

TOWN OF ASTATULA, FLORIDA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2008

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CLERMONT OFFICE

Jerry D. Brown, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Astatula
Astatula, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Astatula, Florida, as of and for the year ended September 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Astatula, Florida's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Astatula, Florida, as of September 30, 2008, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2009, on our consideration of the Town of Astatula, Florida'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 21 through 24 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Greenlee, Kurras, Rice & Brown, P. A.

Mount Dora, Florida
June 17, 2009

Management's Discussion and Analysis

As management of the Town of Astatula 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, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

The Town's assets exceeded its liabilities at September 30, 2008 by \$1,210,407 (net assets). Of this amount, \$35,376 is available to meet the Town's ongoing obligations to its customers and creditors.

The Town's total net assets increased by \$110,018 as a result of current year operations. This increase was primarily due to the increase in capital assets and in restricted infrastructure funds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements of the Town provide a broad overview of the Town's finances and report information about the Town using accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents the Town's assets less its liabilities at year-end. The difference between these assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 7 and 8 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 only two funds, the General Fund and Special Revenue Fund, which both are governmental fund types.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds 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. As a result of this difference in focus, a reconciliation is provided in the notes to the financial statements between the fund and government-wide statements.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

The basic governmental fund financial statement can also be found on pages 9 and 10 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 13 of this report.

Other information - In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning the Town's annual appropriated budget for its general fund. Budgetary comparison schedules, provided as supplementary information, can be found on pages 21, 22 and 24 of this report.

Government-Wide Financial Analysis

In accordance with accounting principles generally accepted in the United States, the Town has implemented the provisions of Governmental Accounting Standards Board Statement Number 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.*" As a result, the accompanying fund financial statements are converted to the Statement of Net Assets and Statement of Activities by posting adjustments for the following:

Capital assets, net of accumulated depreciation, have been added to the Statement of Net Assets. In addition, capital outlay has been taken out of expenses in the Statement of Activities, and depreciation expense for all equipment has been included in expense.

The liabilities for debt have been added to the Statement of Net Assets and the related expenses have been included in the Statement of Activities.

Our analysis of the government-wide financial statements of the Town begins below. The Statement of Net Assets and the Statement of Activities report the net assets of the Town and changes in them. Over time, increases or decreases in the Town's net assets are one indicator of financial position. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

Assets of the Town consist primarily of cash of approximately \$383,303 and capital assets, net of accumulated depreciation, of approximately \$865,511.

Total liabilities of \$99,170, of which current liabilities of \$47,758 consist primarily of accounts payable, accrued liabilities and the current portion of long-term debt.

Net assets amounted to \$1,210,407 in fiscal year 2008. The major component of this category is the category invested in capital assets, net of related debt, which is the Town's investment in its net capital assets (original cost less accumulated depreciation, less debt), totaling \$865,511.

While the statement of net assets shows the change in financial position of net assets, the statement of activities provides answers as to the nature and source of these changes.

Revenues totaled \$963,206 and consisted primarily of taxes, which were \$749,067 in 2008. Other revenues include intergovernmental revenue of \$129,322, charges for services of \$34,179 and amounts received from other sources of \$30,189.

Total expenses were \$853,188 and consisted primarily of operating expenses of \$273,411 for services and/or improvements performed by the Town. Expenses also include \$462,609 personal services, which include salaries, wages and related taxes, and fringe benefits paid to the Town personnel during fiscal year 2008. Capital outlay amounted to \$89,419.

Analysis of General Fund

The Town has two funds, the General Fund and Special Revenue Fund, which are reported in the Fund Financial Statements. The focus of the general fund is to provide information on near-term inflows and outflows of cash and the balance available. The unreserved fund balance serves as a measure of the resources available for spending for the next fiscal year.

General Fund Budgetary Highlights

Differences between the budget and actual results are included on page 12 of the accompanying financial statements. Some of the more significant variances are discussed below:

Revenue - Year-to-date revenues exceeded the final budget by \$21,687, due to increases in franchise and utility tax revenue from increased population and intergovernmental revenues.

