

**TOWN OF ASTATULA, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**



**TOWN COUNCIL**

*Judy Tice, Mayor  
Robert Natale, Vice Mayor  
Steve Cross  
Kim Kobera  
Mitch Mack*

**TOWN CLERK**

*Mary K. Cooper*

**TOWN ATTORNEY**

*Zachery Broome*

**TOWN OF ASTATULA, FLORIDA  
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SEPTEMBER 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Town Council, and Town Clerk,  
Town of Astatula, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Astatula, Florida, (the Town), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town, as of September 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General and Infrastructure funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

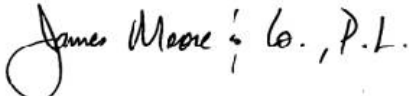
## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018, on our consideration of the Town'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* in considering the Town's internal control over financial reporting and compliance.

  
James Moore & Co., P.L.

Daytona Beach, Florida  
June 6, 2018

## **Management's Discussion and Analysis**

As management of the Town of Astatula, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2017. 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, 2017 by \$1,257,939 (net position). None of this amount is available to meet the Town's unrestricted obligations to customers and creditors, as the Town had a \$504,763 deficit in unrestricted net position.

The Town's total net assets increased by \$21,635 as a result of current year operations.

### **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 Position 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 Infrastructure 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. The Town's governmental funds include the General Fund and the Infrastructure Fund, which is a special revenue fund, 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 through 14 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 15 of this report.

*Other information* - In addition to the basic financial statements and notes, this report also presents certain required supplementary information. Schedules pertaining to the Town's participation in the Florida Retirement System defined benefit plan are on pages 31 and 32.

### **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 Position and Statement of Activities by posting adjustments for the following:

Capital assets, net of accumulated depreciation, have been added to the Statement of Net Position. 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 Position 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 Position and the Statement of Activities report the net position of the Town and changes in them. Over time, increases or decreases in the Town's net position 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, 2017 and 2016 consist primarily of cash of approximately \$474,443 and \$623,159, respectively, and capital assets, net of accumulated depreciation, of approximately \$1,221,983 and \$1,089,025, respectively.

Total liabilities and deferred inflows of resources for September 30, 2017 and 2016 are \$931,497 and \$833,584, respectively, of which current liabilities of \$44,593 and \$47,015, respectively, consist primarily of accounts payable, accrued liabilities, the current portion of long-term debt, and deferred inflows related to pensions. \$724,272 and \$585,797 are the respective net pension liabilities. Total liabilities and the net pension liability increased due to unfavorable performance of the Florida Retirement System in 2017 versus assumptions and changes in plan assumptions.

Net position amounted to \$1,257,939 in fiscal year 2017 and \$1,228,616 in fiscal year 2016, increasing consistent with the budgeted increase in the general fund balance. The major component of this category is the category net investment in capital assets, which is the Town's investment in its net capital assets (original cost less accumulated depreciation, less debt), totaling \$1,185,886 in fiscal year 2017 and \$1,010,230 in fiscal year 2016.

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

Revenues totaled \$1,281,691 and consisted primarily of taxes, which were \$923,622 in 2017. In 2016, revenues totaled \$1,034,337 and consisted of \$884,354 in taxes. Other revenues for fiscal years 2017 and 2016 include intergovernmental revenue of \$126,192 and \$66,423, respectively; charges for services of \$154,101 and \$702, respectively; and amounts received from other sources of \$4,333 and \$18,482, respectively. The changes in taxes, charges for services, and intergovernmental revenues from the prior year are primarily due to reclassifications made in the current year statements.

Total expenses for fiscal years 2017 and 2016 were \$1,260,056 and \$869,246, respectively, and consisted primarily of operating expenses of \$406,817 and \$378,806, respectively, for services and/or improvements performed by the Town. Expenses also include personal services of \$518,547 and \$401,342, respectively, which include salaries, wages and related taxes and fringe benefits paid to the Town personnel. Capital outlay amounted to \$271,776 for 2017 and \$41,159 for 2016. Payments on the police vehicle lease amounted to \$47,939 in 2017 and \$47,939 in 2016.

