

# **The City of Hallandale Beach**

**Report to the Honorable Mayor and Members of the City Commission**

**9.30.2009**

**McGladrey & Pullen**

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International –  
an affiliation of separate and independent legal entities.

# McGladrey & Pullen

Certified Public Accountants

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Hallandale Beach, Florida 33009

Attention: The Honorable Mayor and Members of the City Commission

We are pleased to present this report related to our audit of the financial statements of The City of Hallandale Beach Florida (the City) for the year ended September 30, 2009. In addition to our report on your financial statements, we have provided, under separate cover, a letter, dated March 31, 2010, concerning whether there were any significant deficiencies and material weaknesses in internal control that we noted during our audit of the City's basic financial statements for the year ended September 30, 2009. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process. Also included is a summary of recently issued accounting standards that may affect future financial reporting by the City.

This report is intended solely for the information and use of the Mayor and Members of the City Commission and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
May 7, 2010

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## Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; the provisions of the Single Audit Act; OMB Circular A-133; OMB's <i>Compliance Supplement</i> ; has been described to you in our arrangement letter dated July 29, 2008.
<b>Accounting Practices</b>	<b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. In the current year, the City adopted the following Governmental Accounting Standards Board (GASB) Statements. <ul style="list-style-type: none"><li data-bbox="860 1045 1466 1339">• GASB Statement No. 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>, was issued November 2006. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.</li><li data-bbox="860 1367 1478 1759">• GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>, issued June 2004, will be effective in phases using the same criteria applied in the implementation of the new governmental reporting model starting with periods beginning after December 15, 2006. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.</li></ul>

Area	Comments
<b>Management's Judgments and Accounting Estimates</b>	<p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Alternative Treatments Discussed with Management</b></p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".</p>
<b>Financial Statement Disclosures</b>	<p>In our meeting with you we will discuss with you the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements:</p> <ul style="list-style-type: none"> <li>• Adoption of accounting standards</li> <li>• Results of the Single Audit</li> </ul>
<b>Audit Adjustments</b>	<p>Audit adjustments recorded by the City are attached with the representation letter included with Exhibit A.</p>
<b>Uncorrected Misstatements</b>	<p>Uncorrected misstatements are attached with the representation letter included with Exhibit A.</p>
<b>Disagreements with Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
<b>Consultations with Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
<b>Significant Issues Discussed with Management</b>	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>
<b>Difficulties Encountered in Performing the Audit</b>	<p>We did not encounter any difficulties in dealing with management during the audit.</p>
<b>Letter Communicating Significant Deficiencies</b>	<p>We have issued a separate letter communicating the status of the significant deficiency identified during our prior year audit of the financial statements, and this communication is included within the City's compliance report for the year</p>

Area	Comments
<b>Certain Written Communications Between Management and Our Firm</b>	ended September 30, 2009. This report also includes other performance improvement observations that have been identified in current and prior year audits. See Exhibit B.  Copies of certain written communications between our firm and the management of the City are attached as Exhibit A.

The City of Hallandale Beach

Summary of Accounting Estimates  
Year Ended September 30, 2009

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's September 30, 2009 financial statements:

<u>Area</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>	<u>Comments</u>
<b>Risk Management</b>	The City is partially self-insured for general and auto liability, and workers' compensation. The accrued liability for estimated claims represents an estimate of the eventual loss on claims including claims incurred but not yet reported.	The City utilizes the services of a third party administrator together with the Risk manager and City Attorney to evaluate each claim and establish reserves as considered necessary. The City uses a lag analysis based on past history to determine an estimate for claims incurred but not yet reported.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.
<b>Pension Plans</b>	The City funds the pension plans annually as directed by the actuarial valuations performed. The net pension asset is calculated as the difference between the annual required contribution and the actual contributions made by the City.	The City has informed us that they used all the relevant facts available to determine the assumptions used by the actuary in calculating the City's Annual Required Contribution and have reviewed the results of the actuarial determination.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.
<b>Depreciation of capital assets.</b>	Depreciation is provided on the straight-line basis over the respective estimated useful lives ranging from 5 to 42 years.	The City has informed us they used all the relevant facts available to them at the time to make the best judgments about the depreciation method and estimated useful lives of capital assets.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.

