

**VILLAGE OF EL PORTAL, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

# VILLAGE OF EL PORTAL, FLORIDA

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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, 2011, 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 and 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, 2011, and the respective changes in financial position, thereof for the fiscal 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 19, 2012 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
April 19, 2012

## 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, 2011.

### Financial Highlights

- The assets of the Village of El Portal exceeded its liabilities at the close of the most recent fiscal year by \$3,324,414 (net assets). Of this amount, \$331,783 (*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 \$37,552. This increase is attributable to excess revenues over expenses for 2011.
- As of the close of the current fiscal year, the Village of El Portal general fund reported an ending fund balance of \$493,330 a decrease of \$34,625 in comparison with the prior year. \$481,245 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$481,245 or 26.47% of total general fund expenditures.

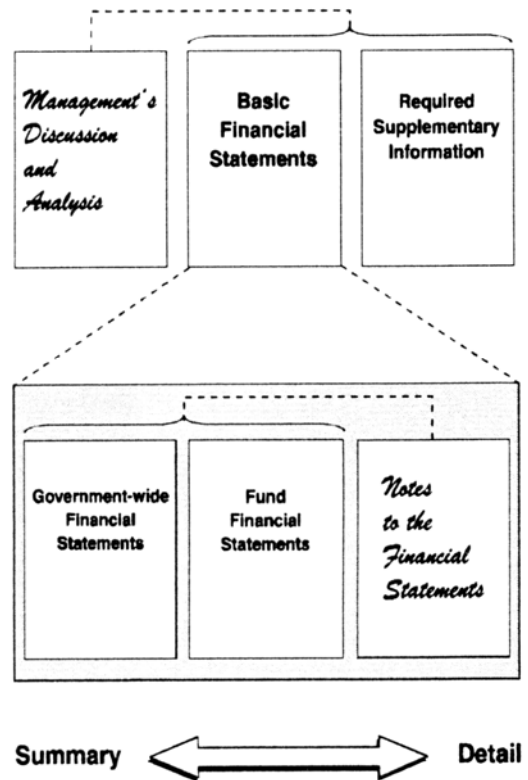
### OVERVIEW OF THE FINANCIAL STATEMENTS

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, 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 \$3,324,414 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$2,229,224 or 67.05%, 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, \$763,407 or 22.96%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$331,783 or 9.98%, 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>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 1,354,231	\$ 1,290,830	\$ 63,401	4.91%
Capital assets, net	<u>2,248,701</u>	<u>2,251,853</u>	<u>(3,152)</u>	<u>(.14%)</u>
Total assets	<u>\$ 3,602,932</u>	<u>\$ 3,542,683</u>	<u>\$ 60,249</u>	<u>1.70%</u>
Current liabilities	97,494	79,647	17,847	22.41%
Long-term liabilities	<u>181,024</u>	<u>176,174</u>	<u>4,850</u>	<u>2.75%</u>
Total liabilities	<u>278,518</u>	<u>255,821</u>	<u>22,697</u>	<u>8.87%</u>
Net Assets:				
Invested in capital assets, net of related debt	2,229,224	2,210,431	18,793	.85%
Restricted	763,407	683,228	80,179	11.74%
Unrestricted	<u>331,783</u>	<u>393,203</u>	<u>(61,420)</u>	<u>(15.62%)</u>
Total net assets	<u>3,324,414</u>	<u>3,286,862</u>	<u>37,552</u>	<u>1.14%</u>
Total liabilities and net assets	<u>\$ 3,602,932</u>	<u>\$ 3,542,683</u>	<u>\$ 60,249</u>	<u>1.7%</u>

The Village's current assets increased 4.91% mainly due to increases in cash offset by an increase in accounts payable of 22.41%. Capital assets and the net investment in capital assets increased by approximately .85% during the fiscal year. Liabilities increased by 8.87% due to timing of accruals and increases in compensated absences, claims payable and the OPEB liability.

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 467,945	\$ 412,488	\$ 55,457	13.44%
Operating grants and contributions	77,875	74,456	3,419	4.59%
Capital grants and contributions	117,300	-	117,300	100.00%
General Revenues:				
Property taxes	770,443	754,501	15,942	2.11%
Franchise taxes	122,431	125,984	(3,553)	(2.82%)
Utility taxes	217,588	217,978	(390)	(.18%)
Intergovernmental	317,808	343,261	(25,453)	(7.42%)
Investment income and miscellaneous	<u>12,532</u>	<u>25,354</u>	<u>(12,822)</u>	<u>(50.57%)</u>
Total revenues	<u>2,103,922</u>	<u>1,954,022</u>	<u>149,900</u>	<u>7.67%</u>

