

CITY OF LAUDERHILL FISCAL YEAR 2023 AUDIT PRESENTATION

Presented by:

Desorae Giles-Smith, City Manager

Kennie Hobbs, Jr., Deputy City Manager/Finance Director

HCT Certified Public Accountants & Consultants, LLC

INTRODUCTION

To the Audit Committee of the City of Lauderhill

We are pleased to have the opportunity to meet you on **March 25, 2024** to discuss the results of our audit of the consolidated financial statements of the **City of Lauderhill** as of and for the year ended **September 30, 2023**. Our audit was conducted in accordance with the terms established in the audit engagement letter dated **December 11, 2023**.

We are providing this document in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. We will be pleased to elaborate on the matters covered in this document when we meet.

Our audit is complete and we issued an unmodified or “clean” opinion on the **City of Lauderhill** financial statements on **March 25 2024**.



PRESENTATION OVERVIEW

- Current Financial Condition
- Auditor's Report
- Financial Statements Presentation
- Financial Indicators Presentation

CONTENTS

- Audit results required communications and other matters summary
- Supplemental slides supporting required communications and other matters
- Responsibilities

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY

| Communication Topic | Response |
|---|--|
| Scope of audit | Our audit of the consolidated financial statement of the City of Lauderdale. The City as of the year ended September 30, 2023, was performed in accordance with auditing standards generally in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issues by the Comptroller General of the United States |
| Changes to our planned risk assessment and planned audit strategy | There were no changes to our audit plan risk assessment and planned audit strategy. |
| Auditor's reports | <p>We have issued an unmodified opinion on the financial statements of the City of Lauderdale and other reports as follows:</p> <ul style="list-style-type: none"> •Independent Auditor's Report - Complete • 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- Complete •Management Letter in Accordance with the Rules of the Auditor General of the State of Florida - Complete |
| Outstanding matters | •None |
| Significant accounting polices | Significant accounting policies and practices are detailed in note 1 of the financial statements |

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY (CONTINUED)

| Communication Topic | Response |
|--|---|
| Significant accounting estimates | Significant accountings estimates are: <ul style="list-style-type: none"> • Allowance of doubtful accounts • Depreciation of fixed assets over the useful life |
| Significant risks and other significant audit matters | Significant risks and other significant audit matters relate to: <ul style="list-style-type: none"> • Management override of controls (relevant for all entities) • Revenue recognition (relevant for all entities) |
| New accounting pronouncements | None applicable FY 2023. |

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY (CONTINUED)

| Communication Topic | Response |
|---|-----------------------|
| Uncorrected misstatements | No matters to report |
| Corrected misstatements | No matters to report. |
| Financial presentation and disclosure omissions | No matters to report |

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY (CONTINUED)

| Communication Topic | Response |
|--|---|
| Control deficiencies | None |
| Related parties | No significant finding or issues were detected. |
| Other information in documents containing audited financial statements | Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform and procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the consolidation financial statement . |

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY (CONTINUED)

| Communication topic | Response | Communication topic | Response |
|--|--|---|---|
| Illegal acts or fraud | No acts of suspected fraud involving management , employees with significant roles in internal control, or instances where fraud results in a material misstatement in the financial statement were identified during the audit. | Significant difficulties encountered during the audit | No matters to report |
| Noncompliance with laws and regulations | No matters to report | Disagreements with management | No matters to report |
| Going Concern | No matters to report | Significant findings or issues discussed, or the subject of correspondence with management | No matters to report |
| Non-GAAP | No matters to report | Management's consultation with other accountants | No matters to report |
| Subsequent events | Evaluated through reporting date of February 29, 2024 and noted, nothing to report | Material written communications | Engagement letter, management representation letter |
| Other findings or issues | No matters to report | | |

AUDIT RESULTS REQUIRED COMMUNICATIONS AND OTHER MATTERS SUMMARY (CONTINUED)

| Communication Topic | Response |
|------------------------|---|
| Independence | In our professional judgment, we are independent with respect to the City, as that term is defined by the professional standards. |
| | |