Expenditures - Operating expenditures were \$9,000 less than budgeted.

Capital Assets and Long-Term Debt

Capital Assets - As of September 30, 2008, the Town had \$1,274,817 invested in equipment, buildings, land and improvements. During fiscal year 2008, \$84,394 in equipment and improvements were acquired.

Long-Term Debt - At the end of the current fiscal year, the Town has \$36,270 of debt outstanding due to the street loan.

Compensated Absences - The Town's full-time employees accumulate annual leave based upon length of employment.

For more detailed information regarding the Town's capital assets and long-term debt, please refer to the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the State is 6.9% and 6.0% for the nation.
- Inflation nationally as indicated by the consumer price index is 4.9% for 2008.

All of these factors were considered in preparing the Town budget for the 2008-2009 year. The Town adopted the 2008 budget at its September 24, 2007 meeting. The 2008 budget of \$943,948 includes a millage rate of 4.5.

Requests for Information - This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Clerk of the Town of Astatula, 25019 County Road 561, Astatula, Florida 32809, (352) 742-1100.

TOWN OF ASTATULA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

ASSETS	Primary Government Governmental Activities	Total
Current Assets:		
Cash and cash equivalents	\$ 383,303	\$ 383,303
Receivables	25,823	25,823
Due from other governments	34,940	34,940
Total Current Assets	<u>444,066</u>	<u>444,066</u>
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	206,588	206,588
Buildings	156,014	156,014
Machinery and equipment	226,263	226,263
Infrastructure	276,646	276,646
Total Noncurrent Assets	<u>865,511</u>	<u>865,511</u>
Total Assets	<u>\$ 1,309,577</u>	<u>\$ 1,309,577</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 17,714	\$ 17,714
Current portion long-term-debt	14,239	14,239
Compensated absences	11,663	11,663
Due to other governments	4,142	4,142
Total Current Liabilities	<u>47,758</u>	<u>47,758</u>
Noncurrent liabilities:		
Retirement contributions payable	16,516	16,516
Compensated absences	12,865	12,865
Notes payable	22,031	22,031
Total Noncurrent Liabilities	<u>51,412</u>	<u>51,412</u>
Total Liabilities	<u>99,170</u>	<u>99,170</u>
NET ASSETS		
Invested in capital assets, net of related debt	865,511	865,511
Reserved for:		
Mitigation	7,500	7,500
Streets	31,285	31,285
Impact fees	21,117	21,117
Infrastructure	249,618	249,618
Unrestricted	35,376	35,376
Total Net Assets	<u>1,210,407</u>	<u>1,210,407</u>
Total Liabilities and Net Assets	<u>\$ 1,309,577</u>	<u>\$ 1,309,577</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASTATULA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Functions/Program</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 373,041	\$ 10,514	\$...	\$ (362,527)
Public safety	416,928	23,665	...	(393,263)
Transportation	46,813	0		(46,813)
Physical Environment	895	0		(895)
Culture and recreation	15,511	...	20,449	4,938
Total governmental activities	853,188	34,179	20,449	(798,560)
General revenues:				
Property taxes				\$ 328,787
Sales taxes				176,573
Franchise and utility taxes				243,707
Intergovernmental revenues				129,322
Miscellaneous revenues				30,189
Total general revenues				908,578
Change in net assets				110,018
Net assets - beginning				1,100,389
Net assets - ending				\$ 1,210,407

TOWN OF ASTATULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 142,911	\$ 240,392	\$ 383,303
Receivables	25,823	...	25,823
Due from other governments	25,714	9,226	34,940
Total Assets	<u>\$ 194,448</u>	<u>\$ 249,618</u>	<u>\$ 444,066</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,714	\$...	\$ 17,714
Payroll related accruals	11,663	...	11,663
Due to other governments	4,142	...	4,142
Total Liabilities	<u>33,519</u>	<u>...</u>	<u>33,519</u>
Fund balances:			
Reserved for:			
Mitigation	7,500	...	7,500
Streets	31,285	...	31,285
Impact fees	21,117		21,117
Infrastructure	...	249,618	249,618
Unreserved: Undesignated	101,027	...	101,027
Total Fund Balances	<u>160,929</u>	<u>249,618</u>	410,547
Total Liabilities and Fund Balances	<u>\$ 194,448</u>	<u>\$ 249,618</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			865,512
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(65,652)</u>
Net assets of governmental activities			<u>\$ 1,210,407</u>

