

City of Lake Worth Beach, Florida

Report to the Honorable Mayor and
Members of the City Commission

October 7, 2021





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October 7, 2021

The Honorable Mayor and
Members of the City Commission
Lake Worth Beach, Florida

Attention: 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 Lake Worth Beach, Florida (the City) as of and for the year ended September 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the financial reporting process.

This report is intended solely for the information and use 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 about this report. We appreciate the opportunity to continue to be of service to the City.

RSM US LLP

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AUDIT | TAX | CONSULTING

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REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated October 20, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement and Compliance Audit

We have issued a separate communication dated May 31, 2021, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

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.

Management's Judgments and Accounting Estimates

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 included in the attached summary of Significant Accounting Estimates section.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by management are shown in the attached list of Recorded Audit Adjustments.

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements.

Departure From the Auditor's Standard Report

Reporting – Expected Emphasis-of-Matter Paragraph

As discussed in Note 14 to the financial statements, the beginning net position/fund balance of the governmental activities, business-type activities, aggregate discretely presented component units, general fund, CRA capital projects fund, electric fund, local sewer fund and regional sewer fund as of October 1, 2019, have been restated to correct errors. In light of these matters, we have included emphasis of matter paragraphs in the auditor's report. These matters will not modify the opinion. Below are the paragraphs that are included in the auditor's report:

Emphasis of Matter

As discussed in Note 14 to the accompanying financial statements, the October 1, 2019 beginning net position of the governmental activities, business-type activities, aggregate discretely presented component units, electric fund, local sewer fund and regional sewer fund have been restated to correct errors. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the accompanying financial statements, the October 1, 2019 beginning fund balance of the general fund and the CRA capital projects fund have been restated to correct errors. Our opinion is not modified with respect to this matter.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's audited basic financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We read the City's introductory section, statistical section and combining fund financial statements and schedules which as presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not identify material inconsistencies with the audited basic financial statements.

Observations About the Audit Process

Disagreements With Management

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.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

As part of our audit, we noted multiple items which resulted in prior period restatements of the opening balances as described earlier. Each of these items were discussed with and agreed to by management and the predecessor auditors. Aside from the restatements, there were no significant issues arising from the audit which were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Internal Control Matters and Compliance Findings

We have issued the following reports attached as Exhibit A, in connection with our audit, as required by *Government Auditing Standards*, *Uniform Guidance*, and *Chapter 10.550, Rules of the Auditor General of the State of Florida*:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- Independent Auditor's Report on Compliance for the Major Federal Program and Major State Project; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance and Schedule of State Financial Assistance Required by Chapter 10.550, *Rules of the Auditor General of the State of Florida*
- Management Letter in Accordance with *Chapter 10.550, Rules of the Auditor General of the State of Florida*
- Independent Accountant's Report in Accordance with Section 218.415, *Florida Statutes*

Significant Written Communications Between Management and Our Firm

Copies of material written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached as Exhibit B.

SIGNIFICANT ACCOUNTING ESTIMATES

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 determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the September 30, 2020 financial statements.

Significant Accounting Estimates

Accounting for Self-Insurance Liabilities

| | |
|---|---|
| Accounting policy | The City is partially self-insured for general and auto liability, property, workers' compensation, and employees' health and dental. The accrued liability for estimated claims represents an estimate of the eventual loss on claims, including claims incurred but not yet reported. |
| Management's estimation process | The City utilizes the services of an actuary to assist in developing any risk reserves for general and auto liability, property and workers' compensation. A look back calculation is performed for employees' health and dental Insurance for incurred but not reported amounts. |
| Basis for our conclusion on the reasonableness of the estimate | We have audited the underlying data supporting the estimates and reviewed management's methodology, including evaluating the actuarial reports and assumptions used which appears reasonable and consistently applied, and have deemed the resulting estimates to be reasonable. |

Accounting for Pension Plans and Related Net Pension Liabilities

| | |
|---|--|
| Accounting policy | The net pension liabilities and related pension amounts are actuarially determined in accordance with the parameters established by the Governmental Accounting Standards Board (GASB). The difference between total pension liability and plan fiduciary net position at each plans' measurement date and any associated deferred outflows/inflows as of the period ended are recognized in the financial statements. |
| Management's estimation process | City management and/or the pension plans' management, with input from its actuary, developed the actuarial assumptions based on relevant criteria. City management reviewed and approved the financial statement estimates derived from the pension plans' actuarial reports. |
| Basis for our conclusion on the reasonableness of the estimate | We have audited the underlying data supporting the estimate and reviewed management's methodology, including evaluating the actuarial reports and assumptions used which appears reasonable and consistently applied, and have deemed the resulting estimates to be reasonable. |

Depreciation of Capital Asset

| | |
|---|--|
| Accounting policy | Depreciation on capital assets is provided using the straight-line method. The depreciable life of capital assets is established based on management's estimate of the useful lives of the assets. |
| Management's estimation process | Depreciation of capital assets is determined using the straight-line method of depreciation over the estimated useful lives of the asset, as assigned by management. |
| Basis for our conclusion on the reasonableness of the estimate | 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. |

Allowance for Doubtful Accounts

| | |
|---|--|
| Accounting policy | All trade and other receivables are shown net of an allowance for uncollectible amounts to arrive at the net realizable value. |
| Management's estimation process | Receivables are analyzed for their collectability based on the terms and conditions stated in individual agreements. In addition to receivables specifically identified as uncollectible, a general allowance is calculated based on the City's historical experience. |
| Basis for our conclusion on the reasonableness of the estimate | 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. |

Accounting for Other Postemployment Benefits

| | |
|---|--|
| Accounting policy | Total other postemployment benefits (OPEB) liabilities, related deferred OPEB amounts and expenses are actuarially determined in accordance with the parameters established by the GASB. |
| Management's estimation process | 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. |
| Basis for our conclusion on the reasonableness of the estimate | 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. |

| Investment Valuation | |
|---|---|
| Accounting policy | Investments are reported at fair value. |
| Management's estimation process | The City engages an external investment consultant to perform a valuation assessment of their investments. |
| Basis for our conclusion on the reasonableness of the estimate | We tested the values of a sample of investment securities and concluded that the values as reported are reasonable. |

