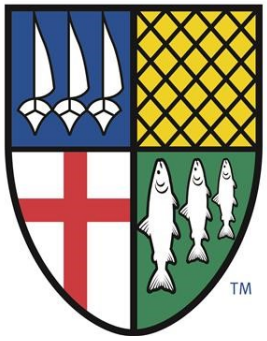
Annual Financial Report

September 30, 2020

THE TOWN OF

Windermere



Introductory Section

Town of Windermere, Florida
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Elected Officials

Mayor	Jim O'Brien
Town Council Members:	Loren Williams
	Chris Sapp
	Bob McKinley
	Liz Andert
	Bill Martini

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

McDirmit Davis

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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, 2020, 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, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Stormwater Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3 through 7 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section 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 4, 2021 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.

McDirmit Davis

Orlando, Florida
February 4, 2021

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, 2020.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $9,045,030 (net position). Of this amount, $1,716,151 (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 $436,057.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $6,238,981, an increase of $4,329,095 in comparison with the prior year. Unassigned fund balance for the general fund was $1,543,078 or 23% of total general fund expenditures.
- The Town's total debt increased by $4,845,425 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 8-9 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, 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 13-14 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 - 14 of this report.

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 $9,045,030 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 8.

Net Position as of September 30:

	Governmental Activities 2020	Governmental Activities 2019
Assets:		
Current and other assets	$ 6,888,111	$ 2,325,374
Capital Assets, net of depreciation	9,176,501	8,149,908
Total assets	16,064,612	10,475,282
Liabilities:		
Long-term liabilities	6,308,541	1,450,821
Other liabilities	711,041	415,488
Total liabilities	7,019,582	1,866,309
Net Position:		
Net investment in capital assets	7,328,227	6,759,733
Restricted for public safety	652	-
Unrestricted	1,716,151	1,849,240
Total net position	$ 9,045,030	$ 8,608,973

The largest portion of the Town's net position 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. There is $652 of net position that is restricted for public safety.

The balance of unrestricted net position, $1,716,151, may be used to meet the Town's ongoing obligations to citizens and creditors.

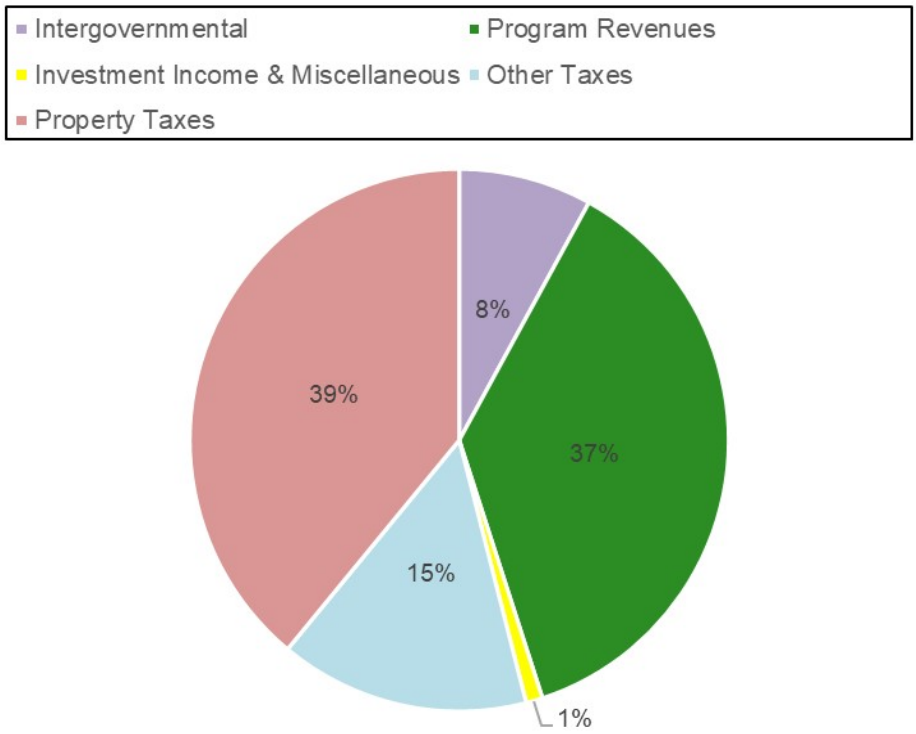
Statement of Activities
The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 9.