TOWN OF ASTATULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Ad Valorem	\$ 328,787	\$...	\$ 328,787
Franchise and utility taxes	208,416	...	208,416
Local option gas	30,607	...	30,607
County shared gas tax	9,111	...	9,111
Communications service tax	35,291	...	35,291
Licenses and permits	10,514	...	10,514
Intergovernmental	149,770	136,856	286,626
Fines and forfeitures	23,665	...	23,665
Miscellaneous	30,189	...	30,189
Total Revenues	826,350	136,856	963,206
Expenditures:			
Current:			
General government	316,007	...	316,007
Public safety	373,947	...	373,947
Physical environment	895	...	895
Transportation	52,394	...	52,394
Recreation	27,212	...	27,212
Capital Outlay:			
General government	...	969	969
Public safety	...	7,616	7,616
Public works	...	1,479	1,479
Transportation	...	58,695	58,695
Recreation	...	464	464
Total Expenditures	770,455	69,223	839,678
Excess of Revenues Over (Under) Expenditures	55,895	67,633	123,528
Fund Balances - Beginning of Year	105,034	181,985	287,019
Fund Balances - Ending of Year	\$ 160,929	\$ 249,618	\$ 410,547

TOWN OF ASTATULA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 123,528

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 outlays in the current period. 729

The issuance of long-term debt (e.g., bonds, leases) 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, differences in the treatment of long-term debt and related items. (14,239)

Change in net assets of governmental activities \$ 110,018

TOWN OF ASTATULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 618,215	\$ 618,215	\$ 612,212	\$ (6,003)
Licenses and permits	13,077	13,077	10,514	(2,563)
Intergovernmental	146,659	146,659	149,770	3,111
Fines and forfeitures	13,000	13,000	23,665	10,665
Miscellaneous	13,712	13,712	30,189	16,477
Total Revenues	<u>804,663</u>	<u>804,663</u>	<u>826,350</u>	<u>21,687</u>
Expenditures:				
Current:				
General Government	325,834	325,834	316,007	9,827
Public Safety	379,490	379,490	373,947	5,543
Physical Environment	1,975	1,975	895	1,080
Transportation	66,733	66,733	52,394	14,339
Recreation	5,450	5,450	27,212	(21,762)
Total Expenditures	<u>779,482</u>	<u>779,482</u>	<u>770,455</u>	<u>9,027</u>
Excess of Revenues Over (Under) Expenditures	25,181	25,181	55,895	30,714
Fund Balances - Beginning	<u>105,034</u>	<u>105,034</u>	<u>105,034</u>	<u>...</u>
Fund Balances - Ending	<u>\$ 130,215</u>	<u>\$ 130,215</u>	<u>\$ 160,929</u>	<u>\$ 30,714</u>

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

The Town was created by House Bill 480, as passed at the regular session of the Florida Legislature 1927 and operates under Mayor-Council form of government.

The financial statements of the Town of Astatula, Florida have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the Town's more significant accounting policies:

A. Reporting Entity - These financial statements include all the Town's funds. There are no component units, separate governmental units, agencies or nonprofit corporations, which require inclusion in the Town's financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines and forfeitures and other charges to users of the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Accounting - The accounts of the Town are organized on the basis of funds, which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Town are as follows:

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

Governmental Funds -

- 1). General Fund - To account for all financial resources except those required to be accounted for in another fund.
- 2). Special Revenue Fund - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

- C. Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (*i.e.*, revenues and other financing sources) and decreases (*i.e.*, expenditures and other financing uses) in net current assets.

The government-wide statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of plan net assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (*i.e.*, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

All major revenues, except property taxes, are considered measurable and available and, as such, susceptible to accrual.

