

**TOWN OF WINDERMERE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2007**

## **INTRODUCTORY SECTION**

TOWN OF WINDERMERE, FLORIDA

**TABLE OF CONTENTS**

Year Ended September 30, 2007

	<b><u>Page</u></b>
<b>I. Introductory Section:</b>	
Table of Contents	i
List of Principal Officials	ii
<b>II. Financial Section:</b>	
Independent Auditor's Report	1-2
Management Discussion and Analysis (Required Supplementary Information)	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Fund Financial Statements :	
Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Special Revenue Fund	16
Notes to Financial Statements	17-26
Individual Fund and Other Schedules:	
Capital Assets Used in the Operation of Governmental Funds	27
<b>III. Internal Control and Compliance Section:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Management Comments	30-33

TOWN OF WINDERMERE, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

September 30, 2007

**ELECTED OFFICIALS**

Mayor

Gary Bruhn

Town Council Members:

Ronald Martin  
Jennifer Roper  
Robert Sprick  
John Briggs  
Burns Hovey

**TOWN OFFICIALS**

Town Manager

Cecilia Bernier

Town Attorney

Tom Wilkes

## **FINANCIAL SECTION**

This section contains the following subsections:

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Town of Windermere, Florida*, as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the *Town of Windermere, Florida*, as of September 30, 2007, and the respective changes in financial position and the budgetary comparisons for the general fund and the special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2008 on our consideration of the *Town of Windermere, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*McDermitt Davis & Company, LLC*

McDIRMIT DAVIS & COMPANY, LLC

March 20, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *Town of Windermere, Florida* we offer readers of the *Town of Windermere's* financial statements this narrative overview and analysis of the financial activities of the *Town of Windermere* for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The assets of the *Town of Windermere* exceeded its liabilities at the close of the most recent fiscal year by \$4,327,907 (net assets). Of this amount, \$1,833,573 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$626,916.
- As of the close of the current fiscal year, the *Town of Windermere's* governmental funds reported combined ending fund balances of \$1,882,561, an increase of \$198,451 in comparison with the prior year. Unreserved fund balance for the general fund was \$1,690,354 or 52% of total general fund expenditures.
- The *Town of Windermere's* total debt decreased by \$62,196 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *Town of Windermere's* (the Town) basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Windermere's finances, in a manner similar to a private-sector business.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

### **Fund Financial Statements**

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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

**Government-Wide Financial Analysis**

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the *Town of Windermere*, assets exceeded liabilities by \$4,327,907 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Assets for the current year. For more detail see the Statement of Net Assets on page 10.

Town of Windermere  
Statement of Net Assets

	<b>Governmental Activities <u>2007</u></b>	<b>Governmental Activities <u>2006</u></b>
Current and other assets	\$1,957,989	\$1,739,739
Capital assets	<u>5,390,629</u>	<u>5,024,360</u>
Total assets	<u>7,348,618</u>	<u>6,764,099</u>
Long-term liabilities outstanding	2,945,283	3,007,479
Other liabilities	<u>75,428</u>	<u>55,629</u>
Total liabilities	<u>3,020,711</u>	<u>3,063,108</u>
Net assets:		
Invested in capital assets, net of related debt	2,494,334	2,067,490
Unrestricted	<u>1,833,573</u>	<u>1,633,501</u>
Total net assets	<u>\$4,327,907</u>	<u>\$3,700,991</u>

\$2,494,334 (58%) of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets, \$1,833,573, may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

