

VILLAGE OF EL PORTAL, FLORIDA

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

VILLAGE OF EL PORTAL, FLORIDA

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Village Council and Village Manager
Village of El Portal, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of El Portal, Florida (the "Village") as of and for the fiscal year ended September 30, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 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 the Village'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. 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, each major fund, and the remaining aggregate fund information of the Village of El Portal, Florida as of September 30, 2010, 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 a report dated April 28, 2011 on our consideration of the Village's internal control over financial reporting and our tests of 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 Mayor, Village Council and Village Manager
Village of El Portal, Florida

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alberni Caballero & Company, LLP

April 28, 2011
Coral Gables, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

Management's Discussion and Analysis

As management of the Village of El Portal, we offer readers of the Village of El Portal (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of El Portal for the fiscal year ended September 30, 2010.

Financial Highlights

- The assets of the Village of El Portal exceeded its liabilities at the close of the most recent fiscal year by \$3,316,152 (net assets). Of this amount, \$422,493 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$38,408. This increase is attributable to excess revenues over expenses for 2010.
- As of the close of the current fiscal year, the Village of El Portal general fund reported an ending fund balance of \$527,995 a decrease of \$86,038 in comparison with the prior year. All of this amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$527,955 or 29.84% of total general fund expenditures.

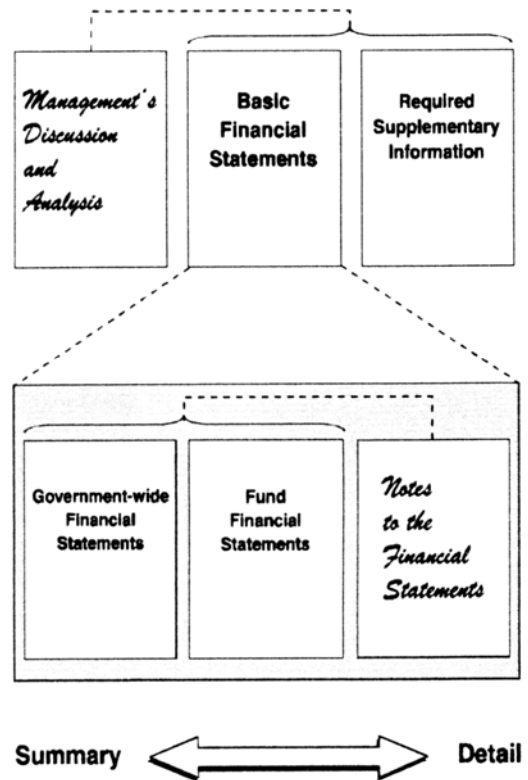
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide statements.
- The *governmental funds* statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

Figure A-1
Required Components of
City's Annual Financial Report



Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Village has no business-type activities. The governmental activities of the Village include public works, police, and general administration services.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. All of the funds of the Village are governmental funds.

The Village maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund and CITT fund which are considered to be a major funds.

The Village adopts an annual appropriated budget for its general fund, stormwater projects fund, seawall project fund, CITT fund and the special revenue fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 to 14 of this report.

Notes to the basic 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 on pages 15 to 26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Village's case, assets exceeded liabilities by \$3,316,152 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$2,210,431 or 66.65%, reflects its investment in capital assets, net of related debt (e.g., land and equipment). The Village of El Portal uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the Village's net assets, \$683,228 or 20.60%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$422,493 or 12.74%, may be used to meet the government's on-going obligations to citizen's and creditors.

At the end of the current year, the Village is able to report positive balances in all three categories of net assets.

**VILLAGE OF EL PORTAL
STATEMENTS OF NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 1,244,244	\$ 1,428,637	\$ (184,393)	(12.90%)
Restricted assets	46,586	40,758	5,828	14.29%
Capital assets, net	<u>2,251,853</u>	<u>2,155,201</u>	<u>96,652</u>	<u>4.00%</u>
Total assets	<u>\$ 3,542,683</u>	<u>\$ 3,624,596</u>	<u>\$ (81,913)</u>	<u>(2.26%)</u>
Current liabilities	79,647	243,350	(163,703)	(67.27%)
Long-term liabilities	<u>146,884</u>	<u>103,502</u>	<u>43,382</u>	<u>41.91%</u>
Total liabilities	<u>226,531</u>	<u>346,852</u>	<u>(120,321)</u>	<u>(34.68%)</u>
Net Assets:				
Invested in capital assets, net of related debt	2,210,431	2,147,149	63,282	2.95%
Restricted	683,228	612,052	71,176	11.62%
Unrestricted	<u>422,493</u>	<u>518,543</u>	<u>(96,050)</u>	<u>(18.52%)</u>
Total net assets	<u>3,316,152</u>	<u>3,277,744</u>	<u>38,408</u>	<u>1.17%</u>
Total liabilities and net assets	<u>\$ 3,542,683</u>	<u>\$ 3,624,596</u>	<u>\$ (81,913)</u>	<u>(2.26%)</u>

The Village's current assets decreased by 12.9% mainly due to decreases in cash offset by an decrease in accounts payable of 67%. Capital assets and the net investment in capital assets decreased by approximately 1.49% during the fiscal year. Liabilities decreased by 34.68% mainly due to timing of accruals.

**VILLAGE OF EL PORTAL
STATEMENTS OF CHANGES IN NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 412,488	\$ 427,437	\$ (14,949)	(3.49%)
Operating grants and contributions	74,456	73,943	513	.07%
Capital grants and contributions	-	557,139	(557,139)	(100.00%)
General Revenues:				
Property taxes	754,501	919,378	(164,877)	(17.93%)
Franchise taxes	125,984	129,213	(3,229)	(2.49%)
Utility taxes	217,978	217,414	564	.2%
Intergovernmental	343,261	281,432	61,829	21.96%
Investment income and miscellaneous	<u>25,354</u>	<u>9,220</u>	<u>16,134</u>	<u>174.98%</u>
Total revenues	<u>1,954,022</u>	<u>2,615,176</u>	<u>(661,154)</u>	<u>(25.28%)</u>

VILLAGE OF EL PORTAL
STATEMENTS OF CHANGES IN NET ASSETS (Continued)

