

**VILLAGE OF EL PORTAL, FLORIDA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

# 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 and each major fund of the Village of El Portal, Florida (the Village) as of and for the fiscal year ended September 30, 2007, 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 basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of El Portal, Florida as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2007 on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Alberni Caballero & Castellanos, L.L.P.*

December 21, 2007  
(except for Note X, as to which the date is January 29, 2008)  
Coral Gables, Florida

## 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, 2007.

### Financial Highlights

- The assets of the Village of El Portal exceeded its liabilities at the close of the most recent fiscal year by \$2,184,839 (net assets). Of this amount, \$404,441 (*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 \$804,871. This increase is attributable to excess revenues over expenses for 2007.
- As of the close of the current fiscal year, the Village of El Portal general fund reported an ending fund balance of \$488,359, an increase of \$182,902 comparison with the prior year. Approximately \$459,706 of this total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$459,706 or 23% of total general fund expenditures.
- The Village's special revenue fund increased its fund balance by \$29,512 to \$340,276, of which, the entire amount is restricted for capital improvements.
- During 2007, the Village continued two projects funded by the South Florida Water Management District (the SFWMD) the Stormwater Project and the Seawall Project. At the end of the current fiscal year, both projects had a fund balance of \$0.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village of El Portal basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of El Portal 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's is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 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 governmental activities of the Village include general government, public safety, public works, parks, code enforcement, and building, planning & zoning. The Village has no business type activities.

The government-wide financial statements include only the Village itself (known as the *primary government*).

The government-wide financial statements can be found on pages 8 and 9 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. All of the funds of the Village are governmental funds.

## Overview of the Financial Statements (Continued)

**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*.

The Village maintains four 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 and the three special revenue funds; all are considered to be a major funds.

The Village adopts an annual appropriated budget for its general fund, stormwater projects fund, seawall project 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 10 to 13 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 14 to 22 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 \$2,184,439 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$1,439,722 or 66%, 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, \$340,276 or 15.6%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$404,441 or 18.5%, 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 Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current assets	\$925,065	\$1,089,002	\$(163,937)
Capital assets, net	<u>1,470,476</u>	<u>738,009</u>	<u>732,467</u>
Total assets	<u>2,395,541</u>	<u>1,827,011</u>	<u>568,530</u>
Liabilities	<u>211,102</u>	<u>595,175</u>	<u>(384,073)</u>
Investment in capital assets, net of related debt	1,439,722	707,970	731,752
Restricted	340,276	310,764	29,512
Unrestricted	<u>404,441</u>	<u>213,102</u>	<u>191,339</u>
Total net assets	<u>\$ 2,184,439</u>	<u>\$ 1,231,836</u>	<u>952,603</u>

The Village's current assets decreased by \$163,937 mainly due to decreases in cash for payments of the Village's share of the costs on the Stormwater Project and reductions in accounts payable at year end. Capital assets and the net investment in capital assets increased by approximately \$730,000 during the fiscal year mainly due to the stormwater project, seawall project and the purchase of police vehicles. Liabilities decreased by \$384,073 mostly due to the recognition of deferred revenues for the stormwater project as expenses were incurred during 2006-07.

#### Village of El Portal Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 557,452	\$ 487,193	70,259
Operating grants and contributions	43,528	793,921	(750,393)
Capital grants and contributions	405,742	183,717	222,025
General Revenues:			
Property taxes	1,072,204	797,191	275,013
Franchise taxes	126,732	125,607	1,125
Utility taxes	203,368	180,801	22,567
Intergovernmental	391,441	450,437	(58,996)
Investment income and miscellaneous	42,674	40,461	2,213
Total revenues	<u>2,843,141</u>	<u>3,059,328</u>	<u>(216,187)</u>
Expenses:			
General government	515,787	475,542	40,245
Public safety	947,277	797,972	149,305
Building code enforcement	53,075	32,449	20,626
Planning and zoning	47,426	52,888	(5,462)
Public works	<u>526,598</u>	<u>1,401,532</u>	<u>(874,934)</u>
	<u>2,090,163</u>	<u>2,760,383</u>	<u>(670,220)</u>
Change in net assets	804,871	298,945	<u>\$505,926</u>
Beginning net assets (restated- 2007)	<u>1,379,568</u>	<u>932,891</u>	
Ending net assets	<u>\$2,184,439</u>	<u>\$1,231,836</u>	

The Village's net assets increased by \$804,871 in the current fiscal year, the increase was mainly due to increases in property tax revenues for the current year due to increasing tax base and decrease in general government expenditures. The decrease in operating grants received from FEMA was offset by decreases in public works due to reimbursements for Hurricane Wilma clean-up in the prior year. Increases in capital grants were due to the recognition of deferred revenue for the stormwater project. Increase in public safety mainly due to salary increases, retirement costs and new positions. A prior period adjustment of approximately \$147,732 was recorded in 2007 for seawall and stormwater project costs which should have been capitalized in 2006.