RECORDED AUDIT ADJUSTMENTS

| Number | Account Name | Account No | Debit | Credit |
|--------|--|--------------------|-------------|---------------|
| 1 | Assets / Inventory for Resale | 100-0000-142.00-00 | | (\$2,554,004) |
| | Equity / Retained Earnings | 100-0000-272.00-00 | \$2,554,004 | |
| | To restate prior period balances to account for CRA land assets that were disposed. | | | |
| 2 | Long Term Portion / SRF Loan DW501731 | 402-0000-203.90-06 | | (6,638) |
| | Long Term Portion / SRL Loan DW501740 | 402-0000-203.90-07 | | (2,385) |
| | Miscellaneous Expenses / Client Refund Interest Ex | 402-7090-599.58-30 | 9,023 | |
| 3 | Deferred Charges / Loss on Refunding | 402-0000-154.08-00 | | (28,541) |
| | Deferred Charges / Cal premium | 402-0000-154.09-00 | | (18,632) |
| | Other Debt Service Cost | 402-7090-533.73-00 | 47,173 | |
| 4 | Deferred Charges / Loss on Refunding | 401-0000-154.08-00 | | (28,925) |
| | Deferred Charges / Cal premium | 401-0000-154.09-00 | | (18,631) |
| | Service / Other Debt Service Cost | 401-6090-531.73-00 | 47,556 | |
| 5 | Accounts Receivable / Manual | 405-0000-115.31-00 | | (508,226) |
| | Allow/Uncollectible A/R / Customer A/R | 405-0000-117.10-00 | 470,006 | |
| | Equity / Retained Earnings | 405-0000-272.00-00 | 38,220 | |
| 6 | Non-Current / Invest in Joint Venture | 405-0000-156.90-00 | 1,574,343 | |
| | Contractual Services / Regional Exp - Flow | 405-7421-535.34-85 | | (1,574,343) |
| | To adjust for investment in joint venture balance. | | | |
| 7 | Accounts Receivable / Miscellaneous A/R | 405-0000-115.01-00 | | (84,123) |
| | Equity / Retained Earnings | 405-0000-272.00-00 | 84,123 | |
| | Accounts Receivable / Restricted | 406-0000-115.20-00 | | (14,336) |
| | Equity / Retained Earnings | 406-0000-272.00-00 | 14,336 | |
| | PPA-Balace AR to detail | | | |

| | | | | |
|-------|---|--------------------|-----------|-------------|
| 8 | Accounts Receivable / Manual | 405-0000-115.31-00 | | (732,659) |
| | Accounts Receivable / Manual | 405-0000-115.31-00 | 1,303,156 | |
| | Liability / Vouchers Payable | 405-0000-201.00-00 | 732,659 | |
| | Regional Sewer-Capital / Lake Worth | 405-0000-343.56-51 | | (572,437) |
| | Regional Sewer-Capital / Palm Springs | 405-0000-343.56-52 | | (367,490) |
| | Regional Sewer-Capital / Lantana | 405-0000-343.56-53 | | (183,394) |
| | Regional Sewer-Capital / Atlantis | 405-0000-343.56-54 | | (54,959) |
| | Regional Sewer-Capital / PBCC | 405-0000-343.56-55 | | (12,238) |
| | Regional Sewer-Capital / Manalapan | 405-0000-343.56-56 | | (17,224) |
| | Regional Sewer-Capital / South Palm Beach | 405-0000-343.56-57 | | (38,755) |
| | Regional Sewer-Capital / Lake Clark Shores | 405-0000-343.56-59 | | (56,659) |
| | To adjust True-Up Refund | | | |
| <hr/> | | | | |
| 9 | Accounts Receivable / Miscellaneous A/R | 403-0000-115.01-00 | | |
| | Equity / Retained Earnings | 403-0000-272.00-00 | | |
| | Miscellaneous Revenue / Other | 403-0000-369.90-90 | | |
| | Miscellaneous Revenue / Other | 403-0000-369.90-90 | | |
| | Liability / Vouchers Payable | 405-0000-201.00-00 | | (732,659) |
| | Equity / Retained Earnings | 405-0000-272.00-00 | 780,116 | |
| | Settlements / Year-End True-Up | 405-9010-535.98-20 | | (780,116) |
| | Settlements / Year-End True-Up | 405-9010-535.98-20 | 732,659 | |
| | Prior period adjustment | | | |
| <hr/> | | | | |
| 10 | Account Receivable - Manual | 520-0000-115.31-00 | 2,985,105 | |
| | Allow/Uncollectible A/R / Miscellaneous A/R | 520-0000-117.01-00 | | (1,492,553) |
| | Liability / Accrued Payable | 520-0000-202.00-00 | | (3,548,122) |
| | Miscellaneous Revenue / Insurance Damage Recovery | 520-0000-369.90-40 | | (2,985,105) |
| | Other Curr Charges/Oblig / Uncollectible Accounts | 520-9010-519.49-30 | 1,492,552 | |
| | Settlements / Lawsuits | 520-9010-519.98-10 | 3,548,123 | |
| | To record liability owed by the | | | |
| | City to FEMA as well as receivable from other hurricane | | | |
| <hr/> | | | | |
| 11 | Compensated Absences / Current Portion | 401-0000-210.10-00 | 25 | |
| | Compensated Absences / Long-Term Portion | 401-0000-210.90-00 | | (69,009) |
| | Unused Vacation Pay | 401-1240-531.12-50 | 3,481 | |
| | Unused Vacation Pay | 401-6010-531.12-50 | 7,576 | |
| | Unused Vacation Pay | 401-6020-531.12-50 | 4,149 | |
| | Unused Vacation Pay | 401-6031-531.12-50 | 20,377 | |
| | Unused Vacation Pay | 401-6033-531.12-50 | 6,681 | |
| | Unused Vacation Pay | 401-6034-531.12-50 | 1,678 | |
| | Unused Vacation Pay | 401-6034-531.12-50 | 35,863 | |
| | Unused Vacation Pay | 401-6035-531.12-50 | | (10,821) |
| | To accrued for compensated | | | |
| | absences at year end | | | |

| | | | | |
|-------|---|--------------------|--------|----------|
| 12 | Compensated Absences / Current Portion | 402-0000-210.10-00 | 5,002 | |
| | Compensated Absences / Long-Term Portion | 402-0000-210.90-00 | | (5,448) |
| | Unused Vacation Pay | 402-7010-533.12-50 | | (5,757) |
| | Unused Vacation Pay | 402-7022-533.12-50 | | (8,350) |
| | Unused Vacation Pay | 402-7034-533.12-50 | 14,553 | |
| | To accrued for compensated absences at year end | | | |
| <hr/> | | | | |
| 14 | Compensated Absences / Current Portion | 403-0000-210.10-00 | | (2,504) |
| | Compensated Absences / Long-Term Portion | 403-0000-210.90-00 | | (12,960) |
| | Unused Vacation Pay | 403-7231-535.12-50 | 15,464 | |
| | To accrued for compensated absences at year end | | | |
| <hr/> | | | | |
| 15 | Compensated Absences / Current Portion | 408-0000-210.10-00 | 3,932 | |
| | Compensated Absences / Long-Term Portion | 408-0000-210.90-00 | | (8,911) |
| | Unused Vacation Pay | 408-5090-538.12-50 | | (2,085) |
| | Unused Vacation Pay | 408-5099-538.12-50 | 7,064 | |
| | To accrued for compensated absences at year end | | | |
| <hr/> | | | | |
| 16 | Compensated Absences / Current Portion | 410-0000-210.10-00 | | (1,362) |
| | Compensated Absences / Long-Term Portion | 410-0000-210.90-00 | | (3,482) |
| | Unused Vacation Pay | 410-5080-534.12-50 | 4,844 | |
| | To accrued for compensated absences at year end | | | |
| <hr/> | | | | |
| 17 | Compensated Absences / Current Portion | 510-0000-210.10-00 | | (1,667) |
| | Compensated Absences / Long-Term Portion | 510-0000-210.90-00 | | (10,370) |
| | Unused Vacation Pay | 510-1520-519.12-50 | 12,037 | |
| | To accrued for compensated absences at year end | | | |
| <hr/> | | | | |
| 18 | Compensated Absences / Current Portion | 530-0000-210.10-00 | | (582) |
| | Compensated Absences / Long-Term Portion | 530-0000-210.90-00 | 3,539 | |
| | Unused Vacation Pay | 530-5070-549.12-50 | | (2,957) |
| | To accrued for compensated absences at year end | | | |

