

**TOWN OF WINDERMERE,
FLORIDA**

**ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2017

INTRODUCTORY SECTION

TOWN OF WINDERMERE, FLORIDA

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TOWN OF WINDERMERE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2017

ELECTED OFFICIALS

Mayor

Gary Bruhn

Town Council Members:

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

TOWN OFFICIALS

Town Manager

Robert Smith

Town Attorney

Tom Wilkes

Town Clerk

Dorothy Burkhalter

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, 2017, 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.

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, 2017, 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.

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

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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2018 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.

McDermitt Davis & Company, LLC

Orlando, Florida
February 5, 2018

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, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,872,638 (net position). Of this amount, \$1,494,630 (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 \$150,752.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,541,727, a decrease of \$(1,235,355) in comparison with the prior year. Unassigned fund balance for the general fund was \$748,731 or 11% of total general fund expenditures.
- The Town's total debt increased by \$12,380 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.

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 \$7,872,638 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 2017	Governmental Activities 2016
Current and Other Assets	\$ 1,995,904	\$ 3,088,614
Capital Assets (net of accumulated depreciation)	8,124,103	6,725,616
Total assets	10,120,007	9,814,230
Long-term Liabilities	1,793,192	1,780,812
Other Liabilities	454,177	311,532
Total liabilities	2,247,369	2,092,344
Net Position:		
Net investment in capital assets	6,377,360	4,998,580
Restricted:		
Transportation impact	-	200,000
Signage impact	-	25,000
Public safety	648	1,186
Unrestricted	1,494,630	2,497,120
Total net position	\$ 7,872,638	\$ 7,721,886

The largest portion of the Town's net position of \$6,377,360 (81%) 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 \$648.

The balance of unrestricted net position, \$1,494,630, 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.

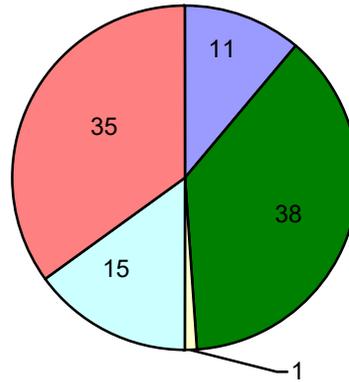
Governmental activities increased the Town's net position by \$150,752. Key elements of this increase are as follows:

Town of Windermere
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
	<hr/>	<hr/>
Revenues:		
Program revenues:		
Charges for services	\$ 1,850,663	\$ 1,676,782
Operating grants and contributions	100,156	99,624
Capital grants and contributions	76,550	235,000
	<hr/>	<hr/>
	2,027,369	2,011,406
General revenues:		
Property taxes	1,934,702	1,848,190
Franchise and utility taxes	786,834	759,421
Intergovernmental	571,500	550,659
Gain on sale of capital asset	25,387	-
Investment income and miscellaneous	72,108	54,960
	<hr/>	<hr/>
Total revenues	5,417,900	5,224,636
	<hr/>	<hr/>
Expenses:		
General government	1,266,701	1,266,171
Public safety	1,872,864	1,758,234
Physical environment	1,894,083	1,497,465
Culture and recreation	185,796	140,362
Interest on long-term debt	47,704	51,411
	<hr/>	<hr/>
Total expenses	5,267,148	4,713,643
	<hr/>	<hr/>
Increase in Net Position	150,752	510,993
	<hr/>	<hr/>
Net Position - beginning	7,721,886	7,210,893
	<hr/>	<hr/>
Net Position - ending	\$ 7,872,638	\$ 7,721,886
	<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, 2017, the Town governmental funds reported combined ending fund balances of \$1,541,727.

The general fund is the chief operating fund of the Town. At September 30, 2017, the total fund balance of the general fund was \$1,190,411 and the unassigned fund balance of the general fund was \$748,731. The fund balance of the general fund decreased by \$1,331,074.

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 and to appropriate fund balance for debris clean up after Hurricane Irma. As a result of planned construction projects and costs incurred for debris removal, fund balance decreased by \$1,331,074. This is the first year of a general fund decrease in over five years.

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, 2017 amounts to \$8,124,103 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and machinery, infrastructure and intangibles.

