

FINANCIAL STATEMENTS
Lake Sumter Metropolitan Planning Organization
Year Ended September 30, 2005
with Report of Independent Certified Public Accountants

Lake Sumter Metropolitan Planning Organization

Financial Statements

Year ended September 30, 2005

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Financial Section

Report of Independent Certified Public Accountants

The Members of the
Lake Sumter Metropolitan Planning Organization

We have audited the accompanying financial statements of the governmental activities and general fund of the Lake Sumter Metropolitan Planning Organization (Lake Sumter MPO) as of and for the year ended September 30, 2005, which collectively comprise the Lake Sumter MPO's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lake Sumter MPO's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Lake Sumter MPO's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Sumter MPO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Lake Sumter MPO at September 30, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the Lake Sumter MPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison for the general fund required supplementary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

December 9, 2005

Management's Discussion and Analysis

As management of the Lake Sumter Metropolitan Planning Organization (Lake Sumter MPO) we offer readers of Lake Sumter MPO's financial statements this narrative overview and analysis of the financial activities of Lake Sumter MPO for the year ended September 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

The Lake Sumter MPO was organized February 18, 2004 to serve as the transportation planning agency for Lake and Sumter counties. All 2004 data is shown from inception through September 30, 2004.

Lake Sumter MPO's assets exceeded its liabilities at September 30, 2005 by \$5,830 (net assets). This amount consists of \$9,895 invested in capital assets and (\$4,065) in unrestricted deficit.

Lake Sumter MPO has no outstanding debt, except for accrued compensated absences for its employees. The amount outstanding at September 30, 2005 was \$6,400.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lake Sumter MPO's basic financial statements. The basic financial statements consist of two parts: combined government-wide financial statements and fund financial statements, and notes to the financial statements. As Lake Sumter MPO's operations focus on one program/function, transportation, it is considered to be a special-purpose government for financial reporting purposes.

For special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined using a columnar format. This format reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule as is required for general governments or those with multiple programs or functions. Lake Sumter MPO has chosen this format for presentation of its financial statements.

Government-Wide Financial Statements

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

The Statement of Net Assets presents Lake Sumter MPO'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 Lake Sumter MPO is improving or deteriorating.

The Statement of Activities presents information showing how Lake Sumter MPO'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 10 and 11 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. Lake Sumter MPO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lake Sumter MPO has only one fund, the General Fund, which is a governmental fund type.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, a reconciliation is provided in the financial statements between the fund and government-wide statements.

The basic governmental fund financial statements can also be found on pages 10 and 11 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 12 of this report.

Other information – In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Lake Sumter MPO's annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 20 of this report.

Government-Wide Financial Analysis

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

- Capital assets, net of accumulated depreciation, have been added to the Statement of Net Assets. In addition, depreciation expense for all equipment has been included in expense.
- The liability for accrued compensated absences has been added to the Statement of Net Assets and the related expense has been included in the Statement of Activities.

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

Lake Sumter MPO Statement of Net Assets

	September 30, 2004	September 30, 2005
Current and other assets	\$ 37,953	\$ 133,784
Capital assets, net	11,382	9,895
Total assets	<u>\$ 49,335</u>	<u>\$ 143,679</u>
Current liabilities	\$ 37,953	\$ 132,333
Long-term liabilities	-	5,516
Total liabilities	<u>\$ 37,953</u>	<u>\$ 137,849</u>
Net Assets		
Invested in capital assets	\$ 11,382	\$ 9,895
Unrestricted deficit	-	(4,065)
Total net assets	<u>\$ 11,382</u>	<u>\$ 5,830</u>

Current assets of Lake Sumter MPO primarily consist of \$133,284 due from the federal government and the state of Florida for cost reimbursable grant expenses.

Current liabilities consist of approximately \$2,083 of accounts payable, accrued wages payable of \$8,843 and \$120,523 due to pooled cash of Lake County.

