

**TOWN OF WINDERMERE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2008**

## **INTRODUCTORY SECTION**

TOWN OF WINDERMERE, FLORIDA

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Year Ended September 30, 2008

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TOWN OF WINDERMERE, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

September 30, 2008

**ELECTED OFFICIALS**

Mayor

Gary Bruhn

Town Council Members:

Norma Sutton  
Richard Irwin  
Robert Sprick  
John Briggs  
Burns Hovey

**TOWN OFFICIALS**

Town Manager

Cecilia Bernier

Town Attorney

Tom Wilkes

## **FINANCIAL SECTION**

This section contains the following subsections:

- . Independent Auditor's Report
- . Management's Discussion and Analysis
- . Basic Financial Statements
- . Schedules

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
*Town of Windermere, Florida*

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Town of Windermere, Florida*, as of and for the year ended September 30, 2008, 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 opinions.

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 of Windermere, Florida*, as of September 30, 2008, and the respective changes in financial position and the budgetary comparisons for the general fund, the special revenue fund and the 5K Run special revenue fund 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 April 3, 2009 on our consideration of the *Town of Windermere, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Town of Windermere's* basic financial statements. The schedule of capital assets used in the operation of governmental funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of capital assets has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McDiernit Davis & Company, LLC*

April 3, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *Town of Windermere, Florida* we offer readers of the *Town of Windermere's* financial statements this narrative overview and analysis of the financial activities of the *Town of Windermere* for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The assets of the *Town of Windermere* exceeded its liabilities at the close of the most recent fiscal year by \$4,650,863 (net assets). Of this amount, \$1,146,141 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$322,956.
- As of the close of the current fiscal year, the *Town of Windermere's* governmental funds reported combined ending fund balances of \$1,187,228, a decrease of \$695,333 in comparison with the prior year. Unreserved fund balance for the general fund was \$1,051,469 or 30% of total general fund expenditures.
- The *Town of Windermere's* total debt decreased by \$197,025 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *Town of Windermere's* (the Town) basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 of Windermere's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Since the *Town of Windermere* has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. The governmental activities of the *Town of Windermere* include general government, public safety, physical environment and culture and recreation.

The government-wide financial statements can be found on pages 10-11 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *Town of Windermere*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *Town of Windermere* has three governmental funds - the General Fund, a special revenue fund and the 5k Run Special Revenue Fund.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *Town of Windermere* adopts an annual appropriated budget for the General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds on pages 15-17 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-17 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Government-Wide Financial Analysis**

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the *Town of Windermere*, assets exceeded liabilities by \$4,650,863 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Assets for the current year. For more detail see the Statement of Net Assets on page 10.

Town of Windermere  
Statement of Net Assets

	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2007</u></b>
Current and other assets	\$ 1,349,448	\$ 1,957,989
Capital assets	<u>6,211,893</u>	<u>5,390,629</u>
Total assets	<u>7,561,341</u>	<u>7,348,618</u>
Long-term liabilities outstanding	2,748,258	2,945,283
Other liabilities	<u>162,220</u>	<u>75,428</u>
Total liabilities	<u>2,910,478</u>	<u>3,020,711</u>
Net assets:		
Invested in capital assets, net of related debt	3,504,722	2,494,334
Unrestricted	<u>1,146,141</u>	<u>1,833,573</u>
Total net assets	<u>\$ 4,650,863</u>	<u>\$ 4,327,907</u>

\$3,504,722 (75%) of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets, \$1,146,141, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the *Town of Windermere* is able to report positive balances in all categories of net assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Statement of Activities**

The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 11.

Governmental activities increased the *Town of Windermere's* net assets by \$322,956. Key elements of this increase are as follows:

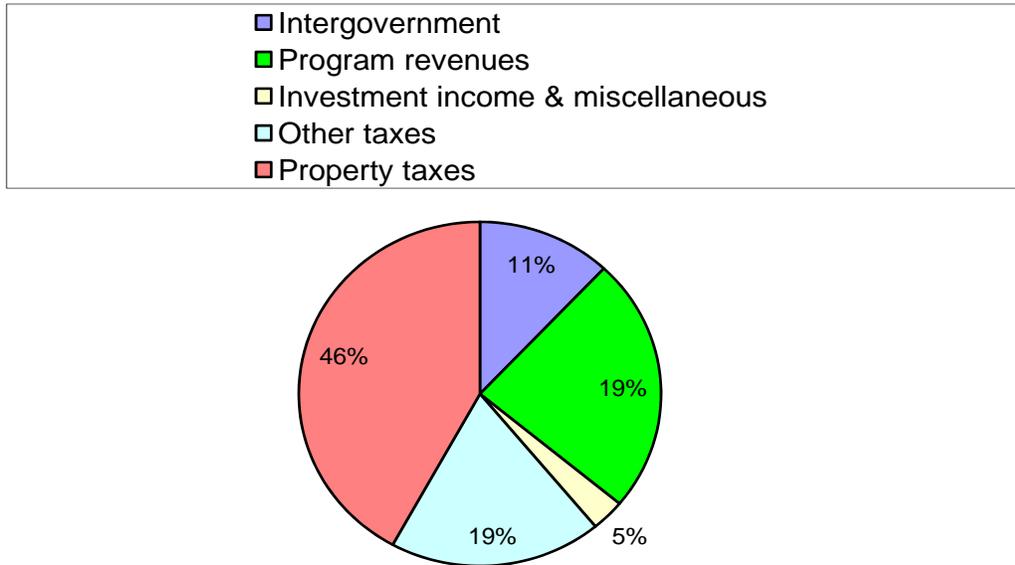
	<u>Town of Windermere</u> <u>Changes in Net Assets</u>	
	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2007</u></b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 313,272	\$ 358,674
Operating grants and contributions	94,186	89,138
Capital grants and contributions	499,553	250,907
	<u>907,011</u>	<u>698,719</u>
General revenues:		
Property taxes	1,582,938	1,722,986
Franchise and utility taxes	725,773	708,085
Intergovernmental	451,379	428,204
Investment income and miscellaneous	123,890	171,642
Total revenues	<u>3,790,991</u>	<u>3,729,636</u>
<b>Expenses:</b>		
General government	1,671,572	1,479,396
Public safety	747,904	736,719
Physical environment	773,541	695,042
Culture and recreation	76,542	58,729
Interest on long-term debt	198,476	132,834
Total expenses	<u>3,468,035</u>	<u>3,102,720</u>
<b>Increase in Net Assets</b>	322,956	626,916
<b>Net Assets- Beginning</b>	<u>4,327,907</u>	<u>3,700,991</u>
<b>Net Assets- Ending</b>	<u>\$ 4,650,863</u>	<u>\$ 4,327,907</u>

Property taxes decreased by \$140,048 during the year.

Program revenues increased primarily because of various grants received in 2008 relating to various capital projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Revenues by Source - Governmental Activities



#### Financial Analysis of the Government's Funds

As noted earlier, the *Town of Windermere* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Windermere's financing requirements. In particular, unreserved 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 September 30, 2008, the *Town of Windermere* governmental funds reported combined ending fund balances of \$1,187,228.

The general fund is the chief operating fund of the *Town of Windermere*. At September 30, 2008, the unreserved fund balance of the general fund was \$1,051,469. The fund balance of the general fund decreased by \$705,319, primarily because of decreased property tax revenue, as well as increase in transfers out to special revenue fund for the Town's match requirement on various grants.

#### General Fund Budgetary Highlights

During the year, there was a \$720,711 increase in appropriations between the original budget and the final amended budget. The supplemental appropriations were primarily for transfers out of the general fund to the special revenue fund for the Town's match on various grants.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Capital Asset and Debt Administration**

**Capital Assets** - The *Town of Windermere's* investment in capital assets for its governmental activities as of September 30, 2008, amounts to \$6,211,893 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and machinery, infrastructure and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was 7%. This increase was due to infrastructure in progress.

Town of Windermere  
Capital Assets  
(Net of Depreciation)

	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2007</u></b>
Land	\$ 197,135	\$ 197,135
Buildings	504,727	531,644
Improvements other than buildings	446,303	253,958
Equipment and machinery	340,906	388,246
Infrastructure	3,757,929	3,515,225
Construction in progress	964,893	504,421
Total	<u>\$ 6,211,893</u>	<u>\$ 5,390,629</u>

Additional information on the *Town of Windermere's* capital assets can be found in Note 8 of this report.

**Long-Term Debt** - At the end of the current fiscal year, the *Town of Windermere* had total debt outstanding of \$2,707,171. This debt includes capital leases on vehicles and equipment and a note payable related to downtown development. Additional information on long-term debt can be found in Note 10 of this report.