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	586,536	508,959	77,577	15.24%
Public safety	715,392	716,021	(629)	(0.00%)
Building code enforcement	2,214	33,093	(30,879)	(93.31%)
Planning and zoning	59,705	49,484	10,221	(20.65%)
Public works	551,145	524,515	26,630	5.07%
Interest on long-term debt	<u>622</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,915,614</u>	<u>1,832,072</u>	<u>83,542</u>	<u>4.56%</u>
Change in net assets	38,408	783,104	<u>(\$ 744,696)</u>	<u>(95.10%)</u>
Beginning net assets- as restated	<u>\$ 3,277,744</u>	<u>\$ 2,591,386</u>		
Ending net assets	<u>\$ 3,316,152</u>	<u>\$ 3,374,490</u>		

The Village's net assets increased by \$38,408 in the current fiscal year before the adjustment for a correction of the opening balance of capital assets in the amount of \$96,746. The net result was a decrease in total net assets in the amount of \$58,338. Overall, revenues decreased due to decreases in property tax values as compared to the prior year and decreases in capital grants due to the completion of Phases II & III of the Stormwater Project. Expenses increased mainly due to slightly higher operating costs.

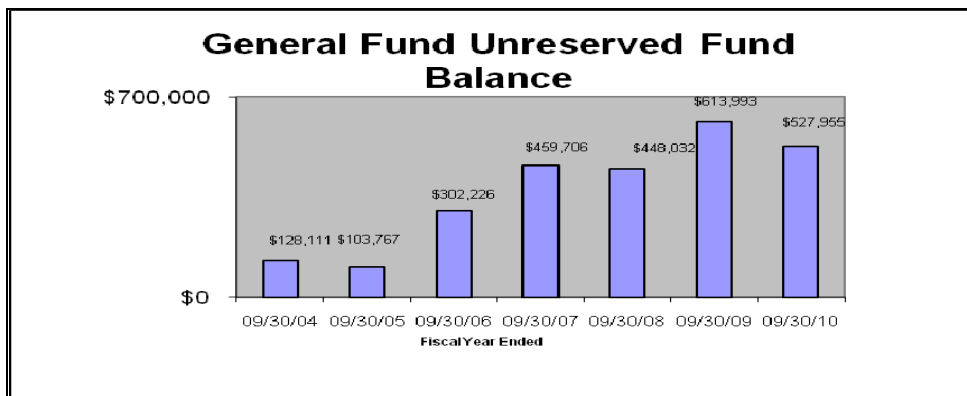
Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the main operating fund of the Village. At the end of the current fiscal year, the Village's general fund reported a fund balance of \$527,955 a decrease of \$86,038 in comparison with the prior year. 100% of this total amount (\$527,955) constitutes *unreserved fund* balance, which is available for spending at the Village's discretion.



At the end of the current fiscal year, unreserved fund balance of the general fund was \$527,955. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.8 percent of total general fund expenditures, while total fund balance represents 68.46 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2010 and 2009, is shown below:

Summary of General Fund's condensed Balance Sheet

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Total assets	\$ 1,213,834	\$ 988,920	\$ 224,914	22.74%
Total liabilities	685,879	374,927	310,952	82.93%
Unreserved fund balance	527,955	613,993	(86,038)	(14.01%)
Total fund balance	527,955	613,993	(86,038)	(14.01%)
Total liabilities and fund balance	\$ 1,213,834	\$ 988,920	\$ 242,914	19.71%

Increases in total assets were mainly in cash and receivables as a result of the current year's operations, increases in liabilities were due to increases in due to other funds offset by decreases in accounts payable and accrued liabilities.

Summary of General Fund's condensed statement of revenues, expenditures, and changes in fund balance

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
Total Revenues	\$ 1,703,491	\$ 1,874,007	\$ (170,516)	(9.09%)
Total Expenditures	1,769,067	1,734,047	35,020	2.01%
Excess of revenues over expenditures	(65,576)	139,960	(205,536)	(146.85%)
Other financing sources (uses)	(20,462)	22,420	(42,882)	(191.26%)
Change in fund balance	(86,038)	162,380	\$ (248,218)	(152.86%)
Fund Balance, Beginning	613,993	451,613		
Fund Balance, Ending	\$ 527,955	\$ 613,993		

The fund balance of the Village's general fund decreased by \$86,038 during the current fiscal year. The decrease was mainly due to a decrease in ad valorem taxes collected and transfers to Seawall Fund to cover project expenses not covered by grants.

Major Special Revenue Funds

Special Revenue Fund

The Special Revenue Fund reported an increase in fund balance of \$25,518 to \$279,923 for the fiscal year. Mainly due to local option gas taxes received net of expenditures and transfer to CITT of \$7,000.

CITT Project Fund

The Citizens' Independent Transportation Trust (CITT) fund reported transfers of \$7,000 from the special revenue fund representing funds required for maintenance of effort for transportation and transit projects from Miami-Dade County.

Non-Major Special Revenue Funds

Seawall Project Fund

The Seawall Project Fund's reported capital expenditures of approximately \$20,646 which were funded by the grant with the South Florida Water Management District.

Stormwater Project Fund

The Stormwater Project Fund's reported capital expenditures of approximately \$99,838 which were funded by the grant with the South Florida Water Management District

Fund Budgetary Highlights

Budget vs. actual schedules are presented in page 27 for the General Fund, page 28 for the Special Revenue Fund, page 29 for the CITT Fund, and page 33 for the Seawall Project Fund and the Stormwater Project Fund.

Capital Assets and Long Term Debt

As of September 30, 2010, the Village's investment in capital assets amounted to \$2,210,431 (net of accumulated depreciation). The total decrease in capital assets for the current fiscal year was approximately \$33,464 mainly due to capital expenditures related to the Stormwater and Seawall Projects.

More details relating to capital assets can be found on pages 21 to 22 of the footnotes.

