



**TOWN OF WINDERMERE,
FLORIDA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2015

INTRODUCTORY SECTION

TOWN OF WINDERMERE, FLORIDA

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TOWN OF WINDERMERE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2015

ELECTED OFFICIALS

Mayor

Gary Bruhn

Town Council Members:

Richard Gonzalez
Jim O'Brien
Bob McKinley
Molly Rose
John Armstrong

TOWN OFFICIALS

Town Manager

Robert Smith

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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 Town of Windermere, as of September 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Stormwater Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Town of Windermere's* basic financial statements. The introductory section and schedule of capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section and schedule of capital assets used in the operation of governmental funds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2016 on our consideration of *Town of Windermere's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Town of Windermere's* internal control over financial reporting and compliance.

McDiernit Davis & Company, LLC

Orlando, Florida
February 22, 2016

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, 2015.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,210,893 (net position). Of this amount, \$1,837,747 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$237,141.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,855,571, an increase of \$441,381 in comparison with the prior year. Unassigned fund balance for the general fund was \$1,494,129 or 25% of total general fund expenditures.
- The Town's total debt decreased by \$159,037 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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position 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 two governmental funds - the General Fund and the Stormwater 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 Stormwater Fund. A budgetary comparison statement has been provided for the General Fund and Stormwater Special Revenue Fund on pages 15 - 16 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 - 16 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$7,210,893 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position for the current year. For more detail see the Statement of Net Position on page 10.

Town of Windermere
Statement of Net Position

	Governmental Activities 2015	Governmental Activities 2014
Current and Other Assets	\$ 2,116,953	\$ 1,866,848
Capital Assets (net of accumulated depreciation)	7,221,807	7,591,235
Total assets	<u>9,338,760</u>	<u>9,458,083</u>
Long-term Liabilities	1,906,271	2,048,569
Other Liabilities	221,596	435,762
Total liabilities	<u>2,127,867</u>	<u>2,484,331</u>
Net Position:		
Net investment in capital assets	5,371,778	5,582,169
Restricted	1,368	3,941
Unrestricted	1,837,747	1,387,642
Total net position	<u>\$ 7,210,893</u>	<u>\$ 6,973,752</u>

The largest portion of the Town's net position of \$5,371,778 (80%) 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. Net position that are subject to external restrictions as to how they may be used total \$1,368.

The balance of unrestricted net position, \$1,837,747, 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 position.

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.

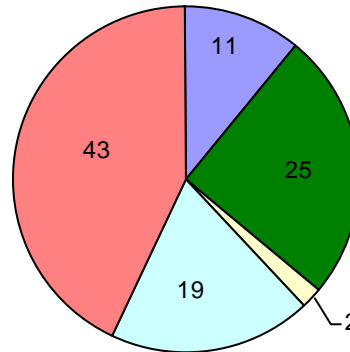
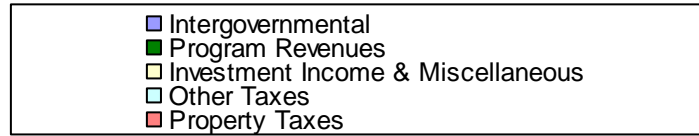
Governmental activities increased the Town's net position by \$237,141. Key elements of this increase are as follows:

Town of Windermere
Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014
	<hr/>	<hr/>
Revenues:		
Program revenues:		
Charges for services	\$ 1,042,141	\$ 979,136
Operating grants and contributions	96,361	98,412
Capital grants and contributions	109,104	53,979
	<hr/>	<hr/>
	1,247,606	1,131,527
General revenues:		
Property taxes	2,065,843	1,961,717
Franchise and utility taxes	857,733	854,002
Intergovernmental	537,324	509,820
Investment income and miscellaneous	52,428	48,472
Gain on sale of capital asset	-	24,946
	<hr/>	<hr/>
Total revenues	4,760,934	4,530,484
	<hr/>	<hr/>
Expenses:		
General government	1,229,624	1,198,331
Public safety	1,608,406	1,286,833
Physical environment	1,421,772	1,114,807
Culture and recreation	203,043	188,390
Interest on long-term debt	60,948	93,198
	<hr/>	<hr/>
Total expenses	4,523,793	3,881,559
	<hr/>	<hr/>
Increase in Net Position	237,141	648,925
	<hr/>	<hr/>
Net Position - beginning	6,973,752	6,324,827
	<hr/>	<hr/>
Net Position - ending	\$ 7,210,893	\$ 6,973,752
	<hr/> <hr/>	<hr/> <hr/>

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, unassigned 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, 2015, the Town governmental funds reported combined ending fund balances of \$1,855,571.