**Summary of  
Accounting Estimates  
(Continued)**

<b>Other post-employment benefits(OPEB)</b>	<p>The City is self funded for other post-employment benefits as the City permits eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Operating funds are charged premiums by the OPEB internal service fund based on the actuarially determined annual required contribution.</p>	<p>Management with input from its OPEB actuary developed the actuarial assumptions based on relevant criteria. Management reviewed and approved the financial statement estimates derived from the OPEB actuarial report.</p>	<p>We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.</p>
<b>Allowance for Doubtful Accounts</b>	<p>All trade and other receivables are reported at net realizable value.</p>	<p>Receivables are analyzed for their collectability based on the terms and conditions of the agreements and on the creditors' ability to pay (i.e. financial condition, credit history, and current economic conditions).</p>	<p>We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.</p>

## Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the City. The City's management has not yet determined the effect these Statements will have on the City's financial statements. However, the City plans to implement all standards by the required dates. The Statements which might impact the City are as follows:

***GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets***

This Statement issued June 2007, will be effective for the City beginning with its year ending September 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

***GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments***

This Statement, issued June 2008, will be effective for the City beginning with its year ending 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. Effective dates: For periods beginning after June 15, 2009.

***GASB Statement No. 54, Accounting for Fund Balance Reporting and Governmental Fund Type Definitions***

This Statement, issued March 2009, will be effective for the City beginning with its year ending 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

***GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies***

This Statement, issued December 2009, will be effective for the City beginning with its year ending 2010. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

**Exhibit A - Certain Written Communications Between Management  
and Our Firm**



# City of Hallandale Beach

March 31, 2010

McGladrey & Pullen, LLP  
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In connection with your audit of the basic financial statements of the City of Hallandale Beach, Florida, (the "City") as of and for the year ended September 30, 2009, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of March 31, 2010, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
  - a. Component units.
  - b. Other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
  - c. Jointly governed organizations in which we participated.
3. We are not a component unit of any other government, as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
4. We are not an other organization, as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
5. We are not a joint venture with any other organization, as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
6. We are not a jointly governed organization, as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
7. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
8. We have properly classified all funds and activities.
9. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We have determined the capital projects fund to be major for public interest reasons and consistency from year to year.
10. We are responsible for compliance with laws and regulations applicable to the City including adopting, approving, and amending budgets.

11. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
12. We have made available to you:
  - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
  - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements.
13. We have no knowledge of fraud or suspected fraud affecting the City involving:
  - a. Management or employees who have significant roles in the internal control.
  - b. Others where the fraud could have a material effect on the financial statements.
14. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators or others.
16. We are aware of no significant deficiencies, except as disclosed in your report, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
19. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Related party transactions, including those as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
  - b. Security agreements in effect under the Uniform Commercial Code.
  - c. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - d. The fair value of investments.
  - e. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - f. Any liabilities which are subordinated in any way to any other actual or possible liabilities.

- g. Debt issue provisions.
  - h. All leases and material amounts of rental obligations under long-term leases.
  - i. All significant estimates known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, Disclosure of Certain Significant Risks and Uncertainties. Significant estimates are estimates at the balance sheet date which could change materially within the next year.
  - j. Risk financing activities.
  - k. The effect on the financial statements of the following GASB Statements which have been issued, but which we have not yet been adopted:
    - GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations,"
    - GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets,"
    - GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments"
    - GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions"
  - l. Deposits and investment securities categories of risk.
20. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
- a. To reduce receivables to their estimated net collectable amounts.
  - b. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through September 30, 2009 and/or for expected retroactive insurance premium adjustments applicable to periods through September 30, 2009.
  - c. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through September 30, 2009.  
No provision is required:
  - d. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
  - e. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
21. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
  - d. Guarantees, whether written or oral, under which the Government is contingently liable.

- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - f. Line of credit or similar arrangements.
  - g. Agreements to repurchase assets previously sold.
  - h. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - i. Material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, Disclosure of Certain Significant Risks and Uncertainties. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
  - j. Authorized but unissued bonds and/or notes.
  - k. Derivative financial instruments.
  - l. Special and extraordinary items.
  - m. Arbitrage rebate liabilities.
  - n. Impairment of capital assets.
  - o. For any material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - p. For any material losses to be sustained as a result of purchase commitments.
  - q. For environmental clean up obligations.
22. There are no unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10. The amounts accrued for general liability and workers compensation are appropriately recorded based on discussion with the City Attorney, Risk Manager and outside counsel as deemed appropriate including the accrued estimate for the The Set (Cheetah) lawsuit for \$1 million.
  23. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private (or to special assessment bond holders) that is not disclosed in the financial statement.
  24. We have satisfactory title to all owned assets.
  25. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  26. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  27. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  28. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
  29. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
  30. The land that has been purchased through the CRA is not being held with the specific intent to resell the property and recoup the City's investment and is therefore not recorded as a financial asset of the CRA fund. From time to time, the CRA purchases land for redevelopment. At the time the land is purchased the City does not have a clear intent on whether it will be used as City-owned property such as a park, drainage area or storage facility or if it will be used to support City programs such as first time homebuyers and other affordable housing initiatives. Since the ultimate use of the property is unknown at time of acquisition and it

is not specifically acquired with the intent to resell, the City records these acquisitions as a capital asset of the City. If it is later determined the land will be used in a City sponsored program, the land is donated to either a developer or resident and the activity is recorded as a program expense.

31. Required supplementary information is properly measured and presented.
32. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit. These adjustments are attached as Appendix A. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:

33. We are responsible for:
  - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
  - b. Establishing and maintaining effective internal control over financial reporting.
34. We have identified and disclosed to you:
  - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. That there have been no violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
35. There has not been any fraud, illegal acts, or violations of provisions of contracts or grant agreements, or abuse that has been reported.
36. We have a process to track the status of any audit findings and recommendations.
37. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
38. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

39. We are responsible for complying, and have complied, with the requirements of OMB Circular A-133.
40. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance).
41. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the City is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.

42. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the City's federal programs and have complied, in all material respects, with those requirements.
43. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
44. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
45. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
46. Except as disclosed in your compliance reports, we are not aware of any amounts questioned or any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
47. We have charged costs to federal awards in accordance with applicable cost principles.
48. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
49. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
50. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
51. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.
52. There have been no prior audit findings by federal awarding agencies and pass-through entities.
53. We will accurately complete the appropriate sections of the data collection form and will perform the auditee certification as required by the Federal Clearinghouse..
54. We have disclosed all contracts or other agreements with service organizations.
55. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
56. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.
57. The City has complied with the provisions of Section 218.415, Florida Statutes regarding the investment of public funds.
58. The City is not in a state of emergency based upon the conditions described in Section 218.503(1), Florida Statutes.
59. Management has assessed the financial condition of the City and noted no deteriorating financial condition.

No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

As of and for the year ended September 30, 2009

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that, in the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

DESCRIPTION	ASSETS		LIABILITIES		NET ASSETS		REVENUES	EXPENSES
					Debit (Credit)			
CARRYOVER IMPACT FROM PREVIOUS YEARS	\$	-	\$	-	\$	-	\$	-
CURRENT YEAR MISSTATEMENTS								
<u>Known Errors</u>								
To decrease the accrued claims for self-insured risks for known results				177,700				(177,700)
To decrease the EMS receivable		(82,544)				82,544		
To reclass the proprietary grant related activity out of the grant fund and into the Stormwater Fund.								
Transfer Out								(299,919)
Intergovernmental Revenue						299,919		
SUBTOTAL	\$	(82,544)	\$	177,700		-	\$	382,463
Effect of current year passed adjustments on net assets						(95,156)		
Cumulative effect on net assets					\$	(95,156)		

