

TOWN OF ASTATULA, FLORIDA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009

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FISCAL YEAR ENDED SEPTEMBER 30, 2009

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CLERMONT OFFICE

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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, 2009, 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, 2009, 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 October 29, 2010, 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.

MEMBER: FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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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
October 29, 2010

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, 2009. 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, 2009 by \$1,254,601 (net assets).

The Town's total net assets increased by \$44,194 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 statements can 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 as of September 30, 2009 and 2008 consist primarily of cash of approximately \$424,256 and \$383,303, respectively, and capital assets, net of accumulated depreciation, of approximately \$960,018 and \$865,511, respectively.

Total liabilities for September 30, 2009 and 2008 of \$167,258 and \$99,170, respectively, of which current liabilities of \$143,975 and \$47,758, respectively, consist primarily of accounts payable, accrued liabilities and the current portion of long-term debt.

Net assets amounted to \$1,254,601 in fiscal year 2009 and \$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 \$960,018 in fiscal year 2009 and \$865,511 in fiscal year 2008.

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 \$863,667 and consisted primarily of taxes, which were \$657,734 in 2009. In 2008, revenues totaled \$963,206 and consisted of \$749,067 in taxes. Other revenues for fiscal years 2009 and 2008 include intergovernmental revenue of \$119,870 and \$129,322, respectively; charges for services of \$25,177 and \$34,179, respectively; and amounts received from other sources of \$60,888 and 30,189, respectively.

Total expenses for fiscal years 2009 and 2008 were \$819,473 and \$853,188, respectively, and consisted primarily of operating expenses of \$274,597 and \$273,411, respectively, for services and/or improvements performed by the Town. Expenses also include personal services of \$464,740 and \$462,609, respectively, which include salaries, wages and related taxes, and fringe benefits paid to the Town personnel. Capital outlay amounted to \$183,581 for 2009 and \$89,419 for 2008.

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 were lower than the final budget by \$51,824 for fiscal year ended 2009 due to decreases in property, franchise and utility tax revenues. Revenues exceeded the final budget by \$21,687 for the fiscal year ended 2008.

Expenditures - Operating expenditures were \$27,459 more than budgeted in 2009 and \$9,000 less than budgeted in 2008.

Capital Assets and Long-Term Debt

Capital Assets - As of September 30, 2009 and 2008, the Town had \$1,458,398 and \$1,274,817, respectively, invested in equipment, buildings, land and improvements. During fiscal year 2009 and 2008, \$183,581 and \$84,394, respectively, in equipment and improvements were acquired.

Long-Term Debt - At the end of the current fiscal year, the Town has \$22,031 of debt outstanding due to the street loan. At the end of the prior year, the Town had \$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 11.2% and 9.5% for the nation.

! Inflation nationally as indicated by the consumer price index is -1.3% for 2009.

All of these factors were considered in preparing the Town budget for the 2009-2010 year. The Town adopted the 2010 budget at its September 22, 2009 meeting. The 2010 budget of \$1,093,028 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, 2009

ASSETS	Primary Government	
	Governmental Activities	Total
Current Assets:		
Cash and cash equivalents	\$ 424,256	\$ 424,256
Receivables	17,195	17,195
Due from other governments	20,390	20,390
Total Current Assets	461,841	461,841
Noncurrent Assets:		
Capital assets (net of accumulated depreciation):		
Land	206,588	206,588
Buildings	144,862	144,862
Machinery and equipment	216,753	216,753
Infrastructure	391,815	391,815
Total Noncurrent Assets	960,018	960,018
Total Assets	\$ 1,421,859	\$ 1,421,859
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 107,696	\$ 107,696
Accrued payroll taxes	6,415	6,415
Retirement contributions payable	4,365	4,365
Current portion long-term debt	14,239	14,239
Compensated absences	11,260	11,260
Total Current Liabilities	143,975	143,975
Noncurrent liabilities:		
Compensated absences	15,491	15,491
Notes payable	7,792	7,792
Total Noncurrent Liabilities	23,283	23,283
Total Liabilities	167,258	167,258
NET ASSETS		
Invested in capital assets, net of related debt	960,018	960,018
Reserved for:		
Mitigation	7,500	7,500
Impact fees	21,117	21,117
Infrastructure	303,003	303,003
Unrestricted	(37,037)	(37,037)
Total Net Assets	1,254,601	1,254,601
Total Liabilities and Net Assets	\$ 1,421,859	\$ 1,421,859

