

**TOWN OF WINDERMERE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2009**

## **INTRODUCTORY SECTION**

TOWN OF WINDERMERE, FLORIDA

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Year Ended September 30, 2009

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TOWN OF WINDERMERE, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

September 30, 2009

**ELECTED OFFICIALS**

Mayor

Gary Bruhn

Town Council Members:

Norma Sutton  
Richard Irwin  
Molly Rose  
Cecil Robinson  
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* (the Town), as of and for the year ended September 30, 2009, 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 of Windermere, Florida*, as of September 30, 2009, 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 February 22, 2010 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.

MCDIRMIT DAVIS & COMPANY, LLC  
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

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, Florida'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.

*McDiarmid Davis & Company, LLC*

February 22, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *Town of Windermere, Florida* (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2009. 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 exceeded its liabilities at the close of the most recent fiscal year by \$5,068,059 (net assets). Of this amount, \$823,518 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$417,196.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$869,215, a decrease of \$318,013 in comparison with the prior year. Unreserved fund balance for the general fund was \$780,677 or 24% of total general fund expenditures.
- The Town's total debt decreased by \$127,195 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's 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'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 Town'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).

Since the Town 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 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town 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 Town'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 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 12-17 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, assets exceeded liabilities by \$5,068,059 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 2009</b>	<b>Governmental Activities 2008</b>
Current and other assets	\$ 1,071,128	\$ 1,349,448
Capital assets	6,819,907	6,211,893
Total assets	<u>7,891,035</u>	<u>7,561,341</u>
Long-term liabilities outstanding	2,621,063	2,748,258
Other liabilities	201,913	162,220
Total liabilities	<u>2,822,976</u>	<u>2,910,478</u>
Net assets:		
Invested in capital assets, net of related debt	4,244,541	3,504,722
Unrestricted	823,518	1,146,141
Total net assets	<u>\$ 5,068,059</u>	<u>\$ 4,650,863</u>

The largest portion of the Town's net assets of \$4,244,541 (83%) 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, \$823,518, may be used to meet the Town's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Analysis (Continued)**

**Statement of Activities**

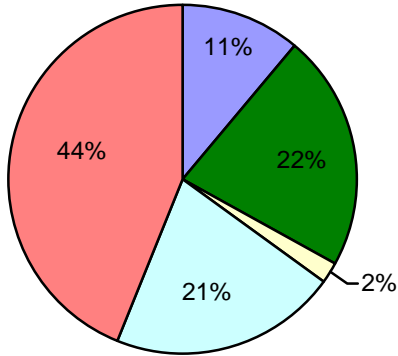
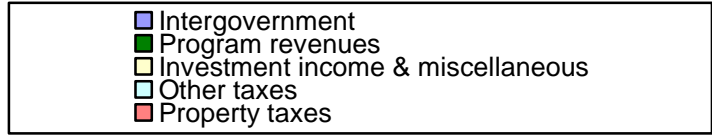
The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 11.

Governmental activities increased the Town's net assets by \$417,196. Key elements of this increase are as follows:

	<u>Town of Windermere</u> <u>Changes in Net Assets</u>	
	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 374,980	\$ 359,967
Operating grants and contributions	89,210	94,186
Capital grants and contributions	<u>353,988</u>	<u>499,553</u>
	<u>818,178</u>	<u>953,706</u>
General revenues:		
Property taxes	1,676,783	1,582,938
Franchise and utility taxes	833,432	725,773
Intergovernmental	408,832	451,379
Investment income and miscellaneous	<u>68,015</u>	<u>77,185</u>
Total revenues	<u>3,805,240</u>	<u>3,790,981</u>
<b>Expenses:</b>		
General government	1,397,717	1,671,562
Public safety	1,028,748	747,904
Physical environment	757,524	773,541
Culture and recreation	77,708	76,542
Interest on long-term debt	<u>126,347</u>	<u>198,476</u>
Total expenses	<u>3,388,044</u>	<u>3,468,025</u>
<b>Increase in Net Assets</b>	417,196	322,956
<b>Net Assets- Beginning</b>	<u>4,650,863</u>	<u>4,327,907</u>
<b>Net Assets- Ending</b>	<u>\$ 5,068,059</u>	<u>\$ 4,650,863</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Revenues by Source – Governmental Activities**



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

As noted earlier, the Town 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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of September 30, 2009, the Town governmental funds reported combined ending fund balances of \$869,215.