Town of Windermere  
Long-Term Debt

	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2007</u></b>
Capital lease payable	\$ 104,171	\$ 133,295
Note payable	2,603,000	2,763,000
	<u>\$ 2,707,171</u>	<u>\$ 2,896,295</u>

**Next Year's Budget and Rates**

During the current fiscal year, the unreserved fund balance in the General fund decreased to \$1,051,469. None of this was appropriated for spending in the 2008 budget since the Town plans to maintain this as a reserve.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Requests for Information

This financial report is designed to provide a general overview of the *Town of Windermere's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, Town of Windermere, P.O. Drawer 669, Windermere, FL 34786.

**BASIC FINANCIAL STATEMENTS**

TOWN OF WINDERMERE, FLORIDA

**STATEMENT OF NET ASSETS**

September 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 900,608
Receivables	55,310
Due from other governments	366,954
Prepays	26,576
Capital Assets (net of accumulated depreciation):	
Land	197,135
Buildings	504,727
Improvements	446,303
Equipment and machinery	340,906
Infrastructure	3,757,929
Construction in progress	964,893
Total assets	<u>7,561,341</u>
<b>Liabilities:</b>	
Accounts payable	127,721
Accrued liabilities	22,910
Customer deposits	11,589
Noncurrent liabilities:	
Due within one year	164,308
Due in more than one year	2,583,950
Total liabilities	<u>2,910,478</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	3,504,722
Unrestricted	1,146,141
Total net assets	<u>\$ 4,650,863</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2008

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities:					
General Government	\$ 1,671,572	\$ 75,527	\$ -	\$ -	\$ (1,596,045)
Public Safety	747,904	36,527	-	21,099	(690,278)
Physical Environment	773,541	201,218	94,186	478,454	317
Culture and Recreation	76,542	-	-	-	(76,542)
Interest on Long-term debt	198,476	-	-	-	(198,476)
Total governmental activities	<u>\$ 3,468,035</u>	<u>\$ 313,272</u>	<u>\$ 94,186</u>	<u>\$ 499,553</u>	<u>(2,561,024)</u>
<b>General revenues:</b>					
Property taxes					1,582,938
Franchise and utility taxes					725,773
Intergovernmental					451,379
Investment income and miscellaneous					123,890
Total general revenues					<u>2,883,980</u>
Change in net assets					322,956
Net assets - beginning					4,327,907
Net assets - ending					<u>\$ 4,650,863</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>5k Run Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 638,813	\$ 205,720	\$ 56,075	\$ 900,608
Receivables	55,310	-	-	55,310
Due from other governments	19,572	347,382	-	366,954
Due from other funds	466,819	-	-	466,819
Prepaid costs	26,576	-	-	26,576
Total assets	<u>\$ 1,207,090</u>	<u>\$ 553,102</u>	<u>\$ 56,075</u>	<u>\$ 1,816,267</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 82,485	\$ 45,236	\$ -	\$ 127,721
Accrued liabilities	22,910	-	-	22,910
Due to other funds	-	466,819	-	466,819
Deferred revenue	6,714	-	-	6,714
Customer deposits	4,875	-	-	4,875
Total liabilities	<u>116,984</u>	<u>512,055</u>	<u>-</u>	<u>629,039</u>
Fund balances:				
Reserved:				
Other	38,637	-	-	38,637
Unreserved, reported in:				
General fund	1,051,469	-	-	1,051,469
Special revenue funds	-	41,047	56,075	97,122
Total fund balances	<u>1,090,106</u>	<u>41,047</u>	<u>56,075</u>	<u>1,187,228</u>
Total liabilities and fund balances	<u>\$ 1,207,090</u>	<u>\$ 553,102</u>	<u>\$ 56,075</u>	

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

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

6,211,893

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds

(2,748,258)

**Net Assets of Governmental Activities**

\$ 4,650,863

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>5k Run Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 1,582,938	\$ -	\$ -	\$ 1,582,938
Franchise and utility	725,773	-	-	725,773
Licenses and permits	14,048	-	-	14,048
Intergovernmental revenues	566,664	475,794	-	1,042,458
Charges for services	201,218	-	37,767	238,985
Fines and forfeitures	36,527	-	-	36,527
Investment income	40,022	4,741	-	44,763
Miscellaneous	102,839	2,660	-	105,499
Total revenues	<u>3,270,029</u>	<u>483,195</u>	<u>37,767</u>	<u>3,790,991</u>
<b>Expenditures:</b>				
Current:				
General government	1,841,948	-	-	1,841,948
Public safety	738,791	-	-	738,791
Physical environment	497,476	953,704	-	1,451,180
Culture and recreation	18,892	-	47,913	66,805
Debt service:				
Principal	211,114	-	-	211,114
Interest and other charges	198,476	-	-	198,476
Total expenditures	<u>3,506,697</u>	<u>953,704</u>	<u>47,913</u>	<u>4,508,314</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(236,668)	(470,509)	(10,146)	(717,323)
<b>Other Financing Sources (Uses):</b>				
Capital leases	21,990	-	-	21,990
Transfers in	-	424,420	66,221	490,641
Transfers out	(490,641)	-	-	(490,641)
Total other financing sources (uses)	<u>(468,651)</u>	<u>424,420</u>	<u>66,221</u>	<u>21,990</u>
Net change in fund balances	(705,319)	(46,089)	56,075	(695,333)
<b>Fund Balance - Beginning of Year</b>	1,795,425	87,136	-	1,882,561
<b>Fund Balance - End of Year</b>	<u>\$ 1,090,106</u>	<u>\$ 41,047</u>	<u>\$ 56,075</u>	<u>\$ 1,187,228</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2008