### **Analysis of General Fund**

The Town has two funds, the General Fund and Infrastructure 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. The General Fund had a positive fund balance of \$182,223 in 2017 and \$161,217 in 2016, with the current year increase a result of planned revenues in excess of expenditures as part of an ongoing effort to recover prior years' deficits. The Infrastructure Fund has a positive fund balance of \$378,652 and \$510,557 in 2017 and 2016, with the current year's change due to timing differences in the one-time use of discretionary surtax monies versus when the revenue is earned.

### **General Fund Budgetary Highlights**

Differences between the budget and actual results are included on page 13 of the accompanying financial statements. Some of the more significant variances are discussed below:

*Revenue* - Year-to-date general fund revenues were less than the final budget by \$107,029 for fiscal year ended 2017 and less than the final budget by \$48,443 for the fiscal year ended 2016.

*Expenditures* - Expenditures were \$109,761 lower than budgeted in 2017 and \$330,411 lower than budgeted in 2016.

Various differences in the Town's original and final budgets were due to budget amendments made during the year to reflect improved revenue estimates and additional expenditures in the public safety and physical environment functions.

## **Capital Assets and Long-Term Debt**

*Capital Assets* - As of September 30, 2017 and 2016, the Town had \$2,044,905 and \$1,937,955, respectively, invested in equipment, buildings, construction in progress, land and improvements. During fiscal years 2017 and 2016, \$271,776 and \$41,159, respectively, in equipment, improvements and buildings were acquired.

*Long-Term Debt* - At the end of the current fiscal year, the Town has \$36,097 of debt outstanding due to the police vehicle capital lease and \$36,204 in accrued compensated absences. At the end of the prior year, the Town had \$78,795 due on police vehicle capital leases and \$40,896 of accrued compensated absences outstanding. The Town's full-time employees accumulate annual leave based upon length of employment.

Long-term debt also includes the net pension liability of \$724,272 in 2017 and \$585,797 in 2016 for the Town's participation in the Florida Retirement System, a cost-sharing multiple employer retirement plan.

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**

1. The average unemployment rate for Lake County area is 4.8%. This is compared to 5.0% for the state and 5.0% for the nation.
2. Inflation nationally as indicated by the consumer price index was 1.5% for 2017.

All of these factors were considered in preparing the Town budget for the 2017-2018 year. The Town adopted the 2018 budget at its September 28, 2017 meeting. The 2018 Town's total general fund budget of \$1,127,082 includes a millage rate of 7.500.

*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  
Telephone: (352) 742-1100



**TOWN OF ASTATULA, FLORIDA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2017**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 474,443
Receivables	36,842
Due from other governments	87,472
Prepays	13,775
Capital assets:	
Nondepreciable	206,588
Depreciable, net	<u>1,015,395</u>
Total assets	<u><u>\$ 1,834,515</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u><u>\$ 354,921</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 43,242
Accrued payroll and employee benefits	1,351
Due to other governments	7,064
Noncurrent liabilities:	
Due within one year:	
Capital leases	17,623
Compensated absences	36,204
Due in more than one year:	
Capital leases	18,474
Net pension liability	<u>724,272</u>
Total liabilities	<u><u>\$ 848,230</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u><u>\$ 83,267</u></u>
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 1,185,886
Restricted for:	
Police education	38
Transportation	161,717
Capital improvements	36,409
Infrastructure	378,652
Unrestricted	<u>(504,763)</u>
Total net position	<u><u>\$ 1,257,939</u></u>

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

**TOWN OF ASTATULA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 349,687	\$ 13,512	\$ -	\$ -	\$ (336,175)
Public safety	570,495	8,826	52,615	-	(509,054)
Physical environment	169,815	153,901	49,314	2,236	35,636
Transportation	82,007	-	-	-	(82,007)
Culture and recreation	88,052	475	-	-	(87,577)
Total governmental activities	<u>\$ 1,260,056</u>	<u>\$ 176,714</u>	<u>\$ 101,929</u>	<u>\$ 2,236</u>	<u>(979,177)</u>
General revenues:					
Property taxes					357,309
Sales and use taxes					122,489
Franchise and utility taxes					107,937
Public service taxes					111,463
Infrastructure surtax					175,110
State revenue sharing					73,384
Miscellaneous revenues					53,120
Total general revenues and transfers					<u>1,000,812</u>
Change in net position					21,635
Net position - beginning					1,236,304
Net position - ending					<u>\$ 1,257,939</u>