The general fund is the chief operating fund of the Town. At September 30, 2015, the total fund balance of the general fund was \$1,802,714 and the unassigned fund balance of the general fund was \$1,494,129. The fund balance of the general fund increased by \$419,493.

General Fund Budgetary Highlights

During the year, there was a need for a budget amendment in the general fund primarily to reallocate appropriations between departments. Because actual expenditures for the year ended September 30, 2014 were almost \$441,000 less than budgeted expenditures, the Town's general fund increased \$419,493. This is the fourth year in a row that the general fund had an increase in fund balance.

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, 2015 amounts to \$7,221,807 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and machinery, infrastructure and intangibles. Projects in progress at September 30, 2014 were completed in 2015.

Town of Windermere
Capital Assets
(Net of Depreciation)

	Governmental Activities 2015	Governmental Activities 2014
Land	\$ 197,235	\$ 197,235
Buildings	507,857	530,741
Improvements other than Buildings	724,304	781,451
Equipment and Machinery	266,111	323,387
Infrastructure	5,514,488	5,602,789
Intangibles	11,812	17,718
Construction in Progress	-	137,914
Total	<u>\$ 7,221,807</u>	<u>\$ 7,591,235</u>

Additional information on the Town's capital assets can be found in Note 6 of this report.

Long-Term Debt - At the end of the current fiscal year, the Town had total debt outstanding of \$1,850,029. 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

	Governmental Activities 2015	Governmental Activities 2014
Capital Lease Payable	\$ 121,626	\$ 168,066
Note Payable	1,728,403	1,841,000
	<u>\$ 1,850,029</u>	<u>\$ 2,009,066</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General fund increased to \$1,494,129. None of this was appropriated for spending in the 2016 budget since the Town plans to maintain this as a reserve.

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, 614 Main Street, Windermere, FL 34786.

BASIC FINANCIAL STATEMENTS

TOWN OF WINDERMERE, FLORIDA

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities
Assets:	
Cash	\$ 1,924,575
Receivables	58,130
Due from other governments	56,412
Prepays	77,836
Capital assets (net of accumulated depreciation):	
Land	197,235
Buildings	507,857
Improvements	724,304
Equipment and machinery	266,111
Infrastructure	5,514,488
Intangibles	11,812
	<hr/>
Total assets	9,338,760
	<hr/>
Liabilities:	
Accounts payable	135,783
Accrued liabilities	66,138
Customer deposits	19,675
Noncurrent liabilities:	
Due within one year	220,996
Due in more than one year	1,685,275
	<hr/>
Total liabilities	2,127,867
	<hr/>
Net Position:	
Net investment in capital assets	5,371,778
Restricted for:	
Public safety	1,368
Unrestricted	1,837,747
	<hr/>
Total net position	\$ 7,210,893
	<hr/> <hr/>

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

TOWN OF WINDERMERE, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Primary Government					Governmental Activities
Governmental Activities:					
General Government	\$ 1,229,624	\$ 365,997	\$ -	\$ -	\$ (863,627)
Public Safety	1,608,406	29,010	-	10,000	(1,569,396)
Physical Environment	1,421,772	499,240	96,361	99,104	(727,067)
Culture and Recreation	203,043	147,894	-	-	(55,149)
Interest on Long-term debt	60,948	-	-	-	(60,948)
Total governmental activities	<u>\$ 4,523,793</u>	<u>\$ 1,042,141</u>	<u>\$ 96,361</u>	<u>\$ 109,104</u>	<u>(3,276,187)</u>
		General Revenues:			
					2,065,843
					857,733
					537,324
					52,428
					<u>3,513,328</u>
					237,141
					<u>6,973,752</u>
					<u>\$ 7,210,893</u>