DESCRIPTION	ASSETS		LIABILITIES		NET ASSETS		REVENUES	EXPENSES
					Debit (Credit)			
CARRYOVER IMPACT FROM PREVIOUS YEARS	\$	-	\$	-	\$	-	\$	-
CURRENT YEAR MISSTATEMENTS								
<u>Known Errors</u>								
To reclass the proprietary grant related activity out of the grant fund and into the Stormwater Fund.								
Transfers In						299,919		
Intergovernmental revenue						(299,919)		
SUBTOTAL	\$	-	\$	-		-	\$	-
Effect of current year passed adjustments on net assets						-		
Cumulative effect on net assets					\$	-		

General Fund

DESCRIPTION	ASSETS		LIABILITIES		NET ASSETS		REVENUES		EXPENSES	
					Debit (Credit)					
CARRYOVER IMPACT FROM PREVIOUS YEARS	\$	-	\$	-	\$	-	\$	-	\$	-
CURRENT YEAR MISSTATEMENTS										
<u>Known Errors</u>										
To decrease the EMS receivable		(82,544)						82,544		
SUBTOTAL	\$	(82,544)	\$	-		-	\$	82,544	\$	-
Effect of current year passed adjustments on net assets								82,544		
Cumulative effect on net assets					\$	82,544				

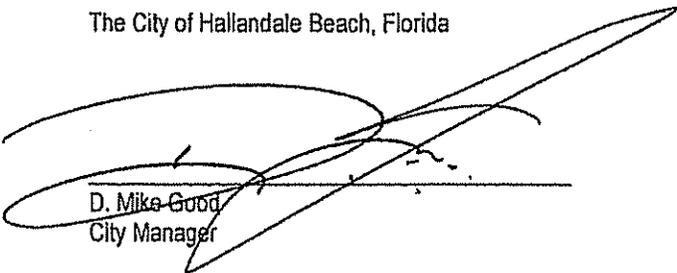
Stormwater Fund

DESCRIPTION	ASSETS		LIABILITIES		NET ASSETS		REVENUES		EXPENDITURES	
					Debits (Credits) NET ASSETS					
CARRYOVER IMPACT FROM PREVIOUS YEARS	\$	-	\$	-	\$	-	\$	-	\$	-
CURRENT YEAR MISSTATEMENTS										
<u>Known Errors</u>										
To reclass the proprietary grant related activity out of the grant fund and into the Stormwater Fund.										
Transfers In								299,919		
Intergovernmental revenue								(299,919)		
SUBTOTAL		\$0		\$0		\$0		\$0		\$0
Effect of current year passed adjustments on net assets										
Cumulative effect on net assets					\$	-				

Remaining Aggregate Fund Information:

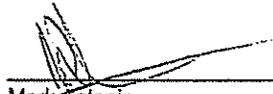
DESCRIPTION	ASSETS		LIABILITIES		NET ASSETS		REVENUES		EXPENSES	
					Debit (Credit)					
CARRYOVER IMPACT FROM PREVIOUS YEARS	\$	-	\$	-	\$	-	\$	-	\$	-
CURRENT YEAR MISSTATEMENTS										
<u>Known Errors</u>										
To decrease the accrued claims for self-insured risks for known results				177,700						(177,700)
To reclass the proprietary grant related activity out of the grant fund and into the Stormwater Fund.										
Transfer Out										299,919
Intergovernmental Revenue								(299,919)		
SUBTOTAL	\$	-	\$	177,700		-	\$	(299,919)	\$	122,219
Effect of current year passed adjustments on net assets								(177,700)		
Cumulative effect on net assets					\$	(177,700)				

The City of Hallandale Beach, Florida



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D. Mike Good  
City Manager



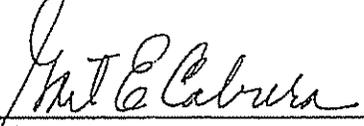
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Mark Antonio  
Assistant City Manager



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Patricia Ladolcetta  
Patty Ladolcetta  
Finance Director



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Gail Cabrera  
Senior Accountant

