PA for bringing these matters to the Town's attention and for the opportunity to address them.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tandra Davis', with a stylized flourish at the end.

Tandra Davis
Town Manager
Town of Dundee