

TOWN OF GOLDEN BEACH, FLORIDA

RESOLUTION NO. 2098.10

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF GOLDEN BEACH, FLORIDA, ACCEPTING THE REPORT TO MANAGEMENT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR 2008/2009 ENDING SEPTEMBER 30, 2009 PREPARED BY KEEFE, MCCULLOUGH & CO., LLP; PROVIDING FOR CONFLICT AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, certain basic financial statements for the fiscal year 2008/2009 have been prepared and submitted to the Town; and

WHEREAS, at the May 26, 2010 Special Town Council Meeting, by Council action, the basic financial statements for fiscal year 2008/2009 ending September 30, 2009 were approved pending the Report to Management; and

WHEREAS, the Report to Management (Attached hereto) has been prepared and submitted to the Town; and

WHEREAS, the Town Council intends to formally recognize and accept the report.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF GOLDEN BEACH, FLORIDA, AS FOLLOWS:

Section 1. Financial Statements Accepted. That the Town hereby accepts the Report to Management of the General Purpose Financial Statements for fiscal year 2008/2009 ending September 30, 2009 prepared by Keefe, McCullough & Co., LLP.

Section 2. Conflict. That all resolutions or parts of resolutions in conflict with this Resolution are hereby repealed to the extent of such conflict.

Section 3. Effective Date. That this Resolution shall be effective immediately upon adoption.

Sponsored by Town Administration.

The Motion to adopt the foregoing resolution was offered by Councilmember Amy Rojas, seconded by Councilmember Judy Lusskin, and on roll call the following vote ensued:

Mayor Glenn Singer	<u>Aye</u>
Vice Mayor Ben Einstein	<u>Aye</u>
Councilmember Ken Bernstein	<u>N/A</u>
Councilmember Judy Lusskin	<u>Aye</u>
Councilmember Amy Rojas	<u>Aye</u>

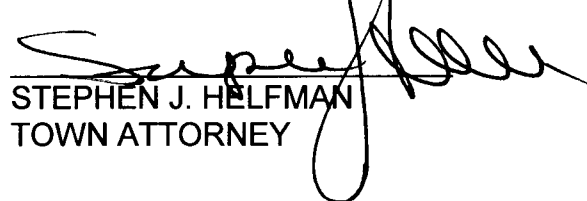
PASSED AND ADOPTED by the Town Council of the Town of Golden Beach, Florida, this 15th day of June, 2010.


MAYOR GLENN SINGER

ATTEST:


LISSETTE PEREZ
INTERIM TOWN CLERK

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY:


STEPHEN J. HELFMAN
TOWN ATTORNEY

TOWN OF GOLDEN BEACH, FLORIDA
REPORT TO MANAGEMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2009



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

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REPORT TO MANAGEMENT

To the Honorable Mayor and Council Members
Town of Golden Beach, Florida
Golden Beach, Florida

In planning and performing our audit of the financial statements of the Town of Golden Beach, Florida as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Golden Beach, Florida's internal control over financial reporting (internal control) 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Town of Golden Beach, Florida's internal control to be significant deficiencies as noted in the schedule of findings and responses. In addition, we noted other matters involving internal control and its operation that we have also communicated to management as indicated in the schedule of findings and responses.

This report is intended solely for the information and use of the Town of Golden Beach, Florida Council and others within the organization.

James McCulloch, C.P.A.
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 9, 2010

TOWN OF GOLDEN BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2009

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RESPONSES

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2008-02 Reconciliation and maintenance of general ledger	X	
2007-01 Updated accounting procedures manual	X	
2008-01 Stale reconciling items	X	

SIGNIFICANT DEFICIENCIES

2007-01 Updated accounting procedures manual:

We noted that the Town does not have an updated accounting procedures manual. There may be an assumption that because the Town's accounting system is relatively simple and accounting personnel have direct access to the Finance Director when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of daily, monthly, and annual closing responsibilities will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management currently performs. Additionally, the timing of specific schedules and procedures for year-end audit could be coordinated with the timing of the auditors' need for the information.

