

The City of Coral Gables, Florida

Report to the Honorable Mayor and
Members of the City Commission
March 31, 2022





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March 31, 2022

The Honorable Mayor and Members of the City Commission
Coral Gables, 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 Coral Gables, Florida (the City) as of and for the year ended September 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

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

RSM US LLP

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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 basic 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 November 16, 2021. Our audit of the basic 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 Audit

We have issued a separate communication dated February 7, 2022, 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 adopted Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*, during the current period which resulted in a restatement of the aggregate remaining fund information beginning net position, as of October 1, 2020. Our opinion is not modified with respect to this matter. The City did not adopt any other significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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 in the attached Summary of Significant Accounting Estimates.

Basis of Accounting

The basic financial statements were prepared on the assumption that the City will continue as a going concern.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Departure From the Auditor's Standard Report

Reporting – Expected Emphasis-of-Matter Paragraph

As discussed in Note 1 to the financial statements, the beginning net position of the aggregate remaining fund information as of October 1, 2020, has been restated. In light of this matter, we have included an emphasis of matter paragraph in the auditor's report. This matter will not modify the opinion.

Below is the paragraph that is included in the auditor's report:

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted the recognition and disclosure requirements of GASB Statement No. 84, *Fiduciary Activities*. The beginning net position of the aggregate remaining fund information as of October 1, 2020, has been restated. 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 introductory section, statistical section and combining fund financial statements and schedules which are 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 basic 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

No significant issues arising from the audit 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

The first report listed below is included with Exhibit A. We will also issue, under separate cover, the other reports listed below 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 Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance
- Management Letter in Accordance with Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

Significant Written Communications Between Management and Our Firm

The representation letter provided to us by management is attached as Exhibit A.

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 City's September 30, 2021 basic 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. 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.

Significant Accounting Estimates

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 Post-Employment 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.

Significant Accounting Estimates

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.

EXHIBIT A

Significant Written Communications Between Management and Our Firm



The City of Coral Gables

Finance Department

405 BILTMORE WAY
CORAL GABLES, FLORIDA 33134

March 31, 2022

RSM US LLP
801 Brickell Avenue, Suite 1050
Miami, FL 3313

This representation letter is provided in connection with your audit of the basic financial statements of the City of Coral Gables, Florida (the City), as of and for the year ended September 30, 2021 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 March 31, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 16, 2021, 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. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, as applicable.
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.
9. We agree with the findings of the specialists in evaluating our estimated liabilities for self-insurance, other post-employment benefit obligations (OPEB) and the 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 underlying accounting records. We did not give instructions, or cause any instructions to be given, to the 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.

In addition, we believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated Plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the 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 Plans' actuaries.

10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
11. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

13. 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 City Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
15. 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.
16. 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.

17. 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.
18. 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, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
20. We have disclosed to you all known actual or possible pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
21. 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.
22. We are aware of no 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.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We do not have any material unrecorded liabilities for asset retirement obligations (AROs) and we are not aware of any material asset impairments.
25. We have properly implemented the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities* for the year ended. This resulted in a restatement of the aggregate remaining fund information beginning net position, as of October 1, 2020.
26. 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

27. 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 requirements.
 - 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.

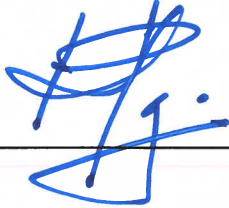
28. With respect to the management's discussion and analysis, budgetary comparison schedule for the General Fund, and other post-employment benefits and pension related schedules as required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements:
- a. We acknowledge 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:
 - Discount rates for pension and OPEB
 - Mortality rates for pension and OPEB
 - Healthcare cost trend rates for OPEB
 - Long-term rate of return for pension investments

Compliance Considerations

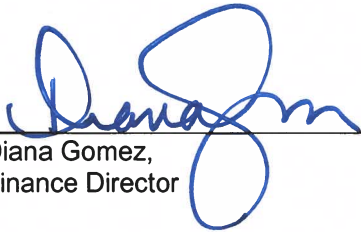
In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

29. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
30. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
31. 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.
32. 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.
33. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
34. 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, when applicable.
35. Has a process to track the status of audit findings and recommendations, when applicable.
36. 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, when applicable.
37. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
38. Acknowledges its responsibilities as it relates to non-audit services performed by RSM US LLP relating to implementation of GASB 87, 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.

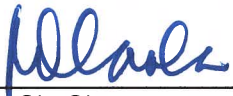
City of Coral Gables, Florida



Peter Iglesias,
City Manager



Diana Gomez,
Finance Director



Sally Ola Ola,
Assistant Finance Director



RSM US LLP

**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

The Honorable Mayor and Members of the City Commission
City of Coral Gables, 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, each major fund, and the aggregate remaining fund information of the City of Coral Gables, 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 March 31, 2022. Our report includes a reference to other auditors who audited the financial statements of the City of Coral Gables Retirement Fund and the Police Officers' Pension Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City of Coral Gables Retirement Fund were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with the City of Coral Gables Retirement Fund. Our report also included an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The adoption of this statement resulted in the restatement of the financial statements as of October 1, 2020.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Miami, Florida
March 31, 2022