

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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

The Honorable Mayor and  
City Commissioners  
*City of Winter Springs, Florida*

We have audited the basic financial statements of the *City of Winter Springs, Florida*, as of and for the year ended September 30, 2002, and have issued our report thereon dated March 28, 2003. 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.

**Compliance** – As part of obtaining reasonable assurance about whether the *City of Winter Springs, Florida's* basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the *City of Winter Springs, Florida*, in a separate letter and dated March 28, 2003.

**Internal Control Over Financial Reporting** – In planning and performing our audit, we considered the *City of Winter Springs, Florida's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Management of the *City of Winter Springs, Florida*, in a separate letter dated March 28, 2003.

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS  
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MDPCPA.COM

This report is intended solely for the information and use of management, the City Commission 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.

*McDirmit Davis Puckett & Company, LLC*

McDIRMIT DAVIS PUCKETT & COMPANY, LLC

March 28, 2003



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE  
TO THE MAJOR STATE PROJECT**

The Honorable Mayor and City Commissioners  
City of Winter Springs, Florida  
Winter Springs, Florida

Compliance

We have audited the compliance of the City of Winter Springs, Florida with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to the major state project for the year ended September 30, 2002. The City of Winter Springs' major state project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the City of Winter Springs, Florida management. Our responsibility is to express an opinion on the City of Winter Springs, Florida compliance based on our audit.

We conducted our audit of compliance 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 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about City of Winter Springs, Florida compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Winter Springs, Florida compliance with those requirements.

In our opinion, the City of Winter Springs, Florida, complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2002.

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Internal Control Over Compliance

The management of the City of Winter Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Winter Springs, Florida internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650 Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*McDermitt Davis Puckett & Company, LLC*

March 28, 2003

CITY OF WINTER SPRINGS, FLORIDA

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year Ended September 30, 2002

<u>State Agency/ State Project</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures</u>
Florida Department of Environmental Protection: Florida Recreation Development Assistance Program	37.017	F0217 F0213	\$402,814 <u>381,011</u> <u>\$783,825</u>

Note: This Schedule of Expenditures of State Financial Assistance is presented on the accrual basis of accounting in accordance with requirements of Section 215.97, Florida Statutes.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**STATE PROJECT**

Year Ended September 30, 2002

**A. Summary of Auditor's Findings**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Winter Springs, Florida.
2. No instances of noncompliance material to the financial statements of the City of Winter Springs, Florida were disclosed during the audit.
3. The auditor's report on compliance for the major state project for the City of Winter Springs, Florida, expresses an unqualified opinion.
4. The program/project tested as major program/project included the following:

<b><u>State Project</u></b>	<b><u>State CSFA No.</u></b>
Florida Department of Environmental Protection - Florida Recreation Development Assistance Program	37.017

5. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major state projects.



MANAGEMENT COMMENTS

Honorable Mayor and City Commission  
City of Winter Springs, Florida

In connection with our audit of the basic financial statements of the City of Winter Springs, Florida, for the year ended September 30, 2002, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control. The accompanying findings and recommendations, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls.

Since the comments and observations contained in this letter are a by-product of the audit of financial statements, the cost justification and other aspects of our suggestions have not been fully evaluated; these evaluations should be made by management. Therefore, we recognize that after consideration, certain suggestions and recommendations may not be practical to implement.

We have also provided comments as required by the Rules of the Auditor General of the State of Florida.

We appreciate the cooperation we have received from the City's personnel in connection with developing these recommendations. We appreciate the opportunity to have been of service to you. Should you have any questions about our recommendations, this letter, or other matters, please contact us at your convenience.

*McDIRMIT DAVIS PUCKETT & COMPANY, LLC*

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March 28, 2003

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A. Status of Prior Year Comments

1. Budget Monitoring

Actual expenditures were in excess of budgeted expenditures for the Public Service Tax Special Revenue Fund and the Oak Forest Debt Service Fund. In addition, appropriations for the Oak Forest Maintenance Special Revenue Fund were in excess of anticipated revenue and prior year's fund balance.

Recommendation

During 2001, there was a lot of improvement made in budget monitoring and we continue to recommend that the City carefully monitor the budget and make amendments if necessary.

Corrective Action

During 2002 there continues to be funds where actual expenditures are in excess of budgeted amounts as well as appropriations in excess of anticipated revenue and prior year's fund balance.