VILLAGE OF EL PORTAL

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	612,442	586,536	25,906	4.42%
Public safety	886,312	744,682	141,630	19.02%
Building code enforcement	342	2,214	( 1,872)	(84.55%)
Planning and zoning	39,353	59,705	(20,352)	(34.09%)
Public works	524,812	551,145	(26,333)	(4.78%)
Interest on long-term debt	<u>3,109</u>	<u>622</u>	<u>2,487</u>	<u>399.84%</u>
	<u>2,066,370</u>	<u>1,944,904</u>	<u>121,466</u>	<u>6.25%</u>
Change in net assets	37,552	9,118	<u>\$ 28,434</u>	<u>311.84%</u>
Beginning net assets	<u>\$ 3,286,862</u>	<u>\$ 3,277,744</u>		
Ending net assets	<u>\$ 3,324,414</u>	<u>\$ 3,286,862</u>		

The Village's net assets increased by \$37,552 in the current fiscal year. Overall, revenues mainly increased due to increases in charges for services, capital grants and contributions and property taxes. Expenses increased by 8% mainly due to slightly higher operating costs.

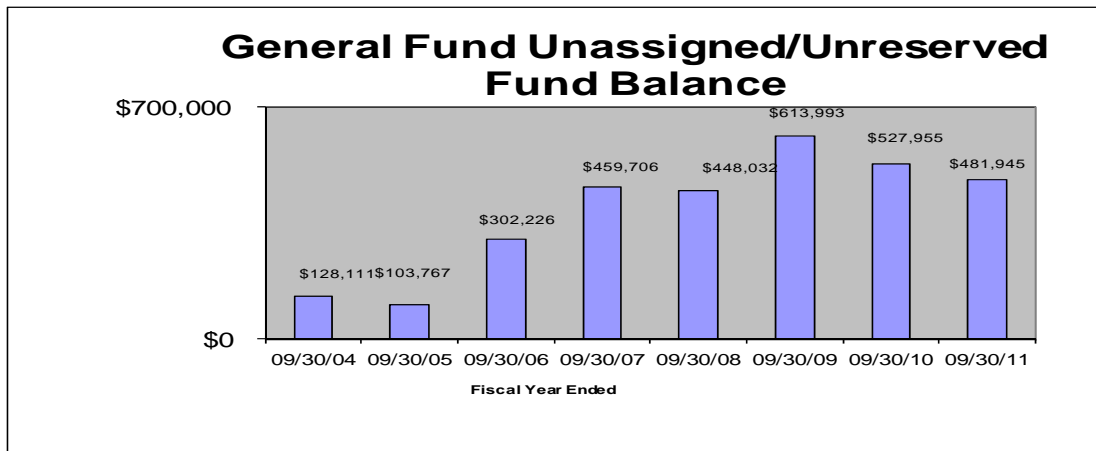
**Financial Analysis of the Government's Funds**

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, *unassigned 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 \$493,330 a decrease of \$34,625 in comparison with the prior year. \$481,245 constitutes *unassigned fund* balance, which is available for spending at the Village's discretion.





At the end of the current fiscal year, unassigned fund balance of the general fund was \$481,245. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.47% of total general fund expenditures.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2011 and 2010, is shown below:

*Summary of General Fund's condensed Balance Sheet*

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Total assets	\$ 1,239,056	\$ 1,213,834	\$ 25,222	2.08%
Total liabilities	745,726	685,879	59,847	8.73%
Nonspendable	12,085	-	12,085	100.00%
Unassigned /unreserved fund balance	481,245	527,955	(46,710)	(8.85%)
Total fund balance	493,330	527,955	(34,625)	(6.56%)
Total liabilities and fund balance	\$ 1,239,056	\$ 1,213,834	\$ 25,222	2.08%

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>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Total Revenues	\$ 1,783,559	\$ 1,703,491	\$ 80,068	4.70%
Total Expenditures	1,818,194	1,769,067	49,127	2.78%
Deficiency of revenues over expenditures	(34,625)	(65,576)	30,951	47.20%
Other financing sources (uses)	-	(20,462)	20,462	100.00%
Change in fund balance	(34,625)	(86,038)	\$ 51,413	59.76%
Fund Balance, Beginning	527,955	613,993		
Fund Balance, Ending	\$ 493,330	\$ 527,955		

The fund balance of the Village's general fund decreased by \$34,625 during the current fiscal year. Although there were increases in both revenues and expenditures during the fiscal year, the decrease was due to an excess of expenditures over revenues.

**Major Special Revenue Funds**  
**Special Revenue Fund**

The Special Revenue Fund reported an increase in fund balance of \$1,769 to \$281,692 for the fiscal year. Mainly due to local option gas taxes received net of expenditures.

**CITT Project Fund**

The Citizens' Independent Transportation Trust (CITT) fund reported an increase in fund balance of \$40,863 to \$334,503. Mainly due to revenues received from the CITT net of expenditures and a transfer 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 a current year fund deficit of \$7,529. This was due to \$7,529 of project expenditures which be funded in the upcoming fiscal year from reserves.