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, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government Governmental Activities
<u>Functions/Program</u>				
Primary government:				
Governmental activities:				
General government	\$ 369,934	\$ 4,845	\$...	\$ (365,089)
Public safety	392,475	20,332	...	(372,143)
Transportation	32,650	...	...	(32,650)
Physical Environment	396	...	...	(396)
Culture and recreation	24,018	...	40,209	16,191
Total governmental activities	<u>\$ 819,473</u>	<u>\$ 25,177</u>	<u>\$ 40,209</u>	<u>(754,087)</u>
General revenues:				
Property taxes				\$ 297,321
Sales taxes				158,830
Franchise and utility taxes				201,583
Intergovernmental revenues				119,870
Miscellaneous revenues				20,677
Total general revenues				<u>798,281</u>
Change in net assets				44,194
Net assets - beginning				<u>1,210,407</u>
Net assets - ending				<u><u>\$ 1,254,601</u></u>

TOWN OF ASTATULA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 129,827	\$ 294,430	\$ 424,257
Receivables	17,195	...	17,195
Due from other governments	11,817	8,573	20,390
Total Assets	\$ 158,839	\$ 303,003	\$ 461,842
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 107,696	\$...	\$ 107,696
Payroll related accruals	22,040	...	22,040
Total Liabilities	129,736	...	129,736
Fund balances:			
Reserved for:			
Mitigation	7,500	...	7,500
Impact fees	21,117	...	21,117
Infrastructure	...	303,003	303,003
Unreserved: Undesignated	486	...	486
Total Fund Balances	29,103	303,003	332,106
Total Liabilities and Fund Balances	\$ 158,839	\$ 303,003	

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.	960,018
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,523)
Net assets of governmental activities	\$ 1,254,601

TOWN OF ASTATULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
Ad Valorem	\$ 297,321	\$...	\$ 297,321
Franchise and utility taxes	168,709	...	168,709
Local option gas	30,507	...	30,507
County shared gas tax	11,672	...	11,672
Communications service tax	32,875	...	32,875
Licenses and permits	4,845	...	4,845
Intergovernmental	160,078	116,676	276,754
Fines and forfeitures	20,332	...	20,332
Miscellaneous	20,653	...	20,653
Total Revenues	<u>746,992</u>	<u>116,676</u>	<u>863,668</u>
Expenditures:			
Current:			
General government	349,019	4,952	353,971
Public safety	357,875	...	357,875
Physical environment	396	...	396
Transportation	37,387	...	37,387
Recreation	8,899	...	8,899
Capital Outlay:			
General government	...	2,950	2,950
Public safety	...	31,377	31,377
Transportation	64,304	20,000	84,304
Recreation	60,938	4,012	64,950
Total Expenditures	<u>878,818</u>	<u>63,291</u>	<u>942,109</u>
Excess of Revenues Over (Under) Expenditures	(131,826)	53,385	(78,441)
Fund Balances - Beginning of Year	<u>160,929</u>	<u>249,618</u>	<u>410,547</u>
Fund Balances - Ending of Year	<u>\$ 29,103</u>	<u>\$ 303,003</u>	<u>\$ 332,106</u>

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, 2009

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

Net change in fund balances - total governmental funds \$ (78,441)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 94,508