**Statement of Activities**

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

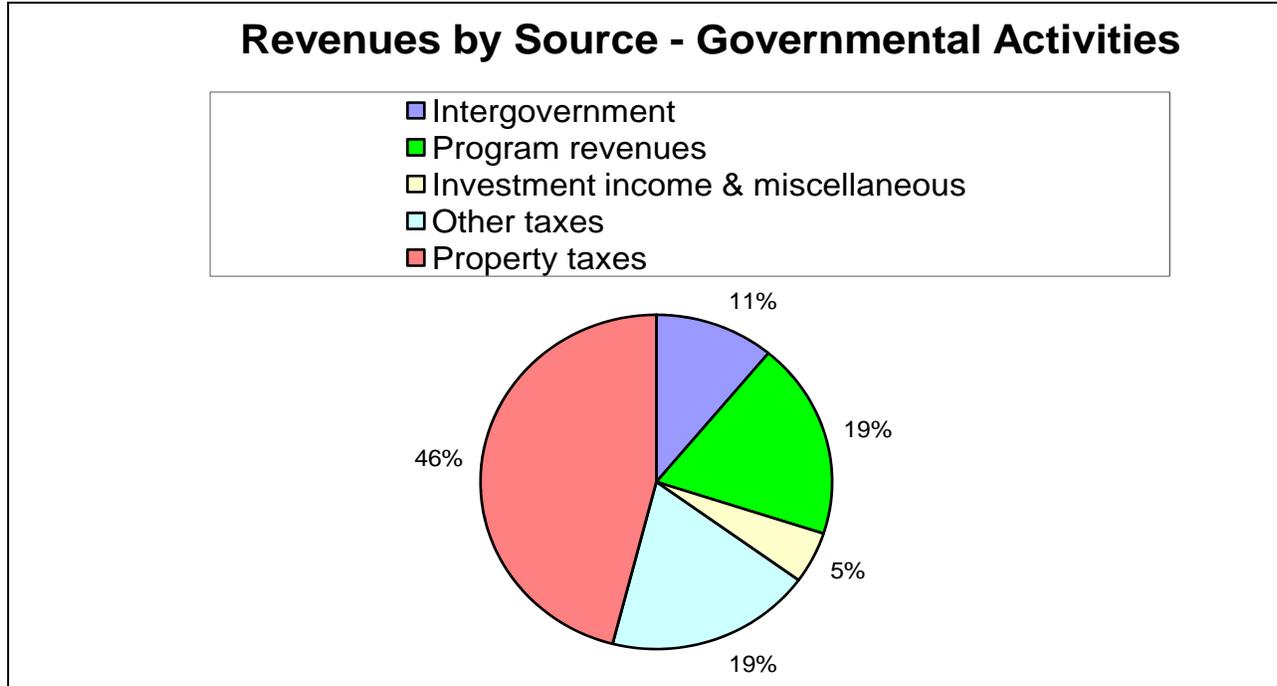
Governmental activities increased the *Town of Windermere's* net assets by \$626,916. Key elements of this increase are as follows:

	<u>Town of Windermere</u>	
	<u>Changes in Net Assets</u>	
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 358,674	\$ 270,975
Operating grants and contributions	89,138	288,002
Capital grants and contributions	<u>250,907</u>	<u>56,092</u>
	<u>698,719</u>	<u>615,069</u>
General revenues:		
Property taxes	1,722,986	1,499,682
Franchise and utility taxes	708,085	715,561
Intergovernmental	428,204	424,643
Investment income and miscellaneous	<u>171,642</u>	<u>208,138</u>
Total revenues	<u>3,729,636</u>	<u>3,463,093</u>
 <b>Expenses:</b>		
General government	1,479,396	1,485,398
Public safety	736,719	729,893
Physical environment	695,042	545,684
Culture and recreation	58,729	109,253
Interest on long-term debt	<u>132,834</u>	<u>144,584</u>
Total expenses	<u>3,102,720</u>	<u>3,014,812</u>
 <b>Increase in Net Assets</b>	626,916	448,281
 <b>Net Assets - Beginning</b>	<u>3,700,991</u>	<u>3,252,710</u>
 <b>Net Assets - Ending</b>	<u>\$4,327,907</u>	<u>\$3,700,991</u>

Property taxes increased by \$223,304 during the year.

Program revenues increased primarily because of various grants received in 2007 relating to various capital projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED



### Financial Analysis of the Government's Funds

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

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Windermere's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2007, the *Town of Windermere* governmental funds reported combined ending fund balances of \$1,882,561.

The general fund is the chief operating fund of the *Town of Windermere*. At September 30, 2007, the unreserved fund balance of the general fund was \$1,690,354. The fund balance of the general fund increased by \$219,890, primarily because of increased property and other tax revenue.

### General Fund Budgetary Highlights

During the year, there was a \$153,000 increase in appropriations between the original budget and the final amended budget. The supplemental appropriations were due to transfers out of the general fund to the special revenue fund.