Town of Windermere
Capital Assets
(Net of Depreciation)

	Governmental Activities 2017	Governmental Activities 2016
Land	\$ 197,235	\$ 197,235
Buildings	498,626	485,490
Improvements other than Buildings	653,667	668,127
Equipment and Machinery	491,528	276,308
Infrastructure	4,951,047	5,092,550
Intangibles	-	5,906
Construction in Progress	1,332,000	-
Total	<u>\$ 8,124,103</u>	<u>\$ 6,725,616</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 \$1,746,743. This debt includes capital leases on vehicles and equipment and notes payable related to equipment and downtown development. Additional information on long-term debt can be found in Note 10 of this report.

Town of Windermere
Long-term Debt

	Governmental Activities 2017	Governmental Activities 2016
Capital Lease Payable	\$ 27,307	\$ 74,033
Notes Payable	1,719,436	1,653,003
	<u>\$ 1,746,743</u>	<u>\$ 1,727,036</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 decreased to \$748,731. None of this was appropriated for spending in the 2018 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, 2017

	Governmental Activities
Assets:	
Cash	\$ 1,821,519
Receivables	7,998
Due from other governments	42,062
Prepays	124,325
Capital assets not being depreciated:	
Land	197,235
Construction in progress	1,332,000
Capital assets, net of accumulated depreciation:	
Buildings	498,626
Improvements	653,667
Equipment and machinery	491,528
Infrastructure	4,951,047
	<hr/>
Total assets	10,120,007
	<hr/>
Liabilities:	
Accounts payable	269,037
Accrued liabilities	30,498
Matured interest and principal payable	106,535
Customer deposits	48,107
Noncurrent liabilities:	
Due within one year	271,036
Due in more than one year	1,522,156
	<hr/>
Total liabilities	2,247,369
	<hr/>
Net Position:	
Net investment in capital assets	6,377,360
Restricted for:	
Public safety	648
Unrestricted	1,494,630
	<hr/>
Total net position	\$ 7,872,638
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The accompanying Notes to Financial Statements are an integral part of this statement.

TOWN OF WINDERMERE, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

<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	\$ 1,266,701	\$ 433,241	\$ -	\$ -	\$ (833,460)
Public Safety	1,872,864	536,482	-	36,550	(1,299,832)
Physical Environment	1,894,083	657,196	100,156	40,000	(1,096,731)
Culture and Recreation	185,796	223,744	-	-	37,948
Interest on Long-term debt	47,704	-	-	-	(47,704)
Total governmental activities	\$ 5,267,148	\$ 1,850,663	\$ 100,156	\$ 76,550	(3,239,779)
		General Revenues:			
		Property taxes			1,934,702
		Franchise and utility taxes			786,834
		Intergovernmental			571,500
		Gain on sale of capital assets			25,387
		Investment income and miscellaneous			72,108
		Total general revenues			3,390,531
		Change in net position			150,752
		Net Position - beginning			7,721,886
		Net Position - ending			\$ 7,872,638

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

TOWN OF WINDERMERE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	<u>General</u>	<u>Stormwater Special Revenue</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,454,729	\$ 366,790	\$ 1,821,519
Receivables	7,998	-	7,998
Due from other governments	42,062	-	42,062
Due from other funds	2,869	-	2,869
Prepaid costs	124,325	-	124,325
	<u>\$ 1,631,983</u>	<u>\$ 366,790</u>	<u>\$ 1,998,773</u>
Liabilities:			
Accounts payable	257,107	11,930	269,037
Accrued liabilities	29,823	675	30,498
Due to other funds	-	2,869	2,869
Customer deposits	48,107	-	48,107
Matured bonds payable	86,500	-	86,500
Matured interest payable	20,035	-	20,035
	<u>441,572</u>	<u>15,474</u>	<u>457,046</u>
Fund Balances:			
Nonspendable	124,325	-	124,325
Restricted	648	-	648
Committed	-	351,316	351,316
Assigned	316,707	-	316,707
Unassigned	748,731	-	748,731
	<u>1,190,411</u>	<u>351,316</u>	<u>1,541,727</u>
	<u>\$ 1,631,983</u>	<u>\$ 366,790</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	8,124,103
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,793,192)</u>
Net Position of Governmental Activities	<u><u>\$ 7,872,638</u></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, 2017