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

**TOWN OF ASTATULA, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Infrastructure</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 228,268	\$ 246,175	\$ 474,443
Receivables	36,842	-	36,842
Due from other governments	46,794	40,678	87,472
Due from other funds	-	101,239	101,239
Prepaid items	13,775	-	13,775
<b>Total Assets</b>	<u>\$ 325,679</u>	<u>\$ 388,092</u>	<u>\$ 713,771</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,802	\$ 9,440	\$ 43,242
Accrued payroll and employee benefits	1,351	-	1,351
Due to other governments	7,064	-	7,064
Due to other funds	101,239	-	101,239
<b>Total liabilities</b>	<u>143,456</u>	<u>9,440</u>	<u>152,896</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Prepaid items	13,775	-	13,775
Restricted for:			
Police education	38	-	38
Transportation	161,717	-	161,717
Capital improvements	36,409	-	36,409
Infrastructure	-	378,652	378,652
Committed to:			
Mitigation	7,500	-	7,500
Unassigned	(37,216)	-	(37,216)
<b>Total fund balances</b>	<u>182,223</u>	<u>378,652</u>	<u>560,875</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 364,446</u>	<u>\$ 757,304</u>	<u>\$ 1,121,750</u>

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

**TOWN OF ASTATULA, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

**Fund balances - total governmental funds** \$ 560,875

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Total governmental capital assets	2,044,905	
Less: Accumulated depreciation	<u>(822,922)</u>	1,221,983

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(724,272)	
Deferred outflows related to pensions	354,921	
Deferred inflows related to pensions	<u>(83,267)</u>	(452,618)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Capital leases payable	(36,097)	
Compensated absences	<u>(36,204)</u>	(72,301)

**Net position of governmental activities** \$ 1,257,939

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

**TOWN OF ASTATULA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General</u>	<u>Infrastructure</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 748,512	\$ 175,110	\$ 923,622
Licenses and permits	12,369	-	12,369
Intergovernmental	126,192	-	126,192
Charges for services	154,101	-	154,101
Fines and forfeitures	9,753	-	9,753
Miscellaneous	4,333	-	4,333
Total revenues	<u>1,055,260</u>	<u>175,110</u>	<u>1,230,370</u>
<b>Expenditures</b>			
Current:			
General government	265,873	17,802	283,675
Public safety	518,767	-	518,767
Parks and recreation	19,132	50,690	69,822
Physical environment	220,262	4,725	224,987
Capital outlay	85,917	185,859	271,776
Debt service			
Principal	-	42,698	42,698
Interest and fiscal charges	-	5,241	5,241
Total expenditures	<u>1,109,951</u>	<u>307,015</u>	<u>1,416,966</u>
<b>Excess of revenues over expenditures</b>	<u>(54,691)</u>	<u>(131,905)</u>	<u>(186,596)</u>
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital assets	68,009	-	68,009
<b>Net change in fund balances</b>	<u>13,318</u>	<u>(131,905)</u>	<u>(118,587)</u>
<b>Fund balances, beginning of year</b>	168,905	510,557	679,462
<b>Fund balances, end of year</b>	<u>\$ 182,223</u>	<u>\$ 378,652</u>	<u>\$ 560,875</u>

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

**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, 2017**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (118,587)</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	271,776
Depreciation expense	(122,130)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	42,698
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(40,126)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	4,692
<b>Change in net position of governmental activities</b>	<b>\$ 21,635</b>