Appendix A

City of Hallandale Beach  
September 30, 2009  
Adjusting Journal Entries

Entry Number	Account Name & Entry Description	Debit	Credit
1	DEPRECIATION EXPENSE / CAPITAL ASSETS FIXED ASSETS / ACCUM DEPRECEQUIPMENT	68,822.00	68,822.00
	To adjust depreciation expense due to change in accounting estimate in the Water Fund.		
2	ACCOUNTS PAYABLE / VOUCHERS PAYABLE OTHER SERVICE CHARGES / C REDEVELOPMENT PROGRAM	2,650,000.00	2,650,000.00
	Reduction of liability and related expense for advance which was made in fiscal year 2010 to developer in the CRA Fund.		
3	ACCRUED CLAIMS FOR SELF INSURANCE PERSONNEL EXPENSE	212,000.00	212,000.00
	To reduce liability to reflect actual Net OPEB Obligation.		

**Exhibit B – Single Audit Reports in Accordance with OMB-Circular A-133 and  
Management Letter in Accordance with the *Rules of the Auditor General of the State  
of Florida***

# McGladrey & Pullen

Certified Public Accountants

## City of Hallandale Beach, Florida

Compliance

09/30/2009

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City of Hallandale Beach, Florida

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Expenditures
<b>U.S. Department of Agriculture:</b>			
<b>Pass-Through Florida Department of Education:</b>			
Summer Food Service Program for Children	10.559	04-0995	\$ 10,136
<b>Total U.S. Department of Agriculture</b>			<u>10,136</u>
<b>U.S. Department of Housing and Urban Development:</b>			
<b>Pass-Through Broward County Community Development Division:</b>			
Community Development Block Grant, Urban County Entitlement			
33rd Year – Friends of the Hepburn Center			
After School/Homework Tutorial Program	14.218	N/A	54
After School/Homework Tutorial Program	14.218	N/A	79,806
34nd Year – Public Works Improvements			
	14.218	N/A	299,919
<b>Total U.S. Department of Housing and Urban Development</b>			<u>379,779</u>
<b>Federal Highway Administration, Department of Transportation:</b>			
<b>Pass-Through Florida Department of Transportation:</b>			
Federal-Aid Highway Program	20.205	418426-1-58-01	80,000
Federal-Aid Highway Program	20.205	414039-1-38/58-01	513,870
<b>Total Federal Highway Administration</b>			<u>593,870</u>

(Continued)

City of Hallandale Beach, Florida

Schedule of Expenditures of Federal Awards (Continued)  
 Year Ended September 30, 2009

Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Expenditures
<b>U.S. Department of Justice:</b>			
<b>Direct:</b>			
Weed & Seed Grant – Palms	✓ 16.595	2007-WS-Q7-0046	64,676
Weed & Seed Grant – Palms	✓ 16.595	2008-WS-QX-0210	129,009
Edward Bryne Justice Assistance Grant	✓ 16.580	BJA-2007-1627	163,448
C.O.P.S. Technology Grant	✓ 16.710	2008CKWX0601	93,530
<b>Subtotal of Direct U.S. Department of Justice</b>			<u>450,663</u>
<b>Pass-Through Broward Sheriff's Office:</b>			
Edward Bryne Justice Assistance Grant	✓ 16.738	2007-DJ-BX-1390	27,151
<b>Total U.S. Department of Justice</b>			<u>477,814</u>
<b>U.S. Department of Homeland Security:</b>			
Federal Emergency Management Agency –			
<b>Direct:</b>			
CERT Grant 2008	97.067	N/A	8,402
Emergency Food & Shelter	97.024	N/A	511
Emergency Food & Shelter	97.024	N/A	3,776
<b>Subtotal of Direct</b>			<u>12,689</u>
<b>Pass-Through Florida Department of Community Affairs:</b>			
FEMA Flood Mitigation	97.029	07FM-71-11-16-02	225,250
Tropical Storm Fay	97.036	06-WL-&K-11-16-02-706	1,982
Hazard Mitigation – NE Drainage	97.039	N/A	42,386
<b>Subtotal of Passed Through Florida Department of Community Affairs</b>			<u>269,618</u>
<b>Total U.S. Department of Homeland Security</b>			<u>282,307</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$1,743,906</u></u>

**City of Hallandale Beach, Florida**

**Notes to Schedule of Expenditure of Federal Awards  
Year Ended September 30, 2009**

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**Note 1. General**

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the activity of all federal awards of the City of Hallandale Beach, Florida for the year ended September 30, 2009. All federal awards received directly from federal agencies, as well as federal awards received from other government agencies, are included in the Schedule.