	<u>General</u>	<u>Stormwater Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$ 1,934,702	\$ -	\$ 1,934,702
Franchise and utility	786,834	-	786,834
Impact fees	40,000	-	40,000
Licenses and permits	209,977	-	209,977
Intergovernmental revenues	708,206	-	708,206
Charges for services	1,166,681	336,618	1,503,299
Fines and forfeitures	19,855	-	19,855
Investment income	16,484	2,245	18,729
Miscellaneous	170,243	668	170,911
Total revenues	<u>5,052,982</u>	<u>339,531</u>	<u>5,392,513</u>
Expenditures:			
Current:			
General government	1,304,547	-	1,304,547
Public safety	1,915,034	-	1,915,034
Physical environment	2,967,239	232,323	3,199,562
Culture and recreation	237,972	-	237,972
Debt service:			
Principal	259,364	10,387	269,751
Interest and other charges	46,602	1,102	47,704
Total expenditures	<u>6,730,758</u>	<u>243,812</u>	<u>6,974,570</u>
Excess (Deficit) of Revenues Over Expenditures	(1,677,776)	95,719	(1,582,057)
Other Financing Sources (Uses):			
Sale of general capital assets	57,244	-	57,244
Proceeds from notes payable	289,458	-	289,458
Total other financing sources (uses)	<u>346,702</u>	<u>-</u>	<u>346,702</u>
Net Change in Fund Balances	(1,331,074)	95,719	(1,235,355)
Fund Balance - beginning of year	<u>2,521,485</u>	<u>255,597</u>	<u>2,777,082</u>
Fund Balance - end of year	<u>\$ 1,190,411</u>	<u>\$ 351,316</u>	<u>\$ 1,541,727</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, 2017

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

Net change in fund balances - total governmental funds: \$ (1,235,355)

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 depreciation exceeded capital outlay in the current period.

Capital Outlay	\$ 2,058,423	
Current year depreciation	<u>(628,079)</u>	1,430,344

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. (31,857)

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.

Debt proceeds	\$ (289,458)	
Debt repayments	<u>269,751</u>	(19,707)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 7,327

Change in Net Position of Governmental Activities \$ 150,752

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, 2017

	<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	\$ 1,902,242	\$ 1,934,702	\$ 1,934,702	\$ -
Franchise and utility	760,177	786,834	786,834	-
Impact fees	-	40,000	40,000	-
Licenses and permits	155,000	205,064	209,977	4,913
Intergovernmental revenues	735,832	682,770	708,206	25,436
Charges for services	1,078,277	1,166,681	1,166,681	-
Fines and forfeitures	28,000	17,254	19,855	2,601
Investment income	9,000	16,484	16,484	-
Miscellaneous	154,500	166,383	170,243	3,860
Total revenues	<u>4,823,028</u>	<u>5,016,172</u>	<u>5,052,982</u>	<u>36,810</u>
Expenditures:				
Current:				
General government:				
Finance & administrative	881,478	891,150	898,742	(7,592)
Other	267,246	405,822	405,805	17
Total general government	<u>1,148,724</u>	<u>1,296,972</u>	<u>1,304,547</u>	<u>(7,575)</u>
Public safety	1,748,200	1,828,572	1,849,009	(20,437)
Physical environment:				
Streets & buildings	1,151,500	2,436,146	2,459,567	(23,421)
Solid waste	267,180	284,239	284,239	-
Total physical environment	<u>1,418,680</u>	<u>2,720,385</u>	<u>2,743,806</u>	<u>(23,421)</u>
Culture and recreation	236,241	237,988	237,972	16
Debt service:				
Principal	274,479	139,312	259,364	(120,052)
Interest	4,204	27,059	46,602	(19,543)
Total expenditures	<u>4,830,528</u>	<u>6,250,288</u>	<u>6,441,300</u>	<u>(191,012)</u>
Excess of Revenues Over Expenditures	(7,500)	(1,234,116)	(1,388,318)	(154,202)
Other Financing Sources (uses):				
Sale of general capital assets	7,500	26,374	57,244	30,870
Total other financing sources (uses)	<u>7,500</u>	<u>26,374</u>	<u>57,244</u>	<u>30,870</u>
Net Change in Fund Balances	-	(1,207,742)	(1,331,074)	(123,332)
Fund Balance - beginning	<u>2,521,485</u>	<u>2,521,485</u>	<u>2,521,485</u>	<u>-</u>
Fund Balance - ending	<u>\$ 2,521,485</u>	<u>\$ 1,313,743</u>	<u>\$ 1,190,411</u>	<u>\$ (123,332)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 349,524	\$ 336,618	\$ 336,618	\$ -
Investment income	-	2,245	2,245	-
Miscellaneous	-	668	668	-
Total revenues	<u>349,524</u>	<u>339,531</u>	<u>339,531</u>	<u>-</u>
Expenditures:				
Current:				
Physical environment	338,035	328,042	232,323	95,719
Debt service:				
Principal	10,387	10,387	10,387	-
Interest	1,102	1,102	1,102	-
	<u>11,489</u>	<u>11,489</u>	<u>11,489</u>	<u>-</u>
Total expenditures	<u>349,524</u>	<u>339,531</u>	<u>243,812</u>	<u>95,719</u>
Net change in fund balances	-	-	95,719	95,719
Fund Balance - beginning of year	<u>255,597</u>	<u>255,597</u>	<u>255,597</u>	<u>-</u>
Fund Balance - end of year	<u><u>\$ 255,597</u></u>	<u><u>\$ 255,597</u></u>	<u><u>\$ 351,316</u></u>	<u><u>\$ 95,719</u></u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

