

FINANCIAL STATEMENTS  
Lake-Sumter Metropolitan Planning Organization  
Year Ended June 30, 2011  
with Independent Auditor's Report

Lake-Sumter Metropolitan Planning Organization

Financial Statements

Year ended June 30, 2011

**Contents**

Financial Section

Independent Auditor’s Report.....1  
Management’s Discussion and Analysis .....3

Basic Financial Statements

Governmental Fund Balance Sheet – Statement of Net Assets .....10  
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund  
Balances – Statement of Activities .....11  
Notes to Financial Statements.....12

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and  
Actual – General Fund .....20  
Note to Required Supplementary Information.....21

Single Audit

Schedule of Expenditures of Federal Awards.....22  
Notes to Schedule of Expenditures of Federal Awards .....23  
Independent Auditor’s Report on Compliance with Requirements that could have a  
Direct and Material Effect on each Major Federal Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133 .....24  
Schedule of Findings and Questioned Costs.....26

Other Reports

Independent Auditor’s Report 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* .....27  
Independent Auditor’s Management Letter .....29

# Financial Section



## INDEPENDENT AUDITOR'S REPORT

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization  
Tavares, Florida

We have audited the accompanying financial statements of governmental activities and major fund of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the year ended June 30, 2011, which collectively comprise Lake-Sumter MPO's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund of Lake-Sumter MPO as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, on our consideration of 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.

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization

**INDEPENDENT AUDITOR'S REPORT**  
*(Concluded)*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake-Sumter MPO's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 13, 2011

## 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 year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

Lake-Sumter MPO's liabilities exceeded its assets at June 30, 2011 by \$41,445. This amount consists of \$6,772 invested in capital assets and \$48,217 in unrestricted deficit.

Lake-Sumter MPO has no outstanding debt, except for accrued compensated absences for its employees. The unrestricted deficit of \$48,217 resulted from the accrued compensated absences outstanding at June 30, 2011 of \$55,271, which is partially offset by unassigned funds available of \$7,054.

### **Overview of the Financial Statements**

This discussion and analysis is 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 of America, 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, and capital outlay has been removed from 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

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Current and other assets	\$ 576,888	\$ 355,972
Capital assets, net	6,772	7,723
Total assets	<u>583,660</u>	<u>363,695</u>
Current liabilities	589,764	333,836
Long-term liabilities	35,341	32,147
Total liabilities	<u>625,105</u>	<u>365,983</u>
<b>Net Assets</b>		
Invested in capital assets	6,772	7,723
Unrestricted net assets (deficit)	(48,217)	(10,011)
Total net assets (deficit)	<u>\$ (41,445)</u>	<u>\$ (2,288)</u>

Current assets of Lake-Sumter MPO primarily consist of \$445,189 due from federal agencies and the State of Florida for cost reimbursable grant expenses and \$127,318 due from local governmental units for charges for services. Current liabilities consist primarily of \$69,238 of accounts payable, accrued wages payable of \$16,756 and \$483,840 due to Lake County.

Net assets amounted to a deficit of \$41,445 at June 30, 2011. “Invested in capital assets” of \$6,772 is Lake-Sumter MPO’s investment in its net capital assets (original cost less accumulated depreciation). The unrestricted deficit of \$48,217 is primarily a result of accrued compensated absences due when employees separate from service. The total amount due of \$55,271 is partially offset by unrestricted funds available of \$7,054.

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

**Lake-Sumter MPO  
Statement of Activities**

	<b>Year ended June 30, 2011</b>	<b>Year ended June 30, 2010</b>
Revenues:		
Program revenues:		
Intergovernmental revenues – operating grants	\$ 762,563	\$ 598,183
Charges for services	296,563	257,041
Miscellaneous income	4,890	3,587
Total revenues	1,064,016	858,811
Expenses:		
Current	1,099,859	930,209
Depreciation	3,314	3,602
Total expenses	1,103,173	933,811
Change in net assets	(39,157)	(75,000)
Beginning net assets (deficit)	(2,288)	72,712
Ending net assets (deficit)	\$ (41,445)	\$ (2,288)

Intergovernmental revenues of \$762,563 consist primarily of grant funds received from the federal government through the Florida Department of Transportation, and other state funds. Non-grant revenues consist of charges for services from participating local governmental units of \$130,763 for transportation planning and \$165,800 in transportation management services.

