

TOWN OF LONGBOAT KEY, FLORIDA



Annual Audit Agenda Presentation of Financial and Compliance Audit Results September 30, 2014

Presented by:

Wade Sansbury, CPA

**MAULDIN
& JENKINS**
CERTIFIED PUBLIC ACCOUNTANTS, LLC

LONGBOAT KEY, FLORIDA
ANNUAL AUDIT AGENDA
SEPTEMBER 30, 2014

PURPOSE OF ANNUAL AUDIT AGENDA

- ◆ Engagement Team and Firm Information.
- ◆ Overview of:
 - Audit Opinion;
 - Financial Statements, Footnotes and Supplementary Information;
 - Compliance Reports;
 - Audit Scopes and Procedures.
- ◆ Required Communications under *Government Auditing Standards*.
- ◆ Accounting Recommendations and Related Matters.
- ◆ Answer Questions.

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MAULDIN & JENKINS—GOVERNMENTAL PRACTICE

General Information:

- Founded in 1920.
- Large regional firm serving the Southeastern United States.
- Offices located in Bradenton, Florida; Macon, Atlanta and Albany, Georgia; Chattanooga, Tennessee; and Birmingham, Alabama.
- Approximately 260 personnel are employed at Mauldin & Jenkins.

Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- We serve a tremendous amount of governmental entities in the southeast requiring over 65,000 hours of service on an annual basis.
- Approximately 80 professional staff persons with current governmental experience.
- Current auditor for over 250 total governments in the Southeast, including approximately:
 - ✓ 75 cities;
 - ✓ 30 counties;
 - ✓ 35 school systems;
 - ✓ 15 state entities; and,
 - ✓ 95 special purpose entities (stand-alone business type entities, libraries, etc.).
- Serves 67 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Engagement Team Leaders for the Town Include:

- Wade Sansbury, Engagement Lead Partner: 19 years of experience, 100% governmental
- Meredith Lipson, Quality Assurance Engagement Partner: 24 years of experience, 100% governmental

MAULDIN & JENKINS—ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

Industries Served: Over the years our partners have developed expertise in certain industries representative of a cross section of the Florida economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings and loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction and Development
- Individuals, Estates and Trusts
- Real Estate Management

Services Provided: This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and non-traditional services such as:

- Financial Audit/Review/Compilation
- Compliance Audits and Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business and Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements and Business Valuation Issues
- Income Tax Planning and Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession and Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger/Acquisition and Expansion Financing

INDEPENDENT AUDITOR'S REPORT

The standard independent auditor's report for governmental units has specific sections of significance to readers of the financial report.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

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

Opinion

We have issued an unmodified audit report which is the highest form of assurance we can render with regard to the fairness of financial information on which we are opining. The financial statements are considered to present fairly the financial position and results of operations as of, and for the year ended September 30, 2014.

Emphasis of Matter

The financial statements reflect the implementation of certain new pronouncements, and our opinions are not modified with respect to them.

Other Matters

Certain required supplementary information and other information is included in the financial report, and as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

Other Reporting

Government Auditing Standards require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

General Information About the CAFR

Each year the Town prepares a Comprehensive Annual Financial Report (CAFR). A Comprehensive Annual Financial Report (CAFR) goes well beyond the normal financial reporting required by accounting principles generally accepted in the United States. A CAFR includes at a minimum the following elements/sections:

- **Introductory Section:** general information on the Town's structure and the services it provides.
 - Letter of Transmittal
 - Organizational Chart
 - Directory of Officials
 - Certificate of Achievement for Excellence in Financial Reporting
- **Financial Section:** basic financial statements, footnotes and required supplementary information along with the auditor's report.
 - Independent Auditor's Report
 - Management Discussion & Analysis (MD&A)
 - Financial Statements and Footnotes
- **Statistical Section:** broad range of financial, demographic information useful in assessing the Town's economic condition, and this information covers multiple years.
 - Financial Trends Information
 - Revenue Capacity Information
 - Debt Capacity Information
 - Operating Information

In the end, a CAFR goes far beyond the basic requirements of annual financial reporting, and the Town should be commended for going beyond the minimum and providing such a report.

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OVERVIEW OF FINANCIAL STATEMENTS

A single audit report is not included in this year's report as the Town did not expend in excess of \$500,000 of federal expenditures.

