

FINANCIAL STATEMENTS
Lake-Sumter Metropolitan Planning Organization
Year Ended June 30, 2016
with Independent Auditor's Report

Lake-Sumter Metropolitan Planning Organization

Financial Statements

Year ended June 30, 2016

Table of Contents

Financial Section

Independent Auditor’s Report.....1
Management’s Discussion and Analysis4

Basic Financial Statements

Governmental Fund Balance Sheet – Statement of Net Position11
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balances – Statement of Activities12
Notes to Financial Statements.....13

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – General Fund21
Note to Required Supplementary Information.....22

Single Audit

Schedule of Expenditures of Federal Awards.....23
Notes to Schedule of Expenditures of Federal Awards24
Independent Auditor’s Report on Compliance for each Major Federal Program and on
Internal Control over Compliance required by the Uniform Guidance25
Schedule of Findings and Questioned Costs.....28
Summary Schedule of Prior Audit Findings.....31

Other Reports

Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
performed in Accordance with *Government Auditing Standards*.....33
Independent Auditor’s Management Letter35

Financial Section



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lake-Sumter MPO's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Lake-Sumter MPO as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lake-Sumter MPO's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Honorable Members of the
Lake-Sumter Metropolitan Planning Organization

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017 on our consideration of Lake-Sumter MPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake-Sumter MPO's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 22, 2017

Management's Discussion and Analysis

As management of the Lake-Sumter Metropolitan Planning Organization (Lake-Sumter MPO) we offer readers of Lake-Sumter MPO's financial statements this narrative overview and analysis of the financial activities of Lake-Sumter MPO for year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

- Lake-Sumter MPO's assets exceeded its liabilities at June 30, 2016 by \$35,871. This amount consists of \$6,066 net investment in capital assets and \$29,805 in unrestricted net position which may be used to meet Lake-Sumter MPO's ongoing obligations.
- The unrestricted net position of \$29,805, results from unassigned funds available of \$90,919, less accrued compensated absences of \$61,114. The unassigned funds are primarily a result of donations and non-grant revenues and expenses.
- Lake-Sumter MPO has no outstanding debt, except for accrued compensated absences for its employees.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

The Statement of Net Position presents Lake-Sumter MPO's assets less its liabilities at year-end. The difference between these assets and liabilities is reported as net position or deficit. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Lake-Sumter MPO is improving or deteriorating.

The Statement of Activities presents information showing how Lake-Sumter MPO's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lake-Sumter MPO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lake-Sumter MPO has only one fund, the General Fund, which is a governmental fund type.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 13 of this report.

Other Information – In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Lake-Sumter MPO's annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 21 of this report.

Government-Wide Financial Analysis

In accordance with accounting principles generally accepted in the United States of America, Lake-Sumter MPO's fund financial statements are converted to the Statement of Net Position and Statement of activities by posting adjustments for the following:

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

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

Lake-Sumter MPO Statement of Net Position

	June 30, 2016	June 30, 2015
Current and other assets	\$ 343,530	\$ 376,844
Capital assets, net	6,066	7,917
Total assets	<u>349,596</u>	<u>384,761</u>
Current liabilities	274,018	311,511
Long-term liabilities	39,707	49,141
Total liabilities	<u>313,725</u>	<u>360,652</u>
Net Position		
Net investment in capital assets	6,066	7,917
Unrestricted	29,805	16,192
Total net position	<u>\$ 35,871</u>	<u>\$ 24,109</u>

Current assets of Lake-Sumter MPO primarily consist of \$324,599 due from federal agencies and the State of Florida for cost reimbursable grant expenses and \$18,931 due from local governmental units for charges for services. Current liabilities consist of \$86,052 of accounts payable, accrued wages payable of \$25,435, \$141,124 due to Lake County and \$21,407 of current compensated absences.

The unrestricted net position of \$29,805 is primarily a result of donations and non-grant revenues and expenses. Net position amounted to \$35,871 at June 30, 2016. “Net investment in capital assets” of \$6,066 is Lake-Sumter MPO’s investment in its net capital assets (original cost less accumulated depreciation).