Governmental activities increased the Town's net position by $436,057. Key elements of this increase are as follows:

Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019
Revenues:		
Program Revenues:		
Charges for services	$ 2,003,889	$ 2,205,448
Operating grants and contributions	318,536	102,118
Capital grants and contributions	81,500	2,964
Total program revenues	2,403,925	2,310,530
General Revenues:		
Property taxes	2,593,484	2,460,240
Franchise and utility taxes	983,553	923,273
Intergovernmental	521,821	622,528
Investment income and miscellaneous	97,293	93,829
Total revenues	6,600,076	6,410,400
Expenses:		
General government	1,401,396	1,568,601
Public safety	2,236,010	2,136,004
Physical environment	2,204,191	1,674,831
Culture and recreation	144,264	205,289
Interest on long-term debt	178,158	48,067
Total expenses	6,164,019	5,632,792
Change in net position	436,057	777,608
Net position, beginning	8,608,973	7,831,365
Net position, ending	$ 9,045,030	$ 8,608,973

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, 2020, the Town governmental funds reported combined ending fund balances of $6,238,981.

The general fund is the chief operating fund of the Town. At September 30, 2020, the total fund balance of the general fund was $6,361,504 and the unassigned fund balance of the general fund was $1,543,078. The fund balance of the general fund increased by $4,751,668.

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. Actual revenues and expenditures for the year ended September 30, 2020 were comparable to budgeted amounts; total general fund balance increased by $4,751,668 due to notes payable issued during the year.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2020 amounts to $9,176,501, 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 2020	Governmental Activities 2019
Land	$ 458,670	$ 458,670
Buildings	331,329	446,147
Improvements other than buildings	560,763	614,219
Equipment and machinery	337,591	427,369
Infrastructure	6,505,842	5,901,294
Intangibles	90,786	10,431
Construction in progress	891,520	291,778
Total	$ 9,176,501	$ 8,149,908

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 $6,235,600. This debt includes notes payable related to equipment and construction of the new town administrative facility. Additional information on long-term debt can be found in Note 10 of this report.

Town of Windermere Long-term Debt

	Governmental Activities 2020	Governmental Activities 2019
Revenue notes payable	$ 5,902,500	$ 1,011,000
Promissory notes payable	333,100	379,175
	$ 6,235,600	$ 1,390,175

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General fund increased to $1,543,078. None of this was appropriated for spending in the 2021 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, 2020

	Governmental Activities
Assets:	
Cash	$ 2,338,088
Receivables	58,071
Due from other governments	66,627
Prepaids	37,999
Restricted Assets:	
Cash	4,387,326
Capital Assets not Being Depreciated:	
Land	458,670
Construction in progress	891,520
Capital Assets, Net of Accumulated Depreciation:	
Buildings	331,329
Improvements	560,763
Equipment and machinery	337,591
Infrastructure	6,505,842
Intangibles	90,786
Total assets	16,064,612
Liabilities:	
Accounts payable	421,354
Accrued liabilities	54,475
Accrued interest payable	61,911
Matured interest and principal payable	110,207
Deferred revenues	32,640
Customer deposits	30,454
Noncurrent Liabilities:	
Due within one year	506,267
Due in more than one year	5,802,274
Total liabilities	7,019,582
Net Position:	
Net investment in capital assets	7,328,227
Restricted for:	
Public safety	652
Unrestricted	1,716,151
Total net position	$ 9,045,030

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

Town of Windermere, Florida
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental Activities:					
General government	$ 1,401,396	$ 466,906	$ 11,362	$ -	$ (923,128)
Public safety	2,236,010	764,347	-	11,500	(1,460,163)
Physical environment	2,204,191	679,655	307,174	20,000	(1,197,362)
Culture and recreation	144,264	92,981	-	50,000	(1,283)
Interest on long-term debt	178,158	-	-	-	(178,158)
Total governmental activities	$ 6,164,019	$ 2,003,889	$ 318,536	$ 81,500	(3,760,094)
		General Revenues:			
		Property taxes			2,593,484
		Franchise and utility taxes			983,553
		Intergovernmental			521,821
		Investment income and miscellaneous			97,293
		Total general revenues			4,196,151
		Change in net position			436,057
		Net position, beginning			8,608,973
		Net position, ending			$ 9,045,030