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. 28,127

Change in net assets of governmental activities \$ 44,194

TOWN OF ASTATULA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 578,874	\$ 578,874	\$ 541,084	\$ (37,790)
Licenses and permits	6,200	6,200	4,845	(1,355)
Intergovernmental	174,330	174,330	160,078	(14,252)
Fines and forfeitures	26,000	26,000	20,332	(5,668)
Miscellaneous	13,412	13,412	20,653	7,241
Total Revenues	<u>798,816</u>	<u>798,816</u>	<u>746,992</u>	<u>(51,824)</u>
Expenditures:				
Current:				
General Government	274,319	274,319	349,019	(74,700)
Public Safety	386,536	386,536	357,875	28,661
Physical Environment	1,475	1,475	396	1,079
Transportation	55,348	55,348	101,691	(46,343)
Recreation	45,560	45,560	69,837	(24,277)
Total Expenditures	<u>763,238</u>	<u>763,238</u>	<u>878,818</u>	<u>(115,580)</u>
Excess of Revenues Over (Under) Expenditures	35,578	35,578	(131,826)	(167,404)
Fund Balances - Beginning	<u>160,929</u>	<u>160,929</u>	<u>160,929</u>	<u>...</u>
Fund Balances - Ending	<u>\$ 196,507</u>	<u>\$ 196,507</u>	<u>\$ 29,103</u>	<u>\$ (167,404)</u>

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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
SEPTEMBER 30, 2009

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
SEPTEMBER 30, 2009

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
 SEPTEMBER 30, 2009

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
SEPTEMBER 30, 2009

- 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 (\$74,700); Transportation (\$46,343); and Recreation (\$24,277).

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:

	Balance - <u>10/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance - <u>9/30/2009</u>
Land	\$ 206,588	\$...	\$...	\$...	\$ 206,588
Buildings	230,091	3,325	...	...	233,416
Machinery and equipment	541,067	48,602	...	...	589,669
Infrastructure	297,071	131,654	...	...	428,725
Less Accumulated Depreciation	<u>(409,306)</u>	<u>...</u>	<u>...</u>	<u>(89,074)</u>	<u>(498,380)</u>
Totals	<u>\$ 865,511</u>	<u>\$ 183,581</u>	<u>\$...</u>	<u>\$ 89,074</u>	<u>\$ 960,018</u>

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

Governmental activities:

General government	\$ 18,866
Public safety	30,739
Physical environment	14,848
Recreation	15,119
Transportation	<u>9,502</u>
Total depreciation expense - governmental activities	\$ 89,074

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 System for the year ending September 30, 2009 were \$61,809.

TOWN OF ASTATULA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

6. Long-Term Debt:

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

	Balance October 1, <u>2008</u>	<u>Adjustments</u>	<u>Reductions</u>	Balance September 30, <u>2009</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.	\$36,271	\$...	\$14,240	\$22,031

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
	2010	\$ 14,239	...	\$ 14,239
	2011	<u>7,792</u>	<u>...</u>	<u>7,792</u>
	Totals	<u>\$ 22,031</u>	<u>...</u>	<u>\$ 22,031</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, 2009 AND 2008

ASSETS	TOTALS	
	2009	2008
Cash and equivalents	\$ 129,827	\$ 142,911
Accounts receivable	17,195	25,823
Due from other governments	11,817	25,714
TOTAL ASSETS	\$ 158,839	\$ 194,448
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 107,696	\$ 17,714
Payroll related accruals	22,040	11,663
Due from other funds	0	4,142
Total Liabilities	129,736	33,519
Fund Balance:		
Reserved for streets	...	31,285
Reserved for mitigation	7,500	7,500
Reserved for impact fees	21,117	21,117
Unreserved: Undesignated	486	101,027
Total Fund Balance	29,103	160,929
TOTAL LIABILITIES AND FUND BALANCE	\$ 158,839	\$ 194,448

TOWN OF ASTATULA, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	BUDGET	2009 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2008 ACTUAL
Taxes:				
Ad valorem taxes	\$ 315,023	\$ 297,321	\$ (17,702)	\$ 328,787
Franchise and utility taxes	183,707	168,709	(14,998)	208,416
Local option gas	31,733	30,507	(1,226)	30,607
County shared gas tax	10,000	11,672	1,672	9,111
Communication service tax	38,411	32,875	(5,536)	35,291
Total Taxes	578,874	541,084	(37,790)	612,212
Licenses and Permits:				
Building, electrical and sign permits	6,200	4,845	(1,355)	10,514
State revenue sharing	51,127	45,341	(5,786)	46,630
Mobile home licenses	850	712	(138)	678
Alcoholic beverage licenses	150	49	(101)	148
Half-cent sales tax	85,843	74,366	(11,477)	81,267
County occupational licenses	...	(599)	(599)	599
Grants	36,360	40,209	3,849	20,448
Total Intergovernmental Revenues	174,330	160,078	(14,252)	149,770
Fines and Forfeitures				
Court fines	18,000	12,632	(5,368)	16,415
Police education	2,000	2,145	145	1,603
Citation surcharge	5,500	5,555	55	5,642
Code enforcement	500	...	(500)	5
Total Fines and Forfeitures	26,000	20,332	(5,668)	23,665
Miscellaneous Revenues				
Interest	...	...	...	633
Rent	10,912	10,012	(900)	10,062
Impact fees	...	...	...	13,461
Donations	1,500	1,650	150	1,250
Special events	...	...	...	1,229
Other	1,000	8,991	7,991	3,554
Total Miscellaneous	13,412	20,653	7,241	30,189
TOTAL REVENUES	\$ 798,816	\$ 746,992	\$ (51,824)	\$ 826,350