CURRENT FINANCIAL POSITION

❑ **Current, position** (as of February 28, 2024 or 41.67% complete)

- **General Fund Budget** - \$92,825,566
 - Revenues - \$51,157,885 (54.65%)
 - Expenditures - \$41,446,171 (48.33%)
 - Excludes encumbrances of - \$3,414,329 (3.68%)
- **Enterprise Funds** - \$81,226,026
 - Revenues - \$18,307,062 (22.54%)
 - Expenditures - \$15,806,927 (29.25%)

❑ **Year-end revenue projections**

- All revenues and expenditures are on pace to meet projected YE totals.

❑ **Cash & investments on hand**

\$105,047,333

❑ **American Rescue Plan Act 2021**

Granted \$18.1M

Expenditures \$13.4M

Balance \$4.7M



CITY OF LAUDERHILL

Audit Results & Financial Overview

September 30, 2023



**CITY OF LAUDERHILL
SCOPE OF EXAMINATION
SEPTEMBER 30, 2023**

- Audit of Financial Statements Pursuant to Generally Accepted Auditing Standards and Government Auditing Standards
- Review of Internal Control Governing Financial Operations and Compliance with Laws and Regulations
- Tests of Internal Control and Compliance - Major Federal Program(s)
- Audit in Accordance with the Provisions of Chapter 10.550, Rules of Florida's Auditor General



CITY OF LAUDERHILL SIGNIFICANT AUDIT RESULTS SEPTEMBER 30, 2023

- Unmodified Audit Opinion on Financial Statements and the Compliance for Major Federal Program(s)
- No Significant Deficiencies Noted in the Internal Control System
- No Matters of Noncompliance Were Noted Pursuant to Federal Uniform Guidance

**CITY OF LAUDERHILL
FINANCIAL HIGHLIGHTS – ENTITY-WIDE (PG. 26)
SEPTEMBER 30, 2023**

| | |
|------------------------|----------------|
| ➤ Cash and investments | \$ 64,570,464 |
| ➤ Cash (Restricted) | \$ 1,409,964 |
| ➤ Total Cash | \$ 65,980,428 |
| ➤ Total Assets | \$ 299,635,331 |
| ➤ Total Liabilities | \$ 233,830,684 |
| ➤ Total Net Position | \$ 78,822,962 |



**CITY OF LAUDERHILL
FINANCIAL HIGHLIGHTS – GENERAL FUND
SEPTEMBER 30, 2023**

□ General Fund (Pg 28)

- Total Fund Balance - \$19,612,814
- Unassigned Fund Balance - \$5,300,826
- Fund Balance Policy: 10%-15% of operating expenditures
- Fiscal Year 2023: 5.72%

□ General Fund (Pg 30)

- Revenues - \$78,584,748
- Expenditures - \$71,188,313
- Debt Service Transfers - \$9,535,385
- Change in Fund Balance – \$2,181,850

CITY OF LAUDERHILL FINANCIAL HIGHLIGHTS – ENTERPRISE FUNDS SEPTEMBER 30, 2023

❑ Enterprise Funds (Pg. 32)

- Total Net Position - \$83,392,656
- Unrestricted Net Position - \$30,751,633

❑ Enterprise Funds (Pg. 33)

- Operating Revenues - \$33,851,817
- Operating Expenses - \$34,830,091
- Interest Expense - \$603,757
- Change in Net Position – \$769,985

**CITY OF LAUDERHILL
FINANCIAL HIGHLIGHTS - NET POSITION/FUND BALANCES
SEPTEMBER 30, 2023**

| | <u>09/30/2021</u> | <u>09/30/2022</u> | <u>09/30/2023</u> |
|---------------------------------|-------------------|-------------------|-------------------|
| Entity-wide (Pg 26) | | | |
| Net Position | \$81,768,963 | \$86,650,408 | \$78,822,962 |
| Unrestricted Net Position | \$(5,523,482) | \$6,581,410 | \$(5,138,699) |
| General Fund (Pg 28) | | | |
| Fund Balance | \$17,050,350 | \$17,430,964 | \$19,612,814 |
| Unassigned Fund Balance | \$2,785,073 | \$3,514,257 | \$5,300,826 |
| Enterprise Funds (Pg 26) | | | |
| Net Position | \$80,414,766 | \$82,622,671 | \$83,392,656 |
| Unrestricted Net Position | \$30,604,386 | \$32,411,714 | \$29,768,336 |