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds: \$ (695,333)

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

This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditure for capital assets	\$ 1,155,427	
Current year depreciation	<u>(332,699)</u>	822,728

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets (1,464)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 189,124

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 7,901

Change in net assets of governmental activities \$ 322,956

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Property	\$ 1,595,749	\$ 1,595,749	\$ 1,582,938	\$ (12,811)
Franchise and utility	664,908	664,908	725,773	60,865
Licenses and permits	18,000	18,000	14,048	(3,952)
Intergovernmental revenues	555,905	555,905	566,664	10,759
Charges for services	190,000	190,000	201,218	11,218
Fines and forfeitures	50,000	50,000	36,527	(13,473)
Investment income	70,000	70,000	40,022	(29,978)
Miscellaneous	126,750	126,750	102,839	(23,911)
Total revenues	<u>3,271,312</u>	<u>3,271,312</u>	<u>3,270,029</u>	<u>(1,283)</u>
<b>Expenditures:</b>				
Current:				
General government				
Finance & administrative	1,334,104	1,394,595	1,394,595	-
Other	488,314	450,706	447,353	3,353
	<u>1,822,418</u>	<u>1,845,301</u>	<u>1,841,948</u>	<u>3,353</u>
Public safety	<u>721,815</u>	<u>721,815</u>	<u>716,801</u>	<u>5,014</u>
Physical environment:				
Streets & buildings	285,122	289,762	289,762	-
Solid waste	179,200	207,714	207,714	-
	<u>464,322</u>	<u>497,476</u>	<u>497,476</u>	<u>-</u>
Culture and recreation	<u>31,000</u>	<u>27,000</u>	<u>18,892</u>	<u>8,108</u>
Debt service:				
Principal	231,757	211,114	211,114	-
Interest	-	198,476	198,476	-
	<u>231,757</u>	<u>409,590</u>	<u>409,590</u>	<u>-</u>
Total expenditures	<u>3,271,312</u>	<u>3,501,182</u>	<u>3,484,707</u>	<u>16,475</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	(229,870)	(214,678)	15,192
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(490,841)	(490,641)	200
Total other financing sources (uses)	<u>-</u>	<u>(490,841)</u>	<u>(490,641)</u>	<u>200</u>
Net change in fund balances	-	(720,711)	(705,319)	15,392
<b>Fund Balance - Beginning of Year</b>	1,795,425	1,795,425	1,795,425	-
<b>Fund Balance - End of Year</b>	<u>\$ 1,795,425</u>	<u>\$ 1,074,714</u>	<u>\$ 1,090,106</u>	<u>\$ 15,392</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

**SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 990,507	\$ 990,507	\$ 475,794	\$ (514,713)
Investment income	-	-	4,741	4,741
Miscellaneous	-	-	2,660	2,660
Total revenues	<u>990,507</u>	<u>990,507</u>	<u>483,195</u>	<u>(507,312)</u>
<b>Expenditures:</b>				
Current:				
Physical environment	990,507	1,415,127	953,704	461,423
Culture and recreation	-	-	-	-
Total expenditures	<u>990,507</u>	<u>1,415,127</u>	<u>953,704</u>	<u>461,423</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	(424,620)	(470,509)	(45,889)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	424,620	424,420	200
Total other financing sources (uses)	<u>-</u>	<u>424,620</u>	<u>424,420</u>	<u>200</u>
Net change in fund balances	-	-	(46,089)	46,089
<b>Fund Balance - Beginning of Year</b>	<u>87,136</u>	<u>87,136</u>	<u>87,136</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 87,136</u>	<u>\$ 87,136</u>	<u>\$ 41,047</u>	<u>\$ 46,089</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