The general fund is the chief operating fund of the Town. At September 30, 2009, the unreserved fund balance of the general fund was \$780,677. The fund balance of the general fund decreased by \$274,479, primarily because of decreased intergovernmental 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 no increase in appropriations between the original budget and the final amended budget. There was a budget amendment which moved appropriations between departments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Asset and Debt Administration

**Capital Assets** - The Town's investment in capital assets for its governmental activities as of September 30, 2009 amounts to \$6,819,907 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 10%. This increase was primarily due to additions to construction in progress for various drainage projects.

#### Town of Windermere Capital Assets (Net of Depreciation)

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
Land	\$ 197,135	\$ 197,135
Buildings	486,082	504,727
Improvements other than buildings	473,857	446,303
Equipment and machinery	335,896	340,906
Infrastructure	3,549,855	3,757,929
Construction in progress	1,777,082	964,893
Total	\$ 6,819,907	\$ 6,211,893

Additional information on the Town's capital assets can be found in Note 7 of this report.

**Long-Term Debt** - At the end of the current fiscal year, the Town had total debt outstanding of \$2,575,367. 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 9 of this report.

#### Town of Windermere Long-Term Debt

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
Capital lease payable	\$ 85,367	\$ 104,171
Note payable	2,490,000	2,603,000
	\$ 2,575,367	\$ 2,707,171

### Next Year's Budget and Rates

During the current fiscal year, the unreserved fund balance in the General fund decreased to \$780,677. None of this was appropriated for spending in the 2009 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's finances for all those with an interest in the Town'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, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 777,739
Receivables	46,869
Due from other governments	220,157
Prepays	26,363
Capital Assets (net of accumulated depreciation):	
Land	197,135
Buildings	486,082
Improvements	473,857
Equipment and machinery	335,896
Infrastructure	3,549,855
Construction in progress	1,777,082
Total assets	<u>7,891,035</u>
<b>Liabilities:</b>	
Accounts payable	124,841
Accrued liabilities	31,693
Customer deposits	45,379
Noncurrent liabilities:	
Due within one year	162,449
Due in more than one year	2,458,614
Total liabilities	<u>2,822,976</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	4,244,541
Unrestricted	823,518
Total net assets	<u>\$ 5,068,059</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, 2009

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue and Changes in Net Assets</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Governmental Activities</u></b>
Governmental Activities:					
General Government	\$ 1,397,717	\$ 65,003	\$ -	\$ 42,585	\$ (1,290,129)
Public Safety	1,028,748	40,758	-	38,115	(949,875)
Physical Environment	757,524	232,427	89,210	273,288	(162,599)
Culture and Recreation	77,708	36,792	-	-	(40,916)
Interest on Long-term debt	126,347	-	-	-	(126,347)
Total governmental activities	<u>\$ 3,388,044</u>	<u>\$ 374,980</u>	<u>\$ 89,210</u>	<u>\$ 353,988</u>	<u>(2,569,866)</u>
<b>General revenues:</b>					
Property taxes					1,676,783
Franchise and utility taxes					833,432
Intergovernmental					408,832
Investment income and miscellaneous					68,015
Total general revenues					<u>2,987,062</u>
Change in net assets					417,196
Net assets - beginning					4,650,863
Net assets - ending					<u>\$ 5,068,059</u>

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

TOWN OF WINDERMERE, FLORIDA

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

September 30, 2009

	<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	\$ 625,895	\$ 98,256	\$ 53,588	\$ 777,739
Receivables	46,869	-	-	46,869
Due from other governments	19,860	200,297	-	220,157
Due from other funds	213,124	-	-	213,124
Prepaid costs	26,363	-	-	26,363
Total assets	<u>\$ 932,111</u>	<u>\$ 298,553</u>	<u>\$ 53,588</u>	<u>\$ 1,284,252</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 73,257	\$ 51,584	\$ -	\$ 124,841
Accrued liabilities	31,693	-	-	31,693
Due to other funds	-	213,124	-	213,124
Deferred revenue	6,744	33,845	-	40,589
Customer deposits	4,790	-	-	4,790
Total liabilities	<u>116,484</u>	<u>298,553</u>	<u>-</u>	<u>415,037</u>
Fund balances:				
Reserved:				
Other	34,950	-	-	34,950
Unreserved, reported in:				
General fund	780,677	-	-	780,677
Special revenue funds	-	-	53,588	53,588
Total fund balances	<u>815,627</u>	<u>-</u>	<u>53,588</u>	<u>869,215</u>
Total liabilities and fund balances	<u>\$ 932,111</u>	<u>\$ 298,553</u>	<u>\$ 53,588</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