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

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

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

#### General Fund

The general fund is the main operating fund of the Village. At the end of the current fiscal year, the Village's general fund reported a fund balance of \$488,359 an increase of \$182,902 in comparison with the prior year. Approximately 94% of this total amount (\$459,706) constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of the fund balance (\$28,653) is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$459,706. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.9 percent of total general fund expenditures, while total fund balance represents 23.2 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2007 and 2006, is shown below:

*Summary of General Fund's condensed Balance Sheet*

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Total assets	<u>\$ 660,999</u>	<u>\$ 587,882</u>	<u>\$73,117</u>
Total liabilities	<u>172,640</u>	<u>282,425</u>	<u>(109,785)</u>
Reserved fund balance	28,653	3,231	25,422
Unreserved fund balance	<u>459,706</u>	<u>302,226</u>	<u>157,480</u>
Total fund balance	<u>488,359</u>	<u>305,457</u>	<u>182,902</u>
Total liabilities and fund balance	<u>\$ 660,999</u>	<u>\$ 587,882</u>	<u>\$73,117</u>

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

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Total Revenues	\$2,372,756	\$2,650,257	\$(277,501)
Total Expenditures	<u>2,098,754</u>	<u>2,681,185</u>	<u>(582,431)</u>
Excess of revenues over expenditures	274,002	(30,928)	304,930
Other financing sources	<u>(91,100)</u>	<u>147,556</u>	<u>(238,656)</u>
Change in fund balance	182,902	116,628	<u>\$66,274</u>
Fund Balance, Beginning	<u>305,457</u>	<u>188,829</u>	
Fund Balance, Ending	<u>\$ 488,359</u>	<u>\$ 305,457</u>	

The fund balance of the Village's general fund increased by \$182,902 during the current fiscal year. The increase was the result of increases in property values in the Village and a decrease in expenditures. In 2006, the Village received approximately \$800,000 from FEMA for hurricane clean-up which was not received during 2007. In 2007, approximately \$360,000 was recognized in capital grants for the stormwater and seawall projects. Expenditures decreased mainly due to hurricane clean up costs incurred during 2006. Other financing sources in the prior year included transfers in from other funds of \$101,000 while in 2007 there were transfers out of approximately \$114,000.

**Special Revenue Fund**

The Special Revenue Fund's fund balance increased by approximately \$29,512, during the current fiscal year. The increase was due to intergovernmental funds received from the State and the County in excess of fund expenditures and transfers to the general fund.

**Stormwater Project Fund**

The Stormwater Project Fund reported capital expenditures of approximately \$558,000 which were funded by the grant with the South Florida Water Management District and quarterly stormwater utility tax payments received from County.

**Seawall Project Fund**

The Seawall Project Fund's reported capital expenditures of approximately \$27,486 which were funded by the grant with the South Florida Water Management District.

**General Fund Budgetary Highlights**

Budget vs. actual schedules are presented in page 23 for the general fund and page 24 and 25 for the Special Revenue Fund and Stormwater and Seawall Project Funds.

### **Capital Assets and long term debt**

As of September 30, 2007, the Village's investment in capital assets amounted to \$1,470,746 (net of accumulated depreciation). The total increase in capital assets for the current fiscal year was approximately \$732,000, mainly due to capital expenditures related to the Seawall and Stormwater projects.

More details relating to capital assets can be found in page 20 of the footnotes.

The Village's only long term debt is the long term debt portion of compensated absences and a capital lease for several police vehicles. More details relating to the Village's long-term debt can be found in page 20 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 2008 adopted General Fund budget are \$2,067,834 a decrease of \$179,192 or 8 percent from the fiscal year 2007 budgeted revenues of \$2,247,026. Decrease is due to a decrease in the millage rate from 8.7 to 7.0312.

Fiscal year 2008 budgeted expenditures and transfers are expected to be \$2,067,834, a 7 percent decrease from fiscal year 2007. Anticipated increases in revenues and decreases in expenditures should enable the Village to improve its future financial condition.

### **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, 2007**

<u>ASSETS</u>	Governmental <u>Activities</u>
Cash and cash equivalents	\$ 483,806
Restricted cash and cash equivalents	62,669
Accounts receivable - net	349,937
Prepays	28,653
Capital assets:	
Land	3,556
Construction in progress	733,213
Building	437,107
Furniture and equipment	399,663
Infrastructure	572,885
Total capital assets	2,146,424
Less accumulated depreciation	(675,948)
Total capital assets - net	1,470,476
Total assets	2,395,541
<u>LIABILITIES</u>	
Accounts payable	92,013
Accrued compensated absences	4,417
Noncurrent liabilities:	
The amount due in one year	22,883
The amount due in more than one year	91,789
Total liabilities	211,102
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,439,722
Restricted for:	
Capital projects	340,276
Unrestricted	404,441
Total net assets	2,184,439
Total liabilities and net assets	\$ 2,395,541