Current expenses consisted of \$567,821 in personal services, \$360,354 in professional services, \$5,500 in grants and aids, \$140,713 in other operating expenses, and \$25,471 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 an unassigned fund balance of \$7,054. Revenue from grants equals the expenses incurred. Fund balance results from donations and non-grant revenues and expenditures.

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

	Year ended June 30, 2011	Year ended June 30, 2010
Revenues:		
Intergovernmental revenue	\$ 762,563	\$ 598,183
Charges for services	296,563	257,041
Miscellaneous income	4,890	2,220
Total revenue	<u>1,064,016</u>	<u>857,444</u>
Expenditures:		
Personal services	564,560	548,360
Operating	526,538	378,505
Capital Outlay	2,363	-
Grants and aids	5,500	5,000
Total expenditures	<u>1,098,961</u>	<u>931,865</u>
Excess of revenues under expenditures	(34,945)	(74,421)
Fund balance, beginning of year	41,999	116,420
Fund balance, end of year	<u>\$ 7,054</u>	<u>\$ 41,999</u>

### General Fund Budgetary Highlights

The difference between the original and the final amended budget was \$382,079 and was primarily due to new non-grant interlocal agreements entered into during the year and new grant funding.

Differences between the final amended budget and actual results are included on page 20 of the accompanying financial statements. Operating expenditures were \$99,733 less than budgeted, due to projects not yet being completed in 2011. Intergovernmental revenues were \$100,440 less than budgeted due to grant funding that was budgeted and not received.

## Capital Assets and Long-Term Debt

### *Capital Assets*

As of June 30, 2011, Lake-Sumter MPO had \$6,772 invested in equipment assets, as reflected in the table below:

#### Lake-Sumter MPO Capital Assets

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Equipment	\$ 29,278	\$ 26,915
Accumulated depreciation	(22,506)	(19,192)
Capital assets, net	<u>\$ 6,772</u>	<u>\$ 7,723</u>

Capital assets consist of equipment used by the organization in its daily operations. The MPO operates from leased facilities.

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

### *Long-Term Debt – Compensated Absences*

Lake-Sumter MPO's full-time employees accumulate annual and sick leave based upon length of employment. Upon termination of employment, employees can receive a payment into a deferred compensation plan or as a lump-sum cash distribution for annual leave, up to a maximum of 300 hours. An employee may elect to receive the value of any sick leave to be paid into a post-employment health plan, a deferred compensation plan or as a lump-sum cash distribution. 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 June 30, 2011, the Lake-Sumter MPO had \$55,271 in accrued compensated absences, of which \$19,930 is considered to be due in the next fiscal year.

For more detailed information regarding the Lake-Sumter MPO's 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 Lake County is 10.7%. This is compared to 11.1% for the state and 9.3% for the nation.
- Inflation nationally, as indicated by the consumer price index, is 3.6% higher than the prior year.

All of these factors were considered in preparing Lake-Sumter MPO's budget for the 2011-2012 year. Lake-Sumter MPO's Board adopted the 2012 budget of \$838,497 at its June 22, 2011 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 the Office of the Clerk of Courts, 315 West Main Street, Post Office Box 7800, Tavares, Florida, 32778, or by calling (352)-343-9808.