| | | | | |
|-------|---|--------------------|---------|-----------|
| 19 | Deferred Charges / Deferred Outflows | 401-0000-154.06-00 | 100,457 | |
| | Unearned Revenue / Deferred Inflows | 401-0000-223.06-00 | | (2,959) |
| | Other Long Term Payables / Pension Liabilities | 401-0000-239.06-00 | | (744,554) |
| | Retirement Contributions / Defined Benefit Plan | 401-6034-531.22-10 | 647,056 | |
| | To adjust for GASB 68 allocation | | | |
| <hr/> | | | | |
| 20 | Deferred Charges / Deferred Outflows | 402-0000-154.06-00 | 23,685 | |
| | Unearned Revenue / Deferred Inflows | 402-0000-223.06-00 | 30,204 | |
| | Other Long Term Payables / Pension Liabilities | 402-0000-239.06-00 | | (378,198) |
| | Retirement Contributions / Defined Benefit Plan | 402-7022-533.22-10 | 324,309 | |
| | To adjust for GASB 68 allocation | | | |
| <hr/> | | | | |
| 21 | Deferred Charges / Deferred Outflows | 403-0000-154.06-00 | 13,078 | |
| | Unearned Revenue / Deferred Inflows | 403-0000-223.06-00 | 5,914 | |
| | Other Long Term Payables / Pension Liabilities | 403-0000-239.06-00 | | (138,240) |
| | Retirement Contributions / Defined Benefit Plan | 403-7231-535.22-10 | 119,248 | |
| | To adjust for GASB 68 allocation | | | |
| <hr/> | | | | |
| 22 | Deferred Charges / Deferred Outflows | 405-0000-154.06-00 | 2,747 | |
| | Unearned Revenue / Deferred Inflows | 405-0000-223.06-00 | 619 | |
| | Other Long Term Payables / Pension Liabilities | 405-0000-239.06-00 | | (24,947) |
| | Retirement Contributions / Defined Benefit Plan | 405-7421-535.22-10 | 21,581 | |
| | To adjust for GASB 68 allocation | | | |
| <hr/> | | | | |
| 23 | Deferred Charges / Deferred Outflows | 408-0000-154.06-00 | 5,451 | |
| | Unearned Revenue / Deferred Inflows | 408-0000-223.06-00 | 2,535 | |
| | Other Long Term Payables / Pension Liabilities | 408-0000-239.06-00 | | (58,077) |
| | Retirement Contributions / Defined Benefit Plan | 408-5090-538.22-10 | 50,091 | |
| | To adjust for GASB 68 allocation | | | |
| <hr/> | | | | |
| 24 | Deferred Charges / Deferred Outflows | 410-0000-154.06-00 | 16,151 | |
| | Unearned Revenue / Deferred Inflows | 410-0000-223.06-00 | 19,694 | |
| | Other Long Term Payables / Pension Liabilities | 410-0000-239.06-00 | | (251,997) |
| | Retirement Contributions / Defined Benefit Plan | 410-5081-534.22-10 | 216,152 | |
| | To adjust for GASB 68 allocation | | | |

UNCORRECTED MISSTATEMENTS

| Government Activities | | Effect—Debit (Credit) | | | | |
|---|--------|-----------------------|--------------|---------|--------------|--|
| Description | Assets | Liabilities | Net Position | Revenue | Expense | |
| Reversed opening net position misstatements | \$ - | \$ - | \$ - | \$ - | \$ - | |
| To record expenses in the proper period | - | - | 45,782 | - | (45,782) | |
| To adjust pension contribution payable | - | 232,872 | - | - | (232,872) | |
| Total effect | - | - | (278,654) | \$ - | \$ (278,654) | |
| Statement of net position effect | \$ - | \$ 232,872 | \$ (232,872) | | | |

| General Fund | | Effect—Debit (Credit) | | | |
|---|--------|-----------------------|--------------|---------|--------------|
| Description | Assets | Liabilities | Fund Balance | Revenue | Expenditure |
| Reversed opening fund balance misstatements | \$ - | \$ - | \$ - | \$ - | \$ - |
| To adjust pension contribution payable | - | 232,872 | - | - | (232,872) |
| Total effect | - | - | (232,872) | \$ - | \$ (232,872) |
| Balance sheet effect | \$ - | \$ 232,872 | \$ (232,872) | | |

| Neighborhood Road Program Fund | | Effect—Debit (Credit) | | | |
|---|--------|-----------------------|--------------|---------|-------------|
| Description | Assets | Liabilities | Fund Balance | Revenue | Expenditure |
| Reversed opening fund balance misstatements | \$ - | \$ - | \$ - | \$ - | \$ - |
| To record expenditures in the proper period | - | - | 45,782 | - | (45,782) |
| Total effect | - | - | (45,782) | \$ - | \$ (45,782) |
| Balance sheet effect | \$ - | \$ - | \$ - | | |

EXHIBIT A

Internal Control Matters and Compliance Findings

City of Lake Worth Beach, Florida

Single Audit Reports in
Accordance With the Uniform Guidance
Fiscal Year Ended September 30, 2020

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*
Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Worth Beach, Florida (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 7, 2021. Our report includes a reference to other auditors who audited the financial statements of the Pension Trust Funds for the General Employees' Retirement System, Police Officers' Relief and Retirement System and the Firefighters' Pension Trust. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that reported on separately by those auditors. Our report includes an emphasis of matter related to restatements to the beginning net position/fund balance of the governmental activities, business-type activities, aggregate discretely presented component units, general fund, electric fund, local sewer fund, regional sewer fund and the CRA capital projects fund as of October 1, 2019. Our report was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 consider the deficiencies described in the accompanying *schedule of findings and questioned costs* as items IC 2020-001, IC 2020-002 and IC 2020-003 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 deficiency described in the accompanying *schedule of findings and questioned costs* as item IC 2020-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

RSM US LLP

West Palm Beach, Florida
September 7, 2021

**Report on Compliance for the Major Federal Program and
Major State Project; Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of Federal Awards Required
by the Uniform Guidance and Schedule of State Financial Assistance
Required by Chapter 10.550, *Rules of the Florida Auditor General***

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program and Major State Project

We have audited the City of Lake Worth Beach, Florida's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on the City's major federal program and major state project, respectively, for the year ended September 30, 2020. The City's major federal program and major state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program and major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Florida Auditor General* (Chapter 10.550). Those standards, the Uniform Guidance and Chapter 10.550 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 or major state project 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 on compliance for the major federal program and major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program and Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program and major state project for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclose instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned cost as items CF 2020-001, CF 2020-002 and CF 2020-003. Our opinion on the major federal program and state program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item IC 2020-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC 2020-006 and IC 2020-007 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of State Financial Assistance Required by Chapter 10.550, *Rules of the Florida Auditor General*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Worth Beach, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 7, 2021, which contained an unmodified opinion on those financial statements, and included a reference to other auditors. Our report also includes an emphasis of matter related to restatements to the beginning net position/fund balance of the governmental activities, business-type activities, aggregate discretely presented component units, general fund, electric fund, local sewer fund, regional sewer fund and the CRA capital projects fund as of October 1, 2019. Our report was not modified with respect to this matter. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

