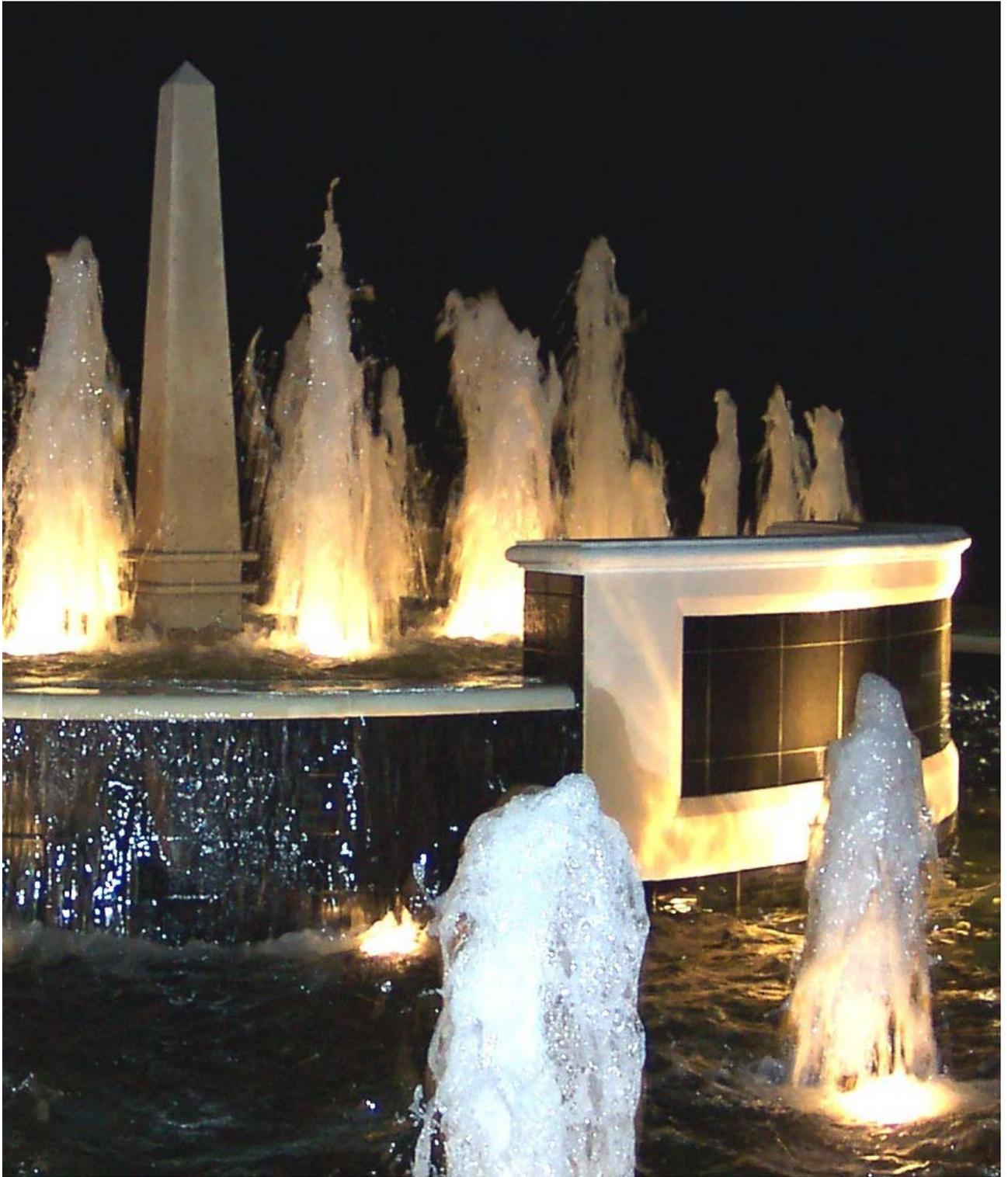


*City of Winter Springs
Florida*



*Comprehensive Annual Financial Report
For the Year Ended September 30, 2003*

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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, 2003, and have issued our report thereon dated December 3, 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 December 3, 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 December 3, 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

December 3, 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, 2003. 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, 2003.

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.