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

**Lake-Sumter MPO
Statement of Activities**

	Year ended June 30, 2016	Year ended June 30, 2015
Revenues:		
Program revenues:		
Intergovernmental revenues – operating grants	\$1,173,773	\$ 829,753
Charges for services	193,369	193,425
Miscellaneous income	8,300	8,580
Total revenues	1,375,442	1,031,758
Expenses:		
Current	1,361,829	959,723
Depreciation	1,851	2,099
Total expenses	1,363,680	961,822
Change in net position	11,762	69,936
Beginning net position	24,109	(45,827)
Ending net position	\$ 35,871	\$ 24,109

Intergovernmental revenues of \$1,173,773 consist primarily of grant funds received from the federal government through the Florida Department of Transportation, and other state funds. Non-grant revenues consist of charges for services from participating local governmental units of \$36,811 for transportation planning and \$156,558 in transportation management services.

Current expenses consisted of \$546,536 in personal services, \$652,523 in professional services, \$5,250 in grants and aids, \$132,332 in other operating expenses, and \$25,188 paid to Lake County for providing administrative services.

Analysis of the Lake-Sumter MPO General Fund

Lake-Sumter MPO has one fund, the general fund, which is reported in the Fund Financial Statement column. The focus of the general fund is to provide information on near-term inflows and outflows of cash and the balance available. The Lake-Sumter MPO has an unassigned fund balance of \$90,919. Revenue from grants equals the expenses incurred. Fund balance results from donations and non-grant revenues and expenditures.

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

	Year ended June 30, 2016	Year ended June 30, 2015
Revenues:		
Intergovernmental revenue	\$1,173,773	\$ 829,753
Charges for services	193,369	193,425
Miscellaneous income	8,300	8,580
Total revenue	<u>1,375,442</u>	<u>1,031,758</u>
Expenditures:		
Personal services	550,152	539,581
Operating	810,043	411,426
Grants and aids	5,250	5,500
Total expenditures	<u>1,365,445</u>	<u>956,507</u>
Excess of revenues over expenditures	9,997	75,251
Fund balance, beginning of year	80,922	5,671
Fund balance, end of year	<u>\$ 90,919</u>	<u>\$ 80,922</u>

General Fund Budgetary Highlights

The difference between the original and the final amended budget was \$1,101,167 and was primarily due to new grant funding.

Differences between the final amended budget and actual results are included on page 21 of the accompanying financial statements. Operating expenditures were \$610,874 less than budgeted, due to projects not being completed in 2016. Intergovernmental revenues were \$617,281 less than budgeted due to grant funding that was budgeted for projects that were not completed.

Capital Assets and Long-Term Debt

Capital Assets

As of June 30, 2016, Lake-Sumter MPO had \$6,066 net investment in capital assets, as reflected in the table below:

Lake-Sumter MPO Capital Assets

	June 30, 2016	June 30, 2015
Equipment	\$ 19,936	\$ 34,381
Accumulated depreciation	(13,870)	(26,464)
Capital assets, net	<u>\$ 6,066</u>	<u>\$ 7,917</u>

Capital assets consist of equipment used by the organization in its daily operations. The \$14,445 decrease in equipment is due to the disposal of obsolete technology equipment that was fully depreciated. The MPO operates from leased facilities.

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

Long-Term Debt – Compensated Absences

Lake-Sumter MPO's full-time employees accumulate annual and sick leave based upon length of employment. Upon termination of employment, employees can receive a payment into a deferred compensation plan or as a lump-sum cash distribution for annual vacation leave, up to a maximum of 300 hours. An employee may elect to receive the value of any sick leave, up to a maximum of 50%, to be paid into a deferred compensation plan or as a lump-sum cash distribution. The cost of accumulated annual and sick leave, including fringe benefits is accrued only to the extent that the leave will result in cash payments at termination. At June 30, 2016, the Lake-Sumter MPO had \$61,114 in accrued compensated absences, of which \$21,407 is considered to be due in the next fiscal year.

For more detailed information regarding the Lake-Sumter MPO's long-term debt-compensated absences, please refer to Notes 1 and 5 to the financial statements.

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for Lake County is 4.8%. This is compared to 4.7% for the state and 4.9% for the nation.
- Inflation nationally, as indicated by the consumer price index, is 1% higher than the prior year.