The accrual basis of accounting is utilized by government-wide statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

D. Assets, Liabilities and Fund Equity

- 1). Cash, Cash Equivalents, and Investments - For purposes of cash flows, cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.
- 2). Accounts Receivable From Other Governments - Those amounts that represent a claim against another government, and are measurable, have been accrued.
- 3). Fixed Assets - Fixed assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Fixed assets are depreciated using the straight line method over the following estimated useful lives:

Building	39 years
Building Improvements	15 years
Equipment	5 to 10 years
Furniture and Fixtures	7 to 10 years
Infrastructure	20 to 30 years
Software	3 years

- 4). Compensated Absences - Town employees accumulate sick leave and vacation days. Full time employees with 0 - 5 years of service earn 8 hours of vacation per month, 6 - 10 years of service earn 10 hours of vacation per month, 10 - 15 years of service earn 12 hours vacation per month and 16 years or more of service earn 16 hours of vacation a month. Any leave accumulated beyond two years will be lost. Accumulated vacation time will be paid upon an employee's termination.
- 5). Long-Term Obligations - Long-term debt is recognized as a liability of the government-wide financial statements. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.
- 6). Fund Equity - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

7). 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; natural disasters; and job-related illnesses or injuries to employees. Significant losses are covered through participation in a local government non-assessable self insurance pool. For these insured programs, there have been no significant reductions in insurance programs; there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

E. Revenues Recognition

Property Tax Recognition - The key dates in the property tax cycle (latest date where appropriate) are as follows:

Assessment/lien date	January 1
Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are collected and remitted by the county tax collector. The Town does not accrue its portion of county held tax sale certificates because such amounts are neither measurable nor available at balance sheet date.

The statutory maximum tax rates which may be assessed by the Town are as follows:

Ad valorem millage	10 mills
Utility tax (Electric, gas, telephone)	10%
Utility tax (Telecommunications)	7%

2. Stewardship, Compliance and Accountability:

A. The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

- 1). Prior to September 30, the budget and finance councilman submits to the Town Council the proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2). Public hearings are conducted to obtain taxpayer comments.
- 3). Prior to October 1, the budget is legally enacted through passage of an ordinance.

The legal level of budgetary control is the fund level. Administrative control is maintained at the department level through integration with the accounting records. Appropriations lapse at the end of each fiscal year.

Budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP) except for capital lease proceeds, debt service and capital outlay.

The Town Clerk is authorized to transfer budgeted amounts within departments within any fund. However, any revisions that alter the total expenditures of a fund must be approved by the Town Council. Budget amounts are reported as originally adopted or revised.

B. General Fund departments having unfavorable variances were: General Government (\$2,732); Public Safety (\$1,893); Other General Government (\$284); and Recreation (\$21,762).

3. Deposits and Investments:

The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the treasurer of the State of Florida as qualified public depositories. The Town only places deposits with qualified public depositories. Therefore, all Town deposits are entirely insured by FDIC or Florida’s Multiple Financial Institution Collateral Pool.

4. Changes In General Fixed Assets:

A summary of changes in general fixed assets is as follows:

	<u>Balance -</u> <u>10/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	<u>Balance -</u> <u>9/30/2008</u>
Land	\$ 206,588	\$...	\$...	\$...	\$ 206,588
Buildings	230,091	...	...	...	230,091
Machinery and equipment	531,778	9,289	...	...	541,067
Infrastructure	221,966	75,105	...	...	297,071

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

Less Accumulated Depreciation	(326,543)	.....	.....	(82,763)	(409,306)
Totals	<u>\$ 863,880</u>	<u>\$ 84,394</u>	<u>\$</u>	<u>\$ (82,763)</u>	<u>\$ 865,511</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 18,787
Public safety	32,556
Physical environment	14,731
Recreation	8,031
Transportation	<u>8,658</u>
Total depreciation expense - governmental activities	\$ 82,763

Governmental Accounting Standards Board Statement Number 34 allows the Town the ability to not retroactively report major general infrastructure assets costs. It is the Town's position to report these historical infrastructure assets in future financial statements as the historical data is collected.