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

**Capital Asset and Debt Administration**

**Capital Assets** - The *Town of Windermere's* investment in capital assets for its governmental activities as of September 30, 2007, amounts to \$5,390,629 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and machinery, infrastructure and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was 7%. This increase was due to infrastructure in progress.

	Town of Windermere Capital Assets <u>(Net of Depreciation)</u>	
	<b>Governmental Activities <u>2007</u></b>	<b>Governmental Activities <u>2006</u></b>
Land	\$ 197,135	\$ 197,135
Buildings	531,644	476,574
Improvements other than buildings	253,958	241,839
Equipment and machinery	388,246	370,608
Infrastructure	3,515,225	3,606,951
Construction in progress	<u>504,421</u>	<u>131,253</u>
Total	<u>\$5,390,629</u>	<u>\$5,024,360</u>

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

**Long-Term Debt** - At the end of the current fiscal year, the *Town of Windermere* had total debt outstanding of \$2,896,295. This debt includes capital leases on vehicles and equipment and a note payable related to downtown development. Additional information on long-term debt can be found in Note 10 of this report.

	Town of Windermere <u>Long-Term Debt</u>	
	<b>Governmental Activities <u>2007</u></b>	<b>Governmental Activities <u>2006</u></b>
Capital lease payable	\$ 133,295	\$ 93,870
Note payable	<u>2,763,000</u>	<u>2,863,000</u>
	<u>\$2,896,295</u>	<u>\$2,956,870</u>

**Next Year's Budget and Rates**

During the current fiscal year, the unreserved fund balance in the General fund increased to \$1,690,354. None of this was appropriated for spending in the 2007 budget since the Town plans to maintain this as a reserve.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Requests for Information

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

## **BASIC FINANCIAL STATEMENTS**

TOWN OF WINDERMERE, FLORIDA

**STATEMENT OF NET ASSETS**

September 30, 2007

	<b>Governmental Activities</b>
	<hr/>
<b>Assets:</b>	
Cash	\$ 1,682,517
Receivables	31,264
Due from other governments	241,208
Prepays	3,000
Capital Assets (net of accumulated depreciation):	
Land	197,135
Buildings	531,644
Improvements	253,958
Equipment and machinery	388,246
Infrastructure	3,515,225
Construction in progress	504,421
Total assets	<hr/> 7,348,618 <hr/>
<b>Liabilities:</b>	
Accounts payable	52,297
Accrued liabilities	19,741
Customer deposits	3,390
Noncurrent liabilities:	
Due within one year	157,102
Due in more than one year	2,788,181
Total liabilities	<hr/> 3,020,711 <hr/>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,494,334
Unrestricted	1,833,573
Total net assets	<hr/> \$ 4,327,907 <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, 2007

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Assets</b>
					<b>Governmental Activities</b>
Governmental Activities:					
General Government	\$ 1,479,396	\$ 71,798	\$ -	\$ -	\$ (1,407,598)
Public Safety	736,719	93,019	-	-	(643,700)
Physical Environment	695,042	193,857	89,138	220,933	(191,114)
Culture and Recreation	58,729	-	-	29,974	(28,755)
Interest on Long-term debt	132,834	-	-	-	(132,834)
Total governmental activities	<u>\$ 3,102,720</u>	<u>\$ 358,674</u>	<u>\$ 89,138</u>	<u>\$ 250,907</u>	<u>(2,404,001)</u>
<b>General revenues:</b>					
Property taxes					1,722,986
Franchise and utility taxes					708,085
Intergovernmental					428,204
Investment income and miscellaneous					171,642
Total general revenues					<u>3,030,917</u>
Change in net assets					626,916
Net assets - beginning					<u>3,700,991</u>
Net assets - ending					<u>\$ 4,327,907</u>