**5K RUN SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 37,767	\$ 37,767
Total revenues	-	-	37,767	37,767
<b>Expenditures:</b>				
Current:				
Physical environment	-	-	-	-
Culture and recreation	-	66,221	47,913	18,308
Total expenditures	-	66,221	47,913	18,308
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	(66,221)	(10,146)	56,075
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	66,221	66,221	-
Total other financing sources (uses)	-	66,221	66,221	-
Net change in fund balances	-	-	56,075	56,075
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	\$ -	\$ -	\$ 56,075	\$ 56,075

The accompanying Notes to Financial Statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2008

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity** - The *Town of Windermere, Florida* (the Town) was created by the laws of Florida 59-1614. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, streets and roads, sanitation, culture and recreation, and general administrative services. The accompanying financial statements include all those separately administered departments and funds for which the Town has financial accountability. There are no potential component units or related organizations of the Town.

**Government-Wide and Fund Financial Statements** - The government-wide financial statements (i.e., the statement of net assets and the statements of changes on net assets) report information on all of the nonfiduciary activities of the Town. Since the Town has no business-type activities, only governmental activities are reported on the government-wide financial statements.

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 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.

The Town has no fiduciary funds, which would be excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected 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 compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for financial resources segregated for various grants.

The *5k Run Special Revenue Fund* accounts for financial resources segregated for the annual 5k Run.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, as well as fines. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Deposits and Investments** - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are reported at fair value. The Town's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

**Receivables** - Receivables consist primarily of amounts due for garbage collection and rents. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Capital Assets** - Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Infrastructure assets acquired prior to October 1, 2003 have not been recorded since GASB 34 does not require a Town the size of Windermere to retroactively record infrastructure. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	10-30
Infrastructure	20
Equipment & machinery	5-15

**Compensated Absences** - Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. Employees are paid 100% of their accumulated vacation and sick pay when they terminate for any reason. Since the Town's policy is to pay both vacation and sick pay when employees separate from service, all vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the General fund.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 3 - Stewardship, Compliance and Accountability (Continued):**

4. Formal budgetary accounting is employed as a management control for the General fund and special revenue funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and amended as required for the General fund and special revenue funds. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.
5. The Town Manager may transfer part or all of any unencumbered appropriation balance among programs within a department and upon written request by the Town Manager, The Town Council may by resolution transfer part or all of any unencumbered appropriation balance from one department to another.
6. All unexpended budget appropriations lapse at the end of each fiscal year.
7. The Town does not utilize an encumbrance system of accounting.

The General fund budget is prepared on a budgetary basis, whereby the Town includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the Town does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases.

For the 2008 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$ 3,506,697	\$ 21,990
Nonbudgeted capital lease transactions	(21,990)	(21,990)
Budgetary Basis	<u>\$ 3,484,707</u>	<u>\$ -</u>

**Note 4 - Cash and Investments:**

**Deposits** - At year-end, the carrying amount of the Town's deposits was \$900,608 and the bank balance was \$1,072,527. All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 4 - Cash and Investments (Continued):**

**Investments** - The Town's investment policies are governed by State Statutes and Town ordinances. Town ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Repurchase Agreements collateralized by U. S. Government Securities;
3. Interest bearing savings accounts, money market accounts and certificates of deposits at banks certified as a Qualified Public Depository by the State of Florida;
4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.;
5. Direct obligations of the U.S. Government and its agencies;
6. Fixed interest mutual funds.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund. Therefore, the pool account balance can be used as fair value for financial reporting.

The Town's investment policy limits credit risk by restricting authorized investments to those described above. These policies also control concentration of credit risk by setting limits on the maximum percentage that certain investments may comprise in the portfolio. Since the Town has no investments at September 30, 2008, it has no exposure to credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Town's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2008, all of the Town's bank deposits were in qualified public depositories.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 5 - Property Tax:**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. The County bills and collects property taxes. Collections of the property taxes by the county and remittance of them to the Town are accounted for in the General fund. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

The Town is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2008, was \$3.2196 per \$1,000 which means the Town has a tax margin of \$6.7804 per \$1,000 and could raise up to \$3,471,346 before discount, additional a year from the present assessed valuation of \$511,967,662 before the limit is reached.