5. Pension Funds:

The Town's employees participate in the Florida Retirement System, a multiple-employer, cost-sharing public employee retirement system.

FLORIDA RETIREMENT SYSTEM

Plan Description: The Town contributes to the Florida Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Florida Division of Retirement. The Plan provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121 assigns the authority to administer the Plan to the Division of Retirement. The Florida Legislature establishes and amends benefit provisions and contribution levels. The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Florida Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy: Employees do not contribute to the Plan. The Town is required to contribute at an actuarially determined rate. The current rate for regular and special risk members is 9.85% and 20.92% respectively, of annual covered payroll. The contribution requirements of the Town are established and may be amended by the Florida Legislature. The Town's contributions to the

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

System for the year ending September 30, 2008 were \$52,519, which was \$3,323 less than the required amount.

6. Long-Term Debt:

The following is the change in liabilities reported in the general long-term debt account group:

	Balance October 1, <u>2007</u>	<u>Adjustments</u>	<u>Reductions</u>	Balance September 30, <u>2008</u>
Promissory note payable to a bank in the original amount of \$150,000. Balance is due in annual principal installments of \$14,239. Security for the note is an assignment of state and political revenues.	\$50,510	\$...	\$14,239	\$36,271

Annual requirements to amortize the debt, including interest, are as follows:

		Mortgage		
<u>Year Ended September 30</u>		<u>Principal</u>	<u>Interest</u>	Total
	2009	\$ 14,239	\$...	\$ 14,239
	2010	14,239	...	14,239
	2011	<u>7,793</u>	<u>...</u>	<u>7,793</u>
	Totals	<u>\$ 36,271</u>	<u>...</u>	<u>\$ 36,271</u>

7. Lease Agreement:

The Town has executed an agreement with the Lake County Fire Department and Emergency Services to lease the Town's firehouse and maintenance shop. The annual rental is \$9,912 and is payable by the county in monthly installments of \$826.

TOWN OF ASTATULA, FLORIDA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007

ASSETS	TOTALS	
	2008	2007
Cash and equivalents	\$ 142,911	\$ 93,587
Accounts receivable	25,823	19,144
Due from other governments	25,714	17,769
TOTAL ASSETS	\$ 194,448	\$ 130,500
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 17,714	\$ 16,447
Payroll related accruals	11,663	9,019
Due from other funds	4,142	0
Total Liabilities	33,519	25,466
Fund Balance:		
Reserved for streets	31,285	31,256
Reserved for mitigation	7,500	7,500
Reserved for impact fees	21,117	14,078
Unreserved: Undesignated	101,027	52,200
Total Fund Balance	160,929	105,034
TOTAL LIABILITIES AND FUND BALANCE	\$ 194,448	\$ 130,500

TOWN OF ASTATULA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGET	2008 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2007 ACTUAL
Taxes:				
Ad valorem taxes	\$ 331,680	\$ 328,787	\$ (2,893)	\$ 259,800
Franchise and utility taxes	196,352	208,416	12,064	184,571
Local option gas	32,782	30,607	(2,175)	32,117
County shared gas tax	18,430	9,111	(9,319)	11,630
Communication service tax	38,971	35,291	(3,680)	35,324
Total Taxes	618,215	612,212	(6,003)	523,442
Licenses and Permits:				
Building, electrical and sign permits	13,077	10,514	(2,563)	27,599
State revenue sharing	55,000	46,630	(8,370)	53,941
Mobile home licenses	1,000	678	(322)	922
Alcoholic beverage licenses	150	148	(2)	222
Half-cent sales tax	90,509	81,267	(9,242)	83,816
County occupational licenses	...	599	599	1,939
Grants	36,360	20,448	...	36,360
Total Intergovernmental Revenues	183,019	149,770	(17,337)	177,200
Fines and Forfeitures				
Court fines	8,000	16,415	8,415	8,025
Police education	700	1,603	903	803
Citation surcharge	2,800	5,642	2,842	3,625
Code enforcement	1,500	5	(1,495)	1,520
Total Fines and Forfeitures	13,000	23,665	10,665	13,973
Miscellaneous Revenues				
Interest	...	633	633	3,964
Rent	10,912	10,062	(850)	11,232
Impact fees	...	13,461	...	14,078
Donations	1,800	1,250	(550)	5,076
Special events	...	1,229	...	1,396
Asset sale	...	...	...	12,890
Other	1,000	3,554	2,554	1,416
Total Miscellaneous	13,712	30,189	1,787	50,052
TOTAL REVENUES	\$ 841,023	\$ 826,350	\$ (13,451)	\$ 792,266