The financial statements as presented to you today include the basic financial statements as well as Management's Discussion and Analysis as prepared by Town management.

The Town's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The **government-wide financial statements** provide a broad overview of all of the Town's funds. The *Statement of Net Position* presents information on all assets and liabilities of the Town, with the difference between the two reported as net position. The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. Revenues are categorized as program revenues or general revenues. Expenses are categorized by function.

The **fund financial statements** more closely resemble the financial statements as presented prior to the adoption of GASB Statement No. 34. All of the funds of the Town can be divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

COMPLIANCE REPORTS

Last, but not least, two reports on compliance and internal controls are included.

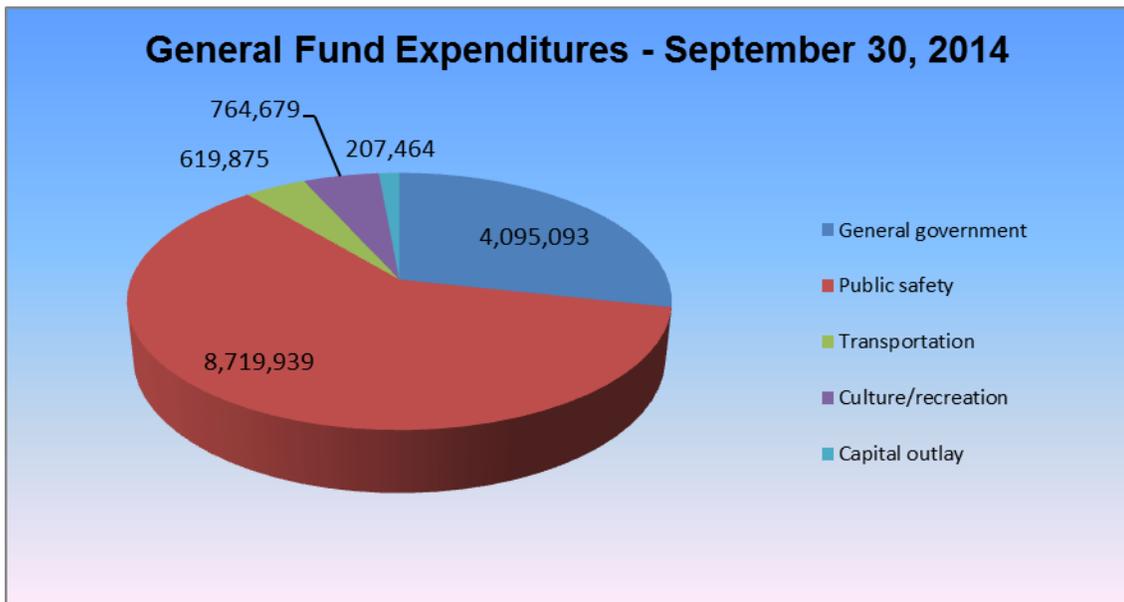
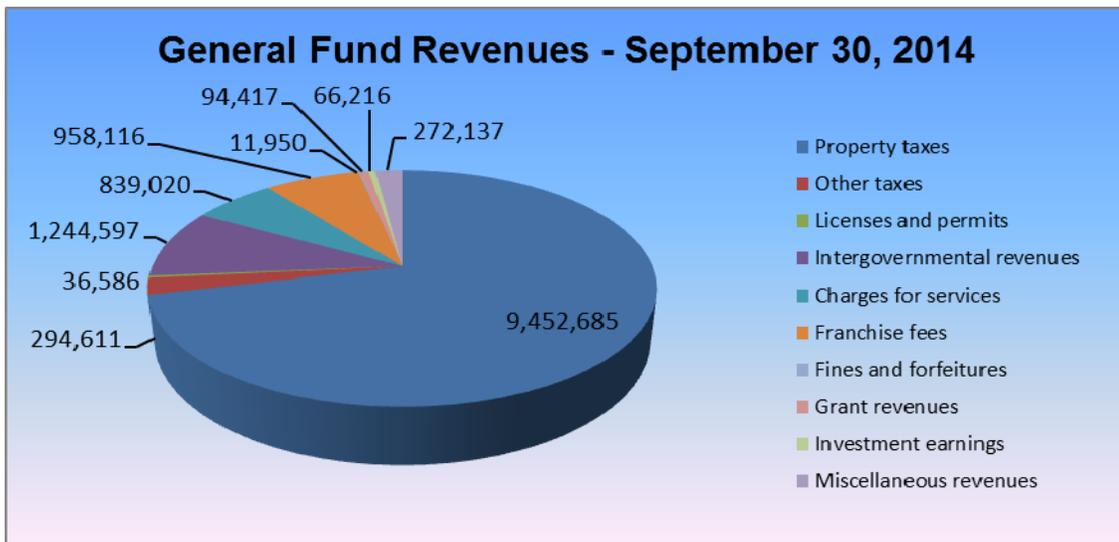
The first report is based on our tests of the Town's internal controls and compliance with laws, regulations, etc. The report is not intended to provide an opinion, but to provide a form of negative assurance as to the Town's internal controls and compliance with applicable rules and regulations. This report and the procedures performed are required by *Government Auditing Standards* as issued by the U. S. Government Accountability Office (GAO).