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

**TOWN OF ASTATULA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 703,293	\$ 701,824	\$ 748,512	\$ 46,688
Licenses and permits	14,753	14,753	12,369	(2,384)
Intergovernmental	223,947	223,991	126,192	(97,799)
Charges for services	-	154,561	154,101	(460)
Fines and forfeitures	20,800	20,800	9,753	(11,047)
Impact fees	39,110	39,110	-	(39,110)
Miscellaneous	7,050	7,250	4,333	(2,917)
Total revenues	<u>1,008,953</u>	<u>1,162,289</u>	<u>1,055,260</u>	<u>(107,029)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	2,200	2,200	3,198	(998)
Executive	157,163	175,132	191,442	(16,310)
Administration	89,000	89,000	28,950	60,050
Legal	30,000	30,000	20,339	9,661
Grants & special projects	15,000	15,000	7,837	7,163
Contingency and other	30,468	27,410	14,107	13,303
Public Safety:				
Police	466,359	468,371	517,717	(49,346)
Fire	1,500	1,500	567	933
Code enforcement	1,000	1,000	483	517
Parks and recreation	58,940	7,700	19,132	(11,432)
Physical environment	33,665	180,294	220,262	(39,968)
Capital outlay	222,605	222,105	85,917	136,188
Total expenditures	<u>1,107,900</u>	<u>1,219,712</u>	<u>1,109,951</u>	<u>109,761</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(98,947)</u>	<u>(57,423)</u>	<u>(54,691)</u>	<u>2,732</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	68,009	68,009
<b>Net change in fund balances</b>	<u>(98,947)</u>	<u>(57,423)</u>	<u>13,318</u>	<u>70,741</u>
<b>Fund balances, beginning of year</b>	168,905	168,905	168,905	-
<b>Fund balances, end of year</b>	<u>\$ 69,958</u>	<u>\$ 111,482</u>	<u>\$ 182,223</u>	<u>\$ 70,741</u>

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

**TOWN OF ASTATULA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - INFRASTRUCTURE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 165,656	\$ 165,656	\$ 175,110	\$ 9,454
Total revenues	<u>165,656</u>	<u>165,656</u>	<u>175,110</u>	<u>9,454</u>
<b>Expenditures</b>				
Current:				
General Government:				
Executive	-	-	3,832	(3,832)
Other general government	-	-	13,970	(13,970)
Parks and recreation	-	-	50,690	(50,690)
Physical environment	-	-	4,725	(4,725)
Capital outlay	486,440	486,440	185,859	300,581
Debt Service:				
Principal	-	-	42,698	(42,698)
Interest and fiscal charges	-	-	5,241	(5,241)
Total expenditures	<u>486,440</u>	<u>486,440</u>	<u>307,015</u>	<u>179,425</u>
<b>Net change in fund balances</b>	<u>(320,784)</u>	<u>(320,784)</u>	<u>(131,905)</u>	<u>188,879</u>
<b>Fund balances, beginning of year</b>	510,557	510,557	510,557	-
<b>Fund balances, end of year</b>	<u>\$ 189,773</u>	<u>\$ 189,773</u>	<u>\$ 378,652</u>	<u>\$ 188,879</u>

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



**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:**

The financial statements of the Town of Astatula, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town is a municipal corporation created by the Laws of Florida, located in Lake County. The Town was created by House Bill 480 in 1927. The legislative branch of the Town is composed of an elected five-member Town Council consisting of the Mayor and four council members. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed Town Clerk.

The accompanying financial statements present the financial position and results of operations of the applicable funds governed by the Town Council of the Town, the reporting entity of government for which the Town Council is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations. The Town has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

As a general rule, the effect of interfund Town activities has been eliminated from the government-wide financial statements.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

The Town reports the following major governmental funds:

The *General Fund* accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town are financed through revenues received by the General Fund.