TOWN OF ASTATULA, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGET	2008 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2007 ACTUAL
Expenditures:				
Current:				
General Government:				
Financial and Administrative:				
Personal services	\$ 74,924	\$ 76,375	\$ (1,451)	\$ 68,907
Operating expenditures	70,235	71,516	(1,281)	78,911
Total Financial and Administrative	<u>145,159</u>	<u>147,891</u>	<u>(2,732)</u>	<u>147,818</u>
Legal Counsel:				
Operating expenditures	28,000	25,947	2,053	32,977
Comprehensive Planning:				
Operating expenditures	30,000	19,210	10,790	27,256
Other General Government:				
Personal services	78,775	81,294	(2,519)	69,528
Operating expenditures	43,900	41,665	2,235	38,628
Total Other General Government	<u>122,675</u>	<u>122,959</u>	<u>(284)</u>	<u>108,156</u>
Total General Government	<u>325,834</u>	<u>316,007</u>	<u>9,827</u>	<u>316,207</u>
Public Safety:				
Law Enforcement:				
Personal services	301,540	304,940	(3,400)	241,393
Operating expenditures	69,800	68,293	1,507	61,471
Total Law Enforcement	<u>371,340</u>	<u>373,233</u>	<u>(1,893)</u>	<u>302,864</u>
Fire Protection:				
Operating expenditures	650	714	(64)	560
Emergency mitigation:				
Operating expenditures	7,500	...	7,500	...
Physical Environment:				
Operating expenditures	1,975	895	1,080	151
Total Physical Environment	<u>1,975</u>	<u>895</u>	<u>1,080</u>	<u>151</u>
Transportation:				
Operating expenditures	51,733	38,155	13,578	34,104
Capital outlay	...	...	...	800
Debt service	15,000	14,239	761	14,239
Total Transportation	<u>66,733</u>	<u>52,394</u>	<u>14,339</u>	<u>49,143</u>
Recreation:				
Operating expenditures	5,450	7,016	(1,566)	6,692
Capital outlay	...	20,196	(20,196)	41,300
Total Recreation	<u>5,450</u>	<u>27,212</u>	<u>(21,762)</u>	<u>47,992</u>
TOTAL EXPENDITURES	<u>\$ 779,482</u>	<u>\$ 770,455</u>	<u>\$ 9,027</u>	<u>\$ 716,917</u>

TOWN OF ASTATULA, FLORIDA
 INFRASTRUCTURE FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2008 AND 2007

<u>ASSETS</u>	<u>TOTALS</u>	
	2008	2007
Cash and cash equivalents	\$ 240,392	\$ 172,281
Due from other governments	9,226	9,704
TOTAL ASSETS	\$ 249,618	\$ 181,985
<u>FUND BALANCE</u>		
Fund Balance:		
Reserved for Infrastructure	\$ 249,618	\$ 181,985
TOTAL LIABILITIES AND FUND BALANCE	\$ 249,618	\$ 181,985

TOWN OF ASTATULA, FLORIDA
INFRASTRUCTURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008 WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>BUDGET</u>	<u>2008 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2007 ACTUAL</u>
Revenues:				
Intergovernmental revenue	\$ 144,605	\$ 136,856	\$ (7,749)	\$ 140,039
Total Revenues	<u>144,605</u>	<u>136,856</u>	<u>(7,749)</u>	<u>140039</u>
Expenditures:				
General government capital outlay	3,000	969	2,031	20,626
Public works capital outlay	16,500	1,479	15,021	16,885
Public safety capital outlay	28,986	7,616	21,370	91,959
Transportation capital outlay	120,000	58,695	61,305	27,721
Recreation capital outlay	<u>5,007</u>	<u>464</u>	<u>4,543</u>	<u>6,172</u>
Total Expenditures	<u>173,493</u>	<u>69,223</u>	<u>104,270</u>	<u>163,363</u>
Excess of Revenues Over (Under) Expenditures	(28,888)	67,633	96,521	(23,324)
Fund Balance - October 1, 2007	<u>181,985</u>	<u>181,985</u>	...	<u>205,309</u>
FUND BALANCE - SEPTEMBER 30, 2008	<u>\$ 153,097</u>	<u>\$ 249,618</u>	<u>\$ 96,521</u>	<u>\$ 181,985</u>