# Basic Financial Statements

Lake-Sumter Metropolitan Planning Organization

Governmental Fund Balance Sheet –  
Statement of Net Assets

June 30, 2011

	<b>Governmental Fund Balance Sheet – General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Current assets:			
Due from federal agencies	\$ 434,762	\$ –	\$ 434,762
Due from state agencies	10,427	–	10,427
Due from other agencies	127,318	–	127,318
Other assets	4,381	–	4,381
Noncurrent assets:			
Capital assets, net	–	6,772	6,772
<b>Total assets</b>	<b>\$ 576,888</b>	<b>\$ 6,772</b>	<b>\$ 583,660</b>
<b>Liabilities and fund balances – Net assets</b>			
Current liabilities:			
Accounts payable	\$ 69,238	\$ –	\$ 69,238
Due to Lake County	483,840	–	483,840
Accrued liabilities	16,756	–	16,756
Compensated absences, current	–	19,930	19,930
Noncurrent liabilities:			
Compensated absences	–	35,341	35,341
<b>Total liabilities</b>	<b>569,834</b>	<b>55,271</b>	<b>625,105</b>
Fund balances – Net assets :			
Fund balances:			
Unassigned	7,054	(7,054)	
<b>Total fund balances</b>	<b>7,054</b>	<b>(7,054)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 576,888</b>		
Net assets (deficit):			
Invested in capital assets		6,772	6,772
Unrestricted deficit		(48,217)	(48,217)
<b>Total net assets (deficit)</b>		<b>\$ (41,445)</b>	<b>\$ (41,445)</b>

*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 June 30, 2011

	<b>Governmental Fund Balances - General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
Revenues:			
Intergovernmental revenue – operating grants	\$ 762,563	\$ –	\$ 762,563
Charges for services	296,563	–	296,563
Miscellaneous income	4,890	–	4,890
Total revenue	<u>1,064,016</u>	<u>–</u>	<u>1,064,016</u>
Transportation expenditures:			
Personal services	564,560	3,261	567,821
Operating	501,067	–	501,067
Capital outlay	2,363	(2,363)	–
Grants and aids	5,500	–	5,500
Depreciation expense	–	3,314	3,314
Administrative fee	25,471	–	25,471
Total expenditures – expenses	<u>1,098,961</u>	<u>4,212</u>	<u>1,103,173</u>
Excess of revenues under expenditures/change in net assets	(34,945)	(4,212)	(39,157)
Fund balances – Net assets (deficit), beginning of year	<u>41,999</u>	<u>(44,287)</u>	<u>(2,288)</u>
Fund balances – Net assets (deficit), end of year	<u>\$ 7,054</u>	<u>\$ (48,499)</u>	<u>\$ (41,445)</u>

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

# Lake-Sumter Metropolitan Planning Organization

## Notes to Financial Statements

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies

#### Reporting Entity

The Lake-Sumter MPO is a voluntary association of local governmental units organized under the authority of Section 339.175, Florida Statutes, in accordance with the 1962 Federal Aid Highway Act. The primary purpose of the organization 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 of America (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 90 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 and charges for transportation planning and concurrency management services, 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 of America 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 of America.

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. Depreciation expense is recorded in the statement of activities.

Lake-Sumter MPO operates from leased facilities under a cancelable operating lease. Rent expense was \$51,292.

# 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, carryover limitations range from 200 to 300 hours, depending on length of employment. Upon termination of employment, the employee can receive a payment into a deferred compensation plan or as a lump-sum cash distribution, 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 MPO's policy permits the payment of accrued sick upon termination, retirement, or death, based on the length of employment, into a post-employment health plan, a deferred compensation plan or as a lump-sum cash distribution (see Note 7).

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

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. 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 June 30, 2011:

Fund balances	\$ 7,054
Add capital assets, net of accumulated depreciation as they are not financial resources and are therefore not reported in the funds	6,772
Less compensated absences, not available for current use as they are not due and payable in the current period and are therefore not reported as liabilities in the funds	(55,271)
Net assets	<u>\$ (41,445)</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 Fund Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities for the fiscal year ended June 30, 2011:

Excess of expenditures over revenues	\$ (34,945)
Add capital outlay expenditures as the cost of assets is allocated over their useful lives in the Statement of Activities	2,363
Less current year depreciation on capital assets as the Governmental Fund Statements record an expenditure at the time of purchase	(3,314)
Less net change in compensated absences	(3,261)
Change in net assets	<u>\$ (39,157)</u>

### 3. Deposits and Investments

Lake-Sumter MPO participates in the pooled cash and investments fund of Lake County. Since the organization's funding is primarily from grants which are cost reimbursable, funds are advanced to Lake-Sumter MPO as needed to pay expenses. At June 30, 2011, Lake-Sumter MPO had a deficit in pooled cash of \$483,840. This amount is presented as Due to Lake County in the Governmental Funds Balance Sheet – Statement of Net Assets.