**CITY OF LAUDERHILL
DEFICIT FUND BALANCES
SEPTEMBER 30, 2023**

| | |
|------------------------|---------------|
| ➤ Fire Protection Fund | (\$8,529,400) |
|------------------------|---------------|

NET PENSION LIABILITY

OPEB (GASB 75) & Net pension liability on Government-Wide Financial Statements

| | FY 2022 | FY 2023 |
|--|------------|------------|
| Other postemployment benefits(OPEB) | 11,714,600 | 12,570,588 |
| <ul style="list-style-type: none">• Change discount rate from 2.21% to 4.02% | | |
| Net pension Liability | 64,830,581 | 66,489,426 |
| <ul style="list-style-type: none">• Depreciation of pension assets | | |

PENSION LIABILITY

| | General | | | Confidential |
|---|---------------------|----------------------|----------------------|----------------------|
| | Employees | Firefighters | Police | and |
| | Retirement | Retirement | retirement | Managerial |
| Total pension liability | \$ 34,466,660 | \$ 126,433,886 | \$ 115,282,853 | \$ 65,535,829 |
| Plan fiduciary net position | (30,391,857) | (109,417,367) | (90,379,235) | (45,041,343) |
| City's net pension liability | <u>\$ 4,074,803</u> | <u>\$ 17,016,519</u> | <u>\$ 24,903,618</u> | <u>\$ 20,494,486</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 88.18% | 86.54% | 78.40% | 68.73% |

FINANCIAL CONDITION ASSESSMENT

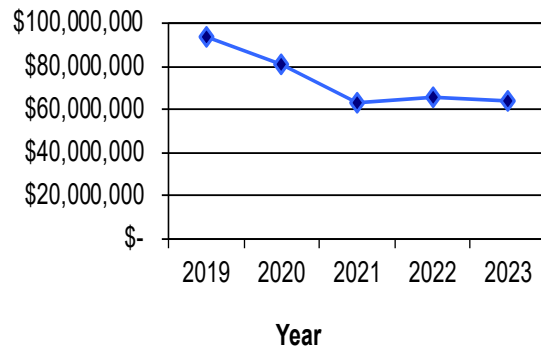
- FY 2023 Overall Rating “Inconclusive”


| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|----------------|-------------|-------------|--------------|--------------|--------------|
| Favorable | 13 | 11 | 10 | 10 | 7 |
| Unfavorable | 5 | 4 | 7 | 7 | 5 |
| Inconclusive | 8 | 11 | 9 | 9 | 14 |
| Overall rating | Favorable | Favorable | Inconclusive | Inconclusive | Inconclusive |


FINANCIAL CONDITION ASSESSMENT

Unassigned and Assigned
FB + Unrestricted NP
(Constant \$)