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

TOWN OF WINDERMERE, FLORIDA

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

September 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,526,774	\$ 155,743	\$ 1,682,517
Receivables	31,264	-	31,264
Due from other governments	20,275	220,933	241,208
Due from other funds	273,615	-	273,615
Prepaid costs	3,000	-	3,000
Total assets	<u>\$ 1,854,928</u>	<u>\$ 376,676</u>	<u>\$ 2,231,604</u>
<b>Liabilities and Fund Balances:</b>			
Liabilities:			
Accounts payable	\$ 36,372	\$ 15,925	\$ 52,297
Accrued liabilities	19,741	-	19,741
Due to other funds	-	273,615	273,615
Customer deposits	3,390	-	3,390
Total liabilities	<u>59,503</u>	<u>289,540</u>	<u>349,043</u>
Fund balances:			
Reserved:			
Parks and recreation	66,221	-	66,221
Other	38,850	-	38,850
Unreserved, reported in:			
General fund	1,690,354	-	1,690,354
Special revenue funds	-	87,136	87,136
Total fund balances	<u>1,795,425</u>	<u>87,136</u>	<u>1,882,561</u>
Total liabilities and fund balances	<u>\$ 1,854,928</u>	<u>\$ 376,676</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	5,390,629
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,945,283)</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 4,327,907</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, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Downtown Development Capital Project</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 1,722,986	\$ -	\$ -	\$ 1,722,986
Franchise and utility	708,085	-	-	708,085
Licenses and permits	7,355	-	-	7,355
Intergovernmental revenues	547,316	220,933	-	768,249
Charges for services	193,857	-	-	193,857
Fines and forfeitures	93,019	-	-	93,019
Investment income	89,048	7,555	-	96,603
Miscellaneous	139,482	-	-	139,482
Total revenues	<u>3,501,148</u>	<u>228,488</u>	<u>-</u>	<u>3,729,636</u>
<b>Expenditures:</b>				
Current:				
General government	1,587,070	-	-	1,587,070
Public safety	722,953	-	-	722,953
Physical environment	579,660	395,148	-	974,808
Culture and recreation	45,932	7,013	-	52,945
Debt service:				
Principal	152,576	-	-	152,576
Interest and other charges	132,834	-	-	132,834
Total expenditures	<u>3,221,025</u>	<u>402,161</u>	<u>-</u>	<u>3,623,186</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	280,123	(173,673)	-	106,450
<b>Other Financing Sources (Uses):</b>				
Capital leases	92,001	-	-	92,001
Transfers in	-	260,809	-	260,809
Transfers out	(152,234)	-	(108,575)	(260,809)
Total other financing sources (uses)	<u>(60,233)</u>	<u>260,809</u>	<u>(108,575)</u>	<u>92,001</u>
Net change in fund balances	219,890	87,136	(108,575)	198,451
<b>Fund Balance - Beginning of Year</b>	<u>1,575,535</u>	<u>-</u>	<u>108,575</u>	<u>1,684,110</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,795,425</u>	<u>\$ 87,136</u>	<u>\$ -</u>	<u>\$ 1,882,561</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, 2007

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

Net change in fund balances - total governmental funds:	\$	198,451
---	----	---------

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	\$ 685,461		
Current year depreciation	<u>(319,192)</u>		366,269

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.			60,575
---	--	--	--------

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:			1,621
Change in net assets of governmental activities		<u>\$</u>	<u>626,916</u>

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

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 220,933	\$ 220,933
Investment income	467,000	467,000	7,555	(459,445)
Total revenues	<u>467,000</u>	<u>467,000</u>	<u>228,488</u>	<u>(238,512)</u>
<b>Expenditures:</b>				
Current:				
Physical environment	248,000	401,000	395,148	5,852
Culture and recreation	219,000	219,000	7,013	211,987
Total expenditures	<u>467,000</u>	<u>620,000</u>	<u>402,161</u>	<u>217,839</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	(153,000)	(173,673)	(20,673)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	153,000	260,809	(107,809)
Total other financing sources (uses)	<u>-</u>	<u>153,000</u>	<u>260,809</u>	<u>(107,809)</u>
Net change in fund balances	-	-	87,136	(87,136)
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,136</u>	<u>\$ (87,136)</u>