6,819,907

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

(2,621,063)

**Net Assets of Governmental Activities**

\$ 5,068,059

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, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>5k Run Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 1,676,783	\$ -	\$ -	\$ 1,676,783
Franchise and utility	833,432	-	-	833,432
Licenses and permits	14,131	-	-	14,131
Intergovernmental revenues	536,157	273,288	-	809,445
Charges for services	247,255	-	36,792	284,047
Fines and forfeitures	25,930	-	-	25,930
Investment income	8,028	597	-	8,625
Miscellaneous	152,847	-	-	152,847
Total revenues	<u>3,494,563</u>	<u>273,885</u>	<u>36,792</u>	<u>3,805,240</u>
<b>Expenditures:</b>				
Current:				
General government	1,408,897	-	-	1,408,897
Public safety	1,045,798	-	-	1,045,798
Physical environment	512,952	829,377	-	1,342,329
Culture and recreation	28,799	-	39,279	68,078
Debt service:				
Principal	172,923	-	-	172,923
Interest and other charges	126,347	-	-	126,347
Total expenditures	<u>3,295,716</u>	<u>829,377</u>	<u>39,279</u>	<u>4,164,372</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	198,847	(555,492)	(2,487)	(359,132)
<b>Other Financing Sources (Uses):</b>				
Capital leases	41,119	-	-	41,119
Transfers in	-	514,445	-	514,445
Transfers out	(514,445)	-	-	(514,445)
Total other financing sources (uses)	<u>(473,326)</u>	<u>514,445</u>	<u>-</u>	<u>41,119</u>
Net change in fund balances	(274,479)	(41,047)	(2,487)	(318,013)
<b>Fund Balance - Beginning of Year</b>	1,090,106	41,047	56,075	1,187,228
<b>Fund Balance - End of Year</b>	<u>\$ 815,627</u>	<u>\$ -</u>	<u>\$ 53,588</u>	<u>\$ 869,215</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, 2009

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

Net change in fund balances - total governmental funds: \$ (318,013)

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	\$ 962,984	
Current year depreciation	<u>(353,342)</u>	609,642

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets (1,628)

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. 131,804

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. (4,609)

Change in net assets of governmental activities \$ 417,196

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, 2009

	<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	\$ 1,668,667	\$ 1,668,667	\$ 1,676,783	\$ 8,116
Franchise and utility	705,683	705,683	833,432	127,749
Licenses and permits	12,000	12,000	14,131	2,131
Intergovernmental revenues	542,025	542,025	536,157	(5,868)
Charges for services	246,000	246,000	247,255	1,255
Fines and forfeitures	40,000	40,000	25,930	(14,070)
Investment income	45,000	45,000	8,028	(36,972)
Miscellaneous	98,300	98,300	152,847	54,547
Total revenues	<u>3,357,675</u>	<u>3,357,675</u>	<u>3,494,563</u>	<u>136,888</u>
<b>Expenditures:</b>				
Current:				
General government				
Finance & administrative	1,140,819	1,175,819	1,151,476	24,343
Other	446,813	372,813	257,421	115,392
	<u>1,587,632</u>	<u>1,548,632</u>	<u>1,408,897</u>	<u>139,735</u>
Public safety	984,326	1,009,326	1,004,679	4,647
Physical environment:				
Streets & buildings	304,517	304,517	289,163	15,354
Solid waste	214,700	228,700	223,789	4,911
	<u>519,217</u>	<u>533,217</u>	<u>512,952</u>	<u>20,265</u>
Culture and recreation	32,500	32,500	28,799	3,701
Debt service:				
Principal	234,000	107,653	172,923	(65,270)
Interest	-	126,347	126,347	-
	<u>234,000</u>	<u>234,000</u>	<u>299,270</u>	<u>(65,270)</u>
Total expenditures	<u>3,357,675</u>	<u>3,357,675</u>	<u>3,254,597</u>	<u>103,078</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	239,966	239,966
<b>Other Financing Sources (Uses):</b>				
Transfers out	(415,949)	(515,949)	(514,445)	1,504
Total other financing sources (uses)	<u>(415,949)</u>	<u>(515,949)</u>	<u>(514,445)</u>	<u>1,504</u>
Net change in fund balances	(415,949)	(515,949)	(274,479)	241,470
<b>Fund Balance - Beginning of Year</b>	1,090,106	1,090,106	1,090,106	-
<b>Fund Balance - End of Year</b>	<u>\$ 674,157</u>	<u>\$ 574,157</u>	<u>\$ 815,627</u>	<u>\$ 241,470</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, 2009