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

TOWN OF WINDERMERE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2015

	<u>General</u>	<u>Stormwater Special Revenue</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,843,815	\$ 80,760	\$ 1,924,575
Receivables	58,130	-	58,130
Due from other governments	16,626	39,786	56,412
Due from other funds	25,930	-	25,930
Prepaid costs	77,836	-	77,836
Total assets	<u>\$ 2,022,337</u>	<u>\$ 120,546</u>	<u>\$ 2,142,883</u>
Liabilities:			
Accounts payable	\$ 135,323	\$ 460	\$ 135,783
Accrued liabilities	64,625	1,513	66,138
Due to other funds	-	25,930	25,930
Customer deposits	19,675	-	19,675
Total liabilities	<u>219,623</u>	<u>27,903</u>	<u>247,526</u>
Deferred Inflows of Resources:			
Unavailable revenue - grants	-	39,786	39,786
Total deferred inflows of resources	<u>-</u>	<u>39,786</u>	<u>39,786</u>
Fund Balances:			
Nonspendable	77,836	-	77,836
Restricted	1,368	-	1,368
Committed	-	52,857	52,857
Assigned	229,381	-	229,381
Unassigned	1,494,129	-	1,494,129
Total fund balances	<u>1,802,714</u>	<u>52,857</u>	<u>1,855,571</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,022,337</u>	<u>\$ 120,546</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,221,807
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	39,786
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	(1,906,271)
Net Position of Governmental Activities	<u>\$ 7,210,893</u>

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, 2015

	<u>General</u>	<u>Stormwater Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$ 2,065,843	\$ -	\$ 2,065,843
Franchise and utility	857,733	-	857,733
Licenses and permits	202,628	-	202,628
Intergovernmental revenues	643,685	76,214	719,899
Charges for services	480,142	211,491	691,633
Fines and forfeitures	47,113	-	47,113
Investment income	142	791	933
Miscellaneous	161,032	-	161,032
Total revenues	<u>4,458,318</u>	<u>288,496</u>	<u>4,746,814</u>
Expenditures:			
Current:			
General government	1,161,767	-	1,161,767
Public safety	1,579,778	-	1,579,778
Physical environment	886,158	261,478	1,147,636
Culture and recreation	180,767	-	180,767
Debt service:			
Principal	2,044,332	4,714	2,049,046
Interest and other charges	60,532	416	60,948
Note issue costs	15,500	-	15,500
Total expenditures	<u>5,928,834</u>	<u>266,608</u>	<u>6,195,442</u>
Excess (Deficit) of Revenues Over Expenditures	(1,470,516)	21,888	(1,448,628)
Other Financing Sources (Uses):			
Promissory note	33,509	-	33,509
Refunding note issued	1,856,500	-	1,856,500
Total other financing sources (uses)	<u>1,890,009</u>	<u>-</u>	<u>1,890,009</u>
Net Change in Fund Balances	419,493	21,888	441,381
Fund Balance - beginning of year	<u>1,383,221</u>	<u>30,969</u>	<u>1,414,190</u>
Fund Balance - end of year	<u>\$ 1,802,714</u>	<u>\$ 52,857</u>	<u>\$ 1,855,571</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, 2015

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

Net change in fund balances - total governmental funds:	\$	441,381
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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	\$	237,997	
Current year depreciation		<u>(584,557)</u>	(346,560)

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

(22,868)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

22,890

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.

159,037

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.

(16,739)

Change in Net Position of Governmental Activities	\$	<u><u>237,141</u></u>
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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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 2,021,594	\$ 2,065,843	\$ 2,065,843	\$ -
Franchise and utility	760,964	865,176	857,733	(7,443)
Licenses and permits	104,500	202,628	202,628	-
Intergovernmental revenues	622,709	643,685	643,685	-
Charges for services	354,722	480,142	480,142	-
Fines and forfeitures	18,500	44,446	47,113	2,667
Investment income	3,000	142	142	-
Miscellaneous	274,800	177,651	161,032	(16,619)
Total revenues	<u>4,160,789</u>	<u>4,479,713</u>	<u>4,458,318</u>	<u>(21,395)</u>
Expenditures:				
Current:				
General government:				
Finance & administrative	812,975	867,925	857,455	10,470
Other	388,865	601,624	304,312	297,312
Total general government	<u>1,201,840</u>	<u>1,469,549</u>	<u>1,161,767</u>	<u>307,782</u>
Public safety	1,575,088	1,560,491	1,546,269	14,222
Physical environment:				
Streets & buildings	757,564	760,774	643,299	117,475
Solid waste	236,805	243,000	242,859	141
Total physical environment	<u>994,369</u>	<u>1,003,774</u>	<u>886,158</u>	<u>117,616</u>
Culture and recreation	132,150	182,035	180,767	1,268
Debt service:				
Principal	196,810	203,332	203,332	-
Interest	60,532	60,532	60,532	-
Total expenditures	<u>4,160,789</u>	<u>4,479,713</u>	<u>4,038,825</u>	<u>440,888</u>
Excess of Revenues Over Expenditures	-	-	419,493	419,493
Net Change in Fund Balances	-	-	419,493	419,493
Fund Balance - beginning	<u>1,383,221</u>	<u>1,383,221</u>	<u>1,383,221</u>	-
Fund Balance - ending	<u>\$ 1,383,221</u>	<u>\$ 1,383,221</u>	<u>\$ 1,802,714</u>	<u>\$ 419,493</u>