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Property	\$ 1,796,434	\$ 1,796,434	\$ 1,722,986	\$ (73,448)
Franchise and utility	663,443	663,443	708,085	44,642
Licenses and permits	9,000	9,000	7,355	(1,645)
Intergovernmental revenues	540,875	540,875	547,316	6,441
Charges for services	175,000	175,000	193,857	18,857
Fines and forfeitures	38,000	38,000	93,019	55,019
Investment income	35,000	35,000	89,048	54,048
Miscellaneous	111,800	111,800	139,482	27,682
Total revenues	<u>3,369,552</u>	<u>3,369,552</u>	<u>3,501,148</u>	<u>131,596</u>
<b>Expenditures:</b>				
Current:				
General government				
Finance & administrative	1,236,792	1,312,492	1,241,478	71,014
Other	515,922	481,922	273,255	208,667
	<u>1,752,714</u>	<u>1,794,414</u>	<u>1,514,733</u>	<u>279,681</u>
Public safety	<u>742,053</u>	<u>742,053</u>	<u>703,289</u>	<u>38,764</u>
Physical environment:				
Streets & buildings	460,638	458,638	385,334	73,304
Solid waste	165,000	195,300	194,326	974
	<u>625,638</u>	<u>653,938</u>	<u>579,660</u>	<u>74,278</u>
Culture and recreation	<u>123,400</u>	<u>51,400</u>	<u>45,932</u>	<u>5,468</u>
Debt service:				
Principal	151,000	153,000	152,576	424
Interest	135,479	135,479	132,834	2,645
	<u>286,479</u>	<u>288,479</u>	<u>285,410</u>	<u>3,069</u>
Total expenditures	<u>3,530,284</u>	<u>3,530,284</u>	<u>3,129,024</u>	<u>401,260</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(160,732)	(160,732)	372,124	532,856
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(153,000)	(152,234)	766
Total other financing sources (uses)	<u>-</u>	<u>(153,000)</u>	<u>(152,234)</u>	<u>766</u>
Net change in fund balances	(160,732)	(313,732)	219,890	533,622
<b>Fund Balance - Beginning of Year</b>	1,575,535	1,575,535	1,575,535	-
<b>Fund Balance - End of Year</b>	<u>\$ 1,414,803</u>	<u>\$ 1,261,803</u>	<u>\$ 1,795,425</u>	<u>\$ 533,622</u>

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

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 220,933	\$ 220,933
Investment income	467,000	467,000	7,555	(459,445)
Total revenues	<u>467,000</u>	<u>467,000</u>	<u>228,488</u>	<u>(238,512)</u>
<b>Expenditures:</b>				
Current:				
Physical environment	248,000	401,000	395,148	5,852
Culture and recreation	219,000	219,000	7,013	211,987
Total expenditures	<u>467,000</u>	<u>620,000</u>	<u>402,161</u>	<u>217,839</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	(153,000)	(173,673)	(20,673)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	153,000	260,809	(107,809)
Total other financing sources (uses)	<u>-</u>	<u>153,000</u>	<u>260,809</u>	<u>(107,809)</u>
Net change in fund balances	-	-	87,136	(87,136)
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,136</u>	<u>\$ (87,136)</u>

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, 2007

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *Downtown Development Capital Project Fund* accounts for financial resources segregated for the construction of the downtown development project.

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

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

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

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

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

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation includes the net effect of differences in the treatment of long-term debt and related items. The details of this \$60,575 difference are as follows:

Debt issued:	
Capital lease	\$ (92,001)
Principal repayments	<u>152,576</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 60,575</u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$1,621 difference are as follows:

Compensated absences	<u>\$1,621</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,621</u>

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

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

1. At least 90 days prior to the beginning of each budget year, the Town Manager shall submit to the Town Council a budget.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget shall be finally adopted no later than the first day of the last month of the fiscal year.
4. Formal budgetary accounting is employed as a management control for the General fund and special revenue fund of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and amended as required for the General fund and special revenue fund. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

5. The Town Manager may transfer part or all of any unencumbered appropriation balance among programs within a department and upon written request by the Town Manager, The Town Council may by resolution transfer part or all of any unencumbered appropriation balance from one department to another.
6. All unexpended budget appropriations lapse at the end of each fiscal year.
7. The Town does not utilize an encumbrance system of accounting.

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

For the 2007 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$3,221,025	\$ 92,001
Nonbudgeted capital lease transactions	<u>(92,001)</u>	<u>(92,001)</u>
Budgetary basis	<u>\$3,129,024</u>	<u>\$ -</u>

**Note 4 - Cash and Investments:**

**Deposits** - At year-end, the carrying amount of the Town's deposits was \$1,682,517 and the bank balance was \$1,792,947. 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.

