

**Town of Bascom, Florida**  
**Financial Statements**  
**And**  
**Independent Auditors' Report**  
**September 30, 2010**

Vance CPA LLC  
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**Financial Statements**

**TOWN OF BASCOM  
BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
Town of Bascom  
Bascom, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Bascom, Florida, (the Town) as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

Panama City Beach, Florida  
June 24, 2011

*Vance CPA LLC*

**Vance CPA LLC**

**Town of Bascom  
Management's Discussion and Analysis  
September 30, 2010**

Management is pleased to offer the following assessment of the operations of the Town of Bascom for the year ending September 30, 2010.

There were no significant business challenges during the fiscal year ended September 30, 2010.

**Financial Highlights**

The assets of the Town of Bascom exceeded its liabilities at September 30, 2010 by \$408,645 (net assets). Of this amount \$153,013 (unrestricted net assets) can be used to meet the Town's ongoing obligations.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to basic financial statements which are comprised of three components. These three components consist of the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements combine and consolidate governmental fund current resources with capital assets and long-term obligations. These statements are presented on the full accrual basis of accounting and are intended to report the activity of the Town in a manner similar to a private-sector business. The Statement of Net Assets on page 6 presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities on page 7 presents information showing how net assets changed during this fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This statement separates program revenue between grants and other revenue, which shows the extent to which the Town is dependent on operating grants.

**Fund Financial Statements**

The fund financial statements consist of the Balance Sheet of the governmental funds (page 8) as well as the Statement Revenues, Expenditures and Changes in Fund Balance of the governmental funds (page 9). The Town maintains two governmental funds, the General fund, and the Special Revenue fund. The Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near term financing requirements.

**Town of Bascom**  
**Management's Discussion and Analysis**  
**September 30, 2010 (Continued)**

**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. They can be found on pages 11 through 15 of this report.

**Condensed Financial Statements**

	<b>Net Assets</b>	
	<b>2010</b>	<b>2009</b>
Current assets	\$ 154,057	\$ 168,338
Capital assets, net	<u>255,632</u>	<u>86,141</u>
<b>Total assets</b>	<u>409,689</u>	<u>254,479</u>
Current liabilities	<u>1,044</u>	<u>—</u>
<b>Net Assets</b>	<u><b>\$ 408,645</b></u>	<u><b>\$ 254,479</b></u>
	<b>Changes Net Assets</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 2,595	\$ 2,260
Capital Grants and Contributions	154,494	13,900
General Revenues:		
Taxes	15,020	14,894
Other	<u>16,899</u>	<u>17,098</u>
<b>Total Revenues</b>	<u>189,008</u>	<u>48,152</u>
<b>Expenses</b>		
General Government	27,028	23,584
Physical Environment	4,748	5,241
Cultural and Recreation	<u>3,066</u>	<u>3,958</u>
<b>Total Expenses</b>	<u>34,842</u>	<u>32,783</u>
<b>Changes in Net Assets</b>	154,166	15,369
<b>Net Assets, Beginning of Year</b>	<u>254,479</u>	<u>239,110</u>
<b>Net Assets, End of Year</b>	<u><b>\$408,645</b></u>	<u><b>\$254,479</b></u>

**Town of Bascom**  
**Management's Discussion and Analysis**  
**September 30, 2010 (Continued)**

**Financial Analysis of the Town of Bascom**

**Net Assets:** For the year ended September 30, 2010, the Town's net assets increased by \$154,166 from fiscal year 2009. This increase primarily resulted from the grant activity for the new park.

**Capital Assets:** As mentioned above, the major capital additions related to the new park which are being funded by a grant. In addition the Town constructed a new building for the fire department and made renovations to the school building. See additional information on the Town's capital assets in Note 5 of the financial statements.

**Governmental Funds:** As of September 30, 2010, the Town's governmental funds reported combined ending fund balances of \$153,013, all of which was unreserved. This was a decrease of \$15,325 from the previous years unreserved fund balance of \$168,338.

**Budget Variances:** Budget versus actual comparisons is presented as required supplementary information on page 17.

**Request for Information:**

This report is designed to provide a general overview of the Town of Bascom finances for all those with an interest in their finances. Questions concerning any of the information in this report or requests for additional information should be addressed as follows:

Town of Bascom  
P O Box 98  
Bascom, Florida 32423

**STATEMENT OF NET ASSETS**  
**TOWN OF BASCOM, FLORIDA**  
**For the Year Ended September 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 154,057
<b>Total Current Assets</b>	<u><b>154,057</b></u>
Noncurrent Assets	
Capital Assets:	
Nondepreciable	13,244
Depreciable, net	<u>242,388</u>
<b>Total Noncurrent Assets</b>	<u><b>255,632</b></u>
<b>Total Assets</b>	<u><b>409,689</b></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	<u>1,044</u>
<b>Total Current Liabilities</b>	<u><b>1,044</b></u>
<b>Total Liabilities</b>	<u><b>1,044</b></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	255,632
Unrestricted	<u>153,013</u>
<b>Total Net Assets</b>	<u><b>\$ 408,645</b></u>