See notes to basic financial statements

**VILLAGE OF EL PORTAL, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<u>Functions/programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
<u>Governmental activities:</u>					
General government	\$ 515,787	\$ -	\$ 5,528	\$ -	\$ (510,259)
Public safety	947,277	87,541	38,000	-	(821,736)
Building and code enforcement	53,075	39,881	-	-	(13,194)
Planning and zoning	47,426	65,536	-	-	18,110
Public works	<u>526,598</u>	<u>364,494</u>	<u>-</u>	<u>405,742</u>	<u>243,638</u>
Total governmental activities	<u>2,090,163</u>	<u>557,452</u>	<u>43,528</u>	<u>405,742</u>	<u>(1,083,441)</u>
 <u>General revenues:</u>					
Property taxes				\$ 1,072,204	
Utility taxes				270,574	
Franchise fees on gross receipts				126,732	
Intergovernmental (unrestricted)				370,018	
Investment income				<u>48,784</u>	
Change in net assets				<u>804,871</u>	
Net assets, October 1,				<u>1,379,568</u>	
Net assets, September 30				<u>\$ 2,184,439</u>	

See notes to basic financial statements

**VILLAGE OF EL PORTAL, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2007**

	<u>General</u>	<u>Special Revenues</u>	<u>Stormwater Project Fund</u>	<u>Seawall Project Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 483,806	\$ -	\$ -	\$ -	\$ 483,806
Restricted cash and cash equivalents	-	29,023	33,646	-	62,669
Accounts receivable - net	148,540	1,500	67,388	132,509	349,937
Prepays	28,653	-	-	-	28,653
Due from other funds	-	309,753	-	-	309,753
Total assets	\$ 660,999	\$ 340,276	\$ 101,034	\$ 132,509	\$ 1,234,818
<u>LIABILITIES</u>					
Accounts payable	\$ 92,013	\$ -	\$ -	\$ -	\$ 92,013
Accrued compensated absences	4,417	-	-	-	4,417
Due to other funds	76,210	-	101,034	132,509	309,753
Total liabilities	172,640	-	101,034	132,509	406,183
<u>FUND BALANCES</u>					
Reserved for:					
Prepays	28,653	-	-	-	28,653
Capital projects	-	340,276	-	-	340,276
Unreserved, reported in:					
General fund, undesignated	459,706	-	-	-	459,706
Total fund balances	488,359	340,276	-	-	828,635
Total liabilities and fund balances	\$ 660,999	\$ 340,276	\$ 101,034	\$ 132,509	\$ 1,234,818

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, 2007**

Fund balances - total government funds (Page 10)	\$	828,635
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Amounts reported for governmental activities in the statement of net assets are different as a result of:

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

Governmental capital assets		2,146,424
Less accumulated depreciation		(675,948)

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

Capital leases		(30,754)
Compensated absences		<u>(83,918)</u>

Net assets of governmental activities (Page 8)	\$	<u>2,184,439</u>
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**VILLAGE OF EL PORTAL, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>General</u>	<u>Special Revenues</u>	<u>Stormwater Project Fund</u>	<u>Seawall Project Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 1,072,204	\$ -	\$ -	\$ -	\$ 1,072,204
Franchise fees	126,732	-	-	-	126,732
Utility taxes	203,368	-	67,206	-	270,574
Charges for services	364,494	-	-	-	364,494
Intergovernmental	391,441	22,105	378,256	27,486	819,288
Licenses and permits	105,417	-	-	-	105,417
Fines and forfeitures	66,426	21,115	-	-	87,541
Interest	<u>42,674</u>	<u>3,908</u>	<u>2,202</u>	<u>-</u>	<u>48,784</u>
<b>Total revenues</b>	<u>2,372,756</u>	<u>47,128</u>	<u>447,664</u>	<u>27,486</u>	<u>2,895,034</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	496,594	-	-	-	496,594
Public safety	924,570	2,352	-	-	926,922
Building and code enforcement	53,075	-	-	-	53,075
Planning and zoning	47,426	-	-	-	47,426
Public works	526,198	-	400	-	526,598
<b>Debt service:</b>					
Principal retirement	24,666	-	-	-	24,666
<b>Capital outlay:</b>					
Building and code enforcement	8,750	-	-	-	8,750
Public safety	17,475	15,264	-	-	32,739
Public works	<u>-</u>	<u>-</u>	<u>557,995</u>	<u>27,486</u>	<u>585,481</u>
<b>Total expenditures</b>	<u>2,098,754</u>	<u>17,616</u>	<u>558,395</u>	<u>27,486</u>	<u>2,702,251</u>
Excess (Deficiency) of revenues over expenditures before other financing sources (uses)	<u>274,002</u>	<u>29,512</u>	<u>(110,731)</u>	<u>-</u>	<u>192,783</u>
<b>Other financing sources (uses):</b>					
Proceeds from capital lease	23,639	-	-	-	23,639
Transfers	<u>(114,739)</u>	<u>-</u>	<u>114,739</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(91,100)</u>	<u>-</u>	<u>114,739</u>	<u>-</u>	<u>23,639</u>
Net change in fund balances	182,902	29,512	4,008	-	216,422
Fund balances - beginning	<u>305,457</u>	<u>310,764</u>	<u>(4,008)</u>	<u>-</u>	<u>612,213</u>
Fund balances - ending	<u>\$ 488,359</u>	<u>\$ 340,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 828,635</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, 2007

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 12) \$ 216,422

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.