West Palm Beach, Florida

October 7, 2021, except for Schedule of Expenditures of Federal Awards

and Schedule of Expenditures of State Financial Assistance which are dated September 7, 2021

City of Lake Worth Beach, Florida

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020**

| Federal Agency/Pass-Through Grantor/Program Title | Federal Assistance Listing Number | Contract Number | Pass-Through Entity Identifying Number | Expenditures |
|--|--|----------------------------------|---|----------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Passed through Palm Beach County Department of Housing and Economic Sustainability | | | | |
| Community Development Block Grants/Entitlement Grants – Royal Poinciana | | | | |
| Total CDBG – Entitlement Cluster | 14.218 | R2019-1764 | none | \$ 254,932 |
| U.S. Department of Commerce | | | | |
| Passed through Palm Beach County Department of Housing and Economic Sustainability | | | | |
| EDA POC Phase 1A | 11.300 | R2017-0058 | 04-01-07113 | 379,999 |
| U.S. Department of Transportation | | | | |
| Passed through the Florida Department of Transportation | | | | |
| FDOT POC Phase 2 | | | | |
| Total Highway Planning and Construction Cluster | 20.205 | G1J19 & G1J20 Grant # 4405092 | 442094-1-58-01 | 158 |
| U.S. Environmental Protection Agency | | | | |
| Passed through the Florida Department of Environmental Protection | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DW501720 | 140129 | 480,552 |
| U.S. Department of Homeland Security | | | | |
| Passed Through Florida Division of Emergency Management | | | | |
| Disaster Grants-Public Assistance | 97.036 | DR-4337 / Z1149 | 076040070 | <u>2,985,105</u> |
| Total expenditures of federal awards | | | | <u><u>\$ 4,100,746</u></u> |

See notes to schedule of expenditures of federal awards.

City of Lake Worth Beach, Florida

Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2020

| State Grantor/Pass-Through Grantor/Program Title | CSFA Number | Contract Number | Expenditures |
|---|-------------|----------------------------|----------------------------|
| Florida Department of Environmental Protection | | | |
| Capitalization Grants for Drinking Water | 37.076 | DW501731 | \$ 1,140,985 |
| Capitalization Grants for Drinking Water | 37.076 | DW501740 | <u>964,566</u> |
| Total Florida Department of Environmental Protection | | | <u>2,105,551</u> |
| Florida Department of Transportation | | | |
| FDOT POC Phase 1B | 55.039 | G1543 Grant # FM#443364 | <u>246,114</u> |
| Florida Department of State | | | |
| Division of Historic Preservation | 45.031 | 20.h.sm.200.119 | 50,000 |
| Division of Historic Preservation | 45.031 | 20.h.sm.300.120 | <u>15,362</u> |
| Total Florida Department of State | | | <u>65,362</u> |
| Total expenditures of state financial assistance | | | <u><u>\$ 2,417,027</u></u> |

See notes to schedule of expenditures of state financial assistance.

City of Lake Worth Beach, Florida

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Note 1. General and Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the Schedules) presents the activity of all federal awards and state financial assistance of the City of Lake Worth Beach, Florida (the City) for the year ended September 30, 2020. The information in the Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General* of the State of Florida (Chapter 10.550). Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in fund balance/net positions, or cash flows of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

Note 2. Basis of Accounting

The Schedules are presented using the modified accrual basis of accounting for expenditures accounted for in the governmental funds and on the accrual basis of accounting for expenses of the proprietary fund types, which are described in Note 1 to the City's basic financial statements. Such expenditures/expenses are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.550, wherein certain types of expenditures/expenses are not allowable or are limited as to reimbursement.

Note 3. Subrecipient Awards

Of the federal awards and state financial assistance presented in the Schedules, the City did not provide any amounts to subrecipients.

Note 4. Indirect Cost Rate

The City has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

| | <u>Unmodified</u> | |
|---|-------------------|-----------------------------|
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | <u>X</u> Yes | <u> </u> No |
| Significant deficiency(ies) identified? | <u>X</u> Yes | <u> </u> None Reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u>X</u> No |

Federal Awards

Internal control over major programs:

| | | |
|---|--------------|-----------------------------|
| Material weakness(es) identified? | <u>X</u> Yes | <u> </u> No |
| Significant deficiency(ies) identified? | <u>X</u> Yes | <u> </u> None Reported |

Type of auditor's report issued on compliance for major federal programs:

| | <u>Unmodified</u> | |
|--|-------------------|------------------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u>X</u> Yes | <u> </u> No |

Identification of major federal programs:

Federal Assistance Listing Number
97.036

Name of Federal Program or Cluster
Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type

A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

(Continued)

Schedule of Findings and Questioned Costs (Continued)

State Financial Assistance

None Reported

No

Capitalization Grants for Drinking Water

\$750,000

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

II – Financial Statement Findings

A. Internal Control

IC 2020-001 – Bank Reconciliation

Criteria: Internal control policies and procedures should require the timely preparation and supervisory review/approval of bank reconciliations on monthly basis, to allow for the accurate recording of accounting transactions.

Condition: Timely preparation and supervisory review/approval of bank reconciliations are not being performed on a monthly basis, to allow for the accurate recording of accounting transactions.

Context: Systemic in nature.

Cause: Employee turnover and delays in preparation and supervisory review/approval of bank reconciliations.

Effect: The October 1, 2019 financial statement balances were restated to properly report balances for transactions that occurred in the prior year. Such prior period transactions were identified in fiscal year 2020, after the 2019 bank reconciliations were prepared and reviewed/approved by supervisory personnel.

Recommendation: We recommend that management adhere to its established internal control policies and procedures requiring timely preparation and supervisory review/approval of bank reconciliations on monthly basis, to allow for the accurate recording of accounting transactions.

Views of Responsible Officials and Planned Corrective Action: Management accepts the finding and recommendation. The Finance Department continues its effort to implement controls related to monthly bank reconciliation by enhancing staff resources, effectiveness and efficiency. In addition to correcting errors from the previous fiscal year, the Finance Department has implemented procedures for daily reconciliations which will facilitate bank reconciliations on a monthly basis.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

IC 2020-002 — CRA Assets Held for Resale

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and disclosure of accounting transactions.

Condition: Material accounting adjustments were made to *assets held for resale* balances in order for the financial statements to comply with generally accepted accounting principles.

Context: The condition relates to the proper accounting for *assets held for resale* on an ongoing basis. Certain assets held for resale in the NSP2 Community Redevelopment Agency Fund that were sold in prior years were not removed from the accounting records and financial statements.

Cause: Established controls requiring the reconciliation and review of the *assets held for resale* account balances failed to identify the errors noted.

Effect: The October 1, 2019 net position of the discretely presented component units and the fund balance of the NSP2 fund were restated to properly report financial statement balances.

Recommendation: We recommend that the Community Redevelopment Agency Fund management review the design of established internal controls and implement the changes necessary to allow for the accurate recording and disclosure of *assets held for resale* balances on an ongoing basis.