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF ACTIVITIES**

**TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Capital Grants and Outlays</u>	<u>Net (Expenses) Revenues and Changes to Net Assets</u> <u>Total Governmental Activities</u>
<b>Governmental Activities:</b>				
General Government	\$ 27,028	\$ —	\$ 18,883	\$ (8,145)
Physical Environment	4,748	—	—	(4,748)
Cultural and Recreation	<u>3,066</u>	<u>2,595</u>	<u>135,611</u>	<u>135,140</u>
<b>Total Governmental Activities</b>	<u>\$ 34,842</u>	<u>\$ 2,595</u>	<u>\$ 154,494</u>	<u>122,247</u>
<b>General Revenues</b>				
Taxes				15,020
State-Shared Revenues				14,967
Interest				1,523
Miscellaneous				<u>409</u>
<b>Total General Revenue</b>				<u>31,919</u>
<b>Change in Net Assets</b>				154,166
<b>Net assets – beginning of year</b>				<u>254,479</u>
<b>Net assets – end of year</b>				<u><b>\$ 408,645</b></u>

The accompanying notes are an integral part of these financial statements.

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 154,057	\$ —	\$ 154,057
<b>Total Assets</b>	<u><b>154,057</b></u>	<u><b>—</b></u>	<u><b>154,057</b></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	1,044	—	1,044
<b>Total Liabilities</b>	<u><b>1,044</b></u>	<u><b>—</b></u>	<u><b>1,044</b></u>
<b>Fund balances:</b>			
Unreserved	153,013	—	153,013
<b>Total Fund Balances</b>	<u><b>153,013</b></u>	<u><b>—</b></u>	<u><b>153,013</b></u>
<b>Total Liabilities and Fund Equity</b>	<u><b>\$ 154,057</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 153,013</b></u>

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Fund Balance – Total governmental Funds \$ 153,013

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Land	\$ 13,244	
Other capital Assets	265,648	
(Accumulated Depreciation)	<u>(23,260)</u>	<u>255,632</u>

**Net Assets of Governmental Funds** **\$ 408,645**

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 15,020	\$ —	\$ 15,020
Intergovernmental Revenues	33,850	135,611	169,461
Charges for Services	2,595	—	2,595
Miscellaneous Revenues	<u>1,932</u>	<u>—</u>	<u>1,932</u>
<b>Total Revenues</b>	<b><u>53,397</u></b>	<b><u>135,611</u></b>	<b><u>189,008</u></b>
<b>EXPENDITURES</b>			
Current:			
General government	24,683	—	24,683
Physical Environment	4,748	—	4,748
Cultural and Recreation	3,066	—	3,066
Capital Expenditures	<u>29,341</u>	<u>142,495</u>	<u>171,836</u>
<b>Total Expenditures</b>	<b><u>61,838</u></b>	<b><u>142,495</u></b>	<b><u>204,333</u></b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(8,441)	(6,884)	(15,325)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(6,884)</u>	<u>6,884</u>	<u>—</u>
<b>Net Change in Fund Balances</b>	(15,325)	—	(15,325)
<b>Fund Balances, beginning of year</b>	<u>168,338</u>	<u>—</u>	<u>168,338</u>
<b>Fund Balances, end of year</b>	<b><u>\$ 153,013</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 153,013</u></b>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

<b>Net Changes in Fund Balances – Total Governmental Funds</b>	<b>\$ (15,325)</b>
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
Expenditures for Capital Assets	171,836
Current year depreciation	<u>(2,345)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 154,166</u></b>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

### **Note 1 – Reporting Entity**

The Town of Bascom, Florida, (the Town), is a political subdivision of the state of Florida located in Jackson County, Florida. The Town was established in 1961, by an Act of the Florida legislature in Section 134 of the Act.

The Town is a Florida municipality governed by an elected five-member Town Council. The Town provides general governmental services.

Generally accepted accounting principles require that these financial statements include all entities for which the Town is considered to be financially accountable (component units). There were no separate legal entities identified that required inclusion as a component unit within the Town's financial statements. The Town did not participate in any joint ventures during the 2009-2010 fiscal year.

### **Note 2 - Summary of Significant Accounting Policies**

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. There are no component units or fiduciary funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants that are restricted to meeting the capital requirements of particular function or segment. Other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. The Town reports two governmental funds: (1) general fund; and (2) special revenue fund.