Expenditures for capital outlays	\$ 626,970	
Less current year depreciation	<u>(42,237)</u>	584,733

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.

Proceeds from capital leases	(23,639)	
Principal payments on capital leases	<u>24,666</u>	1,027

Compensated absences 2,689

Change in net assets of governmental activities (Page 9) \$ 804,871

**VILLAGE OF EL PORTAL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**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 of El Portal, Florida (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 changes in net assets) 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. 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 **stormwater project fund** is used to account for expenditures relating to the Village's Local Flood Mitigation Project funded through a grant from the South Florida Water Management District.

The **seawall project fund** is used to account is used to account for expenditures relating to the Village's Seawall/Canal Bank Stabilization Project funded through a grant from the South Florida Water Management District.

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

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

**d. Assets, liabilities and net assets**

**1. Deposits and Investments**

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

## **2. Receivables and Payables**

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

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

Waste fees billed prior to 2004; which was the first year the County began to bill and collect the Village's waste fees total approximately \$252,706 and an allowance for uncollectible accounts has been recorded against those receivables of \$252,706.

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. 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, 2007 was 8.700 mills (\$8.70 per \$1,000 of taxable assessed valuation).

## **4. 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 for equipment 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	10-40
Improvements other than buildings	12-20
Infrastructure	25-50
Vehicles	5-15
Furniture and equipment	5-25

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.

#### **5. 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 is 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 is allowed to accumulate up to a maximum of sixty (60) days for administrative personnel and unlimited for police officers. Employees may convert up to three (3) days of unused sick leave to vacation during the following year.

#### **6. Long-Term Obligations**

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

#### **7. 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.

#### **8. Fund Equity**

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

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

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

As part of a comprehensive review of the Village's net assets, management discovered that the expenditures for the stormwater and seawall project in 2006 were not capitalized and recorded as construction in progress. Accordingly, the Village's net assets balance at September 30, 2006 has been restated in order to properly report construction in progress for the current fiscal year.

### Net Assets-Governmental Activities

Balance at September 30, 2006 (as reported)	\$1,231,836
Adjustments to Net Assets:	
Adjustment to properly report construction in progress	<u>147,732</u>
Restated Balance at September 30, 2004	<u>\$1,379,568</u>

## 9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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.

## 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 recommendations.

**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 governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

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

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

For the year ended September 30, 2007, the Village complied, in all material respects, with these revenue restrictions; except as disclosed in the schedule of findings and recommendations.

## III. DEPOSITS

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

**IV. RECEIVABLES/PAYABLES**

**Receivables**

Receivables at September 30, 2007, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village's receivables at September 30, 2007 were as follows:

	<u>Waste Fees</u>	<u>Franchise Fees and Taxes</u>	<u>Other</u>	<u>Allowance</u>	<u>Totals</u>
General fund	\$252,706	\$127,583	\$30,890	\$(262,639)	\$148,639
Special revenue fund	-	1,500	-	-	1,500
Stormwater project fund	-	13,338	54,050	-	67,338
Seawall project fund	-	-	<u>132,509</u>	-	<u>105,023</u>
	<u>\$252,706</u>	<u>\$142,421</u>	<u>\$217,449</u>	<u>\$(262,639)</u>	<u>\$322,500</u>

Interfund balances as of September 30, 2007, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$76,210
Special Revenue Fund	309,753	-
Stormwater Project Fund	-	101,034
Seawall Project Fund	-	<u>132,509</u>
	<u>\$309,753</u>	<u>\$309,753</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, 2007 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$114,739
Stormwater Project Fund	<u>114,739</u>	-
	<u>\$114,739</u>	<u>\$114,739</u>

- The transfer from the General Fund to the Stormwater Project Fund was used to cover the Village's share of the costs for the stormwater project which was mainly paid from a grant of the South Florida Water Management District.