Views of Responsible Officials and Planned Corrective Action: The Community Redevelopment Agency (CRA) management accepts the finding and recommendation. The CRA's management will implement controls to reconcile its accounting records for assets held for resale. On a quarterly basis, CRA management with the assistance of the City's Finance Department will verify ownership of its assets held for resale against County records and properly report financial statement balances.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

IC 2020-003 — Financial Reporting

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and disclosure of accounting transactions.

Condition: Material accounting adjustments were made to the financial statements to comply with generally accepted accounting principles. This included adjustments to the prior period financial statements and related footnote disclosures in order to properly report the following balances:

- Sewer revenues and related accounts receivables
- Operating revenues and expenses
- Assets held for resale
- Capital lease liability

Context: Systemic in nature. The condition relates to routine transactions that occur in course of operations.

Cause: Established controls requiring the reconciliation and review of account balances failed to identify the errors noted that resulted in the restatement of the prior period financial statements.

Effect: The October 1, 2019 net position and fund balances were restated to properly report financial statement balances.

Recommendation: We recommend that management review the design of established controls and implement the changes necessary to allow for the accurate recording and disclosure of accounting transactions on an ongoing basis.

Views of Responsible Officials and Planned Corrective Action: Management accepts the finding and recommendation. In the previous fiscal years, the Finance Department had been functioning without the required staffing levels and supervisory oversight. As the City hired additional personnel, accounting records were corrected to properly report financial statement balances as of the fiscal year end. The Finance Department continues its effort to implement controls related to financial reporting by enhancing staff resources, effectiveness and efficiency.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

IC 2020-004 — Payroll Transactions

Criteria: The design or operation of internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: Supervisory review/approval of employee timesheets and the reconciliation of payroll register transactions to the accounting records are not being performed on an ongoing basis which may result in the failure to prevent or detect and correct misstatements in payroll transactions.

Context: Systemic in nature.

Cause: Established controls requiring supervisory review/approval of employee timesheets and the reconciliation of payroll register transactions to the accounting records are not being properly performed.

Effect: Errors in the recording of payroll and payroll related transactions may occur.

Recommendation: We recommend that management adhere to its established internal control policies and procedures requiring supervisory review/approval of employee timesheets and the reconciliation of payroll register transactions to the accounting records on an ongoing basis. Additional training should be provided to emphasize the importance of executing internal control procedures over payroll.

Views of Responsible Officials and Planned Corrective Action: Management accepts the finding and recommendation. Due to staff turnover of payroll personnel during the fiscal year, proper procedures were inconsistently applied. In addition, employees across the City had to work remotely during the pandemic which made it more difficult to perform controls for review/approval of employee timesheets. In April 2021, the City transitioned from a manual to an automated payroll system (ADP) which facilitates the implementation of established controls and reconciliation of payroll register transactions.

B. Compliance

None noted.

Schedule of Findings and Questioned Costs (Continued)

III – Federal Awards Findings and Questioned Costs

A. Internal Control over Compliance

IC 2020-005 – Data Collection Form

Criteria: Section 200.512 of the Uniform Guidance requires that the City's annual audit be completed and the annual audit package and data collection form be submitted to the federal audit clearinghouse within the earlier of 30 days after receipt of the auditor's reports or 9 months after the end of the City's fiscal year.

Condition: The City's audit package and data collection form for the years ended September 30, 2019 and 2020, were not completed and submitted within the required timeline.

Context: Systemic in nature.

Cause: Employee turnover at the City delayed the completion of the City's annual audits.

Effect: Failure to have the audit completed and submit the annual audit package and data collection form to the federal audit clearinghouse within the earlier of 30 days after receipt or 9 months after year-end results in the City not being eligible to be considered a low-risk auditee. This will affect the scope of the uniform guidance audits for the next two fiscal years. This could also result in a loss of future grant funding.

Recommendation: We recommend that the City establish internal control policies and procedures to allow for the timely submission of the City's annual audit package and data collection form to the federal audit clearinghouse on an ongoing basis.

Views of Responsible Official and Planned Corrective Actions: Management accepts the finding and recommendation. During fiscal year 2020, the finance department hired additional personnel to assist with the completion of the year-end closing processes and procedures. We have discussed with employees the importance of timely submission of the City's annual audit package and data collection form to the federal audit clearinghouse on an ongoing basis.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

IC 2020-006 – Reporting

U.S. Department of Homeland Security
Disaster Grants-Public Assistance
Assistance Listing No. 97.036

Criteria: Grantees are required to file quarterly progress reports with the grantor within 30 days after the end of each quarter, until submission of the administrative closeout report.

Condition: We noted that the progress report for the quarter ended March 31, 2020 (which was due on April 30, 2020) was submitted late to the grantor on May 28, 2020. Additionally, there was no evidence of supervisory review/approval of the report that was filed.

Context: One of the two quarterly reports selected for testing lacked proper supervisory review/approval and was not filed in a timely manner.

Questioned Costs: Not applicable.

Cause: Lack of administrative oversight of the program.

Effect: Failure to comply with program reporting requirements may result in a disallowance of program expenditures and/or loss of future grant funding.

Recommendation: We recommend that management adhere to its established internal control policies and procedures requiring supervisory review/approval of reports on an ongoing basis. Also, additional training should be provided to employees emphasizing the importance of executing internal control procedures over all grant activities.

Views of Responsible Official and Planned Corrective Actions: Management accepts the finding and recommendation. During fiscal year 2020, the finance department hired additional personnel to assist with the submission of required reports from respective grantors. We have discussed with employees the importance of timely submission and review/approval of such reports.

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

IC 2020-007 – Allowable Costs/Cost Principles

U.S. Department of Homeland Security
Disaster Grants-Public Assistance
Assistance Listing No. 97.036

Criteria: Grantees must maintain complete and accurate accounts and other records for programs.

Condition: There is a lack of supervisory review/approval of expenditures being charged to the program on an ongoing basis.

Context: 59 of 81 items selected for testing were not reviewed/approved by supervisory personnel.

Questioned Costs: Not applicable.

Cause: Established controls requiring supervisory review/approval of expenditures being charged to the program did not operate as designed.

Effect: This could result in unallowed costs being charged to the program and a loss of grant funding.

Recommendation: We recommend that management adhere to its established internal control policies and procedures requiring supervisory review/approval of expenditures on an ongoing basis. Also, additional training should be provided to employees emphasizing the importance of executing internal control procedures over grant activities.

Views of Responsible Official and Planned Corrective Actions: Management accepts the finding and recommendation. The finance department has implemented policies and procedures for all expenditures across the departments. We have communicated to the departments the importance of supervisory review/approval of expenditures on an ongoing basis.

B. Compliance

1. CF 2020-001 – Data Collection Form

- See section III – Federal Awards Findings and Questioned Costs
IC 2020-005 – Data Collection Form

2. CF 2020-002 – Reporting

- U.S. Department of Homeland Security
Disaster Grants-Public Assistance
CFDA No. 97.036

See section III – Federal Awards Findings and Questioned Costs
IC 2020-006 – Reporting

City of Lake Worth Beach, Florida

Schedule of Findings and Questioned Costs (Continued)

3. CF 2020-003 – Allowable Costs/Cost Principles

- U.S. Department of Homeland Security
Disaster Grants-Public Assistance
CFDA No. 97.036

See section III – Federal Awards Findings and Questioned Costs
IC 2020-007 – Allowable Costs/Cost Principles

Section IV – State Financial Assistance Findings and Questioned Costs

No matters to report.