Net assets amounted to \$5,830 in fiscal year 2005. “Invested in capital assets” of \$9,985 is Lake Sumter MPO’s investment in its net capital assets (original cost less accumulated depreciation). The unrestricted deficit is a result of accrued compensated absences due when employees separate from service. The total amount due of \$6,400 is partially offset by unrestricted funds available of \$2,335.

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

**Lake Sumter MPO
Statement of Activities**

	<u>Period ended Sept. 30, 2004</u>	<u>Year ended Sept. 30, 2005</u>
Revenues:		
Program revenues:		
Intergovernmental revenues – operating grants	\$ 137,953	\$ 389,868
Miscellaneous income	–	2,335
Total revenues	<u>137,953</u>	<u>392,203</u>
Expenses:		
Current	126,310	396,268
Depreciation	261	1,487
Total expenses	<u>126,571</u>	<u>397,755</u>
Change in net assets	<u>11,382</u>	<u>(5,552)</u>
Beginning net assets	–	11,382
Ending net assets	<u>\$ 11,382</u>	<u>\$ 5,830</u>

Revenues consist primarily of grant funds received from the federal government through the Florida Department of Transportation, and other state funds.

Expenses consisted primarily of \$123,054 in personal services, \$207,232 in contractual services, \$53,088 in operating expenses, and \$12,804 paid to Lake County for providing administrative services.

Analysis of the Lake Sumter MPO General Fund

Lake Sumter MPO has one fund, the general fund, which is reported in the Fund Financial Statement column. The focus of the general fund is to provide information on near-term inflows and outflows of cash and the balance available. The Lake Sumter MPO has \$2,335 in unreserved fund balance from donations. Revenue from grants equals the expenses incurred.

Lake Sumter MPO Statement of Revenues, Expenditures and Changes in Fund Balance

	Period ended Sept. 30, 2004	Year ended Sept. 30, 2005
Revenues:		
Intergovernmental revenue	\$ 137,953	\$ 389,868
Miscellaneous income	—	2,335
Total revenue	<u>137,953</u>	<u>392,203</u>
Expenditures:		
Personal services	—	116,654
Operating	126,310	273,214
Capital outlay	11,643	—
Total expenditures	<u>137,953</u>	<u>389,868</u>
Excess of revenues over expenditures	—	2,335
Fund balance, beginning of year	—	—
Fund balance, end of year	<u>\$ —</u>	<u>\$ 2,335</u>

General Fund Budgetary Highlights

The difference between the original and the final amended budget was \$114,832, increasing expenditures by \$121,905 and reserve for contingency by \$7,073.

The original budget was adjusted at June 30, 2005 to adjust for the difference in fiscal years between the State of Florida and Lake Sumter MPO.

Differences between the final amended budget and actual results are included on page 20 of the accompanying financial statements. Total expenditures were \$33,365 less than budgeted. Some of the more significant variances are discussed below:

- Personal services were less than budgeted by \$26,383 as these services were provided by Lake County until the Lake Sumter MPO was able to hire its own employees, at approximately midyear.
- Operating expenses were under budget by \$5,429 primarily for contractual services.

Capital Assets and Long-Term Debt

Capital Assets

As of September 30, 2005, the Lake Sumter MPO had \$9,895 invested in equipment assets, as reflected in the table below.

Lake Sumter MPO Capital Assets

	<u>2004</u>	<u>2005</u>
Equipment	\$ 11,643	\$ 11,643
Accumulated depreciation	(261)	(1,748)
Capital assets, net	<u>\$ 11,382</u>	<u>\$ 9,895</u>

Capital assets consist of equipment used by the organization in its daily operations. Lake County provided office space at no charge, until the Lake Sumter MPO moved into leased facilities in March 2005.

For more detailed information regarding the Lake Sumter MPO capital assets, please refer to Note 4 to the financial statements.

Long-Term Debt – Compensated Absences

Lake Sumter MPO full-time employees accumulate annual and sick leave based upon length of employment. Upon termination of employment, employees can receive a cash benefit for annual leave, up to a maximum of 300 hours. The value of any sick leave is contributed to a post-employment health plan. The cost of accumulated annual and sick leave, including fringe benefits is accrued only to the extent that the leave will result in cash payments at termination. At September 30, 2005, the Lake Sumter MPO had \$6,400 in accrued compensated absences, of which \$884 is considered to be due in the next fiscal year.