#### **Basis of Presentation**

##### **■ General Fund**

To account for all financial resources not properly accounted for in another fund.

##### **■ Special Revenue Funds**

To account for revenues derived from specific source purposes. The Town uses this fund to account for the grant funds received from the Florida Department of Environmental Protection for an outdoor recreational area.

**NOTES TO THE FINANCIAL STATEMENTS  
TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). The basis of accounting determines when transactions and economic events are reflected in the financial statements, and measurement focus identifies which transactions and events should be recorded.

Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and actual collection will occur either: a) during the current period; or b) after the end of the period, but in time to pay fund liabilities. For this purpose, the Town considers revenues to be available if they are collected within sixty days of end of the current fiscal year. Generally, federal grant revenues are recorded as revenues when they are susceptible to accrual and conditions of the grant have been satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

**Classification of Revenues**

The Town classifies its revenues as operating or nonoperating according to the following criteria:

- **Operating Revenues** – include activities that have the characteristics of exchange transactions.
- **Nonoperating Revenues** - include activities that have the characteristics on nonexchange transactions.

**Accumulated Unpaid Vacation and Sick Pay**

The town has no employees. There is no personnel policy that addresses the issue of vacation or sick pay. No amounts have been accrued as of September 30, 2010.

**Encumbrances**

The Town does not use the encumbrance method of accounting.

**NOTES TO THE FINANCIAL STATEMENTS  
TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Budget**

An annual budget was adopted for the governmental funds. Budgeted amounts presented in the accompanying financial statements are prepared on the same basis of accounting as described above for governmental fund types. All appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The Town's procedures for preparing and adopting the annual budget are as follows:

- The Town's Clerk is responsible for preparing a proposed operating budget for the upcoming year, prior to September 30, which includes estimated revenues and proposed expenditures.
- Public hearings are held to obtain public comments and suggestions. The budget is enacted through passage of a Ordinance.
- Florida Statutes stipulate that the fund is the legal level of budgetary control.
- Budget amendments are approved by the Town Council.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities columns in the government-wide financial statements. Property and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Park	40 years
Machinery and equipment	5 – 10 years
Sheds, Landscaping and Other	
Property Improvements	15 years

**Note 3 – Cash Deposits**

Chapter 280 of the Florida Statutes requires, in general, that all public deposits (including those of the Town) be made in qualified public depositories within the state of Florida.

All of the Town's cash deposits at September 30, 2010, were held by qualified public depositories within the state of Florida, and were fully insured.

**NOTES TO THE FINANCIAL STATEMENTS  
TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

**Note 3 – Cash Deposits (Continued)**

The following is a summary of the carrying amounts and bank balances at September 30, 2010, for each fund.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
General Fund	\$154,057	\$154,132
Special Revenue Funds	<u>          </u>	<u>          </u>
	<u>\$154,057</u>	<u>\$154,132</u>

**Note 4 – Pension Plan**

The Town has no employees and does not participate or contribute to any pension plan.

**Note 5 – Capital Assets**

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

	<u>Balance 10/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09/30/10</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 13,244	\$ —	\$ —	\$ 13,244
<b>Total capital assets not     being depreciated</b>	<u>13,244</u>	<u>—</u>	<u>—</u>	<u>13,244</u>
<b>Capital assets being depreciated:</b>				
City Hall	73,812	—	—	73,812
Buildings	20,000	29,341	—	49,341
Parks and Recreation Facilities	<u>—</u>	<u>142,495</u>	<u>—</u>	<u>142,495</u>
<b>Total capital assets     being depreciated</b>	<u>93,812</u>	<u>171,836</u>	<u>—</u>	<u>265,648</u>
<b>Less accumulated depreciation for:</b>				
City Hall	(12,915)	(1,845)	—	(14,760)
Buildings	(8,000)	(500)	—	(8,500)
Parks and Recreation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total accumulated depreciation</b>	<u>(20,915)</u>	<u>(2,345)</u>	<u>—</u>	<u>(23,260)</u>
<b>Total capital assets being depreciated, net</b>	<u>72,897</u>	<u>169,491</u>	<u>—</u>	<u>242,388</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 86,141</u>	<u>\$ 169,491</u>	<u>\$ —</u>	<u>\$ 255,632</u>



**NOTES TO THE FINANCIAL STATEMENTS  
TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

**Note 5 – Capital Assets (Continued)**

Depreciation expense was charged to functions as follows:

General Government	<u>\$ 2,345</u>
Total Depreciation Expense	<u><u>\$ 2,345</u></u>

**Note 6 – Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the town carries commercial insurance through the Florida League of Cities, Inc. Insurance against losses are provided for the following types of risk:

- General Liability
- Real and Personal Property Damage
- Public Officials' Liability