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 non-fiduciary 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, 2017

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 and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Town's investments consist of investments authorized per the Town's investment policies adopted in accordance with Section 218.415, Florida Statutes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

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, 2017

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, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

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. The town does not have any item that qualifies for reporting in this category for the year ended September 30, 2017.

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, 2017

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, 2017

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, 2017

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 2017 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	\$ 6,730,758	\$ 346,702
Nonbudgeted Proceeds from Notes Payable	(289,458)	(289,458)
Budgetary basis	<u>\$ 6,441,300</u>	<u>\$ 57,244</u>

B. Budget Amendment

The final budget amounts reflected in the general fund include amendment approved at November 14, 2017 Town Council meeting. Florida Statutes Section 166.241 requires the budget to be amended within 60 days following the end of the fiscal year.

C. Expenditures in Excess of Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations in the following departments of the General Fund: (a) General Government by \$7,575; (b) Public Safety \$20,437; (c) Physical Environment by \$23,421 and (d) debt service by \$191,012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 4 - CASH AND INVESTMENTS:

A. Deposits

At year-end, the carrying amount of the Town's deposits was \$1,821,519 and the bank balance was \$2,042,643. 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. Per GASB No. 72, *Fair Value Measurement and Application*, The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of September 30, 2017, the town has no investments as defined by GASB 72.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

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, 2017, 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, 2017, all 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, 2017 was \$3.2500 per \$1,000 which means the Town has a tax margin of \$6.7500 per \$1,000 and could raise up to \$4,128,492 (before discount) additional per year from the present assessed valuation of \$611,628,440 before the limit is reached.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2017 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	-	1,332,000	-	1,332,000
Total capital assets, not being depreciated	197,235	1,332,000	-	1,529,235
Capital assets, being depreciated:				
Buildings	1,486,258	38,730	-	1,524,988
Improvements	1,200,173	43,530	-	1,243,703
Equipment & machinery	1,152,776	361,494	(164,718)	1,349,552
Infrastructure	8,115,764	282,669	-	8,398,433
Intangibles	29,530	-	-	29,530
Total capital assets, being depreciated	11,984,501	726,423	(164,718)	12,546,206
Less accumulated depreciation for:				
Buildings	(1,000,768)	(25,594)	-	(1,026,362)
Improvements	(532,046)	(57,990)	-	(590,036)
Equipment & machinery	(876,468)	(114,417)	132,861	(858,024)
Infrastructure	(3,023,214)	(424,172)	-	(3,447,386)
Intangibles	(23,624)	(5,906)	-	(29,530)
Total accumulated depreciation	(5,456,120)	(628,079)	132,861	(5,951,338)
Total capital assets being depreciated, net	6,528,381	98,344	(31,857)	6,594,868
Governmental Activities				
Capital Assets, net	<u>\$ 6,725,616</u>	<u>\$ 1,430,344</u>	<u>\$ (31,857)</u>	<u>\$ 8,124,103</u>
Depreciation Allocation:				
General Government			\$ 50,641	
Public Safety			57,503	
Physical Environment			496,451	
Culture and Recreation			23,484	
			<u>\$ 628,079</u>	

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

At September 30, 2017, the Stormwater Special Revenue Fund owed the General Fund \$2,869 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 19% of eligible employee compensation for sworn police officers, and 10% for remaining employees each year. Employees may not make contributions to the plan. At September 30, 2017, there were 42 participants. Total contributions made by the Town during the year ended September 30, 2017 amounted to \$187,770.