For more detailed information regarding the Lake Sumter MPO long-term debt, please refer to Note 5 to the financial statements.

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the area is 4.0%. This is compared to the 4.1% for the state and 5.2% for the nation.
- Inflation nationally as indicated by the consumer price index is 4.3%.

All of these factors were considered in preparing the Lake Sumter MPO budget for the 2005-2006 year. Lake Sumter MPO Board adopted the 2006 budget of \$349,110 at its September 28, 2005 meeting.

Requests for Information

This financial report is designed to provide a general overview of Lake Sumter MPO's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Office of the Clerk of Courts, 315 West Main Street, Post Office Box 7800, Tavares, Florida, 32778, (352)-343-9808.

Basic Financial Statements

Lake Sumter Metropolitan Planning Organization

Governmental Funds Balance Sheet –
Statement of Net Assets

September 30, 2005

	Governmental Funds Balance Sheet – General Fund	Adjustments (Note 2)	Statement of Net Assets
Assets			
Current assets:			
Due from state agencies	\$ 24,064	\$ –	\$ 24,064
Due from federal agencies	109,220	–	109,220
Accounts receivable	500	–	500
Noncurrent assets:			
Capital assets, net	–	9,895	9,895
Total assets	\$ 133,784	\$ 9,895	\$ 143,679
Liabilities and fund balances – Net assets			
Current liabilities:			
Accounts payable	\$ 2,083	\$ –	\$ 2,083
Due to Lake County	120,523	–	120,523
Accrued liabilities	8,843	–	8,843
Compensated absences, current	–	884	884
Noncurrent liabilities:			
Compensated absences	–	5,516	5,516
Total liabilities	\$ 131,449	\$ 6,400	\$ 137,849
Fund balances – Net assets:			
Fund balances:			
Unreserved	2,335	(2,335)	
Total fund balances	2,335	(2,335)	
Total liabilities and fund balances	\$ 133,784		
Net assets:			
Invested in capital assets		9,895	9,895
Unrestricted deficit		(4,065)	(4,065)
Total net assets		\$ 5,830	\$ 5,830

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

Lake Sumter Metropolitan Planning Organization

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balances – Statement of Activities

Year ended September 30, 2005

	Governmental Fund Balances General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Intergovernmental revenue – operating grants	\$ 389,868	\$ –	\$ 389,868
Miscellaneous income	2,335	–	2,335
Total revenue	<u>392,203</u>	<u>–</u>	<u>392,203</u>
Transportation expenditures:			
Personal services	116,654	6,400	123,054
Operating	260,410	–	260,410
Capital outlay	–	–	–
Depreciation expense	–	1,487	1,487
Administrative fee	12,804	–	12,804
Total expenditures – expenses	<u>389,868</u>	<u>7,887</u>	<u>397,755</u>
Excess of revenues over (under) expenditures/change in net assets	2,335	(7,887)	(5,552)
Fund balances – Net assets, beginning of year	–	11,382	11,382
Fund balances – Net assets, end of year	<u>\$ 2,335</u>	<u>\$ 3,495</u>	<u>\$ 5,830</u>

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

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

Reporting Entity

The Lake Sumter MPO is a voluntary association of local government units organized under the authority of Section 339.175, Florida Statutes, in accordance with the 1962 Federal Aid Highway Act. Its primary purpose is to coordinate a comprehensive transportation planning process in the urbanized areas of Lake and Sumter counties. The member governments entered into an interlocal agreement effective February 18, 2004, to establish the Lake Sumter MPO and its operating procedures. The governing board (Board) consists of thirteen voting representatives and nine nonvoting representatives. All voting representatives are elected officials from local governments including the cities of Clermont, Eustis, Lady Lake, Leesburg, Minneola, Mount Dora, and Tavares; five members from the Lake County Board of County Commissioners and one member from the Sumter County Board of County Commissioners. The Board approves the annual budget. Employees of the Lake Sumter MPO are employees of the Lake County Board of County Commissioners (County) and are entitled to the same benefits as county employees. Lake County receives an administrative fee for providing services to the Lake Sumter MPO.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