**Stormwater Project Fund**

The Stormwater Project Fund reported an increase in fund balance of \$45,076 to \$154,741. Mainly due to revenues received from stormwater fees net of current year expenditures.

### 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 Stormwater Project Fund.

### Capital Assets and Long Term Debt

As of September 30, 2011, the Village's investment in capital assets amounted to \$2,248,701 (net of accumulated depreciation). The decrease in capital assets for the current fiscal year of \$3,152 was due to current year additions of \$138,810 less current year depreciation of \$141,962.

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

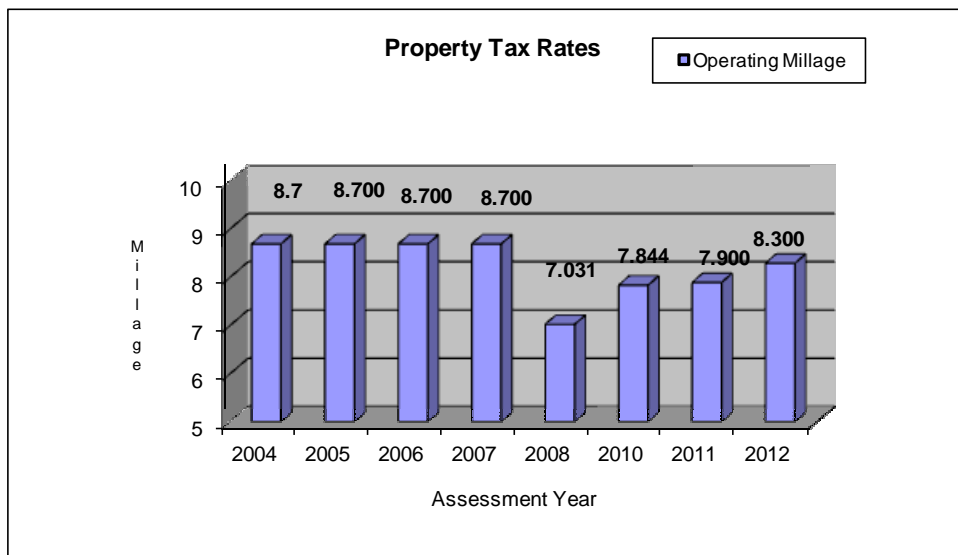
The Village's long term debt is the long term debt portion of compensated absences, capital leases for several police vehicles, claims payable and the OPEB liability. More details relating to the Village's long-term debt can be found in pages 22 and 23 of the footnotes.

### 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 2012 adopted General Fund budget are \$1,591,424 a decrease of \$42,847 or 2.62 percent from the fiscal year 2011 budgeted revenues of \$1,634,281. Decrease is due to decreases in intergovernmental revenues and franchise fee revenues.

Fiscal year 2012 budgeted expenditures are expected to be \$1,591,424, a decrease of \$143,305 or 8.26 percent decrease from fiscal year 2011 budgeted expenditures of \$1,734,729. 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.

**VILLAGE OF EL PORTAL, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,111,811
Accounts receivable - net	242,294
Other assets	126
Capital assets not being depreciated	138,556
Capital assets being depreciated, net	<u>2,110,145</u>
Total assets	<u>3,602,932</u>
 <u>LIABILITIES</u>	
Accounts payable	63,235
Accrued payroll	34,259
Noncurrent liabilities:	
The amount due in one year	56,977
The amount due in more than one year	<u>124,047</u>
Total liabilities	<u>278,518</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,229,224
Restricted for:	
Public safety	37,891
Capital projects	391,013
Transportation	199,680
Transit	134,823
Unrestricted	<u>331,783</u>
Total net assets	<u>\$ 3,324,414</u>

See notes to basic financial statements.

**VILLAGE OF EL PORTAL, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for <u>Services</u>	<u>Operating</u> Grants and <u>Contributions</u>	<u>Capital</u> Grants and <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net Assets</u>  Governmental <u>Activities</u>
Governmental activities:					
General government	\$ 612,442	\$ 9,975	\$ -	\$ -	\$ (602,467)
Public safety	886,312	14,739	-	-	(871,573)
Building and code enforcement	342	60,535	-	-	60,193
Planning and zoning	39,353	32,730	-	-	(6,623)
Public works	524,812	349,966	77,875	117,300	20,329
Interest on long-term debt	<u>3,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,109)</u>
Total governmental activities	<u>2,066,370</u>	<u>467,945</u>	<u>77,875</u>	<u>117,300</u>	<u>(1,403,250)</u>
General revenues:					
Property taxes					\$ 770,443
Utility taxes					217,588
Franchise fees on gross receipts					122,431
Intergovernmental (unrestricted)					317,808
Investment and other income					<u>12,532</u>
Change in net assets					<u>37,552</u>
Net assets, beginning					<u>3,286,862</u>
Net assets, ending					<u>\$ 3,324,414</u>

See notes to basic financial statements.