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

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ -	\$ 76,214	\$ 76,214	\$ -
Charges for services	219,449	211,491	211,491	-
Investment income	-	791	791	-
Total revenues	<u>219,449</u>	<u>288,496</u>	<u>288,496</u>	<u>-</u>
Expenditures:				
Current:				
Physical environment	<u>214,319</u>	<u>280,391</u>	<u>261,478</u>	<u>18,913</u>
Debt service:				
Principal	4,714	4,714	4,714	-
Interest	416	416	416	-
Total expenditures	<u>219,449</u>	<u>285,521</u>	<u>266,608</u>	<u>18,913</u>
Net change in fund balances*	-	2,975	21,888	18,913
Fund Balance - beginning of year	<u>30,969</u>	<u>30,969</u>	<u>30,969</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 30,969</u>	<u>\$ 33,944</u>	<u>\$ 52,857</u>	<u>\$ 18,913</u>

*The net change in fund balance was included in the budget as an appropriation of fund balance.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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.

C. 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. 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 *Stormwater Special Revenue Fund* accounts for stormwater management operations and related capital improvements.

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.

D. Assets, Liabilities and Net Position or Equity

1. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Position or Equity (Continued)

2. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based on past collection experience and current economic conditions.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

4. 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 Governmental Accounting Standards Board (GASB) No. 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.

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.

Depreciation on all capital assets is calculated using the straight-line method over the following useful lives:

Buildings	50 years
Improvements	10 - 30 years
Infrastructure	20 years
Equipment & Machinery	5 - 15 years
Intangible Assets	5 years

Amortization of assets recorded under capital leases is included with depreciation expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Position or Equity (Continued)

5. Contributions

Contributions in the form of cash and capital assets to the governmental activities of the Town are recognized on the Statement of Activities as revenues in the period they are received. Contributions of capital assets are recognized at the fair value at the date of donation. All contributions are reported on the Statement of Activities as program revenues, with operating contributions reported separately from capital contributions.

6. Restricted Assets

Assets are reported as restricted in the government-wide statement of net position when constraints are placed on net asset use. The constraints are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

7. Compensated Absences

Town 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 when they terminate for any reason. Additionally, employees with more than 10 years of service are paid 50% of their sick time upon termination. Since the Town's policy is to pay both vacation and sick pay when employees separate from service, all vacation and 50% of sick pay for eligible employees 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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any item that qualifies for reporting in this category for the year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Position or Equity (Continued)

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Revenues related to grant reimbursements receivable at year end but not received within 60 days are considered unavailable on the Stormwater Fund financial statements.

9. Net Position Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities and Net Position or Equity (Continued)

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the town's highest level of decision-making authority. The Council is the highest level of decision-making authority for the town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the town for specific purposes but do not meet the criteria to be classified as committed. The council has maintained authority to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position.

B. 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 balance includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

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 last day of the last month of the fiscal year.
4. Formal budgetary accounting is employed as a management control for the General Fund and Stormwater Fund. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and amended as required for the General Fund and Stormwater Fund. 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.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

A. Budgetary Information (Continued)

- 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 or other debt.

For the 2015 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis, respectively:

	General Fund	
	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 5,928,834	\$ 1,890,009
Nonbudgeted Promissory Note Transactions	(33,509)	(33,509)
Nonbudgeted Refunding Note Transactions	(1,856,500)	(1,856,500)
Budgetary basis	<u>\$ 4,038,825</u>	<u>\$ -</u>

B. Budget Amendment

The final budget amounts reflected in the general fund include amendment approved at November 10, 2015 Town Council meeting. Florida Statutes Section 166.241 requires the budget to be amended within 60 days following the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 4 - CASH AND INVESTMENTS:

A. Deposits

At year-end, the carrying amount of the Town's deposits was \$1,924,575 and the bank balance was \$1,930,234. 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.