**Note 2 Basis of Accounting**

The accompanying Schedule is presented using the modified accrual basis of accounting in the governmental fund types and the accrual basis of accounting in the proprietary fund types. Under the modified accrual basis, revenue is recognized if it is both measurable and available for use during the fiscal year and expenditures are generally recognized in the period liabilities are incurred. Under the accrual basis, revenue is recognized when earned and expenses are recognized in the period liabilities are incurred.

# McGladrey & Pullen

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**

To the Honorable Mayor, Members of the  
City Commission and City Manager  
City of Hallandale Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2010. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the City's Police Officers' and Firefighters' Retirement Plan, which represents 56% of the total assets and 49% of the total revenue of the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

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

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 noted certain matters that we have reported to management of the City in a separate letter dated March 31, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, federal and state awarding agencies and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 31, 2010

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Expenditures on Federal Awards**

To the Honorable Mayor, Members of the  
City Commission and City Manager  
City of Hallandale Beach, Florida

### ***Compliance***

We have audited the compliance of the City of Hallandale Beach, Florida (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2009 and have issued our report thereon dated March 31, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, federal awarding agencies, pass-through entities and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 31, 2010

The City of Hallandale Beach, Florida

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2009

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**I - Summary of Independent Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X _____ None Reported	

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	_____ X _____ No	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Federal-Aid Highway Program

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
Auditee qualified as low-risk auditee?	_____ X _____ Yes	_____ _____ No

(Continued)

City of Hallandale Beach, Florida

Schedule of Findings and Questioned Costs (Continued)  
Fiscal Year Ended September 30, 2009

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II – Findings Related to the Financial Statement Audit as Required to be Reported in Accordance With  
Generally Accepted Government Auditing Standards

None reported.

III – Findings and Question Costs for Federal Awards

None reported.

Summary Schedule of Prior Audit Findings  
Fiscal Year Ended September 30, 2009

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IV – Prior Year Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance  
With Generally Accepted Government Auditing Standards

IC 2007-01 – Post Closing and Financial Reporting Process

A. Significant Deficiencies over Internal Control

Criteria: The post-closing and financial reporting process, including the accurate recording and accounting of transactions, is a critical function of the City.

Prior years' condition: During our audit, numerous adjustments were required to be made to the trial balance in order to comply with GAAP. The adjustments related to routine transactions which were a result of inadequate preparation of certain supporting schedules, used to prepare post closing adjustments.

Cause: Staffing issues in the accounting department, including employee turnover, resulted in improperly prepared schedules which were used to post the necessary post closing entries. Difficulties in obtaining the schedules hindered the review process which was designed to identify and correct such errors.

Effect: The lack of adequate closing policies and procedures can result in material misstatements to the financial statements.

Prior years' recommendation: We recommend that the trial balance, all journal entries, bank reconciliations and all supporting schedules be reviewed and approved by appropriate supervisory personnel on a timely basis. Greater emphasis should be placed on ensuring all employee prepared schedules are subjected to review. All supporting documentation used to generate financial reporting entries should be sufficiently reviewed before the related adjusting entries are recorded. We further recommended that the analysis of the year end trial balance including the balance sheet accounts is performed by finance staff and reviewed by appropriate supervisory personnel and evidenced by a signature approving the analysis performed.