TOWN OF ASTATULA, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>BUDGET</u>	<u>2009 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2008 ACTUAL</u>
Expenditures:				
Current:				
General Government:				
Financial and Administrative:				
Personal services	\$ 47,778	\$ 57,878	\$ (10,100)	\$ 76,375
Operating expenditures	68,100	66,227	1,873	71,516
Total Financial and Administrative	<u>115,878</u>	<u>124,105</u>	<u>(8,227)</u>	<u>147,891</u>
Legal Counsel:				
Operating expenditures	19,000	30,046	(11,046)	25,947
Comprehensive Planning:				
Operating expenditures	15,500	68,376	(52,876)	19,210
Other General Government:				
Personal services	81,891	96,594	(14,703)	81,294
Operating expenditures	42,050	29,898	12,152	41,665
Total Other General Government	<u>123,941</u>	<u>126,492</u>	<u>(2,551)</u>	<u>122,959</u>
Total General Government	<u>274,319</u>	<u>349,019</u>	<u>(74,700)</u>	<u>316,007</u>
Public Safety:				
Law Enforcement:				
Personal services	303,786	302,980	806	304,940
Operating expenditures	76,250	47,346	28,904	68,293
Total Law Enforcement	<u>380,036</u>	<u>350,326</u>	<u>29,710</u>	<u>373,233</u>
Fire Protection:				
Operating expenditures	1,500	261	1,239	714
Code Enforcement:				
Personal services	...	7,288	(7,288)	...
Emergency mitigation:				
Operating expenditures	5,000	...	5,000	...
Total Public Safety	<u>386,536</u>	<u>357,875</u>	<u>28,661</u>	<u>373,947</u>
Physical Environment:				
Operating expenditures	1,475	396	1,079	895
Total Physical Environment	<u>1,475</u>	<u>396</u>	<u>1,079</u>	<u>895</u>
Transportation:				
Operating expenditures	40,348	23,148	17,200	38,155
Capital outlay	...	64,304	(64,304)	...
Debt service	15,000	14,239	761	14,239
Total Transportation	<u>55,348</u>	<u>101,691</u>	<u>(46,343)</u>	<u>52,394</u>
Recreation:				
Operating expenditures	9,200	8,899	301	7,016
Capital outlay	36,360	60,938	(24,578)	20,196
Total Recreation	<u>45,560</u>	<u>69,837</u>	<u>(24,277)</u>	<u>27,212</u>
TOTAL EXPENDITURES	<u>\$ 763,238</u>	<u>\$ 878,818</u>	<u>\$ (108,292)</u>	<u>\$ 770,455</u>

TOWN OF ASTATULA, FLORIDA
 INFRASTRUCTURE FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2009 AND 2008

	TOTALS	
<u>ASSETS</u>	2009	2008
Cash and cash equivalents	\$ 294,430	\$ 240,392
Due from other governments	8,573	9,226
TOTAL ASSETS	\$ 303,003	\$ 249,618
<u>FUND BALANCE</u>		
Fund Balance:		
Reserved for Infrastructure	\$ 303,003	\$ 249,618
TOTAL LIABILITIES AND FUND BALANCE	\$ 303,003	\$ 249,618