**VILLAGE OF EL PORTAL, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	General	Special Revenue Fund	CITT		
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 1,070,004	41,340	\$ -	\$ 467	\$ 1,111,811
Accounts receivable - net	168,926	30,128	18,862	24,378	242,294
Prepays	126	-	-	-	126
Due from other funds	-	252,243	317,835	129,896	699,974
Total assets	<u>\$ 1,239,056</u>	<u>\$ 323,711</u>	<u>\$ 336,697</u>	<u>\$ 154,741</u>	<u>\$ 2,054,205</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 51,731	\$ 10,960	\$ 544	\$ -	\$ 63,235
Accrued payroll	34,259	-	-	-	34,259
Due to other funds	659,736	31,059	1,650	7,529	699,974
Total liabilities	<u>745,726</u>	<u>42,019</u>	<u>2,194</u>	<u>7,529</u>	<u>797,468</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable	12,085	-	-	-	12,085
Restricted	-	281,692	334,503	147,212	763,407
Unassigned	481,245	-	-	-	481,245
Total fund balances	<u>493,330</u>	<u>281,692</u>	<u>334,503</u>	<u>147,212</u>	<u>1,256,737</u>
Total liabilities and fund balances	<u>\$ 1,239,056</u>	<u>\$ 323,711</u>	<u>\$ 336,697</u>	<u>\$ 154,741</u>	<u>\$ 2,054,205</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, 2011**

Fund balances - total government funds (Page 11) \$ 1,256,737

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	3,104,645
Less accumulated depreciation	(855,944)

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

Capital leases	(19,477)
Compensated absences	(102,616)
Claims payable	(37,500)
OPEB liability	<u>(21,431)</u>

Net assets of governmental activities (Page 9) \$ 3,324,414

**VILLAGE OF EL PORTAL, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue Fund	CITT		
Revenues:					
Property taxes	\$ 770,443	\$ -	\$ -	\$ -	\$ 770,443
Franchise fees	122,431	-	-	-	122,431
Utility taxes	168,864	-	-	48,724	217,588
Charges for services	349,966	-	-	-	349,966
Intergovernmental	241,844	193,264	77,875	-	512,983
Licenses and permits	93,265	-	-	-	93,265
Fines and forfeitures	14,239	500	-	-	14,739
Interest and other	<u>22,507</u>	-	-	-	<u>22,507</u>
Total revenues	<u>1,783,559</u>	<u>193,764</u>	<u>77,875</u>	<u>48,724</u>	<u>2,103,922</u>
Expenditures:					
Current:					
General government	486,410	-	-	-	486,410
Public safety	828,507	15,080	-	-	843,587
Building and code enforcement	342	-	-	-	342
Planning and zoning	39,353	-	-	-	39,353
Public works	438,518	34,215	44,012	8,067	524,812
Debt service:					
Interest	3,109	-	-	-	3,109
Principal retirement	21,945	-	-	-	21,945
Capital outlay:					
Public works	<u>-</u>	<u>135,700</u>	<u>-</u>	<u>3,110</u>	<u>138,810</u>
Total expenditures	<u>1,818,184</u>	<u>184,995</u>	<u>44,012</u>	<u>11,177</u>	<u>2,058,368</u>
(Deficiency) Excess of revenues over expenditures before other financing sources (uses)	<u>(34,625)</u>	<u>8,769</u>	<u>33,863</u>	<u>37,547</u>	<u>45,554</u>
Other financing sources (uses):					
Transfers in	-	-	7,000	-	7,000
Transfers out	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(7,000)</u>	<u>7,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(34,625)	1,769	40,863	37,547	45,554
Fund balances - beginning	<u>527,955</u>	<u>279,923</u>	<u>293,640</u>	<u>109,665</u>	<u>1,211,183</u>
Fund balances - ending	<u>\$ 493,330</u>	<u>\$ 281,692</u>	<u>\$ 334,503</u>	<u>\$ 147,212</u>	<u>\$ 1,256,737</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, 2011**

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)	\$	45,554
<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	\$ 138,810	
Less current year depreciation	<u>(141,962)</u>	(3,152)
<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>		
OPEB liability	11,001	
Claims payable	7,500	
Principal payments on capital leases	<u>(21,945)</u>	3,444
Compensated absences		<u>(8,294)</u>
Change in net assets of governmental activities (Page 10)	\$	<u>37,552</u>

See notes to basic financial statements.



**VILLAGE OF EL PORTAL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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 receivable prior to 2004; which was the first year the County began to bill and collect the Village's waste fees, total \$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, 2011 was 7.9000 mills (\$7.9000 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. Net Assets/Fund Balance**

In accordance with GASB Statement No. 34, total equity as of September 30, 2011, is classified into three components of net assets:

- Invested in capital assets, net of related debt: This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- Restricted net assets: This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- Unrestricted net assets: This category includes all of the remaining net assets that do not meet the definition of the other two categories.