City of Lake Worth Beach, Florida

Summary Schedule of Prior Years' Audit Findings

| Finding No. | Finding Title | Current Year Status |
|--|---|---|
| Financial Statements Findings | | |
| <u>Internal Control Over Financial Reporting</u> | | |
| 2019-01 | Reconciliation of Cash Accounts | Repeated See Item IC 2020-002 |
| 2019-02 | Timeliness of Delivery of Documents Requested | Corrected |
| 2019-03 | Closing Procedures | Corrected |
| 2019-04 | Accounts Receivable and Revenues | Partially Corrected See item IC 2020-003 |
| 2019-05 | Capital Assets | Corrected |
| 2019-06 | Grant Administration and Review Process | Corrected |
| 2019-07 | Internal Service Fund Allocations | Corrected |
| 2019-08 | Budget Amendments | Corrected |
| 2019-09 | Interlocal Agreement | Not Corrected |
| 2019-10 | Develop a More Formal Risk Assessment Process | Not Corrected |
| 2017-01 | Inventory | Corrected |
| 2017-02 | Staffing Needs | Corrected |
| Federal Award Program Findings | | |
| <u>Internal Control Over Compliance</u> | | |
| 2019-11 | Written Policies | Corrected |

City of Lake Worth Beach, Florida

Summary Schedule of Prior Years' Audit Findings

2019-01: Reconciliation of Cash Accounts

Criteria: Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Condition: During the audit, it was noted the City did not properly reconcile its pooled cash bank account nor was it completed in a timely manner. As a result, cash balances and related transactions had to be adjusted to reflect accurate cash balances. The reconciliation of cash on a monthly basis is critical in finding errors that might not be recognized and resolved on a timely basis.

Cause: The monthly bank reconciliations were not prepared correctly or timely.

Effect: The City is susceptible to the possible errors which can lead to the risk of loss and risk of misstatement of cash or other reconciling items.

Recommendation: We recommend that the someone within the finance department to take responsibility for budget amendments

Prior Year Management's Response: Management accepts the finding and recommendation. The Finance Department is currently under review for reorganization to enhance staff resources effectiveness and efficiency.

Current Year Status and Management's Response: The Finance Department continues its effort to implement controls related to monthly bank reconciliation by enhancing staff resources, effectiveness and efficiency. In addition to correcting errors from the previous fiscal year, the Finance Department has implemented procedures for daily reconciliations which will facilitate bank reconciliations on a monthly basis.

2019-04: Accounts Receivable and Revenue

Criteria: Prudent policies include a formal closing process with supervisory finance department personnel being responsible for the review and evaluation of transactions and balances recorded. The review would include, at a minimum, preparing a detailed aged accounts receivable ledger, reviewing balances for proper valuation including relevant provision for an allowance for doubtful accounts and following up with collection procedures to ensure appropriate measures are being taken for past due accounts.

Condition: During the audit, it was noted that accounts receivable balances and corresponding revenue accounts were not accurately reconciled to reflect the appropriate balances as of the fiscal year end. It was also noted that the tracking of accounts receivable and revenue is decentralized and uneven amongst the various departments of the City. Due to the decentralization, the monitoring and updating of accounts receivable is not occurring in a timely manner. Certain accounting software used in departments outside of the finance department do not communicate effectively or efficiently with the finance department, which leads to additional delays.

Cause: The cause of the conditions is the lack of a formal closing process and monitoring of amounts due which incorporates a thorough review by finance personnel. The cause of the conditions is also attributed to the decentralized accounting practices in departments outside of the finance department.

Effect: Lack of reconciliations of accounts receivable and revenue accounts can result in misstatements in the financial statements and or uncollected revenues. This can also lead to issues when budgeting for the next fiscal year.

City of Lake Worth Beach, Florida

Summary Schedule of Prior Years' Audit Findings (Continued)

Recommendation: The City should consider developing formal accounts receivable interim and year-end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. We believe that a review and evaluation of transactions recorded at year-end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. The implementation of formal procedures will reduce the need for numerous adjustments to financial records during the audit process and decrease the time to produce the financial reports needed by management and auditors. There should be an effort to centralize the accounting that occurs in departments outside of finance and/or procedures in place to ensure information flows to the finance department in a more timely manner.

Prior Year Management's Response: Management accepts the finding and recommendation. The Finance Department is currently under review for reorganization to enhance staff resources effectiveness and efficiency.

Current Year Status and Management's Response: During fiscal year 2020, the City hired additional personnel to assist with the completion of accounts receivable and revenue processes. The Finance Department has improved the flow of information with outside departments to ensure accounts receivable and revenues are properly reconciled. With the exception of fund balance/net position restatements, accounts receivables and revenues were properly reconciled as of fiscal year 2021.

2019-09: Interlocal Agreement

Criteria: The Interlocal Wastewater Service and Wastewater Facilities Cost Sharing Agreement was entered into in 2013 and requires audited statements. In addition, certain balances in the City's financial statements are derived from the interlocal financial statements and schedules.

Condition: During the current year, we noted that supporting schedules and records were not available timely to satisfy certain interlocal agreement requirements.

Cause: The cause of the conditions is the lack of a formal closing process which incorporates a thorough review by finance personnel.

Effect: Incomplete supporting schedules can cause delays in the financial statement process and the accuracy of them.

Recommendation: We recommend that the City reconcile interlocal schedules on a regular basis to avoid delays in financial reporting and to ensure the accuracy of them.

Prior Year Management Response: Management accepts the finding and recommendation. The Finance Department is currently under review for reorganization to enhance staff resources, effectiveness and efficiency.

Current Year Status and Management's Response: Audited statements were not completed timely as required by the Interlocal Wastewater Service and Wastewater Facilities Cost Sharing Agreement entered in 2013. Management will work towards complying with the requirement beginning with the fiscal year ended September 30, 2021.

Summary Schedule of Prior Years' Audit Findings (Continued)

2019-10: Develop a More Formal Risk Assessment Process

Criteria: Risk assessment is a management function designed to identify where an organization may be vulnerable to errors and/or irregularities.

Condition: During our audit and discussions with staff, we noted that various issues within the City could be avoided if there was a formal risk assessment process in place. The City informally performs its own risk assessment for possible fraud or material misstatements through various discussions, policies and procedures, and regular reviews of trends in the financial statements. A more formal and complete risk assessment process involves a written description of risk areas identified by those charged with governance (management and elected officials) and a description of how the City intends on responding to the risks. Specific monitoring activities to address these risks should be documented and implemented as well.

Cause: Lack of formally documented and executed risk assessment process.

Effect: Incomplete supporting schedules can cause delays in the financial statement process and the accuracy of them.

Recommendation: We recommend that the City implement a more formal risk assessment process that includes written identification of areas where potential fraud or material misstatements to the basic financial statements may occur, as well as how the City intends to respond to those risks, including ongoing monitoring activities. This will help minimize the risk of errors or irregularities occurring and going undetected.