County funds 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's 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:

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
Equipment	\$ 26,915	\$ 2,363	\$ -	\$ 29,278
Less accumulated depreciation	(19,192)	(3,314)	-	(22,506)
Capital assets, net	\$ 7,723	\$ (951)	\$ -	\$ 6,772

#### 5. Compensated Absences

The current and long-term portions of compensated absences at June 30, 2011 were \$19,930 and \$35,341, respectively. A summary of changes in compensated absences follows:

Balance at July 1, 2010	\$ 52,010
Additions	36,933
Payments	(33,672)
Balance at June 30, 2011	\$ 55,271

#### 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 or 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 rates applied to employee salaries for regular members and senior management were 9.85% and 13.12%, and 10.77% and 14.57% respectively, for the 2010 year and 2011 year. The Lake-Sumter MPO's contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were \$47,109, \$44,085 and \$41,977, respectively, equal to the required contributions for each year. 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.

#### **7. Other Post-Employment Benefits (OPEB)**

##### **A. 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). Prior to fiscal year

# Lake-Sumter Metropolitan Planning Organization

## Notes to Financial Statements (continued)

### **7. Other Post-Employment Benefits (OPEB) (continued)**

2010, the Lake-Sumter MPO contributed 1% of annual salaries for all employees with more than one year of service to a trust administered by Nationwide. Twenty-five percent of accrued sick pay for certain employees with less than 10 years of service, and 50% for certain employees with 10 years or more of service, is paid into the trust upon termination, retirement, or death if elected by the employee. 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. The Lake-Sumter MPO discontinued employer contributions in 2010; no employee contributions were made in fiscal year 2011.

### **B. Retiree Health Coverage**

Employees of the Lake-Sumter MPO are employees of the County and are entitled to the same health benefits as County employees. Effective October 1, 2007, the County implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. A liability, if any, related to these benefits is reported in the financial statements of Lake County, Florida. For a detailed plan description, see the Lake County, Florida, CAFR for the fiscal year ended September 30, 2010.

### **C. Deferred Compensation Plan**

The employees of the Lake-Sumter MPO can also elect to participate in a deferred compensation 457(b) plan. This plan is not subject to the provisions of GASB Statement No. 45. Employee contributions to the plan by the Executive Director (up to 3%) are matched by the employer. There are no other employer contributions to the plan.

### **8. 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 Lake County's self-insured fund; amounts paid to Lake County for coverage during the year ended June 30, 2011 were \$50,887. No settlements in excess of claims have been incurred during the current or prior period.

## Required Supplementary Information

Lake-Sumter Metropolitan Planning Organization

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

Year ended June 30, 2011

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental revenue – operating grants	\$ 663,003	\$ 863,003	\$ 762,563	\$ (100,440)
Charges for services	149,781	320,469	296,563	(23,906)
Miscellaneous income	–	4,890	4,890	–
<b>Total revenues</b>	<b>812,784</b>	<b>1,188,362</b>	<b>1,064,016</b>	<b>(124,346)</b>
<b>Expenditures:</b>				
Personal services	576,326	589,621	564,560	25,061
Operating	233,466	600,800	501,067	99,733
Capital outlay	–	2,440	2,363	77
Grants and aids	5,000	5,500	5,500	–
Administration fee	33,490	32,000	25,471	6,529
<b>Total expenditures</b>	<b>848,282</b>	<b>1,230,361</b>	<b>1,098,961</b>	<b>131,400</b>
Excess of revenues under expenditures	(35,498)	(41,999)	(34,945)	7,054
Fund balance, beginning of year	35,498	41,999	41,999	–
<b>Fund balance, end of year</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 7,054</b>	<b>\$ 7,054</b>

*See note to required supplementary information.*

# Lake-Sumter Metropolitan Planning Organization

## Note to Required Supplementary Information

Year ended June 30, 2011

### **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 of America.

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.