2. Utility Billing System

The City implemented a new utility system during the current year. There have been some problems with the system and also with staff understanding how to operate the system. For example, at year end there were negative balances on individual accounts receivable balances.

Recommendation

We recommend that the City work with MUNIS to resolve problems and get proper training for employees.

Corrective Action

Although there was improvement in the utility billing system during the year, there is still a need for correcting some problems with the system and additional training for employees.

B. Current Year Comments

1. Budget Monitoring

As we have stated in prior years, there is no statutory requirement that municipalities budget for all funds; however, in an effort to achieve an enhanced level of budgetary control, the City has elected to budget for all of its funds. Because the City Charter does say that budgets will be prepared for all funds, we must report actual expenditures in excess of budgeted expenditures, even if they are not material to the financial statements. For the year ended September 30, 2002, there were five (5) special revenue funds, two (2) debt service funds and one (1) capital projects fund that reported actual expenditures in excess of budget expenditures. These over expenditures were funded either by greater than anticipated revenues or by available fund balance. There were also three (3) special revenue funds and one (1) capital projects fund that had appropriations in excess of anticipated revenue and prior year's fund balance.

Recommendation

We recommend the budget be amended before the fiscal year is closed out so that there are no variances as described above.

2. Utility Billing System

As noted in the previous years comments, the City needs to continue correcting some of the problems with the Utility Billing System and additional training for employees. Specifically, some of the utility billing details do not agree with the general ledger balances nor are they reconciled with the general ledger on a monthly basis.

Recommendation

We recommend that the City continue to work with MUNIS to resolve the system problems and get proper training for employees.

3. Bond Compliance

The Improvement Refunding Revenue Bonds, Series 1999, Federal Tax Certificate requires that at least 85 percent of the bond proceeds be expended within three years of the issue date of July 8, 1999. At September 30, 2002, approximately 80 percent of bond proceeds had been spent.

Recommendation

We recommend that the City invest remaining proceeds only at a yield restricted to bond yield rate and commit to spend remaining proceeds as soon as possible.

C. Comments Required by the Rules of the Auditor General

1. The financial report filed with the Department of Banking and Finance pursuant to Section 218.32(1)(b), Florida Statutes, is in agreement in all material respects with the annual financial audit report for the same period.
2. The City is not, or during the fiscal year was not, in a state of financial emergency as a consequence of conditions described in Section 218.503(1) Florida Statutes.
3. The City of Winter Springs, Florida was created by the Laws of Florida 59-1614. There were no component units identified by the City.
4. The City of Winter Springs, Florida has complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
5. As required by the Rules of the Auditor General, Section 10.554 (g)(6)c and 10.556(8), we applied financial condition assessment procedures.



## CITY OF WINTER SPRINGS, FLORIDA

1126 EAST STATE ROAD 434  
WINTER SPRINGS, FLORIDA 32708-2799  
Telephone (407) 327-1800

March 28, 2003

McDermitt Davis Puckett  
605 E. Robinson Street, Suite 635  
Orlando, Florida 32801

Dear Sir or Madam:

Your management comments related to fiscal year ended September 30, 2002 were well received by both the City Manager and the Finance Department. The comments represent opportunities for improvement, which will be pursued in fiscal year 2003. Below are the responses to your management comments as required by the Rules of the Auditor General of the State of Florida.

### Budget Monitoring

We concur with the recommendation. Continued evaluation and refinement of processes including the budget process is a goal of the Finance Department. Every effort will be made to amend the final budget prior to the close of the fiscal year, unfortunately time limitations prevented a comprehensive amendment for the year in question.

### Utility Billing System

We concur with the recommendation. Improvements continue to be made in this area in the aftermath of the computer conversion. It is the goal of the Finance Department to resolve the remaining issues related to the flow of transactions and their effect on the subsidiary and general ledger prior to the close of the current fiscal year.

### Bond Compliance

We concur with the recommendation. Funds are currently in essence "yield restricted" due to the investment environment. Construction delays unfortunately came into play; however, the City is committed to spending the remaining bond proceeds as soon as possible and will make every effort to do so.

Sincerely,

A handwritten signature in cursive script that reads "Ronald W. McLemore".

Ronald W. McLemore  
City Manager

A handwritten signature in cursive script that reads "Louise C. Frangoul".

Louise C. Frangoul  
Finance Director