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

Town of Windermere, Florida
Balance Sheet
Governmental Funds
September 30, 2020

	General	Stormwater Special Revenue	Total Governmental Funds
Assets:			
Cash	$ 2,316,592	$ 21,496	$ 2,338,088
Receivables	58,071	-	58,071
Due from other governments	66,627	-	66,627
Due from other funds	101,518	-	101,518
Prepaids	37,999	-	37,999
Restricted assets:			
Cash	4,387,326	-	4,387,326
Total assets	$ 6,968,133	$ 21,496	$ 6,989,629
Liabilities:			
Accounts payable	380,106	41,248	421,354
Accrued liabilities	53,222	1,253	54,475
Due to other funds	-	101,518	101,518
Customer deposits	30,454	-	30,454
Unearned revenue	32,640	-	32,640
Matured notes payable	94,000	-	94,000
Matured interest payable	16,207	-	16,207
Total liabilities	606,629	144,019	750,648
Fund Balances:			
Nonspendable	37,999	-	37,999
Restricted	4,387,978	-	4,387,978
Assigned	392,449	-	392,449
Unassigned	1,543,078	(122,523)	1,420,555
Total fund balances	6,361,504	(122,523)	6,238,981
Total liabilities and fund balances	$ 6,968,133	$ 21,496	

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	9,176,501
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(61,911)
Notes payable	(6,235,600)
Compensated absences	(72,941)
Net position of governmental activities	$ 9,045,030

Town of Windermere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2020

	General	Stormwater Special Revenue	Total Governmental Funds
Revenues:			
Taxes:			
Property	$ 2,593,484	$ -	$ 2,593,484
Franchise and utility	983,553	-	983,553
Impact fees	20,000	-	20,000
Licenses and permits	189,254	-	189,254
Intergovernmental revenues	901,857	-	901,857
Charges for services	1,457,014	334,030	1,791,044
Fines and forfeitures	23,591	-	23,591
Investment income	32,303	1,740	34,043
Miscellaneous	92,076	-	92,076
Total revenues	6,293,132	335,770	6,628,902
Expenditures:			
Current:			
General government	1,325,848	-	1,325,848
Public safety	2,114,027	-	2,114,027
Physical environment	2,680,647	739,132	3,419,779
Culture and recreation	169,331	-	169,331
Debt Service:			
Principal	378,194	16,015	394,209
Interest and other charges	113,051	3,196	116,247
Total expenditures	6,781,098	758,343	7,539,441
Excess (Deficit) of revenues over expenditures	(487,966)	(422,573)	(910,539)
Other Financing Sources (Uses):			
Notes payable issued	5,239,634	-	5,239,634
Total other financing sources (uses)	5,239,634	-	5,239,634
Net change in fund balances	4,751,668	(422,573)	4,329,095
Fund balance, beginning of year	1,609,836	300,050	1,909,886
Fund balance, end of year	$ 6,361,504	$ (122,523)	$ 6,238,981

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 Balance of Governmental Funds to the Statement of Activities
Year Ended September 30, 2020

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

Net change in fund balances - total governmental funds:		$ 4,329,095
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	$ 1,948,096	
Current year depreciation	(766,329)	1,181,767
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position		(155,174)
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	$ (5,239,634)	
Debt repayments	394,209	(4,845,425)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid.		(61,911)
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.		(12,295)
Change in Net Position of Governmental Activities		$ 436,057

Town of Windermere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes:				
Property	$ 2,591,469	$ 2,593,484	$ 2,593,484	$ -
Franchise and utility	878,500	983,553	983,553	-
Impact fees	-	20,000	20,000	-
Licenses and permits	259,500	189,254	189,254	-
Intergovernmental revenues	848,347	901,857	901,857	-
Charges for services	1,464,519	1,457,014	1,457,014	-
Fines and forfeitures	43,000	23,591	23,591	-
Investment income	16,000	32,303	32,303	-
Miscellaneous	102,000	92,076	92,076	-
Total revenues	6,203,335	6,293,132	6,293,132	-
Expenditures:				
Current:				
General government:				
Finance & administrative	940,172	795,654	795,787	(133)
Other	478,012	530,072	530,061	11
Total general government	1,418,184	1,325,726	1,325,848	(122)
Public safety	2,171,790	2,074,413	2,074,393	20
Physical environment:				
Streets & buildings	1,521,303	2,379,816	2,378,887	929
Solid waste	302,053	301,760	301,760	-
Total physical environment	1,823,356	2,681,576	2,680,647	929
Culture and recreation	266,500	169,346	169,331	15
Debt service:				
Principal	523,505	378,194	378,194	-
Interest	-	113,053	113,051	2
Total expenditures	6,203,335	6,742,308	6,741,464	844
Excess of revenues over expenditures	-	(449,176)	(448,332)	844
Other Financing Sources (uses):				
Proceeds from notes payable	-	-	5,200,000	5,200,000
Total other financing sources (use	-	-	5,200,000	5,200,000
Net change in fund balances	-	(449,176)	4,751,668	5,200,844
Fund balance, beginning	1,609,836	1,609,836	1,609,836	-
Fund balance, ending	$ 1,609,836	$ 1,160,660	$ 6,361,504	$ 5,200,844