The *Infrastructure Fund* is a special revenue fund which accounts for the financial resources related to the development and maintenance of the Town's infrastructure management system.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to September 1st, the Town Clerk submits a preliminary budget to the Town Council for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the Town Council, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of a resolution.
- v. The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
- vi. The Town Clerk may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the Council. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the fund level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the Town Council were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general and infrastructure funds have legally adopted budgets.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Deposits and investments**—The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. There was no allowance for uncollectible accounts as of September 30, 2017. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and Improvements	7 – 40 years
Equipment	3 – 20 years
Infrastructure	7 – 40 years
Vehicles	5 – 10 years

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Compensated absences**—It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and a portion of sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(k) **Long-term obligations**—In the government-wide financial statements, long-term debt obligations are reported as liabilities in the statement of net position. Debt issuance costs are expensed when paid.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (9).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (9).

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property held for sale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Council or the Town Clerk.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unassigned.

(n) **Net position flow assumption**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town's policy to consider restricted net position to have been used before unrestricted net position is applied.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**(3) Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2017, the millage rate assessed by the Town was 7.500 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The Town recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The Town tax calendar is as follows:

Valuation Date:	January 1, 2016
Preliminary Tax Roll Date:	July 1, 2016
Council Tax Rate Hearings:	September 2016
Levy Date:	November 1, 2016
Due Date:	March 31, 2017
Lien Date:	June 1, 2017

**(4) Deposits and Investments:**

The Town, for accounting and investment purposes, maintains noninterest-bearing banking accounts for substantially all Town funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others.

State statutes authorize the Town to invest excess funds in time deposits, or obligations of the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2017, all Town deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(4) **Deposits and Investments:** (Continued)

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the Town is authorized to deposit funds only in Qualified Public Depositories.

The Town held no assets or investments carried at fair value at September 30, 2017, and subject to the required disclosures of GASB 72.

***Town Investment Portfolio***

As of September 30, 2017, the Town's investment portfolio is not subject to GASB 72 disclosures and is composed solely of cash and cash equivalents held with a financial institution, totaling \$474,443 at September 30, 2017.

*Interest Rate Risk:* The Town limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the Town's surplus funds are invested in demand deposit accounts. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Town's bank deposits are held in noninterest-bearing accounts.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Town's portfolio is held entirely with public depositories.

*Concentration of Credit Risk:* In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.



**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**(5) Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 206,588	\$ -	\$ -	\$ 206,588
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>206,588</u>	<u>-</u>	<u>-</u>	<u>206,588</u>
Capital assets, being depreciated –				
Buildings and improvements	416,397	20,609	(25,666)	411,340
Equipment	765,550	47,430	(139,160)	673,820
Infrastructure	549,420	203,737	-	753,157
Total capital assets, being depreciated	<u>1,731,367</u>	<u>271,776</u>	<u>(164,826)</u>	<u>1,838,317</u>
Less: accumulated depreciation	<u>(848,930)</u>	<u>(122,130)</u>	<u>148,138</u>	<u>(822,922)</u>
Total capital assets, being depreciated, net	<u>882,437</u>	<u>149,646</u>	<u>(16,688)</u>	<u>1,015,395</u>
Governmental activities capital assets, net	<u>\$ 1,089,025</u>	<u>\$ 149,646</u>	<u>\$ (16,688)</u>	<u>\$ 1,221,983</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 24,029
Public safety	53,036
Transportation	21,296
Culture and recreation	18,230
Physical environment	5,539
Total depreciation expense - governmental activities	<u>\$ 122,130</u>

**(6) Capital Leases:**

The Town has entered into certain lease agreements as a lessee for financing the acquisition of certain vehicles. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 177,098
Accumulated depreciation	(118,518)
Total depreciation expense - governmental activities	<u>\$ 58,580</u>

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 17,623	\$ 1,985	\$ 19,608
2019	18,474	1,016	19,490
Total	<u>\$ 36,097</u>	<u>\$ 3,001</u>	<u>\$ 39,098</u>

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**(7) Long-Term Liabilities:**

For the fiscal year ended September 30, 2017, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital leases	\$ 78,795	\$ -	\$ (42,698)	\$ 36,097	\$ 17,623
Compensated absences	40,896	18,486	(23,178)	36,204	36,204
Total long-term liabilities	<u>\$ 119,691</u>	<u>\$ 18,486</u>	<u>\$ (65,876)</u>	<u>\$ 72,301</u>	<u>\$ 53,827</u>

**(8) Interfund Loans, Advances, Fees and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2017, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund	\$ -	\$ 101,239
Infrastructure Fund	101,239	-
Total – All Funds	<u>\$ 101,239</u>	<u>\$ 101,239</u>

During the year ended September 30, 2017, there were no interfund transfers.