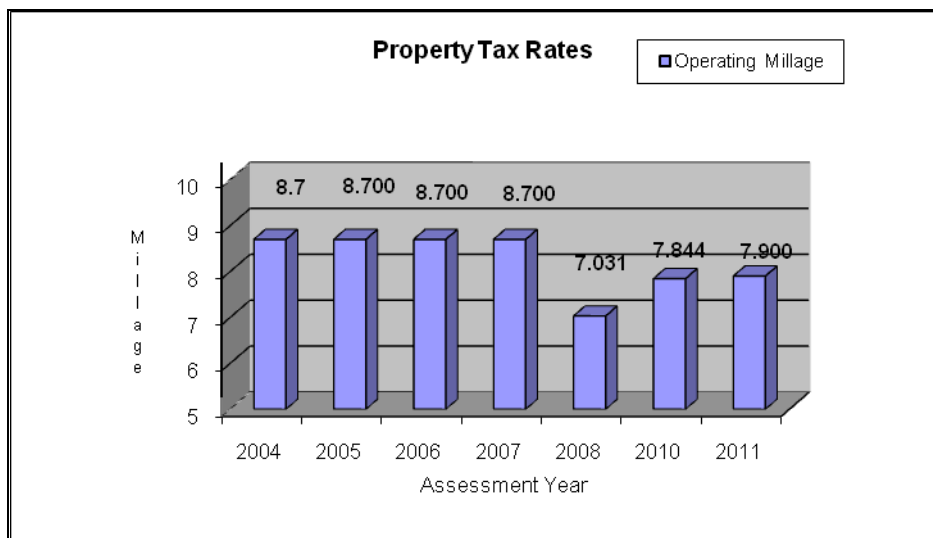
The Village's long term debt is the long term debt portion of compensated absences, capital leases for several police vehicles, claims payable and the OPEB liability. More details relating to the Village's long-term debt can be found in page 22 of the footnotes.

Economic Factors and Next Years Budgets and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from the county, state and federal governments.

Revenues in fiscal year 2011 adopted General Fund budget are \$1,634,271 a decrease of \$145,433 or 8.17 percent from the fiscal year 2010 budgeted revenues of \$1,779,704. Decrease is due to decreases in property values, intergovernmental revenues and franchise fee revenues.

Fiscal year 2011 budgeted expenditures are expected to be \$1,734,729, a decrease of \$63,046 or 3.50 percent decrease from fiscal year 2010 budgeted expenditures of \$1,797,775. Decrease is due to cost cutting measures implemented by the Village Manager.



Requests for Information

This financial report is designed to provide a general overview of the Village of El Portal's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 500 Northeast 87th Street, El Portal, Florida 33138.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EL PORTAL, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,121,839
Restricted cash and cash equivalents	46,586
Accounts receivable - net	119,174
Other assets	3,231
Capital assets not being depreciated	3,556
Capital assets being depreciated, net	<u>2,248,297</u>
Total assets	<u>3,542,683</u>
<u>LIABILITIES</u>	
Accounts payable	65,640
Accrued payroll	14,007
Noncurrent liabilities:	
The amount due in one year	51,945
The amount due in more than one year	<u>94,939</u>
Total liabilities	<u>226,531</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,210,431
Restricted for:	
Public safety	8,206
Capital projects	381,382
Transportation	174,392
Transit	119,248
Unrestricted	<u>422,493</u>
Total net assets	<u>3,316,152</u>
Total liabilities and net assets	<u>\$ 3,542,683</u>

See notes to basic financial statements.

VILLAGE OF EL PORTAL, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> Governmental Activities
<u>Functions/programs</u>					
Governmental activities:					
General government	\$ 586,536	\$ 18,046	\$ -	\$ -	\$ (568,490)
Public safety	715,392	15,874	-	-	(699,518)
Building and code enforcement	2,214	47,372	-	-	45,158
Planning and zoning	59,705	53,385	-	-	(6,320)
Public works	551,145	277,811	74,456	-	(198,878)
Interest on long-term debt	<u>622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(622)</u>
Total governmental activities	<u>1,915,614</u>	<u>412,488</u>	<u>74,456</u>	<u>-</u>	<u>(1,428,670)</u>
General revenues:					
Property taxes					\$ 754,501
Utility taxes					217,978
Franchise fees on gross receipts					125,984
Intergovernmental (unrestricted)					343,261
Investment and other income					<u>25,354</u>
Change in net assets					<u>38,408</u>
Net assets, beginning					<u>3,277,744</u>
Net assets, ending					<u>\$ 3,316,152</u>

See notes to basic financial statements.

VILLAGE OF EL PORTAL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General	Special Revenue Fund	CITT		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,121,839	\$ -	\$ -	\$ -	\$ 1,121,839
Restricted cash and cash equivalents	-	40,090	-	6,496	46,586
Accounts receivable - net	88,764	-	17,931	12,479	119,174
Other assets	3,231	-	-	-	3,231
Due from other funds	-	265,802	280,709	90,690	637,201
Total assets	<u>\$ 1,213,834</u>	<u>\$ 305,892</u>	<u>\$ 298,640</u>	<u>\$ 109,665</u>	<u>\$ 1,928,031</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 60,640	\$ -	\$ 5,000	\$ -	\$ 65,640
Accrued payroll	14,007	-	-	-	14,007
Due to other funds	611,232	25,969	-	-	637,201
Total liabilities	<u>685,879</u>	<u>25,969</u>	<u>5,000</u>	<u>-</u>	<u>716,848</u>
<u>FUND BALANCES</u>					
Reserved for:					
Public safety	-	8,206	-	-	8,206
Capital projects	-	271,717	-	109,665	381,382
Transportation	-	-	174,392	-	174,392
Transit	-	-	119,248	-	119,248
Unreserved, reported in:					
General fund, undesignated	527,955	-	-	-	527,955
Total fund balances	<u>527,955</u>	<u>279,923</u>	<u>293,640</u>	<u>109,665</u>	<u>1,211,183</u>
Total liabilities and fund balances	<u>\$ 1,213,834</u>	<u>\$ 305,892</u>	<u>\$ 298,640</u>	<u>\$ 109,665</u>	<u>\$ 1,928,031</u>

See notes to basic financial statements.