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 Fun Balance - Budget and Actual
Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	$ 352,999	$ 334,030	$ 334,030	$ -
Investment income	-	1,740	1,740	-
Total revenues	352,999	335,770	335,770	-
Expenditures:				
Current:				
Physical environment	352,999	739,156	739,132	24
Debt service:				
Principal	-	16,015	16,015	-
Interest	-	3,196	3,196	-
Total debt service	-	19,211	19,211	-
Total expenditures	352,999	758,367	758,343	24
Net change in fund balances	-	(422,597)	(422,573)	24
Fund balance, beginning of year	300,050	300,050	300,050	-
Fund balance, end of year	$ 300,050	$ (122,547)	$ (122,523)	$ 24

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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.

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.

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:

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity

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.

Receivables

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

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.

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:

Assets	Years
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.

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 acquisition 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets
Assets are reported as restricted in the government-wide statement of net position when constraints are placed on net position 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.

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.

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, 2020.

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, 2020.

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

New Accounting Standard
In fiscal year 2020, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the Town for the implementation of this statement.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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.

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

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.
6. All unexpended budget appropriations lapse at the end of each fiscal year.
7. The Town does not utilize an encumbrance system of accounting.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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 2020 fiscal year, the following adjustments were necessary to convert General Fund expenditures on a GAAP basis to the budgetary basis, respectively:

	Expenditures	Other Financing Sources (Uses)
GAAP basis	$ 6,781,098	$ 5,239,634
Nonbudgeted notes payable	(39,634)	(39,634)
Budgetary basis	$ 6,741,464	$ 5,200,000

Appropriations in Excess of Estimated Revenues and Funds Available
For the year ended September 30, 2020, appropriations in the Stormwater Special Revenue Fund were in excess of anticipated revenue and prior years' fund balance.

NOTE 4 CASH AND INVESTMENTS

Deposits
At year-end, the carrying amount of the Town's deposits was $6,725,414 and the bank balance was $6,758,011. 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 (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, 2020, the town has no investments as defined by GASB 72.

NOTE 4 CASH AND 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, 2020, 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, 2020, 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, 2020 was $3.7425 per $1,000 which means the Town has a tax margin of $6.2575 per $1,000 and could raise up to $4,473,454 (before discount) additional per year from the present assessed valuation of $714,894,746 before the limit is reached.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

Primary Government	Beginning Balance	Increases / Transfers	Decreases / Transfers	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 458,670	$ -	$ -	$ 458,670
Construction in progress	291,778	1,894,224	(1,294,482)	891,520
Total capital assets not being depreciated	750,448	1,894,224	(1,294,482)	1,350,190
Capital assets, being depreciated:				
Buildings	1,524,988	-	(237,175)	1,287,813
Improvements	1,323,984	57,779	(157,754)	1,224,009
Equipment & machinery	1,495,291	52,852	(112,950)	1,435,193
Infrastructure	10,352,346	1,154,813	-	11,507,159
Intangibles	42,303	82,910	-	125,213
Total capital assets being depreciated	14,738,912	1,348,354	(507,879)	15,579,387
Less accumulated depreciation for:				
Buildings	(1,078,841)	(25,968)	148,325	(956,484)
Improvements	(709,765)	(65,636)	112,155	(663,246)
Equipment & machinery	(1,067,922)	(121,905)	92,225	(1,097,602)
Infrastructure	(4,451,052)	(550,265)	-	(5,001,317)
Intangibles	(31,872)	(2,555)	-	(34,427)
Total accumulated depreciation	(7,339,452)	(766,329)	352,705	(7,753,076)
Total capital assets being depreciated, net	7,399,460	582,025	(155,174)	7,826,311
Governmental activities capital assets, net	$ 8,149,908	$ 2,476,249	$ (1,449,656)	$ 9,176,501

Depreciation Allocation:	
General government	$ 41,523
Public safety	74,495
Physical environment	612,642
Culture and recreation	37,669
	$ 766,329

NOTE 7 INTERFUND RECEIVABLES AND PAYABLES

At September 30, 2020, the Stormwater Special Revenue Fund owed the General Fund $101,518 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, 2020, there were 43 participants. Total contributions made by the Town during the year ended September 30, 2020 amounted to $155,179.