## V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,556	\$ -	\$ -	\$ 3,556
Construction in progress	<u>147,734</u>	<u>585,481</u>	-	<u>733,215</u>
Total capital assets not being depreciated	<u>151,290</u>	<u>585,481</u>	-	<u>736,771</u>
Capital assets being depreciated:				
Building	437,107	-	-	437,107
Infrastructure	572,885	-	-	572,885
Furniture and equipment	<u>358,174</u>	<u>41,489</u>	-	<u>399,663</u>
Total capital assets being depreciated	1,368,166	41,489	-	1,409,655
Less accumulated depreciation for:				
Building	(357,649)	(17,453)	-	(375,102)
Furniture and equipment	<u>(276,064)</u>	<u>(24,784)</u>	-	<u>(300,848)</u>
Total accumulated depreciation	<u>(633,713)</u>	<u>(42,237)</u>	-	<u>(675,950)</u>
Total capital assets being depreciated, net	<u>734,453</u>	<u>(748)</u>	-	<u>733,705</u>
Governmental activities capital assets, net	<u>\$885,743</u>	<u>\$584,733</u>	<u>\$ -</u>	<u>\$1,470,476</u>

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

General government	\$17,453
Public Safety	<u>24,784</u>
Total depreciation expense – governmental activities	<u>\$42,237</u>

## VI. CAPITAL LEASES

The Village entered into two lease agreements for the purchase of police vehicles totaling approximately \$74,000. The lease agreements qualified as capital lease 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, 2007 were as follows:

Year ending September 30	
2008	\$24,667
2009	<u>8,328</u>
Total minimum lease payments	32,995
Less: amount representing interest	<u>(2,241)</u>
Present value of minimum lease payments	<u>\$30,754</u>

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

	Balance October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>	Due Within <u>One year</u>
Compensated absences	\$88,347	\$ -	\$ 12	\$ 88,335	\$ 4,417
Capital leases	<u>30,039</u>	<u>23,639</u>	<u>22,924</u>	<u>30,754</u>	<u>22,883</u>
	<u>\$118,386</u>	<u>\$23,639</u>	<u>\$22,936</u>	<u>\$119,089</u>	<u>\$27,300</u>

**VII. DEFINED BENEFIT PENSION PLAN**

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

*Funding Policy.* Plan members do not contribute. The Village contribution rates ranged from 12.55% to 16.78% of covered payroll. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

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

September 30,	Required Contribution	Contribution Rates
2007	\$136,000	8.74% - 19.81%
2006	\$100,000	8.74% - 19.81%
2005	\$ 78,000	8.74% - 19.81%

The most recent actuarial report was prepared as of July 1, 2007. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

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

**VIII. RISK MANAGEMENT**

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

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

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

## **IX. 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. Two of these lawsuits are being defended by the League of Cities and by law the Village's exposure is capped at \$100,000 per lawsuit, although the Village believes that the exposure is much less. It is the opinion of the Village that it has sufficient insurance coverage to cover any claims or liabilities, which may arise from such actions and the resolution of these matters. However; the ultimate effect of these cases cannot be ascertained at this time. If the Village's defense was to fail and payment of the full \$100,000 per claim required, these cases would have a material adverse effect on the financial condition of the Village.

## **X. SUBSEQUENT EVENT**

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from the Miami-Dade County Property Appraiser's Office, the estimated annual loss of property tax revenues for the Village of El Portal from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$100,000. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Estimates for the Village of El Portal based on information provided by the Miami-Dade County Property Appraiser's Office translate into an additional loss of property tax revenues of \$30,000.

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 1,017,664	\$ 1,017,664	\$ 1,072,204	\$ 54,540
Franchise fees	102,500	95,000	126,732	31,732
Utility taxes	157,500	244,500	203,368	(41,132)
Charges for services	275,000	310,000	364,494	54,494
Intergovernmental	277,255	346,055	391,441	45,386
Licenses and permits	85,000	85,000	105,417	20,417
Fines and forfeitures	-	-	66,426	66,426
Interest	1,500	30,000	42,674	12,674
Miscellaneous	118,817	118,817	-	(118,817)
Total revenues	<u>2,035,236</u>	<u>2,247,036</u>	<u>2,372,756</u>	<u>125,720</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government				
Village council	32,929	32,929	31,814	1,115
Public affairs	38,400	61,400	43,993	17,407
Administration and finance	351,152	480,507	420,787	59,720
Public safety	831,275	975,638	966,711	8,927
Building and code enforcement	59,856	81,137	53,075	28,062
Planning and zoning	81,994	56,450	56,176	274
Public works	525,222	529,890	526,198	3,692
Total expenditures	<u>1,920,828</u>	<u>2,217,951</u>	<u>2,098,754</u>	<u>119,197</u>
 Excess (Deficiency) of revenues over expenditures before other financing sources (uses)				
	<u>114,408</u>	<u>29,085</u>	<u>274,002</u>	<u>244,917</u>
 Other financing sources:				
Transfer from unappropriated fund balance	(134,408)	52,921	-	(52,921)
Proceeds from capital lease	-	-	23,639	23,639
Transfers	20,000	(82,006)	(114,739)	(32,733)
Total other financing sources	<u>(114,408)</u>	<u>(29,085)</u>	<u>(91,100)</u>	<u>(62,015)</u>
 Net change in fund balance				
	-	-	182,902	<u>182,902</u>
 Fund balances, October 1				
	-	-	305,457	
 Fund balances, September 30				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,359</u>	