**Note 6 - Receivables:**

Receivables September 30, 2008 consist primarily of amounts due for solid waste and occupational licenses. Management considers all amounts to be collectible; therefore there is no allowance for doubtful accounts.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 7 - Capital Assets:**

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 197,135	\$ -	\$ -	\$ 197,135
Construction in progress	504,421	889,784	(429,312)	964,893
Total capital assets, not being depreciated	<u>701,556</u>	<u>889,784</u>	<u>(429,312)</u>	<u>1,162,028</u>
Capital assets, being depreciated:				
Buildings	1,346,525	4,522	-	1,351,047
Improvements	391,272	210,720	-	601,992
Equipment & machinery	867,132	50,401	(22,678)	894,855
Infrastructure	3,702,268	429,312	-	4,131,580
Total capital assets being depreciated	<u>6,307,197</u>	<u>694,955</u>	<u>(22,678)</u>	<u>6,979,474</u>
Less accumulated depreciation for:				
Buildings	(814,881)	(31,439)	-	(846,320)
Improvements	(137,314)	(18,375)	-	(155,689)
Equipment & machinery	(478,886)	(96,277)	21,214	(553,949)
Infrastructure	(187,043)	(186,608)	-	(373,651)
Total accumulated depreciation	<u>(1,618,124)</u>	<u>(332,699)</u>	<u>21,214</u>	<u>(1,929,609)</u>
Total capital assets being depreciated, net	<u>4,689,073</u>	<u>362,256</u>	<u>(1,464)</u>	<u>5,049,865</u>
Governmental activities capital assets, net	<u>\$ 5,390,629</u>	<u>\$ 1,252,040</u>	<u>\$ (430,776)</u>	<u>\$ 6,211,893</u>

Depreciation expense was charged to functions of the city as follows:

<u>Governmental Activities:</u>	
General government	\$ 67,332
Public safety	43,650
Physical environment	211,980
Culture and recreation	9,737
	<u>\$ 332,699</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 8 - Retirement Plans:**

The Town adopted the Town of Windermere Employee Retirement Plan effective October 1, 2001. The plan is a money purchase defined contribution plan which was established and can be amended by the Town Council. The Town is required to contribute 10% of eligible employee compensation each year. Total contributions made by the Town during the year ended September 30, 2008 amounted to \$65,087.

**Note 9 - Long-Term Debt:**

Long-term debt activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$ 133,295	\$ 21,990	\$ 51,114	\$ 104,171	51,308
Note Payable	2,763,000	-	160,000	2,603,000	113,000
Compensated Absences	48,988	-	7,901	41,087	-
	<u>\$ 2,945,283</u>	<u>\$ 21,990</u>	<u>\$ 219,015</u>	<u>\$ 2,748,258</u>	<u>\$ 164,308</u>

**Capital Leases** - The Town has entered into lease agreements as lessee for financing the acquisition of vehicles and a water tanker. These lease agreements qualify as capital leases for accounting purposes, and therefore has been recorded at the present value of the minimum lease payments at the inception date. A summary of equipment acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 225,695
Less: Accumulated depreciation	(93,386)
	<u>\$ 132,309</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 9 - Long-Term Debt (Continued):**

**Capital Leases (Continued):**

The future minimum lease obligations of the minimum lease payments at September 30, 2008 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2009	\$ 51,308
2010	30,347
2011	19,671
2012	<u>13,716</u>
Total minimum lease payments	115,042
Less: amount representing interest	<u>(10,871)</u>
Present value of minimum lease payments	<u><u>\$ 104,171</u></u>

**Operating Leases** - The reporting entity has entered into operating leases for police and Town Hall copiers which contain cancellation provisions and are subject to annual appropriations. For fiscal year 2008, rentals approximated \$1,811 for such leases. These leases support governmental activities.

**Revenue Note** - During fiscal year 2004, the Town entered into a note agreement with a bank for the amount of \$3,000,000. This Communication Services Tax Revenue Note, Series 2004, is secured by the local communication services tax revenues received by the Town. Principal and interest payments are due on April 1 and October 1 until the maturity date of October 1, 2024. Interest rate on the note is 4.63%. Annual debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 113,000	\$ 119,223
2010	118,000	113,944
2011	124,000	108,411
2012	129,000	102,641
2013	136,000	96,559
2014-2018	779,000	381,304
2019-2023	980,000	180,940
2024	<u>224,000</u>	<u>7,802</u>
	<u><u>\$ 2,603,000</u></u>	<u><u>\$ 1,110,824</u></u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2008

**Note 10 - 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; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the Town to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

**Note 11 - Contingencies:**

During the ordinary course of its operations, the Town is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's management and legal counsel, these matters are not anticipated to have a material financial impact on the Town.