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, 2020, the plan had 29 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 LONG-TERM DEBT

A summary of long-term debt activity for the year ended September 30, 2020 follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Promissory notes payable- Private Placement	$ 379,175	$ 39,634	$ 85,709	$ 333,100	$ 84,973
Revenue notes payable- Private Placement	1,011,000	5,200,000	308,500	5,902,500	414,000
Compensated absences	60,646	83,188	70,893	72,941	7,294
	$ 1,450,821	$ 5,322,822	$ 465,102	$ 6,308,541	$ 506,267

NOTE 10 LONG-TERM DEBT (CONTINUED)

Notes Payable
Notes payable outstanding at September 30, 2020, are as follows:

	Sale Date	Original Borrowing	Outstanding 9/30/2020	Final Maturity	Interest Rates to Maturity
Note Payable:					
Communication services tax refunding Note, Series 2014	11/14/2014	$ 1,856,500	$ 822,500	10/1/2024	3.54%
CIRN Note, Series 2019	12/20/2019	5,200,000	5,080,000	10/1/2039	2.13%
Promissory Notes:					
Promissory Note 802856-1	5/7/2015	33,509	-	5/7/2020	2.75%
Promissory Note 802856-3	2/23/2016	29,995	5,998	3/23/2021	2.99%
Promissory Note 802856-4	5/2/2016	32,592	6,784	5/2/2021	2.99%
Promissory Note 802856-5	8/26/2016	26,252	5,568	8/26/2021	2.99%
Promissory Note 802856-6	3/2/2017	74,940	54,800	3/2/2027	3.05%
Promissory Note 802856-7	12/13/2016	148,493	108,562	12/13/2026	3.05%
Promissory Note 802856-9	9/25/2017	32,472	13,345	3/2/2022	2.99%
Promissory Note 802856-10	11/6/2017	21,001	8,603	3/2/2022	3.00%
Promissory Note 802856-11	11/6/2017	21,001	8,603	3/2/2022	3.00%
Promissory Note 802856-12	2/14/2018	35,643	14,499	3/2/2022	3.25%
Promissory Note 802856-13	11/1/2018	82,000	66,704	11/1/2023	3.25%
Promissory Note 802856-14	11/25/2019	39,634	39,634	11/25/2024	3.65%

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 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 $296,843. In the event of default, all principal and interest of the Note will become immediately due and payable.

NOTE 10 LONG-TERM DEBT (CONTINUED)

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. In the event of default, the Lender may declare the entire amount immediately due and payable without notice to the Town. The Lender may also exercise the right to take possession of the collateral with or without a court order.

Debt service requirements of notes payable are as follows:

	Maximum Annual Debt Service	Fiscal Year Principal & Interest Paid	Principal and Interest Remaining	Payment Schedule
Note Payable:				
Communication services tax refunding Note, Series 2014	$ 235,863	$ 226,228	$ 887,921	Bi-annual
CIRN Note, Series 2019	327,714	151,074	6,231,105	Annual
Promissory Notes:				
Promissory Note 802856-1	10,719	10,718	-	Annual
Promissory Note 802856-3	6,726	6,364	6,180	Annual
Promissory Note 802856-4	7,244	6,854	6,990	Annual
Promissory Note 802856-5	5,738	5,738	5,737	Annual
Promissory Note 802856-6	8,828	8,827	61,792	Annual
Promissory Note 802856-7	17,492	17,492	122,414	Annual
Promissory Note 802856-9	6,979	6,979	13,955	Annual
Promissory Note 802856-10	4,499	4,499	8,998	Annual
Promissory Note 802856-11	4,499	4,499	8,998	Annual
Promissory Note 802856-12	7,610	7,609	15,220	Annual
Promissory Note 802856-13	18,224	18,223	72,845	Annual
Promissory Note 802856-14	8,817	-	44,083	Annual

Annual debt service requirements to maturity are as follows:

	Governmental Activities	
Year Ending September 30,	Principal	Interest
2021	$ 498,973	$ 144,775
2022	483,311	130,487
2023	482,493	116,481
2024	498,046	102,729
2025	267,527	90,631
2026 - 2030	1,275,250	366,004
2031 - 2035	1,370,000	226,153
2036 - 2040	1,360,000	73,378
	$ 6,235,600	$ 1,250,638

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 2020, rental income totaled $49,260. All lease agreements ended in 2020 with the retirement of the Town administrative facility.