**(9) Employees' Retirement Plans and Other-Postemployment Benefits:**

**A. Florida Retirement System**

**Plan Description and Administration**

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Town's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**TOWN OF ASTATULA, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000

**Contributions**

The Town participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate
Regular Class	3.00%	7.92%
Special Risk	3.00%	23.27%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Town employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	2017	2016	2015
Town Contributions – FRS	\$ 59,493	\$ 53,349	\$ 40,832
Town Contributions – HIS	5,434	4,762	3,587
Employee Contributions – FRS	9,711	8,666	8,300

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2017, the Town reported a liability of \$724,272 for its proportionate share of the net pension liability, \$622,764 related to FRS and \$101,508 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Town's FRS proportion was 0.002105403% and 0.001927551%, respectively. At June 30, 2017 and June 30, 2016, the Town's HIS proportion was 0.000949340% and 0.001179170%, respectively. For the year ended September 30, 2017, the Town's recognized pension expense of \$95,367 from FRS and \$6,378 from HIS, for a grand total of \$101,745.

*Deferred outflows/inflows related to pensions:*

At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,155	\$ (3,450)	\$ -	\$ (211)
Changes of assumptions	209,293	-	14,269	(8,777)
Net difference between projected and actual investment earnings	-	(15,434)	56	-
Change in Town's proportionate share	47,738	(43,921)	8,405	(11,474)
Contributions subsequent to measurement date	16,436	-	1,569	-
	<u>\$ 330,622</u>	<u>\$ (62,805)</u>	<u>\$ 24,299</u>	<u>\$ (20,462)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 25,826
2019	79,389
2020	64,913
2021	22,986
2022	48,727
Thereafter	11,808
Total	<u>\$ 253,649</u>

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.7%
Global equities	53.0%	8.1%
Real estate	10.0%	6.4%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 1,127,166	\$ 622,764	\$ 203,995
HIS	3.58%	115,834	101,508	89,575

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**B. Other Post-Employment Benefits (OPEB)**

The Town of Astatula, Florida has considered the impact of any other post-employment benefit program and the related net OPEB obligation on the Town's financial statements. Due to the limited number of employees, both current and retired, covered by the Town, and the potential financial statement impact occurring in only to the Town's governmental activities, the potential net OPEB obligation to be recorded is considered immaterial to the Town's financial statements as a whole, and no such provision has been recorded in the accompanying financial statements.

(10) **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; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

(11) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2017. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

- (a) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.

**TOWN OF ASTATULA, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

(12) **Recent Accounting Pronouncements:** (Continued)

- (b) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.
- (c) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (d) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (e) GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.
- (f) GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in June 2017. GASB 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions in GASB 86 are effective for periods beginning after June 15, 2017.
- (g) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.
- (h) GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 expands debt disclosure requirements related to direct borrowings and direct placements, while also clarifying which liabilities should be included when disclosing information related to debt. The provisions in GASB 88 are effective for periods beginning after December 15, 2019.



**TOWN OF ASTATULA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS  
SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Florida Retirement System (FRS)</b>				
Proportion of the net pension liability (NPL)	0.002105403%	0.001927551%	0.001674748%	0.001755311%
Proportionate share of the NPL	\$ 622,764	\$ 486,708	\$ 216,316	\$ 107,100
Covered payroll	327,344	286,890	276,670	209,967
Proportionate share of the NPL as percentage of covered-employee payroll	190.25%	169.65%	78.19%	51.01%
Plan fiduciary net position as a percentage of the NPL	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>				
Proportion of the net pension liability (NPL)	0.0009439340%	0.001179170%	0.000938246%	0.000981547%
Proportionate share of the NPL	\$ 101,508	\$ 99,089	\$ 95,686	\$ 91,777
Covered payroll	327,344	286,890	276,670	209,967
Proportionate share of the NPL as percentage of covered-employee payroll	31.01%	34.54%	34.58%	43.71%
Plan fiduciary net position as a percentage of the NPL	1.64%	0.97%	0.50%	0.99%