B. 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 (LGIP);
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 Town follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available market values.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 4 - CASH AND INVESTMENTS (CONTINUED):

B. Investments (Continued)

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, 2015, 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, 2015, all of the Town's bank deposits were in qualified public depositories.

NOTE 5 - PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. Orange County Government, Florida (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, 2015 was \$3.7896 per \$1,000 which means the Town has a tax margin of \$6.2104 per \$1,000 and could raise up to \$3,487,359 (before discount) additional per year from the present assessed valuation of \$561,535,310 before the limit is reached.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2015 was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases / Transfers</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 197,235	\$ -	\$ -	\$ 197,235
Construction in progress	137,914	186,873	(324,787)	-
Total capital assets, not being depreciated	<u>335,149</u>	<u>186,873</u>	<u>(324,787)</u>	<u>197,235</u>
Capital assets, being depreciated:				
Buildings	1,486,258	-	-	1,486,258
Improvements	1,200,173	-	-	1,200,173
Equipment & machinery	1,123,254	51,124	(99,999)	1,074,379
Infrastructure	7,802,977	312,787	-	8,115,764
Intangibles	29,530	-	-	29,530
Total capital assets, being depreciated	<u>11,642,192</u>	<u>363,911</u>	<u>(99,999)</u>	<u>11,906,104</u>
Less accumulated depreciation for:				
Buildings	(955,517)	(22,884)	-	(978,401)
Improvements	(418,722)	(57,148)	-	(475,870)
Equipment & machinery	(799,867)	(97,532)	89,131	(808,268)
Infrastructure	(2,200,188)	(401,087)	-	(2,601,275)
Intangibles	(11,812)	(5,906)	-	(17,718)
Total accumulated depreciation	<u>(4,386,106)</u>	<u>(584,557)</u>	<u>89,131</u>	<u>(4,881,532)</u>
Total capital assets being depreciated, net	<u>7,256,086</u>	<u>(220,646)</u>	<u>(10,868)</u>	<u>7,024,572</u>
Governmental Activities				
Capital Assets, net	<u>\$ 7,591,235</u>	<u>\$ (33,773)</u>	<u>\$ (335,655)</u>	<u>\$ 7,221,807</u>
Depreciation Allocation:				
General Government			\$ 58,083	
Public Safety			59,132	
Physical Environment			445,066	
Culture and Recreation			22,276	
			<u>\$ 584,557</u>	

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

At September 30, 2015, the Stormwater Special Revenue Fund owed the General Fund \$25,390 mainly due to the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 8 - RETIREMENT PLAN:

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 plan covers all full time employees. The Town is required to contribute 10% of eligible employee compensation each year. Employees may not make contributions to the plan. At September 30, 2015, there were 37 participants. Total contributions made by the Town during the year ended September 30, 2015 amounted to \$87,726.

The Town adopted the Town of Windermere Deferred Compensation Plan effective March 20, 2002. The plan is a deferred compensation defined contribution plan which was established and can be amended by the Town Council. The plan covers all full time employees who may elect to make contributions. The Town does not match employee contributions or otherwise contribute to the plan. At September 30, 2015, the plan had 17 participants.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS:

Pursuant to Resolution 2010-15, the Town has elected not to make continuation of group health insurance through the Town's current provider available to retirees and eligible dependents.

NOTE 10 - NONCURRENT LIABILITIES:

A summary of noncurrent liability activity for the year ended September 30, 2015 follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital Leases	\$ 168,066	\$ -	\$ 46,440	\$ 121,626	\$ 47,591
Promissory Note Payable	-	33,509	2,106	31,403	6,405
Refunding Note Payable	-	1,856,500	159,500	1,697,000	167,000
Note Payable	1,841,000	-	1,841,000	-	-
Compensated Absences	39,503	58,436	41,697	56,242	-
	\$ 2,048,569	\$ 1,948,445	\$ 2,090,743	\$ 1,906,271	\$ 220,996

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 10 - NONCURRENT LIABILITIES (CONTINUED):

A. Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of vehicles and certain equipment. These lease agreements qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of their future minimum lease payments as of the inception date. The aggregate cost and accumulated depreciation of assets acquired through capital leases are as follows:

<u>Governmental Activities:</u>	
Equipment	\$ 232,888
Less: accumulated depreciation	(77,434)
	<u>\$ 155,454</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2015, are as follows:

<u>Year Ending September 30,</u>	Governmental Activities
2016	\$ 51,417
2017	49,400
2018	28,821
2019	566
Total Minimum Lease Payments	130,204
Less: amount representing interest	(8,578)
Present Value of Net Minimum Capital Lease Payments	<u>\$ 121,626</u>

B. Notes Payable

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%. This note was refunded during the year.