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

**Non-spendable** — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** — Amounts that can be used only for specific purposes determined by a formal action of the Village Council. The Village Council is the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Village Council.

**Assigned** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** — All other spendable amounts.

	General Fund	Special Revenue Fund	CITT Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Non-spendable:					
Prepays	\$ 126	\$ -	\$ -	\$ -	\$ 126
Other Receivable	11,959	-	-	-	11,959
Restricted:					
Transportation	-	-	199,680	-	199,680
Transit	-	-	134,823	-	134,823
Public Safety	-	37,891	-	-	37,891
Capital Projects	-	243,801	-	147,212	391,013
Unassigned:	<u>481,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,245</u>
Total Fund Balances	<u>\$ 493,330</u>	<u>\$ 281,692</u>	<u>\$334,503</u>	<u>\$ 147,212</u>	<u>\$ 1,256,737</u>
Fund Balances:					
Non-spendable	\$ 12,085	-	-	-	\$ 12,085
Restricted	-	281,692	334,503	147,212	763,407
Unassigned	<u>481,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,245</u>
Total Fund Balances	<u>\$ 493,330</u>	<u>\$ 281,692</u>	<u>\$334,503</u>	<u>\$ 147,212</u>	<u>\$ 1,256,737</u>

## Adjustments to Net Assets of the Government-Wide Financial Statements

Net assets of the governmental activities, as of October 1, 2010, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$3,316,152
Correction of compensated absences	<u>(29,290)</u>
Net assets – beginning as restated	<u>\$3,286,862</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 October 1, 2010, the Village adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

## 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, except as disclosed in the schedule of findings and responses.

**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

For the fiscal year ended September 30, 2011, the Village complied, in all material respects, with these revenue restrictions.

### Excesses of expenditures over appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in the Special Revenue Fund by \$115,955. These overexpenditures were funded with intergovernmental revenues.

### 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

The Village's receivables at September 30, 2011 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	\$156,967	\$ 11,959	\$(245,014)	\$168,926
Special Revenue Fund	-		30,128	-	30,128
CITT	-	18,862	-	-	18,862
Non Major Funds	<u>-</u>	<u>-</u>	<u>24,378</u>	<u>-</u>	<u>24,378</u>
	<u>\$245,014</u>	<u>\$175,829</u>	<u>\$66,465</u>	<u>\$(245,014)</u>	<u>\$242,294</u>

Interfund balances as of September 30, 2011, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 659,736
Special Revenue Fund	252,243	31,059
CITT Fund	317,835	1,650
Non Major Funds	<u>129,896</u>	<u>7,529</u>
	<u>\$ 699,974</u>	<u>\$ 699,974</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, 2011 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Special Revenue Fund	\$ -	\$ 7,000
CITT Fund	<u>7,000</u>	<u>-</u>
	<u>\$ 7,000</u>	<u>\$ 7,000</u>

- 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, 2011 was as follows:

	Balance October <u>1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 2011</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,556	\$ -	\$ -	\$ 3,556
Construction in progress	<u>-</u>	<u>135,000</u>	<u>-</u>	<u>135,000</u>
Total capital assets not being depreciated	<u>3,556</u>	<u>135,000</u>	<u>-</u>	<u>138,556</u>
Capital assets being depreciated:				
Building	437,107	-	-	437,107
Furniture and equipment	263,567	3,810	-	267,377
Improvements	180,072	-	-	180,072
Infrastructure	<u>2,081,533</u>	<u>-</u>	<u>-</u>	<u>2,081,533</u>
Total capital assets being depreciated	<u>2,962,279</u>	<u>3,810</u>	<u>-</u>	<u>2,966,089</u>
Less accumulated depreciation for:				
Building	(415,131)	(10,928)	-	(426,059)
Furniture and equipment	(162,186)	(44,892)	-	(207,078)
Improvements	(50,209)	(16,757)	-	(66,966)
Infrastructure	<u>(86,456)</u>	<u>(69,385)</u>	<u>-</u>	<u>(155,841)</u>
Total accumulated depreciation	<u>(713,982)</u>	<u>(141,962)</u>	<u>-</u>	<u>(855,944)</u>
Total capital assets being depreciated, net	<u>2,248,297</u>	<u>(138,152)</u>	<u>-</u>	<u>2,110,145</u>
Governmental activities capital assets, net	<u>\$2,251,853</u>	<u>\$ (3,152)</u>	<u>\$ -</u>	<u>\$2,248,701</u>

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

General government	\$116,152
Public Safety	<u>25,810</u>
Total depreciation expense – governmental activities	<u>\$141,962</u>

**VI. LONG TERM DEBT**

**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, 2011 were as follows:

<u>Year ending September 30</u>	
2012	\$20,711
Total minimum lease payments	<u>20,711</u>
Less: amount representing interest	<u>(1,234)</u>
Present value of minimum lease payments	<u>\$19,477</u>