	<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	\$ 743,731	\$ 743,731	\$ 273,288	\$ (470,443)
Investment income	-	-	597	597
Total revenues	<u>743,731</u>	<u>743,731</u>	<u>273,885</u>	<u>(469,846)</u>
<b>Expenditures:</b>				
Current:				
Physical environment	1,159,680	1,259,680	829,377	430,303
Total expenditures	<u>1,159,680</u>	<u>1,259,680</u>	<u>829,377</u>	<u>430,303</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(415,949)	(515,949)	(555,492)	(39,543)
<b>Other Financing Sources (Uses):</b>				
Transfers in	415,949	515,949	514,445	(1,504)
Total other financing sources (uses)	<u>415,949</u>	<u>515,949</u>	<u>514,445</u>	<u>(1,504)</u>
Net change in fund balances	-	-	(41,047)	(41,047)
<b>Fund Balance - Beginning of Year</b>	41,047	41,047	41,047	-
<b>Fund Balance - End of Year</b>	<u>\$ 41,047</u>	<u>\$ 41,047</u>	<u>\$ -</u>	<u>\$ (41,047)</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, 2009

	<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	\$ -	\$ 40,000	\$ 36,792	\$ (3,208)
Total revenues	-	40,000	36,792	(3,208)
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	40,000	39,279	721
Total expenditures	-	40,000	39,279	721
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	(2,487)	(2,487)
<b>Fund Balance - Beginning of Year</b>	56,075	56,075	56,075	-
<b>Fund Balance - End of Year</b>	\$ 56,075	\$ 56,075	\$ 53,588	\$ (2,487)

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, 2009

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

**Reporting Entity** - 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.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**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 Town 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 Town.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general Town, 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.

The Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, in September 2006 and is effective for the Town in fiscal year 2009. The Statement establishes criteria for government agencies on the reporting of receivables, and provides guidance in recognizing other assets and liabilities for sales of receivables or future revenues. The Town pledged future communication services tax revenues, net of specified operating expenses, to repay Communication Services Tax Revenue Note, Series 2004. Proceeds from the note provided financing for various Town capital projects. The note is payable solely from the communication services tax revenues. Disclosures related to GASB Statement No. 48 are found in Note 9.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

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

**Deposits and Investments** - The Town'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** - All receivables are shown net of an allowance for uncollectible accounts.

**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 Town 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.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

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

**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.

**Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:**

***Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.***

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation includes the net effect of differences in the treatment of long-term debt and related items. The detail of this \$131,804 difference is as follows:

Debt issued:	
Capital lease	\$ (41,119)
Principal repayments	<u>172,923</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 131,804</u></u>

Another element of the reconciliation states that “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.” The detail of this \$(4,609) difference is as follows:

Compensated absences	<u>\$ (4,609)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (4,609)</u></u>

**Note 3 - Stewardship, Compliance and Accountability:**

**A. Budgetary Information** - The Town follows these procedures set forth below in establishing the budgetary data reflected in the financial statements.

1. At least 90 days prior to the beginning of each budget year, the Town Manager shall submit to the Town Council a budget.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget shall be finally adopted no later than the first day of the last month of the fiscal year.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**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 2009 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	\$ 3,295,716	\$ 41,119
Nonbudgeted capital lease transactions	(41,119)	(41,119)
Budgetary Basis	<u>\$ 3,254,597</u>	<u>\$ -</u>

**B. Budget Amendment** - The final budget amounts reflected in the general fund include amendment approved at December 8, 2009 Town Council meeting. Florida Statutes Section 166.241 requires the budget to be amended within 60 days following the end of the fiscal year.

**Note 4 - Cash and Investments:**

**Deposits** - At year-end, the carrying amount of the Town's deposits was \$777,739 and the bank balance was \$958,679. 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, 2009

**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, 2009, 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, 2009, all of the Town's bank deposits were in qualified public depositories.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**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, 2009 was \$3.2280 per \$1,000 which means the Town has a tax margin of \$6.7720 per \$1,000 and could raise up to \$3,684,932 (before discount) additional a year from the present assessed valuation of \$544,142,446 before the limit is reached.