VILLAGE OF EL PORTAL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

Fund balances - total government funds (Page 11) \$ 1,211,183

Amounts reported for governmental activities in the statement of net assets are different as a result of:

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

Governmental capital assets	2,965,835
Less accumulated depreciation	(713,982)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Capital leases	(41,422)
Compensated absences	(65,032)
Claims payable	(30,000)
OPEB liability	<u>(10,430)</u>

Net assets of governmental activities (Page 9) \$ 3,316,152

VILLAGE OF EL PORTAL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue Fund	CITT		
Revenues:					
Property taxes	\$ 754,501	\$ -	\$ -	\$ -	\$ 754,501
Franchise fees	125,984	-	-	-	125,984
Utility taxes	170,231	-	-	47,747	217,978
Charges for services	295,857	-	-	-	295,857
Intergovernmental	218,372	48,164	74,456	76,725	417,717
Licenses and permits	100,757	-	-	-	100,757
Fines and forfeitures	12,544	3,330	-	-	15,874
Interest and other	25,245	109	-	-	25,354
Total revenues	<u>1,703,491</u>	<u>51,603</u>	<u>74,456</u>	<u>124,472</u>	<u>1,954,022</u>
Expenditures:					
Current:					
General government	467,821	-	-	-	467,821
Public safety	684,433	500	-	-	684,933
Building and code enforcement	2,214	-	-	-	2,214
Planning and zoning	59,705	-	-	-	59,705
Public works	427,530	-	51,045	72,570	551,145
Debt service:					
Interest	622	-	-	-	622
Principal retirement	29,997	-	-	-	29,997
Capital outlay:					
General government	23,426	-	-	-	23,426
Public safety	73,319	-	-	-	73,319
Public works	-	18,585	-	120,484	139,069
Total expenditures	<u>1,769,067</u>	<u>19,085</u>	<u>51,045</u>	<u>193,054</u>	<u>2,032,251</u>
(Deficiency) Excess of revenues over expenditures before other financing sources (uses)	<u>(65,576)</u>	<u>32,518</u>	<u>23,411</u>	<u>(68,582)</u>	<u>(78,229)</u>
Other financing sources (uses):					
Proceeds from capital leases	63,367	-	-	-	63,367
Transfers in	-	-	7,000	83,829	90,829
Transfers out	<u>(83,829)</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>(90,829)</u>
Total other financing sources (uses)	<u>(20,462)</u>	<u>(7,000)</u>	<u>7,000</u>	<u>83,829</u>	<u>63,367</u>
Net change in fund balances	(86,038)	25,518	30,411	15,247	(14,862)
Fund balances - beginning	<u>613,993</u>	<u>254,405</u>	<u>263,229</u>	<u>94,418</u>	<u>1,226,045</u>
Fund balances - ending	<u>\$ 527,955</u>	<u>\$ 279,923</u>	<u>\$ 293,640</u>	<u>\$ 109,665</u>	<u>\$ 1,211,183</u>

See notes to basic financial statements.

VILLAGE OF EL PORTAL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

Amounts reported for governmental activities in the statement of activities are different as a result of:

Net change in fund balances - total government funds (Page 13)	\$	(14,862)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital outlays	\$ 235,814	
Less current year depreciation	<u>(139,162)</u>	96,652
<p>The issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Proceeds from capital leases	63,367	
OPEB liability	10,430	
Claims payable	30,000	
Principal payments on capital leases	<u>(29,997)</u>	(73,800)
Compensated absences		<u>30,418</u>
Change in net assets of governmental activities (Page 10)	\$	<u>38,408</u>

See notes to basic financial statements.

VILLAGE OF EL PORTAL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the Village of El Portal, Florida's (the "Village") significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

a. Financial Reporting Entity

The Village is a municipal corporation governed by an elected mayor and four-member council under a Commission form of government. The Village is located in Miami-Dade County, Florida and was incorporated in 1937. The Village provides the following services to its residents - general government, public safety, building code enforcement, physical environment and culture and recreation. The Village does not provide any educational, water, wastewater or fire services. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The financial statements were prepared in accordance with government accounting standards which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village. Based upon the application of these criteria, there were no organizations which met the criteria described above.

b. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Village has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

c. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The Village reports the following major governmental funds:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **special revenue fund** is used to account for the proceeds of specific revenue sources legally restricted for expenditures for specified purposes.

The **citizen's independent transportation fund** accounts for the operating activities of the Village's use of Miami Dade County's CITT revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

d. Assets, liabilities and net assets

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e, the current portion of interfund loans) or as advances to/from other funds (i.e, the non-current portion of interfund loans). All other outstanding balances between funds are reported as a due to/from other funds.

Waste fees are billed together with property taxes for the Village by Miami-Dade County on or about October 1 of each year and they are payable with discounts of up to 4% offered for early payment less a 1% administrative fee charged by the County. Waste fees are due when billed. Delinquent accounts are included with the balance of delinquent property taxes and are subject to collection through seizure of the personal property by the County or by the sale of interest-bearing tax certificates.

Waste fees billed prior to 2004; which was the first year the County began to bill and collect the Village's waste fees total approximately \$245,014 and an allowance for uncollectible accounts has been recorded against those receivables of \$245,014.

All other receivables due from external sources are considered to be fully collectible and as such, an allowance for doubtful accounts has not been established.

3. Restricted Assets

Proceeds from police forfeiture funds, transportation tax and local option gas taxes are classified as restricted in the special revenue funds since these resources are specifically earmarked for law enforcement, transportation and capital project purposes only.

4. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Village by Miami-Dade County (the "County") on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Village.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Village is established by the Village commission and the Miami-Dade County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Village for the fiscal year ended September 30, 2010 was 7.8442 mills (\$7.8442 per \$1,000 of taxable assessed valuation).

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as they are completed.

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

	<u>Years</u>
Buildings	40
Improvements other than buildings	10
Infrastructure	30
Vehicles	5
Furniture and equipment	5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

6. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits starting with the first day of employment. Vacation pay and sick pay benefits are accrued when incurred in the government-wide financial statements. In the governmental funds, the Village vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund which will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported as reconciling items between the fund and government-wide presentations.

Vacation leave earned varies based on years of continuous and creditable service and is not paid until the employee completes six months of service. Vacation leave may be accumulated up to a maximum of twenty (20) days for administrative personnel and forty (40) days for police officers.

Sick leave for administrative personnel and police officers accrue at the rate of twelve (12) days annually and may be accumulated up to a maximum of sixty (60) days for administrative personnel and is unlimited for police officers. Employees may convert up to three (3) days of unused sick leave to vacation during the following year.

7. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

8. Grant Revenue

The Village, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

9. Fund Balance/Net Assets

In the fund financial statements, the governmental funds report reservations of the fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of the fund balance available for any lawful use.

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described.

- Net assets invested in capital assets, net of related debt, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets.
- Net assets are reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors.
- Unrestricted net assets are net assets that do not meet the definitions of the classifications previously described.