**VI. LONG TERM DEBT (Continued)**

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

	Balance			Balance	
	September			September	Due Within
	<u>30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>30, 2011</u>	<u>One year</u>
Compensated absences	\$ 94,322	\$ 8,294	\$ -	\$ 102,616	\$ -
Capital leases	41,422	-	21,945	19,477	19,477
Claims payable	30,000	7,500	-	37,500	37,500
OPEB liability	<u>10,430</u>	<u>11,001</u>	<u>-</u>	<u>21,431</u>	<u>-</u>
	<u>\$176,174</u>	<u>\$ 26,795</u>	<u>\$ 21,945</u>	<u>\$181,024</u>	<u>\$56,977</u>

**VII. DEFINED BENEFIT PENSION PLAN**

The Village participates in the Florida Retirement System (the "System"), a multiple-employer cost sharing Public Employee Retirement System ("PERS"). The Division of Retirement, Department of Administration of the State of Florida administers the System. All budgeted Village employees are eligible to participate in the System.

The 2011 Florida Legislative session passed Senate Bill 2100, making substantive changes to the FRS. The bill was signed into law effective July 1, 2011. The bill requires all FRS Investment and Pension Plan members to make 3% employee contributions on a pretax basis. Employees who are in the Deferred Retirement Option Program (DROP) are not required to pay employee contributions. The bill changes the annual interest rate of the DROP from 6.5% to 1.3% per year. Furthermore, the bill eliminates the cost-of-living adjustment (COLA) on FRS services earned on or after July 1, 2011. However, a reduced COLA will be calculated if a member's retirement or DROP participation date is effective on or after August 1, 2011.

Under the new bill, the Pension Plan's vesting requirement changes from 6 years to 8 years. For new employees initially enrolled in the Pension Plan on or after July 1, 2011, those members will be vested upon completion of 8 years of creditable services. For existing employees, vesting will remain at 6 years of creditable service.

The bill also changes the Pension Plan's normal retirement date. For Special Risk Class, the age increases from 55 to 60 years of age, and the years of creditable service increases from 25 to 30 years. For all other classes, the age increases from 62 to 65 years of age, and the years of creditable service increases from 30 to 33 years. Upon vesting, those members are entitled to an annual retirement benefit payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State statute.

Early retirement may be taken any time after vesting; however, there is a five percent benefit reduction for each year prior to normal retirement age or date. The System also provides disability and survivor benefits.

*Funding Policy.* The Village is required by statute to contribute 4.91%, 6.27% and 14.10% of salaries for regular, senior management and special risk members, respectively. Total contributions for the year ended September 30, 2011 were approximately \$108,000.

*Actuarial Accrued Liability.* The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to indicate the system's funding status on a going concern basis, assets progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among public employee retirement systems and employers. The system does not make separate measurements of assets and pension benefit obligations of participating employers.

**VII. DEFINED BENEFIT PENSION PLAN (Continued)**

The System does not make separate measurements of assets and the actuarial accrued liability for individual employers. The actuarial liability, which is the actuarial present value of credited projected benefits, is a standardized disclosure measurement of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at June 30, 2011 for the System as a whole, determined through an actuarial valuation update performed as of that date, was \$144 billion. The System's valuation assets were \$126 billion, leaving an under-funded actuarial accrued liability of approximately \$18 billion. Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2011 annual report.

**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 2010-11 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.

*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.

<b>Development of the Annual OPEB Cost and Net OPEB Obligation</b>	
<b>Employer FYE September 30</b>	<b><u>2011</u></b>
Annual Required Contribution (ARC)	\$ 10,932
Net OPEB Obligation (NOO) at beginning of year	10,430
Interest on Net OPEB Obligation (NOO)	417
Adjustment to Annual Required Contribution (ARC)	(348)
Annual OPEB Cost (Expense)	11,001
Employer Contributions Made	-
Increase (decrease) in Net OPEB Obligation (NOO)	11,001
Net OPEB Obligation (NOO) at end of year	<b>21,431</b>

**VIII. OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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
9/30/2011	\$ 11,001	\$ -	0%	\$ 21,431

*Funded Status and Funding Progress.* As of the valuation 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.

*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, 2011 was 29 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.

**VIII. OTHER POST EMPLOYMENT BENEFITS (Continued)**

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%

The Schedule of Funding Progress will only present one row of information until another valuation is performed, even though the Schedule of Village Contributions with have two rows.

**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 Preferred Governmental Insurance Trust (the "Program") a public entity risk pool currently operating as a common risk management and insurance program. The Program will be self-sustaining through member premiums and will reinsure through commercial companies. During the past three years, the Village has not had any settlements exceeding coverage nor have there been any significant reductions in coverage.

**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. As of September 30, 2011 the Village has recorded a claims payable for a worker's compensation cases in the amount of \$37,500.

**XI. SUBSEQUENT EVENTS**

Management evaluated subsequent events from October 1, 2011 through April 19, 2012, 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.