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

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Repurchase Agreements collateralized by U. S. Government Securities;
3. Interest bearing savings accounts, money market accounts and certificates of deposits at banks certified as a Qualified Public Depository by the State of Florida;

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.;
5. Direct obligations of the U.S. Government and its agencies;
6. Fixed interest mutual funds.

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

The Town's investment policy limits credit risk by restricting authorized investments to those described above. These policies also control concentration of credit risk by setting limits on the maximum percentage that certain investments may comprise in the portfolio. Since the Town has no investments at September 30, 2007, 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, 2007, all of the Town's bank deposits were in qualified public depositories.

**Note 5 - Property Tax:**

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

The Town is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2007, was \$3.95 per \$1,000 which means the Town has a tax margin of \$6.05 per \$1,000 and could raise up to \$2,751,501 before discount, additional a year from the present assessed valuation of \$454,793,526 before the limit is reached.

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

**Note 6 - Receivables:**

Receivables September 30, 2007 consist primarily of amounts due for solid waste and occupational licenses. Management considers all amounts to be collectible; therefore there is no allowance for doubtful accounts.

**Note 7 - Capital Assets:**

Capital asset activity for the year ended September 30, 2007 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 197,135	\$ -	\$ -	\$ 197,135
Construction in progress	<u>131,253</u>	<u>373,168</u>	<u>-</u>	<u>504,421</u>
Total capital assets, not being depreciated	<u>328,388</u>	<u>373,168</u>	<u>-</u>	<u>701,556</u>
Capital assets, being depreciated:				
Buildings	1,263,449	83,076	-	1,346,525
Improvements	362,272	29,000	-	391,272
Equipment & machinery	776,890	110,532	(20,290)	867,132
Infrastructure	<u>3,612,583</u>	<u>89,685</u>	<u>-</u>	<u>3,702,268</u>
Total capital assets being depreciated	<u>6,015,194</u>	<u>312,293</u>	(20,290)	<u>6,307,197</u>
Less accumulated depreciated for:				
Buildings	(786,875)	(28,006)	-	(814,881)
Improvements	(120,433)	(16,881)	-	(137,314)
Equipment & machinery	(406,282)	(92,894)	20,290	(478,886)
Infrastructure	<u>(5,632)</u>	<u>(181,411)</u>	<u>-</u>	<u>(187,043)</u>
Total accumulated depreciation	<u>(1,319,222)</u>	<u>(319,192)</u>	<u>20,290</u>	<u>(1,618,124)</u>
Total capital assets being depreciated, net	<u>4,695,972</u>	<u>(6,899)</u>	<u>-</u>	<u>4,689,073</u>
Governmental activities capital assets, net	<u>\$ 5,024,360</u>	<u>\$366,269</u>	<u>\$ -</u>	<u>\$ 5,390,629</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

**Note 7 - Capital Assets (Continued):**

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

**Governmental Activities:**

General government	\$ 56,991
Public safety	45,332
Physical environment	205,975
Culture and recreation	<u>10,894</u>
	<u>\$319,192</u>

**Note 8 - Retirement Plans:**

The Town adopted the Town of Windermere Employee Retirement Plan effective October 1, 2001. The plan is a money purchase defined contribution plan which was established and can be amended by the Town Council. The Town is required to contribute 10% of eligible employee compensation each year. Total contributions made by the Town during the year ended September 30, 2007 amounted to \$74,768.

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

Long-term debt activity for the year ended September 30, 2007 was as follows:

	<b><u>Beginning</u></b>			<b><u>Ending</u></b>	<b><u>Due Within</u></b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b>	<b><u>One Year</u></b>
Capital Leases	\$ 93,870	\$92,001	\$ 52,576	\$ 133,295	\$ 52,102
Note Payable	2,863,000	-	100,000	2,763,000	105,000
Compensated Absences	<u>50,609</u>	<u>-</u>	<u>1,621</u>	<u>48,988</u>	<u>-</u>
	<u>\$3,007,479</u>	<u>\$92,001</u>	<u>\$154,197</u>	<u>\$2,945,283</u>	<u>\$157,102</u>

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

	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>
Equipment	\$223,003
Less: Accumulated depreciation	<u>(59,023)</u>
	<u>\$163,980</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

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

**Capital Leases (Continued):**

The future minimum lease obligations of the minimum lease payments at September 30, 2007 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2008	\$ 52,102
2009	45,354
2010	24,393
2011	13,716
2012	<u>13,716</u>
Total minimum lease payments	149,281
Less: amount representing interest	<u>(15,986)</u>
Present value of minimum lease payments	<u>\$ 133,295</u>

**Operating Leases** - The reporting entity has entered into operating leases for police and Town Hall copiers which contain cancellation provisions and are subject to annual appropriations. For fiscal year 2007, rentals approximated \$1,811 for such leases. These leases support governmental activities.