Financial Indicator 2

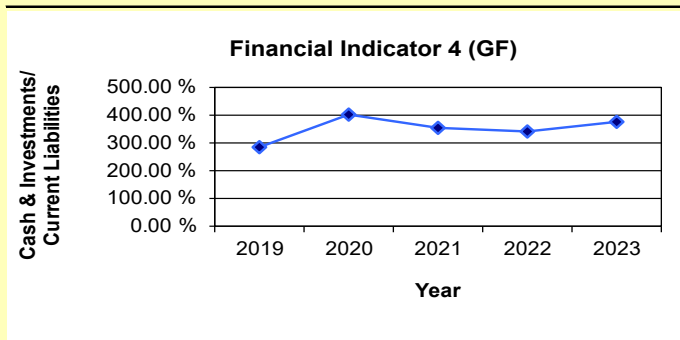




Unfavorable = 

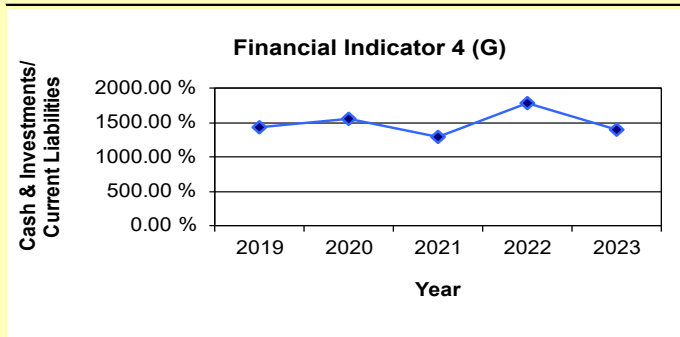
Favorable = 



| Trend Information | | Benchmark Comparison Information | |
|-------------------|--------------|----------------------------------|----------------|
| Y1 to Y5 Diff | -32% | Y5 Entity | \$ 63,795,636 |
| Y2 to Y5 Diff | -21% | Y5 Bench | \$ 100,961,260 |
| Y3 to Y5 Diff | 1% | Y5 Entity to Bench Diff | -37% |
| Trend: | Inconclusive | Benchmark Comparison: | Favorable |
| Overall Rating: | | Favorable | |

FINANCIAL CONDITION ASSESSMENT

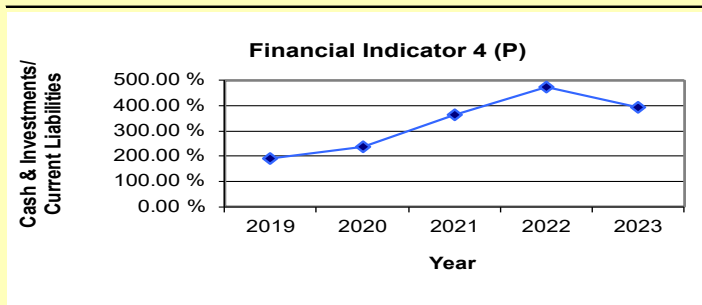


| Unfavorable =  | | Favorable =  | |
|---|-----|---|--------------|
| Trend Information | | Benchmark Comparison Information | |
| Y1 to Y5 Diff | 32% | Y5 Entity | 378.01% |
| Y2 to Y5 Diff | -6% | Y5 Bench | 1238.64% |
| Y3 to Y5 Diff | 6% | Y5 Entity to Bench Diff | -69% |
| Trend: Favorable | | Benchmark Comparison: | Inconclusive |
| Overall Rating: | | Favorable | |



| Unfavorable =  | | Favorable =  | |
|---|------|---|--------------|
| Trend Information | | Benchmark Comparison Information | |
| Y1 to Y5 Diff | -2% | Y5 Entity | 1397.16% |
| Y2 to Y5 Diff | -10% | Y5 Bench | 1718.64% |
| Y3 to Y5 Diff | 8% | Y5 Entity to Bench Diff | -19% |
| Trend: Inconclusive | | Benchmark Comparison: | Inconclusive |
| Overall Rating: | | Inconclusive | |

CASH & INVESTMENTS/CURRENT LIABILITIES



Unfavorable =

Favorable =

| Trend Information | | Benchmark Comparison Information | |
|-------------------|------|----------------------------------|---------|
| Y1 to Y5 Diff | 105% | Y5 Entity | 391.88% |
| Y2 to Y5 Diff | 66% | Y5 Bench | 725.53% |
| Y3 to Y5 Diff | 7% | Y5 Entity to Bench Diff | -46% |
| Trend: | | Benchmark Comparison: | |
| | | | |
| Overall Rating: | | Favorable | |

| | FY 2022 | FY 2023 | Difference |
|--------------------------------------|-----------------|-----------------|-----------------|
| Cash and Investments General Fund | \$6.66 Million | \$8.33 Million | \$1.67 Million |
| Encumbrances | \$0.000 Million | \$0.000 Million | \$0.000 Million |
| Available for Use | \$6.66 Million | \$8.33 Million | \$1.67 Million |

INTERNAL CONTROL RELATED MATTERS (CONT.)