Prior year views of responsible officials and planned corrective action: Finance Department procedures include timely review of the trial balance, all journal entries, bank reconciliations and supporting schedules by appropriate supervisory personnel. However, due to the sudden resignation of an accounting staff member at a critical time in the middle of the audit, many schedules and journal entries had to be re-done when errors were found during the review process. Management concurs with the recommendation and will include procedures to ensure there is evidence of a timely review of the analysis of the entire trial balance including balance sheet accounts performed by finance staff by appropriate supervisory personnel.

**Summary Schedule of Prior Audit Findings (Continued)**  
**Fiscal Year Ended September 30, 2009**

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Current year status: In the current year significant steps were made to address the prior year deficiencies. There were procedures in place to ensure all journal entries were subjected to a supervisory review. The trial balance is analyzed by finance staff as part of the year end process and reviewed. As part of the annual budget preparation process finance staff performs a thorough review of the current year activity including projections for the end of year balances for all major revenue sources and expenditure accounts which is presented to the committee by finance staff and reviewed by all members of the budget committee. This review as part of the budget process ensures the accuracy of the current year activity while providing a basis for the subsequent year's budget estimates. The analysis performed during the budget process is updated and reviewed again after year end as part of the year end closing process. As a result the income statement activity included in the trial balance is properly reviewed by supervisory personnel. However, although the finance staff also performs a review of the individual balance sheet accounts reported in the trial balance at year end, there is no formal process of supervisory review over these balance sheet accounts. Certain significant balance sheet accounts are reviewed by the Finance Director as deemed appropriate but there is no physical evidence of this review. In addition, the review process has improved significantly; however, there is a lack of timeliness in the preparation of final schedules used in the audit and financial reporting processes.

Current year recommendation: We recommend the City should establish formal procedures to ensure that all significant balance sheet accounts are reviewed timely and that evidence of the review is documented. Consideration should also be given to using supporting schedules on a monthly or quarterly basis to support the review and analysis of accounts and to facilitate the preparation final schedules for use in the audit and financial reporting processes.

Views of responsible officials and planned corrective action: Finance director, senior accountant and other staff members review balance sheet accounts several times per year. All questionable amounts are researched immediately, and adjustments made whenever applicable. Journal entries to correct balances, updated by appropriate supervisor, are considered to be evidence of review. To formalize the procedure, balance sheet accounts will be assigned to various persons and a checklist created to track due dates and provide evidence of accomplishment of reviews.

**B. Compliance Findings**

None reported.

# McGladrey & Pullen

Certified Public Accountants

## Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida

To the Honorable Mayor, Members of the  
City Commission and City Manager  
City of Hallandale Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallandale Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2010. Our report was modified to include a reference to other auditors.

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 and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to its Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports which are dated March 31, 2010, 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 government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i) 1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been addressed in Appendix B to this report.

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 City complied with Section 218.415, Florida Statutes, relating to local government investment policies.

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. The recommendations to improve the City's financial management have been addressed in Appendix A to this report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. There were no such matters noted during our audit.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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 this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the City's financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental 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 City 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, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Honorable Mayor, City Commission, management of the City, the Auditor General of the State of Florida Office, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 31, 2010

City of Hallandale Beach, Florida

Appendix A  
Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2009

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No.	Current Year's Observations
ML 09-01	Bank Reconciliations
ML 09-02	Evaluation of Allowance for Uncollectable Utilities Accounts Receivable

City of Hallandale Beach, Florida

Appendix A  
Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2009

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Current Year Suggestions

ML 09-01 – Bank Reconciliations

Criteria: Internal control policies and procedures in place should be adhered to which require monthly reconciliation and supervisory review of all bank account reconciliations in a timely manner. The City's policy is to reconcile bank accounts on a monthly basis.

Condition: We did not note evidence that monthly bank reconciliations are being prepared and reviewed in a timely manner. However, M&P noted during our walkthrough of client's internal controls, that as of October 2009, there was no evidence of review on the operating bank account reconciliations from June 2009 through September 2009. Per discussion with staff, the delay was due to reconciling items and errors that existed due to a change from one banking relationship to another which resulted in a significant number of processing errors by the new bank. In addition, in our testing of bank reconciliations, we noted that the reviewer does not date the review so it could not be determined whether or not the review was occurring timely although staff has represented the reviews were done timely.