We understand it will take some time and effort for Town management to develop a manual; however, we believe this time will more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved upon to make the system more efficient and effective.

Management's response:

An accounting manual is in place and is used for internal purpose. The Town recognizes the importance of an accounting manual and is working diligently to update the current manual. The Town is aware of the rapid changes with regards to GASB and their changing polices. Trainings are made available to the Finance Staff as needed.

TOWN OF GOLDEN BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
(continued)
September 30, 2009

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RESPONSES (continued)

2008-02 Reconciliation and maintenance of general ledger

During our previous audit, we noted that various general ledger accounts were not reconciled timely to the detail contained in those accounts. In the current year, we still noted that certain balance sheet accounts, including accounts receivable and fund balances, had not been reconciled and/or adjusted, causing approximately \$ 295,000 and \$ 839,000 of reclassifications made to correct current-year accounts receivable and fund balances, respectively. We believe that these accounts should be reconciled and adjusted monthly to provide for more accurate internally generated financial data, expedite the monthly closing and reduce the time necessary to research the composition of general ledger balances. In order to accomplish this, we recommend the implementation of a closing procedures checklist. This checklist, which should include all balance sheet accounts, should indicate who will reconcile each account, when completion of each account is due, and the date the account was reconciled.

Management's response:

During this year's audit, the Town administration had all schedules and accounts reconciled to the general ledger. There was an issue with regards to items that came to our attention after the trial balance was given to the auditors and the journal entries were brought to the attention of the audit team and the adjustments were made. Out of the 50 adjusting journal entries over 20 were identified by the Town Administration. For example, the Encumbrance entries (totaling \$ 839,000) were done prior to the year end and later we were advised by the auditor that due to the fact the Town did not use encumbrance accounting and all the entries had to be reversed. That included entries from prior year as well. The auditor was well aware of these entries. The accounts receivable adjustments (totaling \$ 239,000) were from grant submittals after year end and the entries were given to the audit team as soon as it came to our attention.

OTHER MATTERS

2008-01 Stale reconciling items:

During our audit of cash in the previous and current year, we noted that the outstanding checklist for the operating account at September 30, 2008 and 2009 contained items dating back over a year. We recommend that stale checks be researched and a disposition of their status be properly assessed as items that should "escheat" to the State of Florida, be voided or other appropriate treatment. Deposits not clearing in the subsequent month should be researched immediately and their disposition addressed.

Management's response:

The Town recognizes the importance of clearing old and outstanding items and has worked diligently to clear the items via "escheat" to the State of Florida, be voided, or other appropriate treatment. Out of the 14 check identified 6 are payable to Town employees. The Town has taken the proper steps to clear all stale items.

TOWN OF GOLDEN BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
(continued)
September 30, 2009

CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES

2009-01 Transaction posting and balancing of interfund balances and transfers

During the audit, we noted that amounts related to transfers of funds and balancing of interfund receivables and payables were not being accurately posted into the designated interfund accounts or being reconciled. We believe that the Town could improve its accounting records by establishing and accurately maintaining accounts for recording transactions between the Town's funds. Separate accounts for all interfund transactions would aid in determining that such transactions have been properly recorded on the books of all intercompany funds involved. Interfund accounts should be reconciled at monthly, and the Town Manager should be notified of unexplained differences over a specified dollar amount for appropriate follow-up. A monthly reconciliation of the interfund transactions is important to maintain the accuracy of these accounts. With the growth in activities that the Town is experiencing, the need to implement and continuously reconcile these separate accounts is even more critical and will greatly aid in the process of preparing financial statements.

Management's response:

Due to the large scale of projects the Town has undertaken in the current fiscal year the mass of interfund transfer and payables has increased tremendously. The current accounting system does not have the capacity to handle the multi-fund interfund transfers and the process is therefore being handled in a second adjusting entry when an item of such is posted. Management understands the importance of this reconciliation and has developed a monthly report to be approved by the Town Manager on a monthly basis. We are working diligently with the account software to clear out all due to due form accounts on a quarterly basis.