The second report is the State of Florida required management letter which addressed several specific State of Florida statutes and requirements.

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General Fund

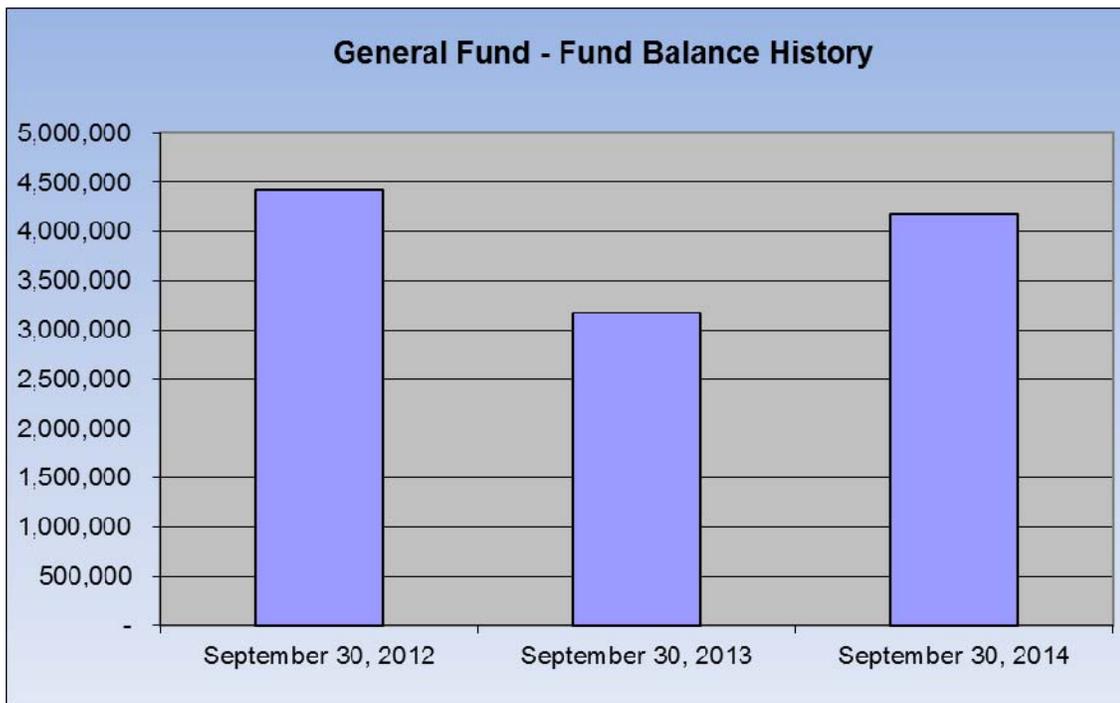
Of primary interest to the Town is the General Fund, which accounts for the majority of revenues received and funds expended in the operations of the Town, including administration, general government, public safety, transportation, and parks and recreation. The following charts present the sources of revenues and the expenditures of the General Fund for the fiscal year ended September 30, 2014:



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Total fund balance of the General Fund at September 30, 2014, was a positive \$4,180,165. As discussed in prior years, fund balance does not necessarily equal cash on hand and available to spend. Fund balance is the difference between assets and liabilities, only a portion of which is cash available to be spent. While the Town has cash and investments on hand at September 30, 2014, of \$4,482,413, the Town also has \$598,871 in current liabilities due to outside parties and employees. The Town's General Fund also has at September 30, 2014, other liabilities totaling \$74,533 in deferred inflows of resources. Additionally, the General Fund incurs expenditures of approximately \$1.2 million per month. A large part of the cash on hand at September 30, 2014, will be needed in subsequent months to fund expenditures, until the Town's property tax revenues are fully collected in November and December.