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 645,490	\$ 645,490	\$ 770,443	\$ 124,953
Franchise fees	115,829	115,829	122,431	6,602
Utility taxes	169,500	169,500	168,864	(636)
Charges for services	349,044	349,044	349,966	922
Intergovernmental	218,408	218,408	241,844	23,436
Licenses and permits	80,000	80,000	93,265	13,265
Fines and forfeitures	28,000	28,000	14,239	(13,761)
Interest and other	28,000	28,000	22,507	(5,493)
Total revenues	1,634,271	1,634,271	1,783,559	149,288
<b>Expenditures:</b>				
Current:				
General government				
Village council	28,500	23,500	22,083	1,417
Public affairs	5,716	9,716	7,667	2,049
Administration and finance	423,760	463,348	456,660	6,688
Public safety	744,312	853,812	853,561	251
Building and code enforcement	2,500	700	342	358
Planning and zoning	41,450	47,550	39,353	8,197
Public works	441,404	446,404	438,518	7,886
Total expenditures	1,687,642	1,845,030	1,818,184	26,846
Excess of revenues over expenditures before other financing sources (uses)	(53,371)	(210,759)	(34,625)	176,134
<b>Other financing sources:</b>				
Transfer from (to) unappropriated fund balance	53,371	217,759	-	(217,759)
Transfers out	-	(7,000)	-	7,000
Total other financing sources	53,371	210,759	-	(210,759)
Net change in fund balance	-	-	(34,625)	\$ (34,625)
Fund balances, October 1	-	-	527,955	
Fund balances, September 30	\$ -	\$ -	\$ 493,330	

See notes to budgetary comparison schedule.

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 68,000	\$ 68,000	\$ 193,264	\$ 125,264
Fines and forfeitures	5,000	5,000	500	(4,500)
Interest and other	<u>3,000</u>	<u>3,000</u>	-	<u>(3,000)</u>
Total revenues	<u>76,000</u>	<u>76,000</u>	<u>193,764</u>	<u>117,764</u>
Expenditures:				
Current:				
Public safety	-	-	15,080	(15,080)
Public works	<u>76,000</u>	<u>76,000</u>	<u>176,915</u>	<u>(100,915)</u>
Total expenditures	<u>76,000</u>	<u>76,000</u>	<u>191,995</u>	<u>(115,995)</u>
Net change in fund balance	-	-	1,769	<u>\$ 1,769</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>279,923</u>	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,692</u>	

See notes to budgetary comparison schedule.

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<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	\$ 77,875	\$ (12,125)
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>77,875</u>	<u>(12,125)</u>
Expenditures:				
Current:				
Public works	<u>90,000</u>	<u>97,000</u>	<u>44,012</u>	<u>52,988</u>
Total expenditures	<u>90,000</u>	<u>97,000</u>	<u>44,012</u>	<u>52,988</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Net change in fund balance	-	-	40,863	<u>\$ 40,863</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>293,640</u>	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,503</u>	

See notes to budgetary comparison schedule.

**VILLAGE OF EL PORTAL, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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 for the general fund and the fund level for all other funds.

The Village Council may make supplemental appropriations during the fiscal year by ordinance. There were supplemental appropriations in the General Fund of \$157,388 and the CITT Fund of \$7,000 for the fiscal year ended September 30, 2011.

For the year ended September 30, 2011, expenditures exceeded appropriations in the Special Revenue Fund by \$115,955. These overexpenditures were funded with intergovernmental revenues.



**VILLAGE OF EL PORTAL, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Seawall Project Fund</u>	<u>Stormwater Project Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 467	\$ 467
Accounts receivable - net	-	24,378	24,378
Due from other funds	-	129,896	129,896
Total assets	<u>\$ -</u>	<u>\$ 154,741</u>	<u>\$ 154,741</u>
<u>LIABILITIES</u>			
Due to other funds	<u>\$ 7,529</u>	\$ -	<u>\$ 7,529</u>
Total liabilities	<u>7,529</u>	<u>-</u>	<u>7,529</u>
<u>FUND BALANCES</u>			
Restricted	<u>(7,529)</u>	<u>154,741</u>	<u>147,212</u>
Total fund balances	<u>(7,529)</u>	<u>154,741</u>	<u>147,212</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 154,741</u>	<u>\$ 154,741</u>

**VILLAGE OF EL PORTAL, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Seawall Project Fund</u>	<u>Stormwater Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Utility taxes	\$ -	\$ 48,724	\$ 48,724
Total revenues	<u>-</u>	<u>48,724</u>	<u>48,724</u>
Expenditures:			
Current:			
Public works	7,529	538	8,067
Capital outlay:			
Public works	<u>-</u>	<u>3,110</u>	<u>3,110</u>
Total expenditures	<u>7,529</u>	<u>3,648</u>	<u>11,177</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(7,529)</u>	<u>45,076</u>	<u>37,547</u>
Net change in fund balances	(7,529)	45,076	37,547
Fund balances - beginning	<u>-</u>	<u>109,665</u>	<u>109,665</u>
Fund balances - ending	<u>\$ (7,529)</u>	<u>\$ 154,741</u>	<u>\$ 147,212</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, 2011**