Prior Year Management Response: Management accepts the finding and recommendation. The Finance Department is currently under review for reorganization to enhance staff resources, effectiveness and efficiency. The Finance Department will work with the other City departments to mitigate these risks. The risk assessment process will be an ongoing improvement process.

Current Year Status and Management's Response: During fiscal year 2020, the City hired additional personnel to assist with the development of a formal risk assessment process. In addition to new policies being implemented, daily reconciliation of cash receipts and disbursements has been implemented to mitigate the risk of potential fraud or material misstatements to the basic financial statements.

City of Lake Worth Beach, Florida

Management Letter in Accordance
With Chapter 10.550, *Rules of the
Florida Auditor General*

Fiscal Year Ended September 30, 2020

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**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 Lake Worth Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lake Worth Beach, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated September 7, 2021. Our report includes a reference to other auditors who audited the financial statements of the pension trust funds for the General Employees' Retirement System, Police Officers' Relief and Retirement System and the Firefighters' Pension Trust. This report does not include the results of the other auditors' testing is that reported on separately by those auditors. Our report includes an emphasis of matter related to restatements to the beginning net position/fund balance of the governmental activities, business-type activities, aggregate discretely presented component units, general fund, electric fund, local sewer fund, regional sewer fund and the CRA capital projects fund as of October 1, 2019. Our report was not modified with respect to this matter.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedules should be considered in conjunction with this management letter.

Prior Audit Findings

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 financial audit report. This is reported under separate cover in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. This is reported in Appendix A – *Current Year's Findings and Recommendations to Improve Financial Management*.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

Purpose of this Letter

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

RSM VS LLP

West Palm Beach, Florida
October 7, 2021

City of Lake Worth Beach, Florida

Appendix A – Current Year’s Findings and Recommendations to Improve Financial Management

ML 2020-01 – Electric Fund Deficit

Criteria: Management should establish a long-term financial plan and prepare annual budgets that result in the Electric Fund maintaining a positive net position on an ongoing basis.

Condition: The Electric Fund reported an unrestricted net position (deficit) of (\$6,039,497) for the fiscal year ended September 30, 2020. The unrestricted net position balance represents resources available for general operations of the fund over time. Therefore, increases or decreases in the unrestricted net position balance over time serves as a useful indicator of whether the financial position of the fund is improving or deteriorating.

Cause: With the exception of the fiscal year ended September 30, 2020, expenses and interfund transfers out have exceeded revenues and interfund transfers in on a cumulative basis for the fiscal years ended September 30, 2017 through 2020, as follows:

| | Fiscal Year | | | |
|--------------------------------|----------------|----------------|----------------|---------------|
| | 2017 | 2018 | 2019 | 2020 |
| Revenues | \$ 55,850,044 | \$ 54,280,835 | \$ 55,128,532 | \$ 53,508,982 |
| Expenditures | (52,423,579) | (55,464,487) | (50,541,899) | (51,822,205) |
| Expenditures over revenues | 3,426,465 | (1,183,652) | 4,586,633 | 1,686,777 |
| Transfers and other items, net | (5,135,082) | (5,331,057) | (5,671,944) | (319,984) |
| Change in net position | \$ (1,708,617) | \$ (6,514,709) | \$ (1,085,311) | \$ 1,366,793 |

Effect: If management and those charged with governance fail to implement a deficit reduction plan going forward, this could result in the fund not being able to operate as intended to provide services to residents and customers on an ongoing basis.

Recommendation: We recommend that management and those charged with governance continue to monitor the Electric Fund’s unrestricted net position (deficit). This will require that management budget for a surplus of revenues/transfers in over expenses/transfers out in each fiscal year. Additionally, we recommend that management implement budgetary controls, policies and practices that allow for establishing annual budgets that reflect a reasonable estimate of revenues/transfers in and expenses/transfers out and the monitoring of the fund’s budget to actual balances on an ongoing basis, to ensure that the deficit reduction plan is implemented.

Views of Responsible Official and Planned Corrective Actions: Management recognizes the need to improve operating results and agrees with the auditor’s recommendation. Although management recognizes these results, management would like to note that a hurricane event and an emergency generator replacement negatively impacted net operating revenues during the associated time period. Furthermore, management also has taken significant steps during recent years to reduce operating expenditures, including the restructuring of existing contracts, improving the utilities’ reliability via investment in infrastructure, and to implement sound financial policies. These policies include: monthly budget review and variance analysis, budget forecasting, rate modeling and establishing targeted working capital thresholds and 180 days cash, in order to cope with unforeseen events.

Independent Accountant's Report

The Honorable Mayor, Members of the
City Commission and City Manager
City of Lake Worth Beach, Florida

We have examined the City of Lake Worth Beach, Florida's (the City) compliance with the requirements of *Section 218.415, Florida Statutes, Local Government Investment Policies* during the period October 1, 2019 to September 30, 2020. Management of the City is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements during the period October 1, 2019 to September 30, 2020.

This report is intended solely for the information and use of the Florida Auditor General, the Honorable Mayor, Members of the City Commission, the City Manager and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

West Palm Beach, Florida
September 7, 2021

EXHIBIT B

Significant Written Communications Between Management and Our Firm



October 7, 2021

RSM US LLP
100 NE 3rd Avenue Suite 300
Fort Lauderdale, FL 33301

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit of state projects conducted in accordance with Chapter 10.550, *Rules of the Florida Auditor General* (Chapter 10.550), for the year ended September 30, 2020 for the City of Lake Worth Beach, Florida (the City), we confirm:

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

1. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance and Chapter 10.550.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs and state projects.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that the auditee is managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards that could have a material effect on its federal programs and state projects.
4. Management is responsible for the preparation of the schedule of expenditures of federal awards and state financial assistance, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform Guidance and Chapter 10.550; believes the schedule of expenditures of federal awards and state financial assistance, including its form and content, is fairly presented in accordance with the Uniform Guidance and Chapter 10.550; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards and state financial assistance.
5. Management will make the audited financial statements readily available to the intended users of the schedule no later than the issuance date by the entity of the schedule of expenditures of federal awards and state financial assistance and the auditor's report thereon.

6. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance and Chapter 10.550 compliance audit.
7. Management has identified and disclosed to the auditor the requirements of federal and state statutes, regulations, and the terms and conditions of federal awards and state financial assistance that are considered to have a direct and material effect on each major federal program and state project.
8. Management has made available all federal awards and state financial assistance (including amendments, if any) and any other correspondence relevant to federal programs and state financial assistance and related activities that have taken place with federal and state agencies or pass-through entities.
9. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards and state financial assistance or stated that there was no such noncompliance.
10. Management believes that the auditee has complied with the direct and material compliance requirements except for noncompliance it has disclosed to the auditor.
11. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program and state project financial reports and claims for advances and reimbursements.
12. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations, when applicable.
13. Management has disclosed to the auditor any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
14. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report, when applicable.
15. Management is responsible for taking corrective action on audit findings of the compliance audit and has developed a corrective action plan that meets the requirements of the Uniform Guidance and Chapter 10.550.
16. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
17. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
18. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

19. Management has 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 and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
20. Federal program and state projects financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
21. The copies of federal program and state project financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal or state agency or pass-through entity, as applicable.
22. Management has charged costs to federal and state awards in accordance with applicable cost principles.
23. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance and Chapter 10.550.
24. The reporting package does not contain protected personally identifiable information.
25. Management has accurately completed the appropriate sections of the data collection form.
26. Management has disclosed all contracts or other agreements with service organizations, when applicable.
27. Management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations, when applicable.