See notes to budgetary comparison schedule

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**STORMWATER PROJECT FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 350,000	\$ 398,064	\$ 378,256	\$ (19,808)
Utility taxes	50,000	50,000	67,206	17,206
Interest	-	-	2,202	2,202
Total revenues	<u>400,000</u>	<u>448,064</u>	<u>447,664</u>	<u>(400)</u>
Expenditures:				
Current:				
Public works	<u>400,000</u>	<u>558,395</u>	<u>558,395</u>	<u>-</u>
Total expenditures	<u>400,000</u>	<u>558,395</u>	<u>558,395</u>	<u>-</u>
Other financing sources:				
Transfer from unappropriated fund balance	-	-	-	-
Transfers	<u>-</u>	<u>110,331</u>	<u>114,739</u>	<u>4,408</u>
Total other financing sources	<u>-</u>	<u>110,331</u>	<u>114,739</u>	<u>4,408</u>
Net change in fund balance	-	-	4,008	<u>4,008</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>(4,008)</u>	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SEAWALL PROJECT FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 287,500	\$ 287,500	\$ 27,486	\$ (260,014)
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>287,500</u>	<u>287,500</u>	<u>27,486</u>	<u>(260,014)</u>
Expenditures:				
Current:				
Public works	<u>287,500</u>	<u>287,500</u>	<u>27,486</u>	<u>260,014</u>
Total expenditures	<u>287,500</u>	<u>287,500</u>	<u>27,486</u>	<u>260,014</u>
Net change in fund balance	-	-	-	<u>-</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**VILLAGE OF EL PORTAL, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 321,000	\$ 266,200	\$ 22,105	\$ (244,095)
Fines and forfeitures	1,500	16,500	21,115	4,615
Interest	<u>13,000</u>	<u>13,000</u>	<u>3,908</u>	<u>(9,092)</u>
Total revenues	<u>335,500</u>	<u>295,700</u>	<u>47,128</u>	<u>(248,572)</u>
Expenditures:				
Current:				
General government	249,000	249,000	-	249,000
Public safety	-	16,500	17,616	(1,116)
Public works	<u>154,823</u>	<u>66,500</u>	<u>-</u>	<u>66,500</u>
Total expenditures	<u>403,823</u>	<u>332,000</u>	<u>17,616</u>	<u>314,384</u>
Excess of revenues under expenditures before other financing uses	<u>(68,323)</u>	<u>(36,300)</u>	<u>29,512</u>	<u>65,812</u>
Other financing uses:				
Transfer from unappropriated fund balance	88,323	64,625	-	64,625
Transfers out	<u>(20,000)</u>	<u>(28,325)</u>	<u>-</u>	<u>(28,325)</u>
Total other financing uses	<u>68,323</u>	<u>36,300</u>	<u>-</u>	<u>36,300</u>
Net change in fund balance	-	-	29,512	<u>29,512</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>310,764</u>	
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,276</u>	

**VILLAGE OF EL PORTAL, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2006**

**Notes to Budgetary Comparison Schedule**

Annual budgets are adopted for the General Fund, Special Revenue Fund, Seawall Project Fund and Stormwater Project Fund on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriations lapse at fiscal year end.

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

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

The Village Council may make by ordinance supplemental appropriations during the fiscal year. There were supplemental appropriations for the fiscal year ended September 30, 2007 totaling \$407,454 due to expenditures incurred for the Stormwater Project and increase in costs for public safety.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.



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

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

We have audited the financial statements of the governmental activities, and each major fund of the Village of El Portal, Florida (the Village) as of and for the fiscal year ended September 30, 2007, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, listed as items 2006-2, 2006-5, 2005-7, and 2004-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies above, we consider items 2006-5 and 2004-3 to be material weaknesses.

Compliance and Other Matters

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

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

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.

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

*Alberni Caballero & Castellanos, L.L.P.*

December 21, 2007  
Coral Gables, Florida

**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, 2007, and have issued our report thereon dated December 21, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated December 21, 2007, should be considered in conjunction with this management letter

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- ❖ 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 below under the heading Prior Year Findings and Recommendations.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village of El Portal, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed:

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

- Status of Prior Year Findings and Recommendations: **No. 2006-2, 2006-5, 2005-1, 2004-3, and 2000-3**
  - Current Year Findings and Recommendations: **NONE**
- 
- ❖ 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, we determined that the annual financial report for the Village of El Portal, Florida for the fiscal year ended September 30, 2007, 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, 2007. 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, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the Village of El Portal, Florida and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified 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 & Castellanos, L.L.P.*

December 21, 2007  
Coral Gables, Florida

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**I. CURRENT YEAR RECOMMENDATIONS**

**NONE**

**II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**REPORTABLE CONDITIONS**

**2006-1 Cash Disbursements**

**Condition:**

The Village's cash disbursement policy requires two authorized signatures on all checks issued. During our testing, we found one check for \$38,859, which only included one authorized signature.