The Town issued Communication Services Tax Refunding Revenue Note, Series 2014, to refund the 2004 Communication Services Tax Revenue Note. The \$1,856,500 Note has an interest rate of 2.91% and 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. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$140,173 and a reduction of \$163,351 in future debt service payments.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 10 - NONCURRENT LIABILITIES (CONTINUED):

B. Notes Payable (Continued):

During fiscal year 2015, the Town entered into a note agreement with a bank for the amount of \$33,509, for the purpose of purchasing certain equipment. The Promissory Note, Series 2015, is secured by the equipment purchased and is not a general obligation of the Town. Principal and interest payments are due each month on the 7th, in the amount of \$599, until the maturity date of May 7, 2020. Interest rate on the Note is 2.75%. Total principal and interest remaining on the Note as of September 30, 2015 is \$33,500. Total principal and interest paid during the year ended September 30, 2015 was \$2,396.

Annual debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	Governmental Activities	
	Principal	Interest
2016	\$ 173,405	\$ 48,951
2017	179,084	43,877
2018	183,767	38,638
2019	189,456	33,254
2020	193,191	27,721
2021 - 2024	809,500	53,828
	<u>\$ 1,728,403</u>	<u>\$ 246,269</u>

In accordance with GASB Statement No. 48, the Town has pledged future communication services tax revenues to repay the Communication Services Tax Refunding Revenue Note, Series 2014. Proceeds from the original note, issued in 2004, 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, 2015 is \$1,941,171 with annual requirements ranging from \$216,182 in 2016 to \$215,605 in the final year. For the twelve month period ended September 30, 2015, principal and interest paid on the 2014 Note was \$205,915. Prior to the refunding, \$10,418 accrued and was paid on the 2004 Note. Total communication services tax revenues pledged for the year was \$255,808.

NOTE 11 - LEASES:

As Lessor

The Town leases certain space to tenants pursuant to operating lease agreements with terms of one year or less. For fiscal year 2015, rental income totaled \$78,171.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 12 - 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 13 - LITIGATION, CONTINGENCIES, AND COMMITMENTS:

A. Litigation

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.

B. Contingencies

The Town applied for and received federal grants from FEMA for emergency hurricane relief services for Hurricanes Frances and Jeanne in fiscal years ending in 2004 and 2005. Florida's Division of Emergency Management (FDEM) administered the grants which were used by the Town for debris cleanup and other emergency services in 2004 and 2005. In late 2015, the Town received notice that FDEM contends that it overpaid the Town approximately \$483,000 due to project underruns or deobligations. The Town filed an administrative appeal on February 15, 2016. According to the attorneys hired to handle this appeal process, it is not possible to estimate the Town's potential liability associated with FDEM's decision, or the remedies FDEM could potentially have against the Town if the appeal is unsuccessful.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2015

NOTE 14 - FUND BALANCES:

At September 30, 2015, the Town's governmental fund balances were classified as follows:

Fund Balances:	MAJOR FUNDS		Total
	General	Stormwater Special Revenue	
Nonspendable:			
Prepaid expenses	\$ 77,836	\$ -	\$ 77,836
Spendable:			
Restricted for:			
Public safety	1,368	-	1,368
Committed to:			
Drainage system projects	-	52,857	52,857
Assigned to:			
Downtown Business Committee	35,072	-	35,072
Parks & recreation	66,238	-	66,238
Repaving	100,000	-	100,000
Other	28,071	-	28,071
Unassigned:			
Unassigned	1,494,129	-	1,494,129
Total Fund Balances	<u>\$ 1,802,714</u>	<u>\$ 52,857</u>	<u>\$ 1,855,571</u>

NOTE 15 - SUBSEQUENT EVENTS:

The Town has evaluated subsequent events through the date of the independent auditor's report, the date which the accompanying financial statements were available to be issued.