Adjustments to Net Assets of the Government-Wide Financial Statements

Net assets of the governmental activities, as of October 1, 2008, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$3,374,490
Correction of capital assets	<u>(96,746)</u>
Net assets – beginning as restated	<u>\$3,277,744</u>

10. 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 amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

11. New Accounting Pronouncement Adopted

At September 30, 2010, the Village adopted the provision of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-based measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made to funding the plan.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Village is subject to various federal, state, and local laws and contractual regulations. The Village had no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

Revenue Restrictions- The Village has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
South Florida Water Management District	Grant Program Expenditures
Federal Forfeitures	Law Enforcement
Federal Emergency Management Agency	Disaster mitigation

For the fiscal year ended September 30, 2010, the Village complied, in all material respects, with these revenue restrictions.

III. DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State of Florida Chief Financial Officer, to hold public funds. Under Florida law, the State Chief Financial Officer requires all Florida qualified public depositories to deposit with the Chief Financial Officer or another banking institution eligible collateral. In the event of a failure of a qualified depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

IV. RECEIVABLES/PAYABLES

Receivables

Receivables at September 30, 2010, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village's receivables at September 30, 2010 were as follows:

	<u>Waste Fees</u>	<u>Franchise Fees and Taxes</u>	<u>Other</u>	<u>Allowance</u>	<u>Totals</u>
General Fund	\$245,014	\$88,764	\$ -	\$(245,014)	\$88,764
CITT	-	17,931	-	-	17,931
Non Major Funds	-	-	12,479	-	12,479
	<u>\$245,014</u>	<u>\$106,695</u>	<u>\$12,479</u>	<u>\$(245,014)</u>	<u>\$119,174</u>

IV. RECEIVABLES/PAYABLES (Continued)

Interfund balances as of September 30, 2010, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$611,232
Special Revenue Fund	265,802	25,969
CITT Fund	280,709	-
Non Major Funds	<u>90,690</u>	<u>-</u>
	<u>\$637,201</u>	<u>\$637,201</u>

The outstanding balances between funds result mainly from the time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for fiscal year ended September 30, 2010 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 83,829
Special Revenue Fund	-	7,000
CITT Fund	7,000	-
Non Major Funds	<u>83,829</u>	<u>-</u>
	<u>\$ 90,829</u>	<u>\$ 90,829</u>

- Transfer of \$83,829 to the Seawall Project fund from the General Fund was to supplement the fund for expenditures not reimbursed by a grantor.
- Transfer of \$7,000 to the CITT from the Special Revenue Fund was for the Maintenance of Effort requirement by the CITT.

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance September 30, 2009	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	Balance September 30, 2010
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 3,556	\$ -	\$ -	\$ 3,556
Construction in progress	<u>1,388,169</u>	<u>120,479</u>	<u>(1,508,648)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,391,725</u>	<u>120,479</u>	<u>(1,508,648)</u>	<u>3,556</u>
Capital assets being depreciated:				
Building	437,107	-	-	437,107
Furniture and equipment	169,338	94,229	-	263,567
Improvements	158,967	21,105	-	180,072
Infrastructure	<u>572,885</u>	<u>1,508,648</u>	<u>-</u>	<u>2,081,533</u>
Total capital assets being depreciated	<u>1,338,297</u>	<u>1,623,982</u>	<u>-</u>	<u>2,962,279</u>

V. CAPITAL ASSETS (Continued)

Less accumulated depreciation for:				
Building	(404,143)	(10,988)	-	(415,131)
Furniture and equipment	(119,999)	(42,187)	-	(162,186)
Improvements	(33,607)	(16,602)	-	(50,209)
Infrastructure	<u>(17,071)</u>	<u>(69,385)</u>	-	<u>(86,456)</u>
Total accumulated depreciation	<u>(574,820)</u>	<u>(139,162)</u>	-	<u>(713,982)</u>
Total capital assets being depreciated, net	<u>763,477</u>	<u>1,484,820</u>	-	<u>2,248,297</u>
Governmental activities capital assets, net	<u>\$2,155,202</u>	<u>\$1,605,299</u>	<u>\$(1,508,648)</u>	<u>\$2,251,853</u>

Depreciation expense was charged to the following functions/programs of the Village.

General government	\$115,899
Public Safety	<u>23,263</u>
Total depreciation expense – governmental activities	<u>\$139,162</u>

VI. CAPITAL LEASES

The Village entered into a lease agreement for the purchase of police vehicles totaling \$63,367. The lease agreements qualified as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

<u>Year ending September 30</u>	
2011	\$21,945
2012	<u>21,945</u>
Total minimum lease payments	43,890
Less: amount representing interest	<u>(2,468)</u>
Present value of minimum lease payments	<u>\$41,422</u>

Changes in general long-term debt during the year were as follows:

	Balance September <u>30, 2009</u>			Balance September <u>30, 2010</u>	
		<u>Additions</u>	<u>Deletions</u>		<u>Due Within One year</u>
Compensated absences	\$ 95,450	\$ -	\$ 30,418	\$65,032	\$ -
Capital leases	8,052	63,367	29,997	41,422	21,945
Claims payable	-	30,000	-	30,000	30,000
OPEB liability	-	<u>10,430</u>	-	<u>10,430</u>	-
	<u>\$103,502</u>	<u>\$ 103,797</u>	<u>\$60,415</u>	<u>\$146,884</u>	<u>\$51,945</u>

VII. DEFINED BENEFIT PENSION PLAN

Plan Description. All of the Village's full-time employees participate in the Florida Retirement System (FRS), a multiple employer cost sharing public employee retirement system, administered by the Florida Legislature and available to governmental units within Florida. The FRS provides vesting after six years of creditable service. Members are eligible for normal retirement after vesting (10 years or more creditable service for regular members). Early retirement may be taken anytime, but there is a five percent benefit reduction for each year prior to normal retirement age (less than 30 years service or 62 years of age for regular members).

Funding Policy. Plan members do not contribute. The Village contribution rates ranged from 9.85% to 20.92% of covered payroll. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

The Village's contributions for the Florida Retirement System for the last three years which were equal to the required contribution for each year were as follows:

September 30,	Required Contribution	Contribution Rates
2010	\$103,000	9.85% - 20.92%
2009	\$108,000	8.74% - 19.81%
2008	\$117,000	8.74% - 19.81%

The most recent actuarial report was prepared as of July 1, 2010. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

The Florida Retirement System issues a financial report that includes the financial statements and other statistically relevant financial information. That report may be obtained from the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida 32399 or by calling (850) 488-2879.