**Note 7 – Commitments and Contingencies**

**Grants**

The Town is participating in a grant program for the construction of park facilities. This program is subject to program compliance audits by the grantor or its representatives. The final determination of the Town's compliance with the applicable grant requirements will be established at a future date. In management's opinion, there are no material instances of noncompliance relating to this grant.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**TOWN OF BASCOM, FLORIDA**

**For the Year Ended September 30, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 14,094	\$ 14,094	\$ 15,020	\$ 926
Intergovernmental Revenues	25,341	32,710	33,850	1,140
Charges for services	2,160	2,160	2,595	435
Miscellaneous Revenues	<u>2,621</u>	<u>2,621</u>	<u>1,932</u>	<u>(689)</u>
<b>Total revenues</b>	<u>44,216</u>	<u>51,585</u>	<u>53,397</u>	<u>1,812</u>
<b>Expenditures:</b>				
Current:				
General Government	36,851	25,337	24,683	654
Physical environment	5,000	5,000	4,748	252
Culture and recreation	2,365	2,365	3,066	(701)
Capital outlay	<u>—</u>	<u>29,341</u>	<u>29,341</u>	<u>—</u>
<b>(Total Expenditures)</b>	<u>44,216</u>	<u>62,043</u>	<u>61,838</u>	<u>205</u>
(Deficiency) of Revenues (Under) Expenditures	<u>—</u>	<u>(10,458)</u>	<u>(8,441)</u>	<u>2,017</u>
<b>Other financing</b>				
<b>Sources (Uses)</b>				
Transfers to Special Revenue	<u>—</u>	<u>(6,884)</u>	<u>(6,884)</u>	<u>—</u>
<b>Total Other Financing Sources (Uses)</b>	<u>—</u>	<u>(6,884)</u>	<u>(6,884)</u>	<u>—</u>
<b>Net Change in Fund Balances</b>	<u>—</u>	<u>(17,342)</u>	<u>(15,325)</u>	<u>2,017</u>
<b>Fund balances - beginning</b>	<u>168,338</u>	<u>168,338</u>	<u>168,338</u>	<u>—</u>
<b>Fund balances - ending</b>	<u>\$ 168,338</u>	<u>\$ 150,996</u>	<u>\$ 153,013</u>	<u>\$ 2,017</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;  
AND THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

# Vance CPA LLC

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American Institute of Certified Public Accountants

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## 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 Town Council  
Town of Bascom  
Bascom, Florida

We have audited the financial statements of the governmental activities, each major fund for the town of Bascom Florida, (the Town) as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over financial Reporting**

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

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

#### ■ **Segregation of Duties**

The primary weakness in internal control is one for which no immediate practicable solution is available. One of the basic tenets of sound internal control is the separation of duties among the various employees. The Town did not have enough personnel to adequately implement such separation. We recommend that the Town separate incompatible duties when feasible.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

### **Compliance and Other Matters**

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

The Town's response to the findings identified in our audit is described in the accompanying management's response. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

Panama City Beach, Florida  
June 24, 2011



**Vance CPA LLC**

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**MANAGEMENT LETTER**

Honorable Mayor and Town Council  
Town of Bascom  
Bascom, Florida

We have audited the basic financial statements of the Town of Bascom, Florida, (the Town) as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated June 24, 2011.

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. We have issued our report on internal control over financial reporting and on compliance and other matters. Disclosures in this report, which is dated June 24, 2011, should be considered in conjunction with this management letter.

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

- 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 significant findings and recommendations made in the preceding annual financial audit report. No audit was required in the prior years.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors; (a) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (b) control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of 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 the management letter, unless disclosed in the notes to the financial statements. The Town was established in 1983, Laws of Florida, 83-434. There were no component units included with the Town's financial statements.
- Section 10.554(1)(i)7.a, *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b, *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Service pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c., and 10556(7), *Rules of the Auditor General* we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor and Town Council, management, and Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Panama City Beach, Florida  
June 24, 2011



**Vance CPA LLC**



# Town of Bascom

P O Box 98

Bascom, Florida 32423

June 25, 2011

Office of the Auditor General

To Whom it May Concern:

This letter is written in response to the Town of Bascom's audit findings for the year ending September 2010.

**Segregation of Duties**

The primary weakness in internal control is one for which no immediate practicable solution is available. One of the basic tenets of sound internal control is the separation of duties among the various employees. The Town did not have enough personnel to adequately implement such separation. It was recommended that the Town separate incompatible duties when feasible.

**Response:**

Budget restraints will not support additional employees. Policies and procedures and all available measures to compensate for the lack of separation of duties will be performed.

Sincerely,



Ann Bryan, Mayor  
Town of Bascom