These financial statements have been prepared in conformity with reporting guidelines established by the Governmental Accounting Standards Board (GASB) and were prepared in conformity with accounting principles generally accepted in the United States (GAAP). The following types of financial statements are reported by the Lake Sumter MPO:

Government-wide Financial Statements – The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets (statement of activities) report information on all of the activities of the Lake Sumter MPO. Governments typically report activities as either *Governmental activities*, which normally are supported by taxes and intergovernmental revenues or *Business-type activities*, which rely to a significant extent on fees and charges for support. The Lake Sumter MPO reports only governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Since the Lake Sumter MPO's primary mission (function) is transportation, all revenues and expenses are considered to be for this purpose and the accompanying financial statements do not segregate beyond this function.

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Because the Lake Sumter MPO has only governmental activities and only one function, it is considered to be a special-purpose government for financial reporting purposes under GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34). As such, the government-wide financial statements are presented together with the governmental fund financial statements, described below, with an adjustment column presented to reconcile the two sets of statements.

Governmental Fund Financial Statements – The Lake Sumter MPO has one governmental fund type, which is the general fund. The General Fund is the primary operating fund used to account for all resources and operations. Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements – 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements – The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they are measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Lake Sumter MPO considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred. Revenues primarily consist of grant funds which management has determined to be susceptible to accrual.

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The Lake Sumter MPO adopts an annual budget. The budget is prepared on the modified accrual basis of accounting and on a basis consistent with accounting principles generally accepted in the United States.

Budget amendments are defined as major object code changes which either increase or decrease the total budget. Major object codes are personal services, operating expenses, and capital outlay. Budget amendments must be approved by the Board. Expenditures may not exceed appropriations at the major object code level. A legally adopted budget is prepared for the General Fund.

Capital Assets

Capital assets, primarily equipment, are recorded as capital outlay expenditures in the General Fund at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net assets. Donated capital assets are recorded in the statement of net assets at fair value at the time received. The capitalization threshold set by the Lake Sumter MPO is \$1,000. Capital assets are depreciated using the straight-line method over six years for computers, and ten years for furniture and other equipment. The depreciation expense is recorded in the statement of activities.

Lake Sumter MPO operated from facilities owned by Lake County at no cost until March 2005, when Lake Sumter MPO moved into leased facilities under a cancelable operating lease. Rent expense was \$19,789 for the year ended September 30, 2005.

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

All full-time and certain part-time employees are granted annual and sick leave based upon length of employment. Annual leave can be accumulated; however, carry-over limitations range from 200 to 300 hours, depending on length of employment. Upon termination of employment, the employee can receive a cash benefit, based upon the employee's current wage rate and the annual leave not taken. Sick leave is accumulated at the rate of one day per month of each full month of continuous employment. There is no limit on the amount of sick leave that can be accumulated.

The Lake Sumter MPO records accumulated leave and the related fringe benefits at year-end based on each employee's unused hours and rate of pay in the government-wide financial statements, as current and long-term, respectively.

Fund Balance – Net Assets

Reserved fund balance represents those portions of fund balance that cannot be appropriated for expenditure or are legally segregated for a specific future use. The Lake Sumter MPO has no reserved fund balances at September 30, 2005.

Invested in capital assets represents that portion of net assets that is associated with capital assets and is, therefore, not available for general operations.