VIII. OTHER POST EMPLOYMENT BENEFITS

Plan Description. The Village provides health insurance benefits to its retired employees through a single-employer plan administered by the Village. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Village and eligible dependents, may continue to participate in the Village's fully-insured benefit plan for medical and prescription drug insurance coverage. The Village subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a retiree's lifetime (or until such time at which retiree discontinues coverage under the Village sponsored plans, if earlier).

Funding Policy. Currently, the Village's other post employment benefits are unfunded. That is, the Village Council has not determined if a separate trust fund or equivalent arrangement will be established into which the Village would make contributions to advance-fund the obligation. For the 2009-10 fiscal year, there was no retiree receiving other postemployment benefits. Consequently, the Village did not provide any contributions toward the annual OPEB cost. Future retirees will be required to pay 100% of the blended premium to continue coverage under the Village's group health insurance program.

VIII. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation. The Village has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Development of the Annual OPEB Cost and Net OPEB Obligation	
Employer FYE September 30	<u>2010</u>
Annual Required Contribution (ARC)	\$ 10,430
Net OPEB Obligation (NOO) at beginning of year	-
Interest on Net OPEB Obligation (NOO)	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB Cost (Expense)	10,430
Employer Contributions Made	-
Increase (decrease) in Net OPEB Obligation (NOO)	10,430
Net OPEB Obligation (NOO) at end of year	10,430

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Schedule of Village Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 10,430	\$ -	0%	\$ 10,430

Funded Status and Funding Progress. As of the reporting date the plan assets were \$0, the actuarial accrued liability for benefits was \$58,674, the total unfunded actuarial liability is \$58,674, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$526,878, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

VIII. OTHER POST EMPLOYMENT BENEFITS (Continued)

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.00% was used. An inflation rate of 2.80% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2010 was 30 years. Health insurance trends start at 9.00% for the fiscal year ending in 2011 and 8.50% for 2012, grading down to 5.00% at the ultimate trend rate by 2019.

As authorized by GASB 45, The Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring actuarial accrued liabilities and the ARC.

The following simplifying assumptions were made:

Retirement age for active employees — Retirement age for active employees have been determined as the earliest age eligible for normal retirement under Florida Retirement System. If the employees had already attained their normal retirement age as of the time when this calculation was performed, they were assumed to retire in the next year.

Active Member Marital status — Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 20%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouses.

Mortality — Life expectancies were based on the RP2000 Generational Combined Healthy Male and Female mortality tables projected from the year 2000 using Projection Scale AA.

Turnover — Non-group-specific age-based turnover data provided in GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums — Health insurance premiums for retirees in effect on the fiscal year ending date were used as the basis for calculation of the present value of total benefits to be paid.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
9/30/2010	\$ -	\$58,674	\$58,674	0%	\$526,878	11%

IX. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the "Program") a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. During the past three years, the Village has not incurred any significant claims nor have there been any significant reductions in coverage.

The Village participates in Miami Dade County's self insured workmen's compensation program. Premiums are billed annually and are based on the Village's claim history.

X. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Village. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Lawsuits

The Village is a defendant in various other suits and claims incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Village's management that resolution of these matters will not have a material adverse effect on the financial condition of the Village. However, during 2010, the Village recorded a claims payable for pending worker's compensation cases in the amount of \$30,000.

XI. SUBSEQUENT EVENTS

Management evaluated subsequent events from October 1, 2010 through April 28, 2011, the date that the financial statements were available to be published. No events were identified during this review of subsequent events that required adjustment to or disclosure within these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF EL PORTAL, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 776,948	\$ 776,948	\$ 754,501	\$ (22,447)
Franchise fees	113,829	113,829	125,984	12,155
Utility taxes	164,500	164,500	170,231	5,731
Charges for services	384,044	384,044	295,857	(88,187)
Intergovernmental	227,408	227,408	218,372	(9,036)
Licenses and permits	60,475	60,475	100,757	40,282
Fines and forfeitures	12,000	12,000	12,544	544
Interest and other	40,500	40,500	25,245	(15,255)
Total revenues	1,779,704	1,779,704	1,703,491	(76,213)
Expenditures:				
Current:				
General government				
Village council	23,769	21,769	21,026	743
Public affairs	4,200	15,850	14,457	1,393
Administration and finance	429,237	464,124	455,764	8,360
Public safety	757,395	791,880	788,371	3,509
Building and code enforcement	2,900	2,900	2,214	686
Planning and zoning	48,950	61,950	59,705	2,245
Public works	531,324	430,802	427,530	3,272
Total expenditures	1,797,775	1,789,275	1,769,067	20,208
Excess of revenues over expenditures before other financing sources (uses)	(18,071)	(9,571)	(65,576)	(56,005)
Other financing sources:				
Transfer from (to) unappropriated fund balance	-	22,207	-	(22,207)
Proceeds from capital leases	-	48,622	63,367	14,745
Transfers in	22,571	22,571	-	(22,571)
Transfers out	(4,500)	(83,829)	(83,829)	-
Total other financing sources	18,071	9,571	(20,462)	(30,033)
Net change in fund balance	-	-	(86,038)	\$ (86,038)
Fund balances, October 1	-	-	613,993	
Fund balances, September 30	\$ -	\$ -	\$ 527,955	

See notes to budgetary comparison schedule.

VILLAGE OF EL PORTAL, FLORIDA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 198,600	\$ 198,600	\$ 48,164	\$ (150,436)
Fines and forfeitures	12,000	12,000	3,330	(8,670)
Interest and other	3,000	3,000	109	(2,891)
Total revenues	<u>213,600</u>	<u>213,600</u>	<u>51,603</u>	<u>(161,997)</u>
Expenditures:				
Current:				
General government	4,500	4,500	-	4,500
Public safety	45,000	45,000	500	44,500
Public works	188,600	188,600	25,585	163,015
Total expenditures	<u>238,100</u>	<u>238,100</u>	<u>26,085</u>	<u>212,015</u>
Other financing sources:				
Transfers in	24,500	24,500	-	(24,500)
Total other financing sources	<u>24,500</u>	<u>24,500</u>	<u>-</u>	<u>(24,500)</u>
Net change in fund balance	-	-	25,518	<u>\$ 25,518</u>
Fund balances, October 1	-	-	254,405	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,923</u>	

See notes to budgetary comparison schedule.