McDermid Davis Puckett & Company, LLC

December 3, 2003

CITY OF WINTER SPRINGS, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2003

<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	F03670	<u>\$406,467</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.

CITY OF WINTER SPRINGS, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECT

Year Ended September 30, 2003

A. Summary of Auditor's Findings

1. The auditor's report expresses an unqualified opinion on the 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:

<u>State Project</u>	<u>State CSFA No.</u>
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 planning and performing our audit of the basic financial statements of the *City of Winter Springs, Florida*, for the year ended September 30, 2003, 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 following findings and recommendations, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls. In addition, this report includes other disclosures required by Rules of the Auditor General, State of Florida.

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. We have issued our Report on Compliance and Internal Control over Financial Reporting, in accordance with *Government Auditing Standards*, Report on Compliance and Internal Control over Compliance Applicable to the Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 3, 2003, should be considered in conjunction with this management letter.

This management letter is intended solely for the information of the *City of Winter Springs, Florida* and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than those specified parties.

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC

December 3, 2003

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A. Status of Prior 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 variances as described above.

Corrective Action

During the fiscal year ended September 30, 2003, budgets were amended for most funds. The Pubic Service Tax and Electric Franchise Fee Special Revenue Funds did have actual transfers out in excess of budgeted transfers out because these funds must transfer out all funds collected during the year.

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 work with MUNIS to resolve problems and get proper training for employees.

Corrective Action

During 2003, utility billing detail was being reconciled to the general ledger on a regular basis, so no further comment is required.

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.

Corrective Action

The City only spent \$6,207 out of the 1999 Construction Capital Projects Fund during 2003; therefore we will repeat this comment under current year comments.

B. Current Year Comments

1. Utility Billing Credits

During 2003, the City implemented many procedures to strengthen internal controls over cash receipts. One of these procedures is that the controller reviews both reversal approval logs and refund and reversal batches to make sure they are proper. However, no one is approving credits or reversals made by the utility services department. The MUNIS system does not currently provide a report with the name of the customer so that repetitive credits to a particular customer could be identified.

Recommendation

We recommend that the City implement a procedure where all credits must be approved by the utility services manager. We would also suggest that the utility services manager not be able to issue credits. In addition, the City should request from MUNIS an enhancement of the existing credit report to show the customer's name.

2. Bond Compliance

As noted under prior year comments, the City has not met the requirement that at least 85% of the Improvement Refunding Revenue Bonds, Series 1999, proceeds be expended within three years of the issue date of July 8, 1999. At September 30, 2003, approximately 80% of bond proceeds had been spent.

Recommendation

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

3. Grant Expenditures

During the 2003 fiscal year, the City received grants for Torcaso Park improvements from both Seminole County and the State of Florida. The requests for reimbursements to the county and the state included some duplicate expenses. This mistake occurred because of a misunderstanding of the match requirements for the State of Florida FRDAP grant. There were additional expenditures relating to Torcaso Park which were not included on the original request for reimbursement that are eligible under the FRDAP grant, and the City will submit a revised schedule including these additional expenditures to the state. Therefore, we will not report this in the Schedule of Findings and Questioned Costs - State Project since we do not believe this mistake will result in the City having to refund grant funds in an amount that would be material to the major state project.

Recommendation

We recommend that the Finance Department obtain additional training in grant compliance to insure that grant requests for reimbursement are properly prepared.

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
Fax: (407) 327-4753
Website: www.winterspringsfl.org

March 22, 2004

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

Dear Sir or Madam:

Your management comments related to fiscal year ended September 30, 2003 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 2004. Below are the responses to your management comments as required by the Rules of the Auditor General of the State of Florida.

Utility Billing Credits

We concur with the recommendation. We have implemented procedures requiring approval of all credits by the Finance Director and have requested a modification of the existing credit/maintenance report to include the customer name so that repetitive credits can be identified.

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.

Grant Expenditures

We concur with the recommendation. During the summer of 2003 the Finance department implemented project accounting which enables the City to capture all costs associated with a project in one place, regardless of the funding sources for that project. We believe that this tool will provide us with better controls over spending for future projects. Additionally, both the Finance department and the Parks department will be attending training courses to increase our understanding of grant requirements and compliance.

Sincerely,

Ronald W. McLemore
City Manager

Judith A. Cooper
Interim Finance Director

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