The following is a history of the total ending fund balance of the General Fund over the past three years:



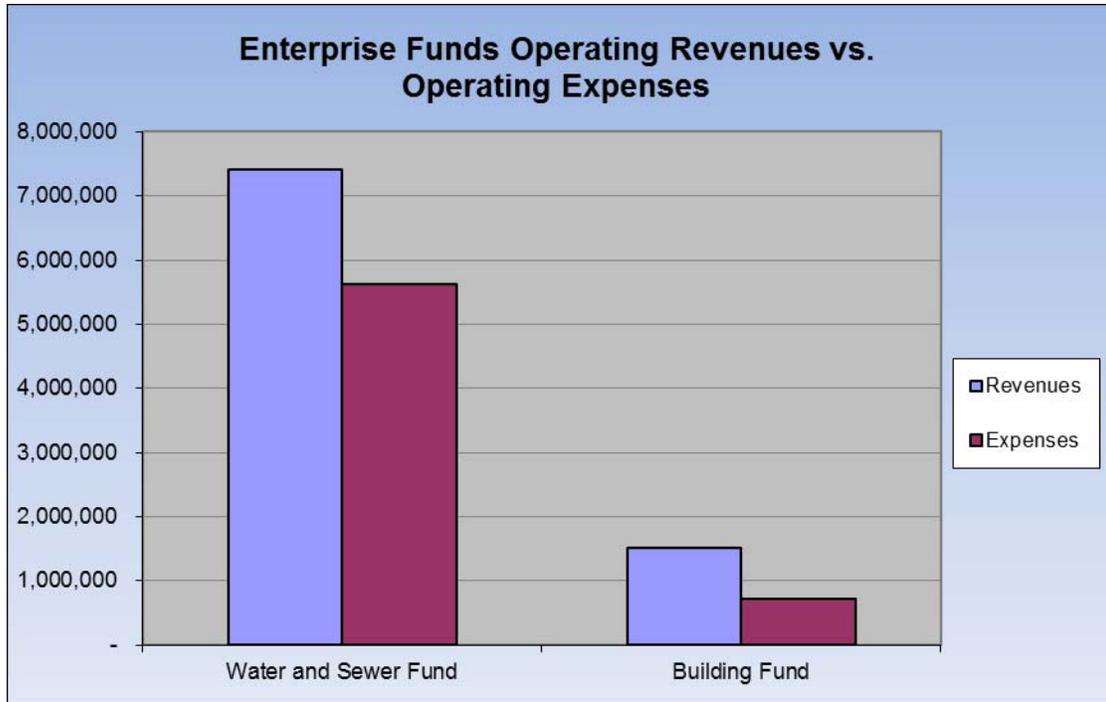
Other Governmental Funds

The City maintains various special revenue funds (Road and Bridge Fund, Infrastructure Surtax Fund, Tourist Development Tax Fund, Beach District A Fund, Beach District B Fund, Tree Replacement Fund, Police Training Fund, Law Enforcement Trust Fund, and the Tennis Center Fund). These funds account for revenues derived from specific sources which are legally restricted to finance particular functions or activities. Capital projects funds (the Beach Nourishment Fund, the Streets Fund, Land Acquisition Fund, Facilities Fund, Canal Dredging Fund, and the Parks and Recreation Fund) are used to account for revenues and expenditures related to the renovation and/or construction of major capital assets. The Town also has one remaining debt service fund which is used to account for the accumulation and payment of principal and interest on the Town's General Obligation Facilities Bonds.

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Enterprise Funds

The Town maintains two enterprise funds which are used to account for operations in a manner similar to private business enterprises – where the intent is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. As noted in the graph below, both of the Town’s enterprise funds are currently generating revenues sufficient to cover the costs of operations.



REQUIRED COMMUNICATIONS

The Auditor's Responsibility Under *Government Auditing Standards* and Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of the Town of Longboat Key, Florida (the "Town") for the year ended September 30, 2014, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Town's internal control or compliance with laws and regulations.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Town. There are new accounting standards which will be required to be implemented in the coming years. These are discussed later in this document.