We also noted that hurricane expenditures were approved by the Village Manager through emergency procurement powers provided in the Village's Code of Ordinances. However, there was no documentation demonstrating that the Village Council was made aware of these approvals and the use of emergency procurements.

**Effect:**

The Village is not in compliance with its cash disbursement policy.

**Recommendation:**

We recommend that the Village comply with its cash disbursement policy and ensure that there are two authorized signatures for all cash disbursements. The bank should be contacted to ensure that they are aware of the Village's policy.

We also recommend; that when the Village Manager approves expenditures through emergency procurement that the procedure be documented and presented to the Council in the next meeting.

**Current Year Status:**

This recommendation has been implemented for 2007. **This comment will not be repeated.**

**2006-2 Policies and Procedures Manual**

**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.

**Recommendation:**

We recommend that all of the Village's review its current policies and procedures manual and whether it applies to its current organizational structure and staff duties.

**Current Year Status:**

This recommendation was not implemented during 2007. **This comment will be repeated.**

**Management's Response:**

Due to the high degree of turnover in our staff during 2006, some of the duties changed. Management will review the policies and procedures manual during 2008 and either propose changes to the manual or to the organizational structure.

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**REPORTABLE CONDITIONS (Continued)**

**2006-3 Use of Restricted Funds**

**Condition:**

During our compliance testing, we noted that the Village used funds received from the South Florida Water Management District, restricted for the payment of the Village's Stormwater Project, to fund the Seawall Project.

**Effect:**

The Village is not in compliance with the South Florida Water Management District's grant. The Village is using funds restricted for the Stormwater Project for a project unapproved by the grant.

**Recommendation:**

Although, the Village transferred the funds from the general fund subsequent to year end, internal controls must be established to ensure restricted funds are only used for the specific expenditure approved in the grant or agreement.

**Current Year Status:**

This recommendation has been implemented for 2007. **This comment will not be repeated.**

**2006-4 –Budgeting**

**Condition:**

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance 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." The Village did not adopt a budget for Seawall Project special revenue fund, therefore, is not in compliance with the above mentioned Florida Statute.

**Cause:**

The Village did not adopt a budget for Seawall Project special revenue fund for 2006. This was a newly created special revenue fund during 2006 to account for the South Florida Water Management District's grant to fund the Seawall Project.

**Effect:**

The Village is not in compliance with State Statues that require budgeting of all Village expenditures.

**Recommendation:**

We recommend that the Village amend its current 2006-07 budget to include a budget for the Seawall Project special revenue fund.

**Current Year Status:**

This recommendation has been implemented for 2007. **This comment will not be repeated.**

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**REPORTABLE CONDITIONS (Continued)**

**2006-5 Waste Fee Receivable**

**Condition:**

During our testing, we noted that the receivable for waste fees collected by Miami Dade County on behalf of the Village is not reconciled for uncollected receivables by the County. Reports provided by the County do not report the amount billed on behalf of the Village only the amount collected. The Village has recorded the amount of waste fees collected by the County on a cash basis and not reflected the uncollected waste fees receivable in its books.

We also noted that the Village has not accounted for up to 5% in discounts and administrative fees offered and charged by the County for collection of the waste fees receivable and budgeted the entire amount as revenues.

**Effect:**

Waste fee revenues and receivables may be understated by only recording the amount collected by the County and the 2007 budgeted revenues may be overstated by including the entire billable amount in its budget.

**Recommendation:**

The Village should request reports from the County which detail by unit or address the amount of waste fees billed and collected for the fiscal year in order to properly account for waste fees billed and collected in the Village's books. The 2007 budget should be amended to reflect the 4% discounts offered for early payment by the County and the 1% administrative fee charged for collection.

**Current Year Status:**

This recommendation was not implemented during 2007. **This comment will be repeated.**

**Management's Response:**

We agree with the Auditor's recommendations and have requested the mentioned reports with the County and will amend the 2008 budget if necessary.

**2005-1 Reporting**

**Condition:**

During our compliance testing, the Village was not able to provide support for several required reports. For example, the Public Depositor Annual Report to the Chief Financial Officer and the Federal Forfeiture Report for 2005.

**Effect:**

The Village could be subject to penalties or could lose funding for non-compliance with reporting requirements.

**Recommendation:**

We recommend that the Village establish internal controls which would insure timely reporting and compliance with reporting requirements.

**Current Year Status:**

The Village provided copies of the Public Depositor Annual Report to the Chief Financial Officer and the State Forfeiture Report for 2007. There were no federal forfeitures for 2007. **This comment will not be repeated.**

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**REPORTABLE CONDITIONS (Continued)**

**2005-2 Bank Reconciliations (segregation of duties)**

**Condition:**

During our testing of bank reconciliations, we noted that the bank reconciliations are prepared and approved by the fee accountant.