2. Reconciliation Between the Fund Statements and the Government-Wide Statements

The following is a reconciliation between the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2005:

Fund balances	\$ 2,335
Add capital assets, net of accumulated depreciation as they are not financial resources and are therefore not reported in the funds	9,895
Less change in compensated absences, not available for current uses as they are not due and payable in the current period and are therefore not reported as liabilities in the funds	<u>(6,400)</u>
Net assets	<u>\$ 5,830</u>

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

2. Reconciliation Between the Fund Statements and the Government-Wide Statements (continued)

The following is a reconciliation between the Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities for the fiscal year ended September 30, 2005:

Excess of revenues over (under) expenditures and other financing uses	\$ 2,335
Less current year depreciation on capital assets as the Governmental Funds Statements record an expenditure at the time of purchase	(1,487)
Less net change in compensated absences	(6,400)
Change in net assets	<u>\$ (5,552)</u>

3. Deposits and Investments

Lake Sumter MPO participates in the pooled cash and investments fund of the County. Since all of the organization's funding is from grants which are cost reimbursable, funds are advanced to Lake Sumter MPO as needed to pay expenses. At September 30, 2005, Lake Sumter MPO had a deficit in pooled cash of \$120,523. This amount is presented as Due to Lake County in the Governmental Funds Balance Sheet – Statement of Net Assets.

The County is a member of the Local Government Surplus Funds Trust Fund, a 2a7-like pool, which has the characteristics of a money market fund and is administered by the State Board of Administration of Florida (SBA). Funds that have not been transferred to the state investment pool are placed in various types of investments including interest bearing time deposits, direct obligations of the U.S. government, and obligations of certain government-supported enterprises. Interest earned from investments in pooled cash is allocated to each of the participating funds of the County and Lake Sumter MPO based on the fund's average daily equity balance. The County financial statements contain full disclosure regarding the County's deposits and investments.

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

4. Capital Assets

A summary of the changes in capital assets follows:

	Balance September 30, 2004	Additions	Deletions	Balance September 30, 2005
Equipment	\$ 11,643	\$ –	\$ –	\$ 11,643
Less accumulated depreciation	(261)	(1,487)	–	(1,748)
Capital assets, net	\$ 11,382	\$ (1,487)	\$ –	\$ 9,895

5. Compensated Absences

The current and long-term portions of compensated absences at September 30, 2005 were \$884 and \$5,516, respectively. A summary of changes in compensated absences follows:

Balance at October 1, 2004	\$ –
Additions	7,284
Payments	(884)
Balance at September 30, 2005	\$ 6,400

6. Employees' Retirement Plan

Florida Retirement System

Substantially all of the Lake Sumter MPO's full-time employees participate in the State of Florida Retirement System (System), a cost-sharing, multiple-employer public employee retirement system (PERS) administered by the State of Florida, Department of Administration, Division of Retirement. The System offers a choice between a defined benefit plan (Pension Plan) and a defined contribution plan (Investment Plan).

The Pension Plan provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six years of more of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

6. Employees' Retirement Plan, continued

compensation, and years of service credit, where average compensation is computed based on an individual's five highest years of earnings. Benefits also include a post-retirement health insurance subsidy as well as disability and survivor's benefits, as established by Florida Statutes.

The Investment plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants receive amounts accumulated in their investment accounts.

Participating employer contributions are based upon actuarially determined statewide rates established by the State of Florida, that are expressed as percentages of annual covered payroll, and are adequate to accumulate sufficient assets to pay benefits when due. The rate applied to employee salaries for regular members was 7.39% and 7.83% and for senior management was 9.37% and 10.45% from October 1, 2004 to June 30, 2005 and from July 1, 2005 to September 30, 2005, respectively. The Lake Sumter MPO's contributions to the plan were \$7,319 for the year ended September 30, 2005, which is equal to the required contribution for the period. There are no employee contributions to the plan.

The Lake Sumter MPO has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560, or by calling (850) 488-5541.

Post-Employment Health Plan

The Lake Sumter MPO provides post-employment health care benefits under a County plan established through Nationwide Retirement Solutions, Inc. (Nationwide). The Lake Sumter MPO contributes 1% of annual salary for all employees with more than one year of service to a trust administered by Nationwide (25% of accrued sick pay for employees with less than 10 years of service and 50% for employees with 10 years or more of service, is paid into the trust upon termination, retirement, or death). The maximum contribution is limited to 960 hours (50% of 1,920 accumulated sick hours). Contributions are invested according to instructions given by the employee and earnings accumulate tax exempt under section 501(c)(9) of the Internal Revenue Code. Upon separation of service, the account can be used to reimburse any qualified health insurance premiums paid by the employee.