VILLAGE OF EL PORTAL, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CITT
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 74,456	\$ (15,544)
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>74,456</u>	<u>(15,544)</u>
Expenditures:				
Current:				
Public works	<u>90,000</u>	<u>90,000</u>	<u>51,045</u>	<u>38,955</u>
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>51,045</u>	<u>38,955</u>
Other financing sources:				
Transfers in	-	-	7,000	(7,000)
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>(7,000)</u>
Net change in fund balance	-	-	30,411	<u>\$ 30,411</u>
Fund balances, October 1	-	-	263,229	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,640</u>	

See notes to budgetary comparison schedule.

VILLAGE OF EL PORTAL, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

Notes to Budgetary Comparison Schedules

Annual budgets are adopted for all governmental funds on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriations lapse at fiscal year end.

The Village follows Chapter 80-274 of the state of Florida Statutes and its charter in establishing the budgetary data reflected in the financial statements. The budget process is as follows:

- Prior to August 1, the Village Manager submitted to the Village Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.
- The appropriated budget is prepared and adopted by fund, function, and department. Budgets are monitored within each department at the account level by the respective department head and the Village Manager. The Village's department heads may make transfers of appropriations within a department with approval of the Village Manager. Transfers of appropriations between departments require the additional approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not exceed appropriations) is the department level.

The Village Council may make supplemental appropriations during the fiscal year by ordinance. There were supplemental appropriations in the General Fund of \$70,829 for the fiscal year ended September 30, 2010.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF EL PORTAL, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>Seawall Project Fund</u>	<u>Stormwater Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Restricted cash and cash equivalents	\$ -	\$ 6,496	\$ 6,496
Accounts receivable - net	-	12,479	12,479
Due from other funds	-	90,690	90,690
Total assets	<u>\$ -</u>	<u>\$ 109,665</u>	<u>\$ 109,665</u>
<u>LIABILITIES</u>			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>			
Reserved for:			
Public works	-	109,665	109,665
Total fund balances	<u>-</u>	<u>109,665</u>	<u>109,665</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 109,665</u>	<u>\$ 109,665</u>

VILLAGE OF EL PORTAL, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Seawall Project Fund</u>	<u>Stormwater Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Utility taxes	\$ -	\$ 47,747	\$ 47,747
Intergovernmental	9,387	67,338	76,725
Total revenues	<u>9,387</u>	<u>115,085</u>	<u>124,472</u>
Expenditures:			
Current:			
Public works	72,570	-	72,570
Capital outlay:			
Public works	<u>20,646</u>	<u>99,838</u>	<u>120,484</u>
Total expenditures	<u>93,216</u>	<u>99,838</u>	<u>193,054</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(83,829)</u>	<u>15,247</u>	<u>(68,582)</u>
Other financing sources:			
Transfers	<u>83,829</u>	-	<u>83,829</u>
Total other financing sources	<u>83,829</u>	-	<u>83,829</u>
Net change in fund balances	-	15,247	15,247
Fund balances - beginning	<u>-</u>	<u>94,418</u>	<u>94,418</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 109,665</u>	<u>\$ 109,665</u>

VILLAGE OF EL PORTAL, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Seawall Project Fund				Stormwater Project Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,747	\$ 47,747
Intergovernmental	975,000	975,000	9,387	(965,613)	570,000	570,000	\$ 67,338	(502,662)
Total revenues	<u>975,000</u>	<u>975,000</u>	<u>9,387</u>	<u>(965,613)</u>	<u>570,000</u>	<u>570,000</u>	<u>115,085</u>	<u>(454,915)</u>
Expenditures								
Public works	975,000	975,000	93,216	881,784	570,000	570,000	99,838	470,162
Total expenditures	<u>975,000</u>	<u>975,000</u>	<u>93,216</u>	<u>881,784</u>	<u>570,000</u>	<u>570,000</u>	<u>99,838</u>	<u>470,162</u>
Excess (Deficiency) of revenues over expenditures before other financing sources (uses)	-	-	(83,829)	(83,829)	-	-	15,247	15,247
Other financing sources								
Transfers	-	-	83,829	83,829	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>83,829</u>	<u>83,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-	15,247	15,247
Fund balances - beginning	-	-	-	-	-	-	94,418	94,418
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,665</u>	<u>\$ 109,665</u>

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor, Village Council and Village Manager Village of El Portal, Florida

We have audited the financial statements of the governmental activities, and each major fund of the Village of El Portal, Florida (the "Village") as of and for the fiscal year ended September 30, 2010, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 28, 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 the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Village'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, listed as item 2006-2. A significant deficiency is deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Mayor, Village Council and Village Manager
Village of El Portal, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 is required to be reported under *Government Auditing Standards*.

We also noted other matters that we have reported in the schedule of findings and responses as required by the Auditor General of the State of Florida.

The Village's responses to the findings and recommendations identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Alberni Caballero & Company, LLP

April 28, 2011
Coral Gables, Florida



CERTIFIED PUBLIC ACCOUNTANTS
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MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the Village Council
Village of El Portal, Florida

We have audited the financial statements of the Village of El Portal, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated April 28, 2011.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over financial reporting and on Compliance and Other Matters, and the Schedule of Findings and Responses. Disclosures on those reports and schedule, which are dated April 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted under the heading Prior Year Findings and Recommendations.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village of El Portal, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. See findings and recommendations made in the preceding annual financial audit report as noted under the heading Prior Year Findings and Recommendations.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor, Village Council and Village Manager
Village of El Portal, Florida

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters required to be disclosed:
 - Status of Prior Year Findings and Recommendations: **No. 2006-2**
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Village was incorporated in accordance with the laws of the State of Florida Chapter 19.799, § A of 1939. There are no component units related to the Village.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village of El Portal, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, that we determine if the annual financial report for the Village of El Portal, Florida for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is 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 the Village Council, management, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these parties.