In considering the qualitative aspects of the Town's accounting policies, 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. The Town's policies relative to the timing of recording transactions are consistent with GAAP and typical government organizations.

Management Judgments and 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. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the Town's significant accounting policies. Estimates significant to the financial statements include such items as the estimated lives of depreciable assets.

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Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements, and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit and in forming our opinion on the financial statements.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments

During our audit of the Town's basic financial statements as of and for the year ended September 30, 2014, there were minimal adjustments proposed to the funds of the Town. The detail of all proposed adjustments for the funds has been previously provided to management.

All adjustments have been discussed with management and have been recorded.

Uncorrected Misstatements

We had no passed adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Representation from Management

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us during the audit. Management provided those written representations without delay and in an organized manner.

Management's Consultations with Other Accountants

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

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Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans or strategies that may have affected the risk of material misstatement of the financial statements. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Independence

We are independent of the and all related organizations in accordance with auditing standards promulgated by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Town.

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended September 30, 2014, we noted areas within the accounting and internal control systems that we believe can be improved. Additionally, we noted certain items management should consider as part of its decision making process. Our recommendations are presented in the following paragraphs. We believe consideration of these recommendations will help provide proper control over financial activities, and add effectiveness and efficiency to overall operations.

Item Sited within the Town's Financial Statements as a Material Weakness

2014 - 001. Restatement of Prior Year Balances

During our audit for the year ended September 30, 2014, misstatements were identified that caused the need to restate opening equity for the year ended September 30, 2013 surrounding the Town's utility accounts and capital assets. We addressed this matter with the Town and they were able to determine the appropriate adjustment required to the Town's general ledger to properly report the unbilled utility accounts receivables within the Town's Water and Sewer Fund; governmental activity capital assets; and liabilities within the Town's Beach Nourishment Capital Projects Fund.

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An audit adjustment to increase net position and increase accounts receivable within the Water and Sewer Fund by \$89,266 was required to be reported as of September 30, 2013. Additionally, an audit adjustment to increase fund balance and reduce liabilities within the Beach Nourishment Capital Projects Fund by \$130,500 was required to be reported as of September 30, 2013. A corresponding adjustment was also needed to reduce governmental activities capital assets by \$130,500 and accumulated depreciation by \$13,050. We recommend the Town carefully review the financial statements and applicable reporting requirements to ensure that all information and financial data is being properly reported.

Other Matters only Sited within this Annual Audit Agenda

Management of Inventory Accounts - During our physical observation of the Town's water and sewer inventory, we noted differences in quantities observed vs. Town records. Internal controls and effective procedures should be in place to ensure that accurate detail listings are being maintained. The Town did not have sufficient controls and procedures in place to ensure the accuracy of the detail inventory listings in the water fund as of September 30, 2014. We recommend the Town implement procedures to ensure that inventory is being adequately controlled and reported to ensure accurate detailed listings are being generated by the Town's system.

Budget – During our review of the Town's policies and procedures as well as discussions with management and review of the prior year financial statements, we noted that the Town's legal level of budgetary control (i.e. the level at which expenditures may not legally exceed the appropriations) is the individual account line item level. In our experience auditing over 250 governmental entities on an annual basis, we note that the standard practice for budgetary control is at the departmental level. Commissions set and determine the approved budget based on local ordinances and state requirements but amendments and financial reporting are all performed at the departmental level. This allows for much less time consuming oversight on behalf of the Commission, and allows the finance department the flexibility of making changes to individual line items within the departmental budget. The Commission authorizes for instance Town Managers or Town Finance Directors the ability to make these types of changes without the formal process of going to the Commission for approval. We recommend the Town consider making these changes to streamline the accounting / budgeting process.

ACCOUNTING RELATED MATTERS

Other Matters for Communication to the Commission and Management

During our audit of the financial statements as of and for the year ended September 30, 2014, we noted other matters which we wish to communicate to you in an effort to keep the Town abreast of accounting matters that could present challenges in financial reporting in future periods.