All of these factors were considered in preparing Lake-Sumter MPO's budget for the 2016-2017 year. Lake-Sumter MPO's Board adopted the 2017 budget of \$1,426,889 at its June 22, 2016 meeting.

Requests for Information

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

Basic Financial Statements

Lake-Sumter Metropolitan Planning Organization

Governmental Fund Balance Sheet –
Statement of Net Position

June 30, 2016

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Current assets:			
Due from federal agencies	\$ 304,712	\$ –	\$ 304,712
Due from state agencies	19,887	–	19,887
Due from other agencies	18,931	–	18,931
Noncurrent assets:			
Capital assets, net	–	6,066	6,066
Total assets	<u>\$ 343,530</u>	<u>\$ 6,066</u>	<u>\$ 349,596</u>
Liabilities and fund balances – Net position			
Current liabilities:			
Accounts payable	\$ 86,052	\$ –	\$ 86,052
Due to Lake County	141,124	–	141,124
Accrued liabilities	25,435	–	25,435
Compensated absences, current	–	21,407	21,407
Noncurrent liabilities:			
Compensated absences	–	39,707	39,707
Total liabilities	<u>252,611</u>	<u>61,114</u>	<u>313,725</u>
Fund balances – Net position:			
Fund balances:			
Unassigned	90,919	(90,919)	
Total fund balances	<u>90,919</u>	<u>(90,919)</u>	
Total liabilities and fund balances	<u>\$ 343,530</u>		
Net position:			
Net investment in capital assets		6,066	6,066
Unrestricted		29,805	29,805
Total net position		<u>\$ 35,871</u>	<u>\$ 35,871</u>

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

Lake-Sumter Metropolitan Planning Organization

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

Year ended June 30, 2016

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Intergovernmental revenue – operating grants	\$ 1,173,773	\$ –	\$ 1,173,773
Charges for services	193,369	–	193,369
Miscellaneous income	8,300	–	8,300
Total revenue	1,375,442	–	1,375,442
Transportation expenditures:			
Personal services	550,152	(3,616)	546,536
Operating	784,855	–	784,855
Grants and aids	5,250	–	5,250
Depreciation expense	–	1,851	1,851
Administrative fee	25,188	–	25,188
Total expenditures – expenses	1,365,445	(1,765)	1,363,680
Excess of revenues over expenditures/change in net position	9,997	1,765	11,762
Fund balances – Net position , beginning of year	80,922	(56,813)	24,109
Fund balances – Net position, end of year	\$ 90,919	\$ (55,048)	\$ 35,871

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

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements

Year ended June 30, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

The Lake-Sumter MPO is a voluntary association of local governmental units organized under the authority of Section 339.175, Florida Statutes, in accordance with the 1962 Federal Aid Highway Act. The primary purpose of the organization is to coordinate a comprehensive transportation planning process in the urbanized areas of Lake and Sumter counties. The member governments entered into an interlocal agreement effective February 18, 2004, to establish the Lake-Sumter MPO and its operating procedures. The governing board (Board) consists of sixteen voting representatives, ten nonvoting representatives and three ex-officio non-voting positions. All voting representatives are elected officials from local governments including the cities of Clermont, Eustis, Lady Lake, Leesburg, Minneola, Mount Dora, and Tavares; five members from the Lake County Board of County Commissioners and two members from the Sumter County Board of County Commissioners. The Board approves the annual budget. MPO employees, including the MPO Executive Director as permitted under his contract, receives certain benefits and administrative support services from Lake County. Lake County receives an administrative fee for providing services to the Lake-Sumter MPO.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Because the Lake-Sumter MPO has only governmental activities and only one function, it is considered to be a special-purpose government for financial reporting purposes under accounting principles generally accepted in the United States of America. As such, the government-wide financial statements are presented together with the governmental fund financial statements, described below, with an adjustment column presented to reconcile the two sets of statements.

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

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements – The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they are measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Lake-Sumter MPO generally considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred. Revenues primarily consist of grant funds and charges for transportation planning and concurrency management services, which management has determined to be susceptible to accrual.