We wish to thank the Village of El Portal, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Alberni Caballero & Company, LLP

April 28, 2011
Coral Gables, Florida

VILLAGE OF EL PORTAL, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

II. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

See prior year findings and recommendations 2006-2

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCY

2006-2 Policies and Procedures Manual

Prior Year Condition:

During our testing, we noted that the Village has a written policies and procedures manual; however, we noted that certain procedures are not being followed. For example, the accounts payable procedures detailed in the manual and the procedure requiring approval of bank reconciliations are not being followed. In addition, a policy in the manuals calls for the City Clerk to maintain the personnel files and account for compensated absences, which has not been done.

Effect:

Internal control procedures documented in the manual are not being followed and therefore not effective.

Prior Year Recommendation:

We recommend that the Village review its current policies and procedures manual and whether it applies to its current organizational structure and staff duties. The manual should be updated for any changes in the Village's policies and procedures.

Prior Management Response:

The Village's policies and procedures manual will be updated in the next fiscal year to reflect the changes in the Village's organizational structure and staff duties.

Current Year Status:

This recommendation has not been implemented. **This finding will be repeated.**

Current Year Recommendation:

The Village is following the bank reconciliation procedures detailed in the manual; however there needs to be evidence of preparer and reviewer sign offs. In addition, the manual still needs to be updated for changes in the Village's operating structure and systems. We also recommend that the Village review its current budget process and adopt a formal document that incorporates all the requirements established by the State, Charter and Village Ordinances. The document can be included within the policies and procedures manual, to ensure compliance with laws and regulations.

Current Year Management's Response:

The Village implemented a new accounting system during the fiscal year ending September 30, 2010 and is in the process of reviewing its current policies and procedures.

VILLAGE OF EL PORTAL, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)

OTHER MATTERS

2009-1 Use of Enterprise Fund for Sanitation Operations

Condition:

The use of an enterprise fund is recommended to account for and report any activity or service for which a fee is charged to external users for those services. The Village currently charges a fee for sanitation services and records the revenue and expenditures related to this service in the general fund. We believe that recording these services within the general fund and together with all other public works activity does not provide the Village a true accounting on whether the fees charged for these services is covering the costs to provide these services. By creating a separate enterprise fund for the Village's solid waste operations, it will be able to match the fees charged with the costs to provide these services. There are also additional costs, such as administrative costs, that are being subsidized by the general fund and by separating the solid waste operations into a separate enterprise funds these costs will also be reflected as part of the solid waste operations.

Prior Year Recommendation:

We recommend that the Village establish a separate enterprise fund to account for its solid waste operations.

Prior Year Management's Response:

The Village will evaluate the viability of setting up an enterprise fund.

Current Year Status:

The Village subcontracts all of its solid waste operations and does not see the need to establish an enterprise fund.

This recommendation will not be repeated.

2009-2 Implementation of Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions

Condition:

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions," which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2006, for government with annual revenues of \$100 million or more; for fiscal periods beginning after December 15, 2007, for government with total annual revenues of \$10 million or more but less than \$100 million; and for fiscal periods beginning after December 15, 2008, for governments with total annual revenues of less than \$10 million. For the Village, this Statement is effective for the fiscal year ended September 30, 2010.

Prior Year Recommendation:

We recommend that the Village obtain a thorough understanding of the requirements and initiate planning for implementation of GASB Statement No.45 in a prudent manner.

Prior Year Management's Response:

The Village is looking into the most cost effective manner in which to implement GASB Statement No. 45.

Current Year Status:

The Village has implemented GASB Statement No. 45 for the fiscal year ended September 30, 2010. **This recommendation will not be repeated.**

VILLAGE OF EL PORTAL, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)

OTHER MATTERS (Continued)

2009-3 Develop an Information Technology Disaster Recovery Plan to Ensure Continued Operations and Review of Current Accounting Software

Condition:

During the current year's audit, we noted that the Village does not have an adequate IT Disaster Recovery Plan or data backup procedures. A contingency plan to ensure the continued operation of data processing in the event of a localized disaster or hardware failure has not been developed. Should the need for backup processing arise, adequate planning can prevent serious delays.

We also recommend that the Village review its current accounting software as it appears to be outdated and causes additional work for the City's personnel. Currently, licenses and permits are reported through Quickbooks and then those Quickbooks reports are entered into the Village's general ledger accounting software (FUNDEZ). FUNDEZ does not have the capabilities to handle the reporting and billing for licenses and permits. Also, the current program does not have the capabilities of maintaining inventory of the Village's capital assets or tracking compensated absences for its employees. The reporting of capital assets and compensated absences are handled manually in a Microsoft Excel spreadsheet. The use of three systems to maintain the Village's general ledger provides inefficiencies and duplication of efforts.

Prior Year Recommendation:

To avoid severe impairment to the Village's computer operations in the event of a prolonged failure or localized disaster, we recommend that the Village establish the following:

- Location of, and access to, off-site storage for backup data.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

We also recommend that the Village review its existing accounting software and analyze the cost of purchasing a new system compared to the time savings and efficiencies of continuing the use of its current system.

Prior Year Management's Response:

The Village currently has data backup procedures in place. The Village has purchased a backup server to augment its existing server in the event of a crash. The backup server gives the Village a complete disaster recovery solution. Furthermore, in order to protect its data the Village now stores all of its data in secure remote storage facilities in Phoenix and Baltimore.

The Village is currently evaluating accounting software solutions specifically designed for governmental agencies and expects to implement a solution in the next fiscal year.

Current Year Status:

The Village implemented a new accounting system during the fiscal year. In addition, data from the servers is currently backed up daily in secure remote storage facilities out of state. **This recommendation will not be repeated.**

VILLAGE OF EL PORTAL, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)

OTHER MATTERS (Continued)

2005-7 Physical Count of Capital Assets

During our testing of capital assets we noted that the Village had not performed a physical count of its capital assets for several years.

Prior Year Recommendation:

We recommend that the Village perform a physical count of its capital assets for the fiscal year ending September 30, 2007.

Prior Year Management's Response:

The Village has completed the physical count of its capital assets and will reconcile this subsidiary ledger with the general ledger in the coming fiscal year. The village will be implementing a new accounting system in the coming fiscal year which includes a fixed asset module. All capital assets will be entered and tracked in the new system.

Current Year Status:

The Village performed a physical count of its capital assets for the fiscal year ended September 30, 2008. During the current year the capital assets were adjusted and reconciled to the general ledger. **This recommendation will not be repeated.**