# Single Audit

Lake-Sumter Metropolitan Planning Organization

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA / CSFA</u>	<u>Pass-Through / State Contract Number</u>	<u>Amount of Expenditures</u>
<b>Department of Transportation</b>			
Indirect:			
Florida Department of Transportation			
Highway Planning and Construction	20.205	417957-1-14-02 ANK65	\$ 534,883
Highway Planning and Construction	20.205	428038-1-18-01 AQ465	99,560
Federal Transit Metropolitan Planning Grants	20.505	420636-1-14-20 AOS86	86,407
<b>Department of Transportation</b>			<b><u>720,850</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 720,850</u></b>

*See notes to schedule of expenditures of federal awards.*

# Lake-Sumter Metropolitan Planning Organization

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

### **1. Summary of Significant Accounting Policies**

#### **General**

The Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become measurable and available as net current assets and expenditures when related fund liability is incurred.

### **2. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization  
Tavares, Florida

***Compliance***

We have audited the compliance of Lake-Sumter Metropolitan Planning Organization (“Lake-Sumter MPO”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended June 30, 2011. Lake-Sumter MPO’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lake-Sumter MPO’s management. Our responsibility is to express an opinion on Lake-Sumter MPO’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake-Sumter MPO’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lake-Sumter MPO’s compliance with those requirements.

In our opinion, Lake-Sumter MPO complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization

***Internal Control over Compliance***

The management of Lake-Sumter MPO is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lake-Sumter MPO's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake-Sumter MPO's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 13, 2011

# Lake-Sumter Metropolitan Planning Organization

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2011

### Section I - Summary of Auditor's Results

#### Financial Statements

##### Type of Auditor's Report Issued:

##### Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes       No  
 Yes       None reported

Noncompliance material to financial statements noted?

Yes       No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes       No  
 Yes       None reported

Type of report issued on compliance for major federal program:

##### Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes       No

##### Identification of Major Program:

##### CFDA Number(s)

##### Name of Federal Program or Cluster

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes       No

### Section II – Financial Statement Findings

No matters are reported.

### Section III – Federal Award Findings and Questioned Costs

No matters are reported.

## Other Reports



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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***

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization  
Tavares, Florida

We have audited the basic financial statements of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

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

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization

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

This report is intended solely for the information and use of management, Board of Directors, the State of Florida Auditor General, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 13, 2011



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization  
Tavares, Florida

We have audited the financial statements of the Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 13, 2011.

We conducted our audit in accordance with United States generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material on each Major Federal Program and on Internal Control over Compliance in accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 13, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grants agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

However, we did identify a certain matter, which is an opportunity for Lake-Sumter MPO to improve its financial management. A description of the matter, including our recommendation, is as follows:

**MLO 2011-01 Fund Balance Policy**

**Criteria**

Pursuant to Government Finance Officers Association ("GFOA") Best Practices, it is essential that governmental entities maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates and assessments.

Honorable Members of the  
Lake-Sumter Metropolitan Planning Organization

**Condition**

During our audit, we noted that Lake-Sumter MPO experienced a second consecutive year of expenditures in excess of revenues, which reduced fund balance to \$7,054 at June 30, 2011. This fund balance level approximates 5% of annual TMS assessment fees, which is less than one month of operating revenues.

**Cause**

Lake-Sumter MPO does not currently have a formal policy for the level of fund balance to be maintained.

**Effect**

An inadequate level of fund balance could result in unexpected assessments to the participating local governments in the event of unanticipated expenditures.

**Recommendation**

We recommend that Lake-Sumter MPO establish a formal policy on the minimum level of fund balance that should be maintained in the General Fund. In addition, we recommend that management evaluate operating activities to identify possible additional revenue sources or ways to reduce spending in order to increase the current level of fund balance.

**Views of Responsible Officials**

We agree with the recommendation. Staff recommends that an MPO policy be adopted by resolution that requires the executive director to budget for a reserve fund that is at least 50 percent of the amount of the Net Asset Deficit as of the most recent audit. In addition to the policy recommendation, staff will continue to closely scrutinize the cost-benefit ratio of planning tasks and other MPO expenses, notwithstanding the required planning tasks, such as TIP development and long-range plan preparation. Staff is also continuing efforts to generate revenue streams through the management of various projects, such as DRI review, pavement management, and geographical information services (“GIS”).

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Board of Directors, and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 13, 2011