\* 10 years of data will presented as it becomes available

**TOWN OF ASTATULA, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS – FRS/HIS  
SEPTEMBER 30, 2017**

For the Plan Year ended June 30,	2017	2016	2015	2014
<b>Florida Retirement System (FRS)</b>				
Contractually required contribution	\$ 54,809	\$ 47,006	\$ 40,832	\$ 38,449
Contributions in relation to contractually required contribution	54,809	47,006	40,832	38,449
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 327,344	\$ 286,890	\$ 276,670	\$ 209,967
Contributions as percentage of covered-employee payroll	16.74%	16.38%	14.76%	18.31%
<b>Health Insurance Subsidy Program (HIS)</b>				
Contractually required contribution	\$ 5,024	\$ 4,358	\$ 3,587	\$ 3,362
Contributions in relation to contractually required contribution	5,024	4,358	3,587	3,362
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 327,344	\$ 286,890	\$ 276,670	\$ 209,967
Contributions as percentage of covered-employee payroll	1.53%	1.52%	1.29%	1.60%

\* 10 years of data will presented as it becomes available

**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor, Town Council, and Town Clerk,  
Town of Astatula, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Astatula, Florida, (the Town) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 6, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as outlined below, that we consider to be significant deficiencies:

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386-257-4100

133 East Indiana Avenue  
DeLand, FL 32724-4329  
Telephone: 386-738-3300

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

**2017-001 – Segregation of Duties (Repeat Comment)**

We noted the Town has a limited number of staff members and therefore, cannot properly segregate certain accounting functions to safeguard Town assets. We recommend some key functions in significant accounting areas, including cash disbursements and payroll, be segregated between multiple individuals to the extent practicable. This could include the shifting of duties to another Town employee, placing further reliance on the Town’s external accounting firm, or potentially further involvement of the Mayor or Town Council in the approval of financial transactions.

**2017-002 – Proper Cutoff of Revenue and Expenditure Transactions (Repeat Comment)**

During our audit, we identified various discrepancies where amounts recorded on the Town’s financial statements were not properly reflected on an accrual basis. These included a \$66,000 adjustment to agree beginning fund balance to the prior year financial statements, a \$16,000 accrual of current year receivables and the related revenues, and a \$24,000 of current year payables and the related expenditure. We recommend all balance sheet accounts be reconciled on a regular basis and the year-end close process include an analysis to ensure all revenues and expenditures have been recorded in the proper accounting period.

**2017-003 – Purchasing Policy**

We noted the Town adopted a formal purchasing policy in the prior year, but per discussions with staff, we noted that the formal documentation and procedural requirements of the policy were not being followed on a regular basis, particularly with regard to non-budgeted items. While we came across no transactions with improper approval of the actual cash disbursement in our testing, we recommend the Town’s procurement policy be revisited and all future activities of the Town be conducted in accordance with this policy.

***Compliance and Other Matters***

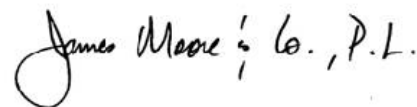
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

**Town of Astatula, Florida’s Response to Findings**

The Town’s responses to the findings identified in our audit are described starting on page 39. The Town’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Daytona Beach, Florida  
June 6, 2018

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, Town Council, and Town Clerk,  
Town of Astatula, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the Town of Astatula, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 6, 2018.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 6, 2018, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires us to determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendations have been repeated for two or more years and have not yet been fully corrected. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

**2016-001 – Segregation of Duties** – Corrective action not taken. See repeat comment 2017-001.

**2016-002 – Proper Cutoff of Revenue and Expenditure Transactions** – Corrective action not taken. See repeat comment 2017-002.