Cause: During the interim audit work, bank reconciliations from July through September had been reviewed by the supervisor, who is mindful of the need to review the bank reconciliations on a timely basis. However, these reconciliations included a large number of reconciling items which appear to have been errors caused by application of the new banking system procedures and machines designed to facilitate the process. As a result of the new relationship, it took the City several months to get the bank to review and agree to the corrections. As the corrections had not been resolved with the bank, City staff left the reconciliations open pending concurrence from the Bank. This resulted in delay of completion and final approval of the reconciliations.

Context: The finding is considered systemic in nature.

Effect: The lack of evidence of timely reconciliation and supervisory review of bank accounts can result in material misstatements to the financial statements and/or misappropriation of cash. Lack of evidence of a timely review does not provide for adequate monitoring of controls.

Recommendation: We recommend that the City evaluate its banking relationship to ensure it is getting the proper level of service it needs. In addition, if bank errors are identified in the bank reconciliation process they should be noted on the reconciliation and the reconciliation should be completed. Many of these items were coded as unreconciled differences which gave the false impression that they had not been reconciled when in fact the client knew the exact reason for the difference and was just waiting for confirmation from the Bank. Also, the current procedure should be modified to require the supervisory reviewer to sign and date the reconciliation after they have reviewed it and all their questions have been appropriately resolved. This will provide evidence of the timeliness of the review.

Views of responsible officials and planned corrective action: The City considers the bank reconciliations to be current. As of today, January 11, 2010, the October bank reconciliation has been presented to auditors; the November reconciliation is in progress, and the December bank statements have not all been received. A procedure will be added to provide evidence of the timeliness of the supervisory review.

City of Hallandale Beach, Florida

Appendix A

Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls  
Fiscal Year Ended September 30, 2009

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**ML 09 – 02 – Evaluation of Allowance for Uncollectable Utility Accounts Receivable**

Criteria: In accordance with generally accepted accounting principles in the United States, all trade and other receivables are reported at their net realizable value. This includes establishing appropriate allowances for the uncollectability of the Utility accounts receivable to reduce the value to its net realizable value.

Condition: During our review of the allowance for uncollectable utility accounts receivable, we noted a large percentage of the receivables over 120 days, without a significant change in the allowance. The significant increase appears to be attributable to the current economic conditions which are affecting the residents of the City. Per discussion with management, they did evaluate the annual percentages being applied to the outstanding receivable balances and elected to keep the same percentages as were applied in the prior year.

Cause: The City does not have a formal policy in place to evaluate the methodology used to determine its allowance for uncollectable utility accounts receivable. The allowance is reviewed annually but there is no specific formal procedures as to how the review is performed and what is considered.

Effect: The net receivables and related revenue could be overstated.

Recommendation: We understand the City reviews the allowance each year and would advise that they increase the timing of this review and the level of scrutiny applied to it given the recent declining economy and risk that it may cause on the collectability of these balances. They should also establish formal written policies and procedures over the review process to ensure the receivable amounts are reported at their net realizable value.

Views of responsible officials and planned corrective actions: Because Finance maintains that the possibility of collecting overdue utility account balances exists at the time of property sale or attempt to open a new account, removing charges has not frequently occurred. Additionally, the amounts included in the allowance for doubtful accounts reflect the percentages which have been applied in recent years and are deemed to be reasonable for the current year. Staff believes that this calculation, which included a percentage of 50% for severely delinquent accounts, was sufficient for the FY09. However, because economic conditions have continued to spiral downward for FY10, creating additional hardship on our customer base, a thorough review and analysis will be made periodically for the current fiscal year.

City of Hallandale Beach, Florida

Appendix B – Prior Year Recommendations to Improve  
Financial Management, Accounting Procedures  
and Internal Controls

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No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 08-01	Capital Assets		X
ML 08-02	CRA Loans Receivable		X
ML 06-04	Financial Reporting		X