Lake Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

7. Risk Management

Lake Sumter MPO is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Lake Sumter MPO is covered for general liability, automobile, workers' compensation, property and health liabilities under the Lake County's self-insured fund; amounts paid to Lake County for coverage during the year ended September 30, 2005 were \$10,502. No settlements in excess of claims have been incurred during the current period.

Required Supplementary Information

Lake Sumter Metropolitan Planning Organization

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund

Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental revenue – operating grants	\$ 308,401	\$ 422,398	\$ 389,868	\$ (32,530)
Miscellaneous income	–	835	2,335	1,500
Total revenues	308,401	423,233	392,203	(31,030)
Expenditures:				
Personal services	224,473	143,037	116,654	26,383
Operating	58,435	265,839	260,410	5,429
Capital outlay	3,000	–	–	–
Administration fee	15,420	14,357	12,804	1,553
Total expenditures	301,328	423,233	389,868	33,365
Excess of revenues over expenditures	7,073	–	2,335	2,335
Other financing uses:				
Reserve for contingencies	(7,073)	–	–	–
Total other financing uses	(7,073)	–	–	–
Excess of revenues over expenditures and other uses	–	–	2,335	2,335
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	\$ –	\$ –	\$ 2,335	\$ 2,335

Lake Sumter Metropolitan Planning Organization

Notes to Required Supplementary Information

September 30, 2005

1. Summary of Significant Accounting Policies

Budgetary Process

The Board adopts an annual budget for the Lake Sumter MPO. The budget is prepared on the modified accrual basis of accounting and on a basis consistent with accounting principles generally accepted in the United States.

Budget amendments are defined as major object code changes which either increase or decrease the total budget. Budget amendments must be approved by the Board. Expenditures may not exceed appropriations at the major object code level. A legally adopted budget is prepared for the General Fund.

Other Reports

Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

The Members of the
Lake Sumter Metropolitan Planning Organization

We have audited the accompanying financial statements of the Lake Sumter Metropolitan Planning Organization (Lake Sumter MPO) as of September 30, 2005 and for the year then ended and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lake Sumter MPO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Sumter MPO's financial statements are free of material misstatement, we performed tests of Lake Sumter MPO's 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 herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and member organizations of Lake Sumter MPO, federal and state awarding agencies, pass-through entities, and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

December 9, 2005

Management Letter

The Members of the
Lake Sumter Metropolitan Planning Organization

We have audited the accompanying financial statements of the Lake Sumter Metropolitan Planning Organization (Lake Sumter MPO) as of September 30, 2005 and for the year then ended and have issued our report thereon dated December 9, 2005.

We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, dated December 9, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We noted no internal control or compliance matters that required disclosure during the current or prior year's audit. The following are required disclosures:

We noted no instances of noncompliance with Section 218.415, Florida Statutes, related to the investment of public funds.

During the course of our audit of the Lake Sumter MPO, nothing came to our attention that would cause us to believe that the Lake Sumter MPO is in a state of financial emergency as defined by Section 218.503(1), Florida Statutes.

The Lake Sumter MPO filed its annual financial report for the year ended September 30, 2005, as required by Section 218.32, Florida Statutes, with the Department of Financial Services. Based on our review of the financial information contained in this report, no material differences were found in comparing this information to that of the financial statements.

In accordance with Sections 10.554(h)(6)c and 10.556 Rules of the Auditor General, State of Florida, we applied financial condition assessment procedures for the Lake Sumter MPO as of September 30, 2005. It is management's responsibility to monitor for the Lake Sumter MPO's financial condition, and our financial condition assessment was based in part on representations made by management and the review of information provided by management.

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

We wish to thank Lake Sumter MPO and Lake County's staff for the courtesy and cooperation given to us during our examination. We look forward to a continued, good relationship.

Ernst & Young LLP

December 9, 2005