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, 2017, the plan had 28 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, 2017 follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital Leases	\$ 74,033	\$ -	\$ 46,726	27,307	\$ 27,307
Promissory Notes Payable	116,003	289,458	56,525	348,936	49,084
Note Payable	1,537,000	-	166,500	1,370,500	190,000
Compensated Absences	53,776	4,493	11,820	46,449	4,645
	\$ 1,780,812	\$ 293,951	\$ 281,571	\$ 1,793,192	\$ 271,036

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

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	\$ 133,826
Less: accumulated depreciation	<u>(74,606)</u>
	<u><u>\$ 59,220</u></u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2018	<u>\$ 27,873</u>
Total Minimum Lease Payments	27,873
Less: amount representing interest	<u>(566)</u>
Present Value of Net Minimum Capital Lease Payments	<u><u>\$ 27,307</u></u>

B. Notes Payable

Notes payable outstanding at September 30, 2017, are as follows:

<u>Note Payable:</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Outstanding 9/30/2017</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>
Communication Services Tax Refunding Note, Series 2014	11/14/2014	1,856,500	1,370,500	10/1/2024	2.91%
<u>Promissory Notes:</u>					
Promissory Note 802856-1	5/7/2015	33,509	21,585	5/7/2020	2.75%
Promissory Note 802856-3	2/23/2016	29,995	23,996	3/23/2021	2.99%
Promissory Note 802856-4	5/2/2016	32,592	26,140	5/2/2021	2.99%
Promissory Note 802856-5	8/26/2016	26,252	21,310	8/26/2021	2.99%
Promissory Note 802856-6	3/2/2017	74,940	74,940	3/2/2027	3.05%
Promissory Note 802856-7	12/13/2016	148,493	148,493	12/13/2026	3.05%
Promissory Note 802856-8	3/27/2017	33,553	-	3/27/2022	3.01%
Promissory Note 802856-9	9/25/2017	32,472	32,472	3/2/2022	3.01%

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 10 - NONCURRENT LIABILITIES (CONTINUED):

B. Notes Payable (Continued):

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 communication services tax revenues pledged for the year was \$204,062.

The promissory notes payable were issued to fund the purchase of various capital equipment. Each of the notes are secured by the underlying equipment and are not general obligations of the Town.

Debt service requirements of notes payable are as follows:

	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal and Interest Remaining	Payment Schedule
<u>Note Payable:</u>				
Communication Services Tax Refunding Note, Series 2014	216,181	208,898	1,523,231	Bi-annual
<u>Promissory Notes:</u>				
Promissory Note 802856-1	10,719	6,330	22,925	Annual
Promissory Note 802856-3	6,980	6,980	25,816	Annual
Promissory Note 802856-4	7,440	7,440	28,137	Annual
Promissory Note 802856-5	5,738	5,737	22,951	Annual
Promissory Note 802856-6	8,828	-	88,276	Annual
Promissory Note 802856-7	17,492	-	174,915	Annual
Promissory Note 802856-8	7,334	33,987	-	Annual
Promissory Note 802856-9	6,979	-	34,894	Annual

The equipment purchased with proceeds from Note 802856-8 was destroyed in 2017 and insurance proceeds of \$33,136 were used to prepay the outstanding Note balance. The remaining Note balance of \$851 was paid by the Town.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 10 - NONCURRENT LIABILITIES (CONTINUED):

B. Notes Payable (Continued):

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>
2018	\$ 239,084	\$ 48,320
2019	231,977	42,199
2020	243,789	35,352
2021	240,191	28,161
2022	228,196	21,064
2023 - 2024	536,199	26,613
	<u>\$ 1,719,436</u>	<u>\$ 201,709</u>

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 2017, rental income totaled \$93,714.