TOWN OF ASTATULA, FLORIDA
INFRASTRUCTURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009 WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>BUDGET</u>	<u>2009 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2008 ACTUAL</u>
Revenues:				
Intergovernmental revenue	\$ 143,479	\$ 116,676	\$ (26,803)	\$ 136,856
Total Revenues	<u>143,479</u>	<u>116,676</u>	<u>(26,803)</u>	<u>136,856</u>
Expenditures:				
General government operating expenditures	...	4,952	(4,952)	...
General government capital outlay	7,872	2,950	4,922	969
Public works capital outlay	...	...	...	1,479
Public safety capital outlay	65,000	31,377	33,623	7,616
Transportation capital outlay	120,000	20,000	100,000	58,695
Recreation capital outlay	17,000	4,012	12,988	464
Total Expenditures	<u>209,872</u>	<u>63,291</u>	<u>146,581</u>	<u>69,223</u>
Excess of Revenues Over (Under) Expenditures	(66,393)	53,385	119,778	67,633
Fund Balance - October 1, 2008	<u>181,985</u>	<u>249,618</u>	...	<u>181,985</u>
FUND BALANCE - SEPTEMBER 30, 2009	<u>\$ 115,592</u>	<u>\$ 303,003</u>	<u>\$ 119,778</u>	<u>\$ 249,618</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.
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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, 2009, which collectively comprise the Town of Astatula, Florida's basic financial statements and have issued our report thereon dated October 29, 2010. 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.

2009-01: For the year ended September 30, 2009, 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 for 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.

2009-02: Various accounting records could not be located in a timely manner.

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 file current records.

2009-03: Bank reconciliations are not being prepared on a monthly basis.

RESPONSE: Bank reconciliations will be done on a monthly basis.

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 2009-03 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, K urras, Rice & Brown, P.A .

Mount Dora, Florida
October 29, 2010

CLERMONT OFFICE

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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, 2009, and have issued our report thereon dated October 29, 2010.

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 October 29, 2010, 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 the new clerk’s limited knowledge of the accounting software, we recommend that the council obtain additional training for the new clerk.

RESPONSE: More training on the financial package for the Clerk would be excellent.

2. Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

RESPONSE: Bank reconciliations will be done on a monthly basis.

3. We believe that controls over cash disbursements could be improved by performing the following procedures when paying bills:

- Cancel invoices by indicating the date paid, check number, etc. on the invoice
- Have the person signing the check initial the invoice to indicate review of the invoice.
- File paid invoices in a manner that makes them easily accessible.

These procedures will help prevent unauthorized payment of invoices or invoices from being paid twice.

RESPONSE: A stamp has been ordered to indicate the date paid, check number, initials with approval, and general ledger account number to which the amount must be charged to.

4. We recommend management review the current alignment of administrative staff and their various duties to ensure that the staff time is being used efficiently. We especially recommend this in light of the delay in information being provided to begin the audit.

RESPONSE: Any assistance would be appreciated since the office staff has been reduced from 1 and 3/4 persons since hired in January of 2009.

5. We believe that, at present, the Town does not maintain an adequate set of financial records. Certain receipts and disbursements are recorded on schedules; however, such transactions are not summarized in a general ledger, nor are all transactions recorded on the books. Such a system does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system cannot be overemphasized. Without adequate financial records, council is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements.

RESPONSE: The Clerk would like a template of the type of financial report that the auditors want the Council to have monthly.

6. During the audit, we recommended 19 adjusting journal entries. The effect of such entries was to decrease net income and retained earnings by \$19,280 and \$410,547, respectively. Substantially all of the entries were to correct bookkeeping errors, enter beginning balances, or to make accruals and other adjustments that should have been made by the accounting department. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

RESPONSE: The Clerk would welcome a review to help with monthly closing procedures to expedite the year end closing and reduce the time to conduct the audit.

7. As of September 30, 2009, the Town's subsidiary ledgers were not in agreement with the general ledger. The Town should adopt a policy requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end.

RESPONSE: The books will be reconciled and available for the next audit.

8. In accordance with section 10.558(3), Rules of the Auditor General, the Town failed to meet the twelve month audit report filing deadline for the state auditor general.

RESPONSE: The audit will be done on time.

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 other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

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

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, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. 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 the 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
October 29, 2010