**Effect:**

Management of the Village is not reviewing and approving the bank reconciliations.

**Recommendation:**

We recommend that the Village prepare bank reconciliations which include a preparer and reviewer sign-off. The preparer could be the fee accountant, but a Village official, such as the Village Manager should review and approve the bank reconciliations.

**Current Year Status:**

In our testing of bank reconciliations during the fiscal year ended September 30, 2007, we noted that the Village had implemented this recommendation. **This comment will not be repeated.**

**2005-6 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.

For the year ended September 30, 2005, expenditures exceeded appropriations in the Village Council, for several budget line items within the Administration and Finance, and Public Works departments of the General Fund by \$5,605, \$129,508 and \$120,357; respectively. These overexpenditures were funded by available fund balance.

**Effect:**

The Village is not in compliance with Section 4.07 of its' Code.

**Recommendation:**

We recommend that the Village comply with Section 4.07 of its' Code and obtain Council approval for future overexpenditures or recommend budget amendments for those line items.

**Current Year Status:**

This recommendation was implemented during 2007. **This comment will not be repeated.**

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**REPORTABLE CONDITIONS (Continued)**

**2005-7 Physical Count of Capital Assets**

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

**Recommendation:**

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

**Current Year Status:**

The Village performed a physical count of its capital assets during the year; however, the count was not reconciled to the accounting books. **This comment will be repeated.**

**Current Management's Response:**

The Village will reconcile the capital asset inventory to the accounting books for the 07-8 fiscal year.

**2004-3 Develop a Strategic Plan**

**Condition:**

Strategic Planning is a tool that any group of people such as a municipality, association, government body, business, agency, council or special interest group can use to proactively plan their future. Strategic planning represents a process that examines where your organization is now, where you want it to be, and how you are going to get there. Strategic planning involves your community or group in visioning your preferred future and produces a flexible plan or road map of strategies derived from internal discussions and external sources of input and steers your government in a focused direction for future success. During our audit, we noted that while the Village of El Portal is a growing community, both in terms of population and property tax base, the Village does not currently have a strategic plan in place in order to proactively plan for the Village's future.

**Effect:**

This condition will result in the Village not being able to effectively plan and manage its future growth and economic development.

**Recommendation:**

We recommend that the Village develop a strategic plan that would benefit the Village as it plans and manages future growth. A well developed strategic plan can benefit a municipality whether it is new, large, expanding or mature and small. It can help management define the strategic goals for the Village and provide a road map showing how these goals can be achieved. A strategic plan can help management and employees remain focused on the goals and keep them from being side-tracked by daily problems and distractions. A strategic plan can provide a yardstick against which future performance can be measured by management, citizens and credit agencies. Additionally, a strategic plan can help management define the organizational culture to be communicated to employees, residents, supplies and others.

**Current Year Status:**

This recommendation was not implemented during 2007. **This comment will be repeated.**

**Management Response:**

The Village does have a Comprehensive Plan which addresses these issues. The El Portal Comprehensive Plan was last amended in 2002. Management is in the process of contracting with a third party vendor to update the plan.

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**REPORTABLE CONDITIONS (Continued)**

**2004-5 Retention of Accounting Records**

**Condition:**

During our audit we noted that various accounting records, such as monthly bank statements, original vendor invoices, and canceled checks could not be readily provided.

**Effect:**

This condition could result in "questioned costs" if documentation of grant related expenditures can not be provided to external auditors or grantor agencies.

**Recommendation:**

We recommend that the Village compile a list of accounting records that should be produced and maintained on a monthly and annual basis and to adopt a policy for the retention of accounting records. This policy should address the following considerations:

- Federal and state legal retention requirements for each type or record or document.
- Village's internal retention requirements of certain records not covered by legal dictate.
- Grantor record retention requirements.
- Indexing of documents for destruction after the expiration of the retention period.
- Describe a systematic manner of filing documents.

**Current Year Status:**

The Village provided all documents requested during the 2007 audit. **This comment will not be repeated.**

**VILLAGE OF EL PORTAL, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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

**OTHER MATTERS**

**2000-3 Develop Investment Policy and Maximize Use of Interest Bearing Account**

**Condition:**

During our audit we noted that the Village does not have an investment policy. The Village has substantial cash invested in checking and saving accounts.

**Effect:**

This policy may result in lost opportunities for a higher return on conservative investments. Money management techniques such as investing funds in short-term repurchase agreements or short-term treasury bills could result in additional earnings.

**Recommendation:**

We recommend that the Village consider the benefit of investing its available cash in an investment yielding a higher return to maximize its interest income. We also recommend that the Village implement and develop an investment policy.

**Current Year Status:**

The Village has invested its excess cash in interest bearing checking accounts with Florida qualified public depositors.

**This comment will not be repeated.**