	Stormwater Project Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Utility taxes	\$ 52,600	\$ 52,600	\$ 48,724	\$ (3,876)
Total revenues	<u>52,600</u>	<u>52,600</u>	<u>48,724</u>	<u>(3,876)</u>
Expenditures				
Public works	<u>52,600</u>	<u>52,600</u>	<u>3,648</u>	<u>48,952</u>
Total expenditures	<u>52,600</u>	<u>52,600</u>	<u>3,648</u>	<u>48,952</u>
Excess (Deficiency) of revenues over expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>45,076</u>	<u>45,076</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>45,076</u>	<u>45,076</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>109,665</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,741</u>	



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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 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, 2011, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 19, 2012. 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 opinions 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 items 2011-1 and 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 one instance of noncompliance listed that is required to be reported under *Government Auditing Standards*, listed as item 2011-1.

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 Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
April 19, 2012



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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, 2011, and have issued our report thereon dated April 19, 2012.

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 in that report and schedule, which are dated April 19, 2012, 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 responses.
- ❖ 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 current year findings and recommendations under the heading findings and responses.
- ❖ 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 occurred, or are likely to have occurred, 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**
  - Current Year Findings and Recommendations: **No. 2011-1, 2011-2 and 2011-3**
  
- ❖ 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, 2011, 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, 2011. 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 management and the 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*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
April 19, 2012

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**II. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**NON COMPLIANCE**

**2011-1 Expenditures in Excess of Appropriations**

**Condition:**

During our compliance testing, we noted that Section 4.07 of the Village's Code states that "No line item within the approved fiscal year appropriation shall be overspent without Council approval."

In addition, pursuant to Section 166.241 (2) of Chapter 166 of the Florida Statutes, the governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.

We noted that the Special Revenue Fund expenditures exceeded appropriations by \$115,995 for the fiscal year ended September 30, 2011.

**Effect:**

The Village did not comply with Section 4.07 of its' Code and Section 166.241 (2) of Chapter 166 of the Florida Statutes.

**Recommendation:**

We recommend that the Village establish internal control procedures over budgeting to ensure compliance with Section 4.07 of the Village Code and Section 166.241 (2) of the Florida Statutes. These procedures should be included in the revised Policies and Procedures manual. See finding 2006-2.

**Management Response:**

The Village passed a resolution authorizing the expenditure of the special revenue funds but failed to amend the special revenue budget in error. In the future we will ensure that budgets are amended if expenditures exceed budgeted amounts.

The Village Manager will recommend to the Village Council that Section 4.07 of the Village's code be amended whereby appropriations against budget should be measured by department rather than by line item within department.

**OTHER MATTERS**

**2011-2 Bank Reconciliations**

**Condition:**

During our testing of cash, we were provided a revised bank reconciliation for the month of September 30, 2011 to correct the original bank reconciliation provided. Also, we noted that the bank reconciliation had a preparer and reviewer sign offs but no date for the sign offs to verify the timeliness.

**Recommendation:**

We recommend that the Village have both the preparer and reviewer date their sign offs as evidence of the timeliness of the bank reconciliation being prepared and reviewed for any unusual items. Management's review of the bank reconciliations should also include tracing the reconciled balances to the general ledgers. These procedures should be included in the revised Policies and Procedures manual. See finding 2006-2.



**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**II. CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

**OTHER MATTERS (Continued)**

**2011-2 Bank Reconciliations (Continued)**

**Management Response:**

Bank reconciliations are being prepared and reviewed on a monthly basis. For the year ended September 30, 2011 a revised bank reconciliation was necessitated because of a programming bug in our financial accounting software that required us to make a correction. We have been provided a new release from the software company which takes care of this issue.

The bank reconciliations are currently initialed by the Village Manager. We will modify our policies and procedures whereby the preparer of the bank reconciliations will also initial the reconciliations and both parties will indicate the dates that the reconciliations were reviewed.

**2011-3 Budgeting**

**Condition:**

During our audit, we noted that the Village's budget presentation combines several special revenue funds and does not match the presentation in the financial statements.

**Recommendation:**

We recommend that the Village adopt separate budgets for each of its special revenue funds as presented in the financial statements and not combine those budgets under one Special Revenue Fund budget.

**Management Response:**

For the year ended September 30, 2012, the Village will modify its special revenue budget to reflect separate budgets for each of its special revenue funds.

**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:**

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 Status:**

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

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

**SIGNIFICANT DEFICIENCY (Continued)**

**2006-2 Policies and Procedures Manual (Continued)**

**Current Year Management's Response:**

The Village will update its policies and procedures manual in the coming fiscal year.