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Budgets and Budgetary Accounting

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

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

Capital Assets

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

Lake-Sumter MPO operates from leased facilities under a cancelable operating lease. Rent expense was \$54,980.

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

All full-time and certain part-time employees are granted annual and sick leave based upon length of employment. Annual leave can be accumulated; however, carryover limitations range from 200 to 300 hours, depending on length of employment. Upon termination of employment, the employee can receive a payment into a deferred compensation plan or as a lump-sum cash distribution, based upon the employee's current wage rate and the annual leave not taken. Sick leave is accumulated at the rate of one day per month of each full month of continuous employment. There is no limit on the amount of sick leave that can be accumulated. The MPO's policy permits the payment of accrued sick upon termination, retirement, or death, at 25-50%, based on the length of employment, into a deferred compensation plan or as a lump-sum cash distribution.

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

Fund Balance – Net Position

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Net investment in capital assets represents that portion of net position that is associated with capital assets and is, therefore, not available for general operations.

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

The following is a reconciliation between the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2016:

Fund balances	\$ 90,919
Add capital assets, net of accumulated depreciation as they are not financial resources and are therefore not reported in the funds	6,066
Less compensated absences, not available for current use as they are not due and payable in the current period and are therefore not reported as liabilities in the funds	(61,114)
Net position	<u>\$ 35,871</u>

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

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

The following is a reconciliation between the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities for the fiscal year ended June 30, 2016:

Excess of revenues over expenditures	\$ 9,997
Less current year depreciation on capital assets as the Governmental Fund Statements record an expenditure at the time of purchase	(1,851)
Plus net change in compensated absences	<u>3,616</u>
Change in net position	<u>\$ 11,762</u>

3. Deposits and Investments

Lake-Sumter MPO participates in the pooled cash and investments fund of Lake County. Since the organization's funding is primarily from grants which are cost reimbursable, funds are advanced to Lake-Sumter MPO as needed to pay expenses. At June 30, 2016, Lake-Sumter MPO had a deficit in pooled cash of \$141,124. This amount is presented as Due to Lake County in the Governmental Funds Balance Sheet – Statement of Net Position.

County funds are placed in various types of investments including interest bearing time deposits in qualified public deposits, direct obligations of the U.S. Government, and other investments as defined in Florida Statutes. Interest earned from investments in pooled cash is allocated to each of the participating funds of the County and Lake-Sumter MPO based on the fund's average daily equity balance. The County's financial statements contain full disclosure regarding the County's deposits and investments.

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

4. Capital Assets

A summary of the changes in capital assets follows:

	Balance July 1, 2015	Additions & Transfers	Deletions	Balance June 30, 2016
Equipment	\$ 34,381	\$ -	\$ (14,445)	\$ 19,936
Less accumulated depreciation	(26,464)	(1,851)	14,445	(13,870)
Capital assets, net	\$ 7,917	\$ -	\$ -	\$ 6,066

5. Compensated Absences

The current and long-term portions of compensated absences at June 30, 2016 were \$21,407 and \$39,707, respectively. A summary of changes in compensated absences follows:

Balance at July 1, 2015	\$ 64,730
Additions	36,286
Payments	(39,902)
Balance at June 30, 2016	\$ 61,114

6. Employees' Retirement Plan

Florida Retirement System

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

The Pension Plan provides for vesting of benefits after six to eight years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 to 65 with six to eight years or more of service. Early retirement is available after six to eight years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit, where average

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

6. Employees' Retirement Plan (continued)

compensation is computed based on an individual's five to eight highest years of earnings. Benefits also include a disability and survivor's benefits, as established by Florida Statutes.

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

The HIS Plan is established in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees in paying their health insurance costs. Current benefits are based on \$5 per year of service, ranging from \$30 - \$150 per month. To be eligible, retirees must provide proof of health insurance coverage, which may include Medicare.