City of Lake Worth Beach, Florida

Juan Ruiz

Juan Ruiz, Interim City Manager

Bruce Miller

Bruce Miller, Finance Director

Yannick Ngendahayo

Yannick Ngendahayo, Assistant Finance Director



September 7, 2021

RSM US LLP

100 NE 3rd Avenue

Suite 300

Fort Lauderdale, FL 33301

This representation letter is provided in connection with your audit of the basic financial statements of the City of Lake Worth Beach, Florida (the City) as of and for the year ended September 30, 2020, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter and professional services agreement dated October 20, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and 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.

5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the City include:
 - a. Those with component units for which the City is accountable.
 - b. Those with 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. Those with jointly governed organizations in which the City participates.
 - d. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP, when applicable.
9. We agree with the findings of specialists in evaluating our estimated liabilities for self-insurance, other post-employment benefit obligations (OPEB) and net pension liabilities (NPL). We have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists. We believe the actuarial assumptions and methods used in determination of these liabilities is appropriate in the circumstances.
10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
11. We have disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements.

12. We have informed you of all uncorrected misstatements. As of and for the year ended September 30, 2020, we believe that the effects of the uncorrected misstatements aggregated by you and summarized in Appendix A are immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements. 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 the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.
13. We agree with the restatements of the beginning net position and fund balances as discussed in Note 14. In connection therewith, we represent that there are no other matters known to management that require a correction to the financial statements and we were not aware of the errors when those financial statements were issued. We are not aware of any major transactions entered into in reliance on the prior year 2019 financial statements that would have been affected by the restatement. The restatement will not cause or cure a loan covenant violation. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.

Information Provided

14. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
16. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

17. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
18. We have no knowledge of allegations of fraud or suspected fraud affecting the City's basic financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's basic financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
21. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
22. We have disclosed to you the identity of all of the City's related parties and all the related-party relationships and transactions of which we are aware.
23. We have informed you of all significant deficiencies, 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.
24. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
25. During the course of your audit, you may have accumulated records containing data that 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.

Supplementary Information

26. With respect to supplementary information presented in relation to the basic financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

27. With respect to required supplementary information presented as required to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:
 - 1. Discount rates for pension and OPEB
 - 2. Mortality rates for pension and OPEB
 - 3. Healthcare cost trend rates for OPEB
 - 4. Long-term rate of return for pension investments

Compliance Considerations

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

28. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
29. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
30. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements, except as disclosed for the FEMA grant.
31. Has identified and disclosed to the auditor all programs and related activities subject to the compliance audit.
32. Has identified and disclosed to the auditor all laws, regulations, rules and provisions of contracts or grant agreements that have a direct and material effect on other financial data significant to audit objectives.
33. Has identified and disclosed to the auditor all violations (and possible violations) of laws, regulations, rules and provisions of contracts or grant agreements related to the FEMA grant, whose effects should be considered for disclosure in the auditor's report on noncompliance.
34. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
35. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
36. Has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
37. Has a process to track the status of audit findings and recommendations.
38. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

39. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
40. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
41. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

City of Lake Worth Beach, Florida

Juan Ruiz

9/7/2021

Juan Ruiz, City Manager

Bruce T. Miller

9/7/2021

Bruce Miller, Finance Director

Yannick Ngendahayo

9/7/2021

Yannick Ngendahayo, Assistant Finance Director

Appendix A

| Government Activities Description | Effect—Debit (Credit) | | | | |
|---|-----------------------|-------------|--------------|---------|--------------|
| | Assets | Liabilities | Net Position | Revenue | Expense |
| Reversed opening net position misstatements | \$ - | \$ - | \$ - | \$ - | \$ - |
| To record expenses in the proper period | - | - | 45,782 | - | (45,782) |
| To adjust pension contribution payable | - | 232,872 | - | - | (232,872) |
| Total effect | - | - | (278,654) | \$ - | \$ (278,654) |
| Statement of net position effect | \$ - | \$ 232,872 | \$ (232,872) | | |

| General Fund Description | Effect—Debit (Credit) | | | | |
|---|-----------------------|-------------|--------------|---------|--------------|
| | Assets | Liabilities | Fund Balance | Revenue | Expenditure |
| Reversed opening fund balance misstatements | \$ - | \$ - | \$ - | \$ - | \$ - |
| To adjust pension contribution payable | - | 232,872 | - | - | (232,872) |
| Total effect | - | - | (232,872) | \$ - | \$ (232,872) |
| Balance sheet effect | \$ - | \$ 232,872 | \$ (232,872) | | |

| Neighborhood Road Program Fund Description | Effect—Debit (Credit) | | | | |
|---|-----------------------|-------------|--------------|---------|-------------|
| | Assets | Liabilities | Fund Balance | Revenue | Expenditure |
| Reversed opening fund balance misstatements | \$ - | \$ - | \$ - | \$ - | \$ - |
| To record expenditures in the proper period | - | - | 45,782 | - | (45,782) |
| Total effect | - | - | (45,782) | \$ - | \$ (45,782) |
| Balance sheet effect | \$ - | \$ - | \$ - | | |



September 7, 2021

RSM US LLP

100 NE 3rd Avenue

Suite 300

Fort Lauderdale, FL 33301

In connection with your examination of the City of Lake Worth Beach, Florida's (the City) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies (the Statute)* during the year ended September 30, 2020, in accordance with attestation standards established by the American Institute of Certified Public Accountants, we confirm to the best of our knowledge and belief the following representations made to you during the course of your engagement:

1. We are responsible for the City's compliance with the Statute and the selection of the criteria against which compliance is being evaluated.
2. The criteria is Section 218.415, *Florida Statutes, Local Government Investment Policies*.
3. We are responsible for establishing and maintaining effective internal control over the City's compliance with the Statute.
4. We have performed an evaluation of the City's compliance with the Statute. Based on our evaluation, the City has complied with the Statute during the year ended September 30, 2020.
5. There has been no known noncompliance with the Statute during the year ended September 30, 2020 or through the date of this letter.
6. There are no known communications from regulatory agencies, internal auditors, or other practitioners concerning the City's possible noncompliance with the Statute received by us during the year ended September 30, 2020 or through the date of this letter.
7. We have made available to you all documentation related to the City's compliance with the Statute.
8. There has been no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where fraud could have a material effect on the City's compliance with the Statute.

9. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
10. 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.
11. We have responded fully to all inquiries made to us by you during your engagement.
12. During the course of your engagement 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.

City of Lake Worth Beach, Florida

Juan Ruiz

9/7/2021

Juan Ruiz, City Manager

Bruce T. Miller

9/7/2021

Bruce Miller, Finance Director

Yannick Ngendahayo

9/7/2021

Yannick Ngendahayo, Assistant Finance Director