DEFINITIONS

Deficiency

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 misstatements on a timely basis. A deficiency in design exist when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exist when a properly designed control does not operate as designed, or when that person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance .

Material weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, Or detected and corrected, on a timely basis. A reasonable possibility exists when the like hood of an event occurring is Either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the further event or events are likely to occurring.

RESPONSIBILITIES

| Management responsibilities Financial statements | <ul style="list-style-type: none"> Fairly presenting the financial statements, including disclosure in conformity with U.S. GAAP Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and the aggregated, to the financial statements taken as a whole |
|---|--|
| Management responsibilities - ICFR | <ul style="list-style-type: none"> Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. |
| Management responsibilities – Other | <ul style="list-style-type: none"> To provide the auditor with: <ol style="list-style-type: none"> Access to all information of which management is aware is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters; Additional information that the auditor may request from management for the purpose of the audit; and Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence. Identifying and ensuring that the entity complied with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations. Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to managements <ol style="list-style-type: none"> disclosure of all significant deficiencies, including material weaknesses in the design or operation of internal controls that could adversely affect the Company's financial reporting acknowledgement of their responsibilities for the design, implementation, and maintenance of internal controls to prevent and detect fraud. |
| Audit Committee responsibilities | <ul style="list-style-type: none"> Oversight of the financial reporting process and internal control over financial reporting (ICFR) Oversight of the establishment and maintained by management of programs and controls designed to prevent, deter, and detect fraud. |

RESPONSIBILITIES

| | |
|--|--|
| Management and the Audit Committee responsibilities | <ul style="list-style-type: none"> •Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards •Ensuring that the entity's operations are conducted inaccuracy with the provisions of law and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements |
| HCT- Audit objectives | <ul style="list-style-type: none"> • Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are prepared, in all material respects, in accordance with U.S. GAAP. |
| HCT responsibilities Audit | <ul style="list-style-type: none"> •Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement. • Performing an audit of financial statements including consideration of ICFR as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR. |
| Audit Committee responsibilities | <ul style="list-style-type: none"> • Oversight of the financial reporting process and internal control over financial reporting (ICFR) • Oversight of the establishment and maintained by management of programs and controls designed to prevent, deter, and detect fraud. |
| HCT - responsibilities Other information in documents containing financial statements | <ul style="list-style-type: none"> • The auditor's report on the financial statements does not extend to the other information in documents containing audited consolidated financial statements, excluding required supplementary information. • The auditor's responsibility is to make appropriate arrangements with management or the Audit Committee to obtain information prior to the report release date and to read the other information to identify material inconsistencies with the audited financial statements or misstatements of facts. • Any material inconsistencies or misstatements of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in HCT modifying or withholding the auditors repost or withdrawing form the engagements • Communicate any procedures performed relating to the other information and the results of those procedures. |

RESPONSIBILITIES (CONTINUED)

HCT responsibilities - Communications

- Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matter to communicate to the Audit Committee.
- Communicating if we suspect or identify non compliance with laws and regulations exist, unless matters are clearly inconsequential.
- Communicating to management and the Audit Committee in writing all significant deficiencies and material weaknesses in internal control identified during the audit , including those that were remediated during the judgment, are of sufficient importance to merit managements attention. The objective of our audit consolidated financial statements is to report on the Company's internal control.
- Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy.
- Communicating to the Audit Committee circumstances, if any, that affect the form and content of the auditors' report.
- Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal
- Communicating to the Audit Committee if we conclude no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement.
- When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement
- Communicating if we have identified or suspect fraud involving: (a) management, (b) employees who have significant roles in internal control, © others, when the fraud results in a material misstatement in the judgment, relevant to the responsibilities of the Audit Committee.
- Communicating significant finding and issues arising during the audit in connection with the entity's professional parties.
- Communicating conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.



QUESTIONS?



The information contained herein is a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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