Participating employer contributions are based upon actuarially determined statewide rates established by the State of Florida, that are expressed as percentages of annual covered payroll, and are adequate to accumulate sufficient assets to pay benefits when due. The rates applied to employee salaries for regular members and senior management were 7.26% and 21.43% for the 2016 year. The Lake-Sumter MPO's contributions to the plan for the years ended June 30, 2016, 2015, and 2014 were \$41,992, \$42,088 and \$38,973, respectively, equal to the required contributions for each year. There were no employee contributions to the plan prior to July 1, 2011; contribution rates of 3% were applied to all employee salaries. Employee contributions were \$11,414, \$11,907 and \$12,242 for the years ended June 30, 2016, 2015, and 2014 respectively. These employer rates include HIS contribution rates of 1.66%.

MPO employees receive the same benefits as Lake County employees, including participation in the System. Effective October 1, 2014, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. A liability, if any, related to the System retirement benefits is recorded in the financial statements of Lake County, Florida.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560, or by calling (850) 488-5541.

Lake-Sumter Metropolitan Planning Organization

Notes to Financial Statements (continued)

7. Retiree Health Coverage

Employees of the Lake-Sumter MPO receive the same health benefits as Lake County employees. Effective October 1, 2007, the County implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. A liability, if any, related to these benefits is reported in the financial statements of Lake County, Florida. For a detailed plan description, see the Lake County, Florida, CAFR for the fiscal year ended September 30, 2016.

8. Risk Management

Lake-Sumter MPO is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Lake-Sumter MPO is covered for general liability, automobile, workers' compensation, property and health liabilities under Lake County's self-insured fund; amounts paid to Lake County for coverage during the year ended June 30, 2016 were \$61,891. No settlements in excess of claims have been incurred during the current or prior period.

Required Supplementary Information

Lake-Sumter Metropolitan Planning Organization

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

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental revenue – operating grants	\$ 797,976	\$1,791,054	\$1,173,773	\$ (617,281)
Charges for services	183,550	212,717	193,369	(19,348)
Miscellaneous income	8,500	8,500	8,300	(200)
Total revenues	990,026	2,012,271	1,375,442	(636,829)
Expenditures:				
Personal services	599,050	641,652	550,152	91,500
Operating	337,164	1,395,729	784,855	610,874
Grants and aids	5,500	5,500	5,250	250
Administrative fee	25,312	25,312	25,188	124
Total expenditures	967,026	2,068,193	1,365,445	702,748
Excess of revenues over (under) expenditures	23,000	(55,922)	9,997	65,919
Other financing uses:				
Reserve for contingencies	(25,000)	(25,000)	–	25,000
Total other financing uses	(25,000)	(25,000)	–	25,000
Excess of revenues over (under) expenditures	(2,000)	(80,922)	9,997	90,919
Fund balance, beginning of year	2,000	80,922	80,922	–
Fund balance, end of year	\$ –	\$ –	\$ 90,919	\$ 90,919

See note to required supplementary information.

Lake-Sumter Metropolitan Planning Organization

Note to Required Supplementary Information

Year ended June 30, 2016

1. Summary of Significant Accounting Policies

Budgetary Process

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

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

Single Audit

Lake-Sumter Metropolitan Planning Organization

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA</u>	<u>Pass-Through / State Contract Number</u>	<u>Amount of Expenditures</u>
Department of Transportation			
Indirect:			
Florida Department of Transportation			
Highway Planning and Construction	20.205	417957-1-14-90 ANK65	\$ 528,950
Highway Planning and Construction	20.205	417957-1-14-02 ANK65	20,466
Highway Planning and Construction	20.205	417957-1-14-91 ANK65	8,500
Highway Planning and Construction	20.205	417957-1-14-92 ANK65	48,236
Highway Planning and Construction	20.205	417957-1-14-93 ANK65	1,500
Highway Planning and Construction	20.205	417957-1-14-94 ANK65	67,999
Highway Planning and Construction	20.205	417957-1-14-91 ANK65	77,118
Highway Planning and Construction	20.205	417957-1-14-93 ANK65	28,800
Highway Planning and Construction	20.205	417957-1-14-91 ANK65	9,998
Highway Planning and Construction	20.205	430975-1-28-01 AQK95	248,264
			<u>1,039,831</u>
Federal Transit Metropolitan Planning Grants	20.505	422441-1-14-24 AQF21	87,693
			<u>87,693</u>
Department of Transportation			<u>1,127,524</u>
Total Expenditures of Federal Awards			<u>\$ 1,127,524</u>

See notes to schedule of expenditures of federal awards.