**Note 12 - Interfund Receivables, Payables and Transfers:**

At September 30, 2008, the Special Revenue Fund owes the General Fund \$466,819, which resulted from the General Fund paying for certain expenditures of the Special Revenue Fund until grant revenue is received.

Interfund transfers are as follows:

	<u>Transfer In</u>		
	<u>Special Revenue</u>	<u>5K Run Special Revenue</u>	<u>Total</u>
Transfer out:			
General Fund	<u>\$424,420</u>	<u>\$66,221</u>	<u>\$490,641</u>

**INDIVIDUAL FUND SCHEDULE**

**CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS**

TOWN OF WINDERMERE, FLORIDA

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**

Year Ended September 30, 2008

	<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environment</b>	<b>Culture And Recreation</b>	<b>Total</b>
Land	\$ 197,135	\$ -	\$ -	\$ -	\$ 197,135
Buildings	1,215,920	135,127	-	-	1,351,047
Improvements	427,011	2,523	99,679	72,779	601,992
Equipment & machinery	201,200	335,611	287,126	70,918	894,855
Infrastructure	-	-	4,126,470	5,110	4,131,580
Construction in progress	-	-	964,893	-	964,893
Total	<u>\$ 2,041,266</u>	<u>\$ 473,261</u>	<u>\$ 5,478,168</u>	<u>\$ 148,807</u>	<u>\$ 8,141,502</u>

	<b>Balance 09-30-07</b>	<b>Additions</b>	<b>Deletions and Transfers</b>	<b>Balance 09-30-08</b>
General Government	\$ 1,813,127	\$ 239,114	\$ (10,975)	\$ 2,041,266
Public Safety	448,132	25,129	-	473,261
Physical Environment	4,596,007	891,184	(9,023)	5,478,168
Culture & Recreation	151,487	-	(2,680)	148,807
Total	<u>\$ 7,008,753</u>	<u>\$ 1,155,427</u>	<u>\$ (22,678)</u>	<u>\$ 8,141,502</u>

**INTERNAL CONTROL  
AND  
COMPLIANCE SECTION**

**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 Windermere, Florida*

We have audited the financial statements of *Town of Windermere, Florida* as of and for the year ended September 30, 2008, and have issued our report thereon dated April 3, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described below to be a significant deficiency in internal control over financial reporting.

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

### Material Weakness

The *Town of Windermere, Florida*, does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements. We recommend that the Town consider the cost benefit of hiring qualified staff to prepare the financial statements to be audited, including posting all year end adjusting entries.

### 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*.

We noted certain matters that we reported to management of the *Town of Windermere, Florida*, in a separate letter dated April 3, 2009. The Town's response to our findings identified in our audit is included in this report. 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 management, the Town Council, and the Auditor General of the State of Florida, and is not intended to be, and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

April 3, 2009

## MANAGEMENT LETTER

Honorable Mayor and Town Council  
*Town of Windermere, Florida*

We have audited the financial statements of *Town of Windermere, Florida* as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated April 3, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards; 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 that report, which is dated April 3, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida, and unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- 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. The recommendations made in the preceding annual financial audit report have not been corrected, as detailed in the accompanying pages.
- 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 *Town of Windermere, Florida* 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 findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, please see our current year comments which are attached.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements 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, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failure to properly record financial transactions; and (c) other 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 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. This information has been disclosed in the notes to the 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 governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *Town of Windermere, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *Town of Windermere, Florida* for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the *Town of Windermere, Florida* and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

April 3, 2009

## Status of Prior Year Comments

### 1. General Ledger Reconciliations

We observed that the accounts payable balance on the general ledger is not being reconciled to the detail. Also, the bank reconciliation does not agree to the general ledger at September 30, 2007.

#### Recommendation

We recommend that the finance department perform reconciliations of accounts payable to detail at least quarterly. Cash reconciliations should be done monthly and agree to the general ledger.

#### Corrective Action

There was some improvement in reconciling some general ledger accounts, but improvement is still needed.

### 2. Purchasing Policy

We observed several instances where the purchasing policy is not being followed.

#### Recommendation

We recommend that the purchasing policy be updated to reflect actual activities of the Town, and the policy be followed on all purchases. By updating the policy with increased limits for town manager approval, written quotes would not be required as often.

#### Corrective Action

The purchasing policy has not yet been updated, we will repeat comment in the current year.

## Current Year Comments

### 1. General Ledger Reconciliations

We observed that the accounts payable balance on the general ledger is not being reconciled to the detail.

#### Recommendation

We recommend that the finance department perform reconciliations of accounts payable to detail at least quarterly.