**Note 6 - Receivables:**

The accounts receivable and allowance for uncollectibles at September 30, 2009 were as follows:

	<b>Accounts Receivable</b>	<b>Allowance for Uncollectible</b>	<b>Net Receivable</b>
General Fund	<u>\$62,869</u>	<u>\$16,000</u>	<u>\$46,869</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 7 - Capital Assets:**

Capital asset activity for the year ended September 30, 2009 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	964,893	812,189	-	1,777,082
Total capital assets, not being depreciated	<u>1,162,028</u>	<u>812,189</u>	<u>-</u>	<u>1,974,217</u>
Capital assets, being depreciated:				
Buildings	1,351,047	-	-	1,351,047
Improvements	601,992	57,374	-	659,366
Equipment & machinery	894,855	93,422	(15,561)	972,716
Infrastructure	4,131,580	-	-	4,131,580
Total capital assets being depreciated	<u>6,979,474</u>	<u>150,796</u>	<u>(15,561)</u>	<u>7,114,709</u>
Less accumulated depreciation for:				
Buildings	(846,320)	(18,645)	-	(864,965)
Improvements	(155,689)	(29,820)	-	(185,509)
Equipment & machinery	(553,949)	(96,803)	13,932	(636,820)
Infrastructure	(373,651)	(208,074)	-	(581,725)
Total accumulated depreciation	<u>(1,929,609)</u>	<u>(353,342)</u>	<u>13,932</u>	<u>(2,269,019)</u>
Total capital assets being depreciated, net	<u>5,049,865</u>	<u>(202,546)</u>	<u>(1,629)</u>	<u>4,845,690</u>
Governmental activities capital assets, net	<u>\$ 6,211,893</u>	<u>\$ 609,643</u>	<u>\$ (1,629)</u>	<u>\$ 6,819,907</u>

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

**Governmental Activities:**

General government	\$ 68,711
Public safety	43,501
Physical environment	231,500
Culture and recreation	9,630
	<u>\$ 353,342</u>



TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**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, 2009 amounted to \$94,040.

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

Long-term debt activity for the year ended September 30, 2009 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	\$ 104,171	\$ 41,119	\$ 59,923	\$ 85,367	\$ 44,449
Note Payable	2,603,000	-	113,000	2,490,000	118,000
Compensated Absences	41,087	4,609	-	45,696	-
	<u>\$ 2,748,258</u>	<u>\$ 45,728</u>	<u>\$ 172,923</u>	<u>\$ 2,621,063</u>	<u>\$ 162,449</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	\$ 183,992
Less: Accumulated depreciation	<u>(67,767)</u>
	<u>\$ 116,225</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

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

**Capital Leases (Continued):**

The present value of future minimum capital lease payments as of September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2010	\$ 44,449
2011	33,773
2012	<u>13,716</u>
Total minimum lease payments	91,938
Less: amount representing interest	<u>(6,571)</u>
Present value of net minimum capital lease payments	<u>\$ 85,367</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 2009, rentals approximated \$10,217 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>
2010	118,000	113,944
2011	124,000	108,411
2012	129,000	102,641
2013	136,000	96,559
2014	142,000	90,192
2015-2019	815,000	344,819
2020-2024	<u>1,026,000</u>	<u>135,034</u>
	<u>\$ 2,490,000</u>	<u>\$ 991,600</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

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

**Revenue Note (Continued):**

The Town has pledged future communication services tax revenues to repay \$3 million in Communication Services Tax Revenue Note, Series 2004. Proceeds from the note provided financing for various Town capital projects. The note is payable solely from the communication services tax revenues. To the extent that communication services tax revenues are insufficient to pay principal of and interest on the note, the Town will, in each year while the note is outstanding, budget and appropriate sufficient Non-Ad Valorem Revenues to make payments of the principal of and interest on the note as it becomes due. Total principal and interest remaining on the note as of September 30, 2009 is \$3,481,600 with annual requirements ranging from \$231,944 in 2010 to \$231,802 in the final year. For the twelve month period ended September 30, 2009, principal and interest paid was \$233,860 and total communication services tax revenues pledged for the year was \$309,613.