Lake-Sumter Metropolitan Planning Organization

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

1. Summary of Significant Accounting Policies

General

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

2. Contingency

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

3. Indirect Costs

Lake-Sumter MPO does not charge its federal award programs with indirect costs.

Other Reports



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Lake-Sumter MPO's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lake-Sumter MPO's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake-Sumter MPO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Lake-Sumter MPO's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, Lake-Sumter MPO did not comply with requirements regarding CFDA 20.205, Highway Planning and Construction, as described in finding number 2016-001 for Allowable Costs. Compliance with this requirement is necessary, in our opinion, for Lake-Sumter MPO to comply with the requirements applicable to that program.

Qualified Opinion on the Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lake-Sumter MPO complied, in all material respects, with the types of requirements referred to in the first paragraph that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Other Matters

Lake-Sumter MPO's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lake-Sumter MPO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Lake-Sumter MPO is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake-Sumter MPO's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake-Sumter MPO's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 that we consider to be a material weakness.

Lake-Sumter MPO's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lake-Sumter MPO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Honorable Members of the
Lake-Sumter Metropolitan Planning Organization

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 22, 2017

Lake-Sumter Metropolitan Planning Organization

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report:

Unmodified Opinion

Internal control over financial reporting:

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

Yes No
 Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

Yes No
 Yes None reported

Type of report issued on compliance for major federal program:

Qualified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?

Yes No

Identification of Major Program:

CFDA Number

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

Lake-Sumter Metropolitan Planning Organization

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended June 30, 2016

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Finding 2016-001 – Documentation of Time and Effort

Federal Agency: United States Department of Transportation

Pass-Through Entity: Florida Department of Transportation

Program: Highway Planning and Construction (CFDA No. 20.205)

Finding Type: Noncompliance and Material Weakness

This is a repeat finding from the immediate previous audit, 2015-001.

Criteria – Allowable Costs

2 CFR 200.430 and 200.431 of the Uniform Guidance requires that charges to federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated.. Where employees are expected to work on multiple cost activities or cost objectives, the documentation must reflect the total activity of each employee and encompass both the federal activity and all other activities for which the employee is compensated. Additionally, for fringe benefits such as paid leave, the costs must be equitably allocated to all related activities, including federal awards and nonfederal activities.

Condition Found

During the current year audit, our testing disclosed that for salaries and benefits of Lake-Sumter MPO employees charged to the federal program for the 1st and 2nd quarters of the fiscal year, the employees did not maintain appropriate records, such as personnel activity reports, to evidence the actual time devoted to program activities. Salaries and benefits charged to the federal program for the 1st and 2nd quarters of the fiscal year totaled \$166,985 for seven employees.

For the 3rd and 4th quarters of the fiscal year, we noted that Lake-Sumter MPO implemented a time-tracking process in which employees completed weekly time-tracking sheets that allocated their time spent on federal and nonfederal activities. However, we noted differences between the percentages derived from the approved time-tracking sheets and the percentages charged to the federal program. These variances occurred during the initial implementation process of the new time reporting system. The Program Manager made corrections to the time allocations during the reimbursement submission process based on his understanding of where employees spent their time. Additionally, we noted that leave hours were coded 100% to the administrative task order of the federal grant instead of being allocated equitably among the respective employee's federal and nonfederal activities. While differences were noted in the 3rd and 4th quarters, we determined that the federal program was not overcharged because the reimbursement submissions for salaries and benefits did not exceed the revised totals derived from the time-tracking sheets.

Questioned Costs

\$166,985

Lake-Sumter Metropolitan Planning Organization

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended June 30, 2016

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (*Continued*)

Context

Lake-Sumter MPO was made aware of its deficiency in time and effort documentation in December 2015 as a result of ongoing audits by the external auditors and the Lake County Office of Inspector General (IG). Lake-Sumter MPO initiated corrective action beginning in January 2016 by implementing a new tracking system for staff to report the amount of time charged to various tasks.

Cause

A time reporting system which would track employee activities to specific program(s) worked was not developed until after the 1st and 2nd quarters had passed.