## Current Year Comments (Continued)

### 2. Purchasing Policy

We observed several instances where the purchasing policy is not being followed.

#### Recommendation

We recommend that the purchasing policy be updated to reflect actual activities of the Town, and the policy be followed on all purchases. By updating the policy with increased limits for town manager approval, written quotes would not be required as often.

### 3. Inadequate Segregation of Duties over Cash Receipts

We noted that the same person is receiving cash, recording it in the general ledger, and making the deposit, with no review or reconciliation

#### Recommendation

We recommend that someone other than the person handling cash reconcile the receipt book to the deposit. All residents should receive a receipt with payment and a receipt number should be indicated on the listing of permits and other revenue items.

### 4. Plans Review Deposits

We noted that plans review deposits are not being recorded correctly, which is resulting in over and understating expense during the life of the project

#### Recommendation

We recommend that all expenses related to the plans review deposits be posted to the liability account, which will then accurately reflect the amount owed to residents, and result in properly recorded expenses. Ending balances in the general ledger should be reconciled to the total plans review spreadsheet by project.

Honorable Mayor and Town Council  
*Town of Windermere, Florida*

We have audited the financial statements of the governmental activities, and each major fund, of the *Town of Windermere, Florida* as of and for the year ended September 30, 2008, and have issued our report thereon dated April 3, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 25, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the *Town of Windermere, Florida*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the *Town of Windermere, Florida* compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated December 2, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the *Town of Windermere, Florida* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached journal entry listing summarizes material misstatements detected as a result of audit procedures which were corrected by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 3, 2009.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

*McDermitt Davis & Company, LLC*

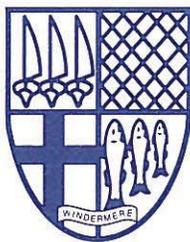
April 3, 2009

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# Town of Windermere

P. O. Drawer 669 Windermere, FL 34786  
Office: (407) 876-2563 Fax: (407) 876-0103

Mayor  
GARY BRUHN



Town Manager  
CECILIA BERNIER

Clerk  
DOROTHY BURKHALTER

5/12/2009

McDermitt Davis & Company, LLC  
605 E. Robinson Street, Suite 635  
Orlando, Florida 32801

Re: Reply to the Auditor's Management Letter 2008 CAFR

Dear Mr. McDermitt:

Following is a response to your auditors management letter in the Town of Windermere's Comprehensive Annual Financial Report ended September 30, 2008:

Prior Year Comments: (Repeated in Current Year)

1) General Ledger Reconciliations:

As noted by the auditor, the finance department has made some improvements to reconciling accounts monthly, and they will continue to do so. Employee obligations for insurance payments are deducted automatically from paychecks. These are then used to pay for these policies the employees carry however, reconciliation of these payments to the ledgers has not been done on a monthly basis. It will now be done.

2) Purchasing Policy:

This was noted last year and I intended to update the purchasing policy (which has not been done since 1980's), but did not have time to get it done. Will do it this year.

Current Year Comments:

1) & 2) repeat comments from above.

3) Inadequate Segregation of Duties over Cash Receipts:

We have always had the same finance clerk who receipts the cash reconcile and make the deposit. This comes from the days when we only had one finance clerk doing all of it.

May 12, 2009

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Since it has been noted as a concern by the auditors, we will make the change. We now have two finance clerks, so we will separate this procedure, one will do the receipts and one will make the deposit.

If a payment is mailed in, the individual bill is stamped paid with check number and date noted. A separate receipt is not written for each payment received by mail. All cash and all individual payments brought to the office are receipted and a copy of the receipt given if wanted. We do not mail out individual receipts for payment back to the residents. Receipt numbers can be added to the building logs of permits as requested by the auditor

4) Plans Review Deposits:

A separate accounting spreadsheet of the plans review deposits is kept by the finance department. This identifies the costs associated with the plans review and these are deducted from the deposit. After the Certificate of Occupancy is issued by Orange County (and we get notice of this when the property owner is looking for their refund of balance due), the applicant is refunded any monies left from the review deposit with documentation of the expenses deducted from the deposit. When the ordinance was changed to require this deposit we checked with the auditors and asked how to handle the deposits and refund. The deposit is actually put in the Engineer Account and the refund is written out of this account. It has been identified that the costs for plans review are those charged by the engineer. Last year this method was acceptable to the auditors, however, this year the auditor has determined that this accounting should be done in the liability account. Linda Bouton has already made the change.

Sincerely,



Cecilia Bernier  
Town Manager