**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, 2009, the Special Revenue Fund owes the General Fund \$213,124, 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:

	Transfer In		
	Special Revenue	5K Run Special Revenue	
	Total		
Transfer out:			
General Fund	\$514,445	\$ _____	\$514,445

**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, 2009

	<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	480,888	6,021	99,678	72,779	659,366
Equipment & machinery	224,250	389,148	288,400	70,918	972,716
Infrastructure	-	-	4,126,470	5,110	4,131,580
Construction in progress	-	-	1,777,082	-	1,777,082
Total	<u>\$ 2,118,193</u>	<u>\$ 530,296</u>	<u>\$ 6,291,630</u>	<u>\$ 148,807</u>	<u>\$ 9,088,926</u>

	<b>Balance 09-30-08</b>	<b>Additions</b>	<b>Deletions and Transfers</b>	<b>Balance 09-30-09</b>
General Government	\$ 2,041,266	\$ 82,395	\$ (5,468)	\$ 2,118,193
Public Safety	473,261	64,501	(7,466)	530,296
Physical Environment	5,478,168	816,088	(2,626)	6,291,630
Culture & Recreation	148,807	-	-	148,807
Total	<u>\$ 8,141,502</u>	<u>\$ 962,984</u>	<u>\$ (15,560)</u>	<u>\$ 9,088,926</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 audited the financial statements of *Town of Windermere, Florida* as of and for the year ended September 30, 2009, which collectively comprise the *Town of Windermere's* basic financial statements and have issued our report thereon dated February 22, 2010. 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 *Town of Windermere's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Town of Windermere's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Town of Windermere's* internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the *Town of Windermere's* financial statements will not be prevented, or detected and corrected, on a timely basis.

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 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 and a material weakness.

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### 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 of Windermere, Florida* 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 *Town of Windermere's* financial statements are free of material misstatement, we performed testes 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 *Town of Windermere, Florida*, in a separate letter dated February 22, 2010. The *Town of Windermere, Florida's* response to our findings identified in our audit is included in this report. We did not audit the *Town of Windermere, Florida'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.

*McDermitt Davis & Company, LLC*

February 22, 2010

**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, 2009, and have issued our report thereon dated February 22, 2010.

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 February 22, 2010, 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.

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- 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, 2009, 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, 2009. 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*

February 22, 2010

TOWN OF WINDERMERE, FLORIDA

**COMMENTS AND RECOMMENDATIONS**

**CURRENT YEAR COMMENTS**

For the Year Ended September 30, 2009

1. General Ledger Reconciliations

We observed that both accounts receivable and accounts payable balances on the general ledger are not being reconciled to the detail.

Recommendation

We recommend that the finance department perform reconciliations of general ledger to detail at least quarterly.

2. Payroll Rate Changes and W-2 Wages

During our testing of payroll controls we noted that wages for contracted services for special detail are not being reported on employees' W-2 earnings.

Recommendation

We recommend that the Town include wages paid for special detail on employees' W-2 earnings.

TOWN OF WINDERMERE, FLORIDA  
**COMMENTS AND RECOMMENDATIONS**

**PRIOR YEAR COMMENTS**

For the Year Ended September 30, 2008

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.

Corrective Action

Improvement is still needed in this area and comment will be repeated in the current year.

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

In the current year, we found no instances where the purchasing policy is not being followed.

3. Inadequate Segregation of Duties over Cash Receipts

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

Recommendation

We recommend that an individual other than the individual 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.

Corrective Action

In the current year, there was some improvement in segregation of duties since the same person is no longer making the deposit.

TOWN OF WINDERMERE, FLORIDA

**COMMENTS AND RECOMMENDATIONS**

**PRIOR YEAR COMMENTS (CONTINUED)**

For the Year Ended September 30, 2008

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.

Corrective Action

There was some improvements in recording plans review deposits; however, improvement is still needed. We encourage the finance department to keep a detailed spreadsheet of all plans review deposits and record all activity through a liability account. No activity should be recorded in an expense account.

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* for the year ended September 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 7, 2009. Professional standards also require that we communicate to you the following information related to our audit.

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 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the *Town of Windermere, Florida's* basic financial statements was:

Management's estimate of the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the basic financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

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

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### *Correct 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *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 February 22, 2010.

### *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,

*McDiernit Davis & Company, LLC*

February 22, 2010



**MCDIRMIT  DAVIS**  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

February 22, 2010

Cecilia Bernier, Town Manager  
*Town of Windermere*  
118 West 5<sup>th</sup> Avenue  
Windermere, Florida 34786

During the fiscal year ended September 30, 2009, the *Town of Windermere* received both Federal and State awards. Expenditures under Federal and State awards were both under \$500,000; therefore, the *Town of Windermere* is not subject to either a Federal or Florida single audit in 2009, since they did not meet the threshold for a single audit.

*McDermitt Davis & Company, LLC*

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