Effect

When federally-funded employees do not delineate their job responsibilities and work activities by properly maintaining required personnel activity reports, there is an increased risk that personnel costs may be inappropriately charged to a federal program.

Recommendation

Lake-Sumter MPO should continue to enhance its procedures to ensure that required time-tracking sheets are maintained to support federal salaries and benefits charges and that leave benefits are equitably allocated among federal and nonfederal activities.

Management's Response

Management concurs with the recommendation to continue with the enhancement of procedures to ensure that required time-tracking sheets are maintained to support salaries and benefits being charged for reimbursement from federal planning grants. Management also concurs that leave benefits are to be equitably allocated among federal and nonfederal activities when an employee is accruing that leave from federal and nonfederal funding sources.

Management had previously provided timesheets associated with the Lake County payroll process. Time and effort toward federal grant projects had previously been submitted for reimbursement based on estimated time invested toward each task detailed in the MPO's Unified Planning Work Program (UPWP). During FY 2015/16, as management learned of the risk potential of inappropriate charges to grants in the absence of an enhanced time-tracking process, management implemented on January 4, 2016, a process that requires the employee to identify: (1) the type of work activity, (2) the UPWP task to which the time is proposed to be charged, (3) the proposed funding source to cover the staff time, and (4) the location of the employee when the work is conducted outside of the MPO offices. For the first two quarters of FY 2015/16, management directed each employee to estimate time and effort from July through December 2015 to be charged to state and federal grants, as well as to local funds. Each employee and the executive director signed affidavits of the estimated time and effort toward each funding source.

Lake-Sumter Metropolitan Planning Organization

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended June 30, 2016

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (*Continued*)

Management's Response (Continued)

During the 3rd and 4th Quarters of FY 2015/16, while the new time-tracking process was new, management examined several examples of time tracking by other MPOs. Employees were directed to examine various methods of supporting documentation in pursuit of a uniform method for all employees that could be implemented in FY 2016/17. The methods included utilization of employee emails and calendar items to support the time-tracking documentation, as well as time-tracking software applications. The time-tracking documentation was submitted by the MPO to the Florida Department of Transportation (FDOT), which serves as the grant manager for federal transportation planning grants, and the FDOT approved reimbursements for the 3rd and 4th Quarters of FY 2015/16.

Management will be implementing a uniform documentation procedure during FY 2016/17. The MPO is contracting in FY 2016/17 with a consulting firm that specializes in governmental accounting and federal grant compliance. Part of the scope of work with that consultant includes an assessment of and recommendations on how to enhance the MPO's time-tracking process. Management is committed to enhancing the time-tracking process in order to meet federal and state requirements and to satisfy the grant management needs of the FDOT.

Lake-Sumter Metropolitan Planning Organization

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

PRIOR YEAR AUDIT FINDINGS

Federal Award Finding

Finding 2015-001 – Documentation of Time and Effort

Condition

This finding was a material weakness stating that Lake-Sumter MPO employees did not maintain appropriate records, such as personnel activity reports, to evidence the actual time devoted to federal program activities.

Recommendation

The auditor recommended that Lake-Sumter MPO should enhance its procedures to ensure that required personnel activity reports are maintained to support federal salaries and benefits charges.

Current Status

Partially corrected. In January 2016, Lake-Sumter MPO implemented a time-tracking system for its employees. However, this system was not in place for the 1st and 2nd quarters of the fiscal year. The finding is repeated in our current year report and identified as Finding 2016-001.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, 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, the financial statements of the governmental activities and major fund of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lake-Sumter MPO's basic financial statements, and have issued our report thereon dated February 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lake-Sumter MPO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake-Sumter MPO's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake-Sumter MPO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Members of the
Lake-Sumter Metropolitan Planning Organization

Compliance and Other Matters

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

We reported certain other matters to Lake-Sumter MPO's management in a separate letter dated February 22, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 22, 2017



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Lake-Sumter Metropolitan Planning Organization ("Lake-Sumter MPO") as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated February 22, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.650, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 22, 2017, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings. In addition, we noted that corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the members of Lake-Sumter MPO, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 22, 2017