New Governmental Accounting Standards Board (GASB) Pronouncements



As has been the case for the past ten years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards:

- a. **Statement No. 67, *Financial Reporting for Pension Plans*** became effective for the Town's fiscal year ending September 30, 2014. This pronouncement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

- b. **Statement No. 68, *Accounting and Reporting for Pensions*** is effective for the Town's fiscal year ending September 30, 2015. This pronouncement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Defined Benefit Pension Plans. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the

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present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Statement No. 68 calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of: (1) changes in economic and demographic assumptions used to project benefits; and, (2) differences between those assumptions and actual experience. Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. These changes include:

- **Projections of Benefit Payments.** Projections of benefit payments to employees will be based on the then-existing benefit terms and incorporate projected salary changes and projected service credits (if they are factors in the pension formula), as well as projected automatic postemployment benefit changes (those written into the benefit terms), including automatic cost-of-living-adjustments (COLAs). For the first time, projections also will include ad hoc postemployment benefit changes (those not written into the benefit terms), including ad hoc COLAs, if they are considered to be substantively automatic.
- **Discount Rate.** The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.
- **Attribution Method.** Governments will use a single actuarial cost allocation method “entry age,” with each period’s service cost determined as a level percentage of pay.

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Note Disclosures and Required Supplementary Information. Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Single and agent employers will disclose additional information, such as the composition of the employees covered by the benefit terms and the sources of changes in the components of the net pension liability for the current year. A single or agent employer will also present RSI schedules covering the past 10 years regarding:

- Sources of changes in the components of the net pension liability;
- Ratios that assist in assessing the magnitude of the net pension liability;
- Comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements, if an employer has actuarially determined contributions.

Cost-sharing employers also will present the RSI schedule of net pension liability, information about contractually required contributions, and related ratios.

Defined Contribution Pensions. The existing standards for governments that provide defined contribution pensions are largely carried forward in this new statement. These governments will recognize pension expenses equal to the amount of contributions or credits to employees' accounts, absent forfeited amounts. A pension liability will be recognized for the difference between amounts recognized as expense and actual contributions made to a defined contribution pension plan.

Special Funding Situations. Certain governments are legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another government. For example, a state is legally required to contribute to a pension plan that covers local school districts' teachers. In specific circumstances called special funding situations, the Statement requires governments that are non-employer contributing entities to recognize in their own financial statements their proportionate share of the other governmental employers' net pension liability and pension expense.

The changes noted above by Statement No. 68 are significant to governments who sponsor retirement plans, and we strongly encourage Town officials to review the actual pronouncement and consider the potential effects on the financial reporting of the Town.

COMPLIMENTARY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Complimentary Continuing Education. We provide complimentary continuing education for all of our governmental clients. Annually, we pick a couple of significant topics tailored to be of interest to governmental entities. We provide these complimentary services typically in the summer months over a two day period and typically see 40 to 50 people. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope Town staff and officials have been able to participate in this opportunity, and that it has been beneficial to you. Examples of subjects addressed in the past few quarters include:

1. American Recovery and Reinvestment Act (ARRA) information, issues and updates;
2. GASB updates (several sessions);
3. Internal Controls Over Revenue and Cash Receipting;
4. Collateralization of Deposits and Investments;
5. Internal Controls Over Accounts Payable, Payroll and Cash Disbursements;
6. Capital Asset Accounting Processes and Controls;
7. Grant Accounting Processes and Controls;
8. Policies and Procedures Manuals;
9. Segregation of Duties;
10. GASB No. 51, Intangible Assets;
11. Single Audits for Auditees;
12. GASB No. 54, Governmental Fund Balance (subject addressed twice);
13. Best Budgeting Practices, Policies and Processes;
14. Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters;
15. CAFR Preparation (several times including a two day hands-on course);
16. GASB No. 60, Service Concession Arrangements (webcast);
17. GASB No.'s 63 and 65, Deferred Inflows and Outflows (webcast);
18. GASB No. 61, the Financial Reporting Entity (webcast).

Governmental Newsletters. We produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are produced and delivered periodically (approximately six times per year), and are intended to keep you informed of current developments in the government finance environment.

Communication. In an effort to better communicate our complimentary continuing education plans and newsletters, please email Lauren Payne at LPayne@mjcpa.com and provide to her individual names, mailing addresses, email addresses, and phone numbers of anyone you wish to participate and be included in our database.

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CLOSING

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures. If you have any questions regarding any comments, suggestions or recommendations set forth in this memorandum, we will be pleased to discuss it with you at your convenience.

This information is intended solely for the use of the Town's management and others within the Town's organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the Town and look forward to serving you in the future.

Thank you.