**2016-003 – Audit Filing Deadline** – Corrective action taken.

**2016-004 – Town Council Minutes** – Corrective action taken.

**2016-005 – Public Depositor Annual Report** – Corrective action not taken. See repeat comment 2017-005.

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**2016-006 – Employee Advances –** Corrective action taken.

**2016-007 – Other Post-Employment Benefits (OPEB) –** Corrective action not taken. See repeat comment 2017-004.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

#### **2017-004 – Other Post-Employment Benefits (OPEB) (Repeat Comment)**

The Town has never recorded a provision for its other post-employment benefits (OPEB) obligation, as required by Governmental Accounting Standard Board (GASB) Statement 45. This statement has been amended by GASB Statement 75 beginning with the Town's fiscal year ending September 30, 2018, and the impact of this new statement is expected to be material in terms of the impact to the Town's financial statements. We recommend the Town consider the impact of the standard, the potential need to hire an actuary to perform the Town's OPEB valuation on a biannual basis, and establish a plan with regard to the implementation of this new accounting standard.

#### **2017-005 – Public Depositor Annual Report (Repeat Comment)**

We noted the Town did not file the annual report with the State of Florida for the current fiscal year documenting all qualified public depositories with which Town funds are held. While the Town's cash accounts were held with qualified depositories, we recommend the Town file the annual report by November 30 of each year to ensure compliance with Florida Statutes, Chapter 280.

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

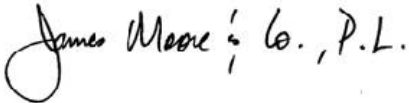
### **Town of Astatula, Florida's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 39. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, the Town Council, management, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
June 6, 2018

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

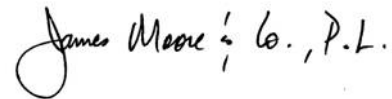
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, Town Council, and Town Clerk,  
Town of Astatula, Florida

We have examined the Town of Astatula, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Town of Astatula, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida  
June 6, 2018



## MANAGEMENT'S RESPONSE TO FINDINGS

### 2017-005 Public Depositor Annual Report

In speaking with the Florida Division of Treasury it appears that the Town of Astatula has never filed a return. To come in to compliance for 2017 a return for 2017 will be filed with the state prior to the audit being finalized.

### 2017-003 Purchasing Policy

It is unclear whether the purchasing policy referred to was adopted by Council and incorporated in to the Policy and procedure manual. The policy is currently being reviewed by staff and a recommendation will be put to Council at the July 2018 meeting. If approved it will be adopted by Resolution. It should be noted that the policy is currently followed in principle aside from the strict use of purchase orders. From June 1, 2018, three-part order pads have been issued by the Town Clerk to the Police Department, Public Works and Town Hall. Every purchase no matter how small will have an order raised and GL coded by the issuer and signed by the department head or Council Liaison.

### 2017-001 Segregation of Duties.

Resolution 2018-D was adopted by Council at the May 14, 2018 meeting. This gives administrator rights for online banking to the Town Clerk and the Accountant and view only to Councilman Mack. It also adopted a policy requiring two signatures on every check payment. The Town Clerk has the authority to counter sign checks already signed by the Mayor or Vice Mayor. Councilman Mack will approve all purchases before payment is made. Accounts payable will be done by the Clerk and bank deposits will be taken by the Deputy Clerk. Payroll will be done by the Clerk and checked by the accountant to ensure the correct deductions are made and paid to the IRS and FRS. Bank Reconciliations will be done by the accountant. With the limited recourses that that Town has this should give adequate security and control of the towns finances and assets.

### 2017-004 Other Post-Employment Benefits (OPEB)

We respectfully disagree with this comment. Any retiree wanting to remain on the Town's health insurance must pay 100 percent of the premium. The Town's insurance is age (and currently gender) related; therefore, there is no impact to other employee's premiums. The Town has never had a retiree maintain health insurance through the Town's plan

### 2017-002 Proper Cutoff of Revenue and Expenditure Transactions

Deposits are now made timely and bills are being paid timely so the accounting going forward should be recorded in the correct period.