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.

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 13 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (CONTINUED):

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 FEMA 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. In late 2017, the FEMA Region IV Administrator denied the appeal. The Town filed a second appeal to FEMA's Assistant Administrator. The second appeal is pending. According to the attorneys hired to handle this appeal process, it is not possible to estimate the Town's potential liability associated with FEMA's decision, or the remedies FEMA could potentially have against the Town if the appeal is unsuccessful.

NOTE 14 - FUND BALANCES:

At September 30, 2017, the Town's governmental fund balances were classified as follows:

Fund Balances:	MAJOR FUNDS		
	General	Stormwater Special Revenue	Total
Nonspendable:			
Prepaid expenses	\$ 124,325	\$ -	\$ 124,325
Spendable:			
Restricted for:			
Public safety	648	-	648
Committed to:			
Drainage system projects	-	351,316	351,316
Assigned to:			
Downtown business committee	78,100	-	78,100
Parks & recreation	110,504	-	110,504
Other	128,103	-	128,103
Unassigned:			
Unassigned	748,731	-	748,731
Total Fund Balances	\$ 1,190,411	\$ 351,316	\$ 1,541,727

TOWN OF WINDERMERE, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

NOTE 15 - SUBSEQUENT EVENTS:

Subsequent to year end, the Town entered into two promissory note agreements with a bank for the purchase of certain equipment totaling \$42,002.

**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, 2017

	General Government	Public Safety	Physical Environment	Culture And Recreation	Total
Land	\$ 197,235	\$ -	\$ -	\$ -	\$ 197,235
Buildings	1,210,370	138,577	-	176,041	1,524,988
Improvements	601,927	25,470	256,065	360,241	1,243,703
Equipment & Machinery	105,506	495,615	669,300	79,131	1,349,552
Infrastructure	-	-	8,393,322	5,111	8,398,433
Intangibles	29,530	-	-	-	29,530
CIP	76,667	-	1,229,897	25,436	1,332,000
Total	\$ 2,221,235	\$ 659,662	\$ 10,548,584	\$ 645,960	\$ 14,075,441

	Balance 09-30-16	Additions	Deletions and Transfers	Balance 09-30-17
General Government	\$ 2,165,290	\$ 76,667	\$ (20,722)	\$ 2,221,235
Public Safety	637,305	101,541	(79,184)	659,662
Physical Environment	8,808,841	1,804,554	(64,811)	10,548,584
Culture & Recreation	570,300	75,660	-	645,960
Total	\$ 12,181,736	\$ 2,058,422	\$ (164,717)	\$ 14,075,441

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, 2017, 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 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the *Town'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's* internal control. Accordingly, we do not express an opinion on the effectiveness of the *Town'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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Appendix A that we consider to be significant deficiencies as item ML 17-01.

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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 5, 2018

**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, 2017. 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, 2017.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
February 5, 2018

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, 2017, and have issued our report thereon dated February 5, 2018.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 5, 2018, 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	FY 2016 Finding	FY 2015 Finding
Finding #	#	#
ML 17-01	ML 16-01	ML 15-01

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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

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

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. See Appendix A.

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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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 note 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
February 5, 2018

APPENDIX A - SIGNIFICANT DEFICIENCY

Year Ended September 30, 2017

17-01 - 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 9, 2018

RE: Comments and Recommendations from Auditor FY 16-17

Mayor & Council,

For FY 16-17, the Auditors had one finding relative to internal controls. The following is my response to that finding:

17-01-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, 2017 and have issued our report thereon dated February 5, 2018. 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 5, 2018.

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 2017. 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.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Accrued matured principal and interest expense to matured principal and interest payable in the amount of \$106,535.
- Correct recording of note proceeds and insurance proceeds for a vehicle financed, acquired and destroyed in the same year in the amount of \$60,598.
- Accrue grant revenues and receivables in the amount of \$25,436.
- Accrue retainage payable and expenditures in the amount of \$59,236.
- Accrued wages payable and wage expense at year end in the amount of \$32,595.
- Accounts payable and expenditures for debris cleanup in the amount of \$31,396.
- Correct recording of prepaid costs relating to debris cleanup in the amount of \$57,898.

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 5, 2018.

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 5, 2018