**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, 2015

	General Government	Public Safety	Physical Environment	Culture And Recreation	Total
Land	\$ 197,235	\$ -	\$ -	\$ -	\$ 197,235
Buildings	1,210,370	138,577	-	137,311	1,486,258
Improvements	601,927	25,470	212,535	360,242	1,200,174
Equipment & Machinery	129,628	440,666	436,448	67,637	1,074,379
Infrastructure	-	-	8,110,653	5,110	8,115,763
Intangibles	29,530	-	-	-	29,530
Total	<u>\$ 2,168,690</u>	<u>\$ 604,713</u>	<u>\$ 8,759,636</u>	<u>\$ 570,300</u>	<u>\$ 12,103,339</u>

	Balance 09-30-14	Additions	Deletions and Transfers	Balance 09-30-15
General Government	\$ 2,159,476	\$ 10,514	\$ (1,300)	\$ 2,168,690
Public Safety	662,802	40,610	(98,699)	604,713
Physical Environment	8,584,764	312,787	(137,915)	8,759,636
Culture & Recreation	570,300	-	-	570,300
Total	<u>\$ 11,977,342</u>	<u>\$ 363,911</u>	<u>\$ (237,914)</u>	<u>\$ 12,103,339</u>

See Independent Auditor's Report

OTHER REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Windermere, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Town of Windermere, Florida*, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the *Town of Windermere, Florida's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Town of Windermere's* internal control. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Appendix A of the accompanying report to management, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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*.

Town's Response to Findings

The Town of Windermere's response to the finding identified in our audit is included in this report. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McDiarmid Davis & Company, LLC

Orlando, Florida
February 22, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and Town Council
Town of Windermere, Florida

We have examined Town of Windermere's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, Town of Windermere complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

McDirmit Davis & Company, LLC

Orlando, Florida
February 22, 2016

MANAGEMENT LETTER

Honorable Mayor and Town Council
 Town of Windermere, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Windermere, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated February 22, 2016.

Auditor’s Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 16, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Management has decided to acknowledge and accept the finding which was repeated in the prior two annual financial reports:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	FY 2014 Finding #	FY 2013 Finding #
ML 15-01	ML 14-01	ML 13-01

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934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
 TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Windermere, Florida 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Windermere, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town of Windermere, Florida for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

Orlando, Florida
February 22, 2016

APPENDIX A - SIGNIFICANT DEFICIENCY

Year Ended September 30, 2015

15-01 - Internal Controls Over the Preparation of Financial Statements

Criteria

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to evaluate whether or not the Town has the necessary expertise to draft the financial statements, including footnote disclosures, without the assistance of auditors.

Condition

During the course of our audit, we determined that the Town does not have the necessary expertise to draft the financial statements without our assistance.

Cause

Due to the small size of the Town, none of the staff is qualified to prepare the financial statements.

Effect

McDermitt Davis and Company, LLC drafts the financial statements and Town staff reviews. In addition, McDermitt Davis and Company, LLC requires a second partner review of the financial statements.

Recommendation

We recommend continued training of existing staff to improve financial reporting.

Town of Windermere

614 Main Street Windermere, FL 34786-3503
Office: (407) 876-2563 Fax: (407) 876-0103

Mayor
GARY BRUHN



Town Manager
ROBERT SMITH

Clerk
DOROTHY BURKHALTER

February 22, 2019

RE: Comments and Recommendations from Auditor FY 14-15

Mayor & Council,

For FY 14-15, the Auditors had one finding relative to internal controls. The following is my response to that finding:

15-01 – Internal Controls over the Preparation of Financial Statements:

Finding: SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to evaluate whether or not the Town has the necessary expertise to draft the financial statements, including footnote disclosures, without the assistance of auditors.

Recommendation: “We recommend continued training of existing staff to improve financial reporting.”

Response: Management acknowledges and accepts this deficiency due to the size and limited resources of the Town. We will continue to develop and train staff in improving financial reporting capabilities.

Regards,



Robert Smith

Honorable Mayor and Town Council
Town of Windermere, Florida

We have audited the financial statements of the *Town of Windermere, Florida* as of and for the year ended September 30, 2015 and have issued our report thereon dated February 22, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 16, 2015, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town of Windermere solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated February 22, 2016.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Town of Windermere is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no significant changes in accounting policies or their application in 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimation for 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 financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Town of Windermere's financial statements relate to litigation and contingencies as described in Note 13.

Identified or Suspected Fraud

We have neither identified nor have we obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 22, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Town of Windermere, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Town of Windermere's auditors

This report 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

Orlando, Florida
February 22, 2016