CLERMONT OFFICE*Jerry D. Brown, C.P.A.**Herbert John Greenlee, Jr. C.P.A.**Suzanne M. Brownlee, C.P.A.*

**GREENLEE
KURRAS
RICE &
BROWN, PA**
CERTIFIED PUBLIC
ACCOUNTANTS

MOUNT DORA OFFICE*John S. Rice, C.P.A.**Patricia A. Sykes-Amos, C.P.A.**C. L. (Chip) Garner, C.P.A.**Dorothy A. Kurras, C.P.A.**Keire Rice Hosley, C.P.A.**David A. Donofrio, C.P.A.**Deborah R. Mullins, C.P.A.**Allan L. Silbernagel, C.P.A.*

**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**

The Honorable Mayor and City Council
Town of Astatula, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Astatula, Florida as of and for the year ended September 30, 2008, which collectively comprise the Town of Astatula, Florida's basic financial statements and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

2008-01: For the year ended September 30, 2008, there was no one on staff to prepare GAAP-based financial statements. As a result, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process.

RESPONSE: The Town's accounting personnel are capable of managing the financial operation of the Town, which is operated on a fund basis. Due to various rules and regulations, the Town is required to prepare financial statements on a GAAP basis. The Town's size prohibits its hiring enough staff with the specialized knowledge of GAAP basis for preparing the end of year financial statements and will continue to allow the auditing firm to complete this task.

2008-02: Various accounting records could not be located in a timely manner. It is also our understanding that the computer system does not allow for accounting reports to be generated after the year end has passed. Therefore, it is important to produce certain detailed reports at specific time periods and to maintain these records.

RESPONSE: The Town Clerk has acknowledged the difficulty in locating records and has since been working diligently to locate and organize old records, as well as properly filing current records.

2008-03: Several eligible employees were not enrolled in the Florida Retirement System in a timely manner. The Town should create a new hire checklist to be completed for all new hires in order to document that all required forms and enrollments have been completed.

RESPONSE: The Town is instituting an employee hiring checklist, which will include all the forms that are to be completed for each new employee as they are hired and any continuing forms that need to be maintained to eliminate any possibility of missing important forms in the process.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-03 to be a material weakness.

Compliance and Other Matters

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

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

Greenlee, Kurras, Rice & Brown, P.A.

Mount Dora, Florida
June 17, 2009

CLERMONT OFFICE

Jerry D. Brown, C.P.A.

Herbert John Greenlee, Jr. C.P.A.

Suzanne M. Brownlee, C.P.A.



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MANAGEMENT LETTER

The Honorable Mayor and Town Council
Town of Astatula, Florida

We have audited the financial statements of the Town of Astatula, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated June 17, 2009.

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 and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated June 17, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report. All findings have been corrected and recommendations have been implemented.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we offer the following recommendations.

1. Due to recent turnover in the town clerk position and the new clerk's limited knowledge of the accounting software, we recommend that the council obtain additional training for the new clerk.

RESPONSE: In order to keep the system working, we will be seeking any additional training for the clerk to be able to use the accounting software.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuses that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based upon professional judgement, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (*e.g.*, the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that comes to the attention of, the auditor.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless, disclosed in the notes to the financial statements.

Section 10.554(1)(i)7a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town of Astatula did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Astatula for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 2187.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7c., and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

Greenlee, Kurras, Rice & Brown, P.A.

Mount Dora, Florida
June 17, 2009