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

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.

NOTE 14 FUND BALANCES

At September 30, 2020, the Town's governmental fund balances were classified as follows:

Fund Balances:	General	Stormwater Special Revenue	Total
Nonspendable:			
Prepaid expenses	$ 37,999	$ -	$ 37,999
Spendable:			
Restricted for:			
Capital assets	4,387,326	-	4,387,326
Police education fund	652	-	652
Assigned to:			
Downtown business committee	87,621	-	87,621
Parks & recreation	82,208	-	82,208
Capital improvements	100,000		100,000
Other	122,620	-	122,620
Unassigned:			
Unassigned	1,543,078	(122,523)	1,420,555
Total Fund Balances	$ 6,361,504	$ (122,523)	$ 6,238,981

NOTE 15 SUBSEQUENT EVENTS

In November 2020, the Town entered into a promissory note agreement with a bank in the amount of $35,496 for the purchase of certain equipment.

Other Reports

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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, and each major fund of the *Town of Windermere, Florida*, as of and for the year ended September 30, 2020, 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 4, 2021.

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) as a basis for designing 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.

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.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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.



Orlando, Florida
February 4, 2021

McDirmit Davis

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INDEPENDENT ACCOUNTANT'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, 2020. 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, 2020.

McDirmit Davis

Orlando, Florida
February 4, 2021

McDirmit Davis

934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
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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, 2020, and have issued our report thereon dated February 4, 2021.

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 Accountant'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 4, 2021, 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		
FY 2020 Finding #	**FY 2019 Finding #**	**FY 2018 Finding #**
ML 20-01	ML 19-01	ML 18-01

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 and Management
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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Windermere. 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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.

McDermit Davis

Orlando, Florida
February 4, 2021

20-01 - INTERNAL CONTROLS OVER THE PREPARATION OF FINANCIAL STATEMENTS

Criteria
AUC 265, *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
Errors in financial reporting could go undetected by management.

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

20-02 - PURCHASE ORDERS

Criteria
Purchase orders should function as a preventative control over cash disbursements.

Condition
During our audit, we noted that the design of internal controls included the use of purchase orders on all purchases over $1,000. While purchase orders were properly included as supporting documentation for cash disbursements, we found that in practice they are not used as a preventative control to authorize purchases before they are made.

Cause
A purchase was made where a purchase order was issued out after the transaction had occurred.

Effect
Purchases which require purchase orders as a preventative control over cash disbursements can be made without prior authorization as required by written policy. Unauthorized purchases would not be prevented.

Recommendation
We recommend the Town mandate that all purchases over the established threshold require a properly completed, prenumbered purchase order with appropriate authorization before the provision of the good or service.

Mayor
JIM O'BRIEN

THE TOWN OF
Windermere

Town Manager
ROBERT SMITH

Clerk
DOROTHY BURKHALTER

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

March 15, 2021

RE: Comments and Recommendations from Auditor FY 19-20

Mayor & Council,

For FY 19-20, the Auditors had two (2) findings relative to internal controls. The following is my response to the findings:

ML 20-01-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.

ML 20-02-Internal Controls Over Purchase Orders :

Finding: SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit,* requires auditors to evaluate the design of internal control to include the use of completed, prenumbered purchase orders on purchases over $1,000.00 with appropriate authorizations in place to limit unauthorized purchases. A purchase was made where a purchase order was issued out after the transaction had occurred.

Recommendation: "We recommend the Town mandate that all purchases over the established threshold require a properly completed, prenumbered purchase order with appropriate authorization before the provision of the good or service."

Response: Management acknowledges and accepts this deficiency due to the type of emergency service for tree removal and limited staffing due to the COVID pandemic. We will continue to develop and train staff in the purchasing polices of the town for compliance and adherence.

Regards,

Robert Smith
Town Manager