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 105,000	\$ 126,723
2009	111,000	121,792
2010	115,000	116,607
2011	121,000	111,213
2012	127,000	105,541
2013-2017	727,000	433,021
2018-2022	915,000	245,969
2023-2025	<u>542,000</u>	<u>38,173</u>
	<u>\$2,763,000</u>	<u>\$1,299,039</u>

TOWN OF WINDERMERE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2007

**Note 10 - Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the Town to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

**Note 11 - Contingencies:**

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

**INDIVIDUAL FUND SCHEDULE**

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

TOWN OF WINDERMERE, FLORIDA

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

Year Ended September 30, 2007

	<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environment</b>	<b>Culture And Recreation</b>	<b>Total</b>
Land	\$ 197,135	\$ -	\$ -	\$ -	197,135
Buildings	1,211,398	135,127	-	-	1,346,525
Improvements	216,291	2,523	99,679	72,779	391,272
Equipment & machinery	188,303	310,482	294,749	73,598	867,132
Infrastructure	-	-	3,697,158	5,110	3,702,268
Construction in progress	-	-	504,421	-	504,421
Total	<u>\$ 1,813,127</u>	<u>\$ 448,132</u>	<u>\$ 4,596,007</u>	<u>\$ 151,487</u>	<u>\$ 7,008,753</u>

	<b>Balance 09-30-06</b>	<b>Additions</b>	<b>Deletions and Transfers</b>	<b>Balance 09-30-07</b>
General Government	\$ 1,648,272	\$ 164,855	\$ -	\$ 1,813,127
Public Safety	438,950	29,472	(20,290)	448,132
Physical Environment	4,109,983	486,024	-	4,596,007
Culture & Recreation	146,377	5,110	-	151,487
Total	<u>\$ 6,343,582</u>	<u>\$ 685,461</u>	<u>\$ (20,290)</u>	<u>\$ 7,008,753</u>

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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

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

We have audited the financial statements of *Town of Windermere, Florida* as of and for the year ended September 30, 2007, and have issued our report thereon dated March 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

### Material Weakness

The *Town of Windermere, Florida*, does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements. We recommend that the Town consider hiring another CPA to prepare the financial statements to be audited.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the *Town of Windermere, Florida*, in a separate letter dated March 20, 2008. The Town's response to our findings identified in our audit is included in this report. We did not audit the Town's response, and accordingly, we express no opinion on it.

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

*McDiernit Davis & Company, LLC*

March 20, 2008

## MANAGEMENT COMMENTS

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

We have audited the financial statements of *Town of Windermere, Florida* as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 20, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 20, 2008 should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been corrected, as detailed in the accompanying pages.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that *Town of Windermere, Florida* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, please see our current year comments which are attached.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failure to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *Town of Windermere, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *Town of Windermere, Florida* for the fiscal year ended September 30, 2007, 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, 2007. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

*McDiernit Davis & Company, LLC*

March 20, 2008

## Status of Prior Year Comments

### 1. General Ledger Reconciliations

In the prior year, we observed that many general ledger accounts were not being reconciled to the detail.

#### Recommendation

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

#### Corrective Action

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

### 2. Excess of Expenditures over Appropriations

In the prior year, expenditures exceeded appropriations in the streets and buildings department by \$39,378 and the culture and recreation department by \$40,204. These overexpenditures were funded by greater than anticipated revenues.

#### Recommendation

The budget should be amended within 60 days of year end so that expenditures do not exceed appropriations.

#### Corrective Action

This recommendation has been implemented.

## Current Year Comments

### 1. General Ledger Reconciliations

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

#### Recommendation

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

Current Year Comments (Continued)

2. Purchasing Policy

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

Recommendation

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

**This page intentionally left blank.**