2009-02 Improve Monthly Closing Procedures to Stormwater Fund

During the audit, we recommended 10 adjusting journal entries in the Stormwater Fund. The effect of such entries was to increase net assets by approximately \$ 1.6 million. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made by the accounting department. The following material journal entries were recorded:

- An adjustment of approximately \$ 134,000 was made to adjust principal payments to proper amounts at year-end.
- An adjustment of approximately \$ 1.7 million was made to correct construction expenditures related to a specific construction project.
- An adjustment of approximately \$ 183,000 was made to record accruals related to grant revenues.

We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

Management's response:

The Stormwater Fund is an enterprise fund and during this year's audit the fund has increased due to the council accepting to complete all phases of the Stormwater Master Plan versus completing it in phases. This project is still under construction and is due to be completed in December of 2010. The funding for this project has changed due to a recent approval a federal grant funds from FEMA. The Town recognizes the importance of accruals and proper record keeping and therefore has implemented a monthly checklist to be giving to the Town Manager for review and approval.

TOWN OF GOLDEN BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
(continued)
September 30, 2009

**CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)**

OTHER MATTERS

2009-03 Upgrade accounts payable software

During our audit, we noted that the Town does not currently have an accounts payable detailed schedule showing the amounts due to vendors as of the fiscal year-end. The Town's current accounting system does not have the capability to produce an accounts payable detailed schedule as of the fiscal year-end. The inability of the Town's accounting system to produce an accounts payable detailed schedule leaves the Town with the option of preparing the schedule manually which is inefficient and much more susceptible to error. We recommend that the Town make the necessary upgrade to its accounting system to be able to produce an accounts payable detailed schedule.

Management's response:

The Town understands the importance of an accounts payable detailed schedule that shows what is due to the vendors as of year-end. The accounts payable report was presented to the auditors with the accurate schedule and had no issue in tying out the balances. The Town is working meticulously with the accounting software to create a report that will in fact print vendor totals from the system to avoid having to create the reports manually.

2009-04 Record accounts payable on jobs in process

During the audit, we observed that accounts payable on construction jobs in process were not recorded. All expenses incurred as of year-end should be recorded so that costs to date on jobs in process reflect all work performed on the jobs. We recommend that all invoices received for a period of two to three weeks after each month and year end, that apply to work done before the period end, be recorded as job costs and liabilities. This will result in more accurate interim financial statements, will keep management current on the progress of the jobs, and may highlight a problem area earlier so that corrective action can be taken.

Management's response:

The Town recognizes the importance of proper accounts payable on large constructions jobs and the posting of such items are done and maintained up to date. During this year's audit there were several invoices from construction jobs invoices that were received three months late and the Town made the proper adjustments to post payables on job process. The Town is working diligently with the construction managers to make sure that all billings are not delayed.

2009-05 Reconcile Investment Transactions Records

During our audit, we noted that the Town had not reconciled investment balances for unrealized gains and losses during the year. We believe that all investment transactions should be reconciled monthly against investment statements. We recommend that reconciliations between investment statements and detailed subsidiary records be prepared and then reviewed by a responsible person.

Management's response:

The Town recognizes the importance of reconciling investment balances for unrealized gains and losses and does monthly posting of gains. This year was a unique year due to the unrealized losses from the State Board of Administration Local Government Surplus Trust Funds Investment Pool. The Town has taken steps to gradually remove all funds in this account to a safer and more stable financial institute.

TOWN OF GOLDEN BEACH, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
(continued)
September 30, 2009

**CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)**

2009-06 Ensure that GASB 45 is Properly Implemented

GASB 45 - Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions is required for the Town to implement for the year ended September 30, 2010. Prior to that date, an actuarial valuation is required to be performed to determine if any liability needs to be recorded on the government-wide basis for any unfunded actuarial liability. We recommend that the Town takes all steps to ensure compliance with the GASB 45 requirements.

Management's response:

The Town has taken all steps to ensure compliance with GASB 45 requirements. The Town has just completed the actuarial valuation and has contracted with Stanley, Hunt, DuPree & Rhine to determine if any liability is needed and such will be recorded as per GASB 45 requirements.