

**City of Coral Gables City Commission Meeting**  
**Agenda Item H-9**  
**March 28, 2017**  
**City Commission Chambers**  
**405 Biltmore Way, Coral Gables, FL**

**City Commission**

**Mayor Jim Cason**  
**Commissioner Pat Keon**  
**Commissioner Vince Lago**  
**Vice Mayor Frank Quesada**  
**Commissioner Jeannett Slesnick**

**City Staff**

**City Manager, Cathy Swanson-Rivenbark**  
**City Attorney, Craig E. Leen**  
**City Clerk, Walter J. Foeman**  
**Deputy City Clerk, Billy Urquia**  
**Finance Director, Diana Gomez**

**Public Speaker(s)**

**Donovan McGinley, RSM US LLP**

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Agenda Item H-9 [10:31:19 a.m.]

A Resolution accepting the Comprehensive Annual Financial Report, Compliance Reports, and Management Letter for the fiscal year ended September 30, 2016, by RSM US LLP, Certified Public Accountants.

Mayor Cason: Let's move to H-9 and then we'll do H-1 and 2.

Finance Director Gomez: Good morning, this is a Resolution accepting the Comprehensive Annual Financial Statements for the fiscal year ended September 30, 2016. The audit was conducted by RSM US LLP, Certified Public Accountant. In your agenda packet you had received a draft of the reports; I just handed out the final reports, which also will be available online later today. Nothing has changed from the draft report except that the final reports now include the auditor's opinion. You will see that the auditors have issued an unmodified or clean opinion, which is the highest level of assurance that the City's financial statements are free from material misstatements. One thing I'd like to point out is that we have closed the fiscal year with

a \$41.6 million in unassigned general funding reserves. This now equates to 25 percent of our total operating budgets, so we are in compliance with the Resolution 2016-34, which sets the City's policy for fund balance reserve. You also have in the packet, a Management Letter and Compliance Reports and SAS 114 letter. Donovan McGinley, Partner with RSM will go over a few required communications with you.

Mr. McGinley: Thank you Diana. Mr. Mayor, Commissioners good morning, Donovan McGinley with RSM. First and foremost, as Diana mentioned in this packet, which is called the Comprehensive Annual Report, it's a very large document. She mentioned our opinion, which is sited on page, starts on page 1. It does reflect an unmodified and as she mentioned a clean opinion, based on their audit and financial statements for the fiscal year ended September 30, 2016. A couple key points that I want to actually highlight, Diana mentioned about the fund balance, which is in the packet just for your own reference, starts on page 24, the unassigned amount, which is approximately \$41 million, and she mentioned the fact that it exceeds 25 percent of the operating budget. Just as an editorial, that's a very high achievement. Most municipal governments range between 15 to 18 percent of that, so the fact that you are at 25 percent or above is a very high achievement that you should be proud of. Turn back to page 20, which shows the financial statements will be called government-wide, which is similar to the commercial type statements. Half through the document there is an amount on there that says basically, long term, represents long term liabilities of about \$320 million. A flat amount of approximately \$230 million refers to the pension liability for the City and this is a long term unfunded portion of the liability for the City just as a reference point. The other key aspects are the new Enterprise Fund, which starts on page 3. In there you have, again, unreserved net position, which is similar to equity of approximately \$4.2 million. Actually an improvement from the previous year in total as it relates to that. I notice this document is pretty daunting, there are a lot of numbers in there, but we do encourage you, if anything, there is a section that's called Management Discussion Analysis, which shows a recap and analysis of one year compared to the other that I encourage you to at least scan through. It gives you the perspective.

Vice Mayor Quesada: Quick question, this document is the same as the draft that we discussed the other day?

Finance Director Gomez: Yes.

Vice Mayor Quesada: OK. Because I hate receiving items, documents – it's impossible for me to read this right now.

Finance Director Gomez: No, no. It's exactly the same except for the final is a down version, as well as it includes the actual auditor opinion, which the draft might have just said draft on it, so it just actually takes up the draft, everything else stays the same.

Vice Mayor Quesada: Small technical thing is, when we started this item you guys passed it out, if at the beginning of the meeting you had it, just give it to us.

Finance Director Gomez: I'm sorry.

Vice Mayor Quesada: So, maybe there is a little bit of a lull time that we can flip through and at least get through some of it.

Mayor Cason: Now the unrestricted reserves are \$41 million plus, but we also have other reserves too, so I thought it would be interesting for the public to know just how much money we have aside for other than the unrestricted to other things, so if we ever had a disaster or a hurricane that wiped the City out, how much money we have that could be brought in as well.

Finance Director Gomez: So, total fund balance, which includes both restricted for certain purposes and unrestricted totals \$132 million.

Mayor Cason: OK.

Finance Director Gomez: There are portions of that that are restricted and unrestricted, so not everything can be used. Some of them have specific purposes and each of the individual funds you'll see what each individual fund unassigned or unrestricted fund balance is, but in total Citywide its \$132 million.

Mayor Cason: Great. Thank you.

Mr. McGinley: The other thing real quickly, Diana mentioned the fact that we have a management letter in the packet, which is probably just provided. There are a couple of comments in there that we provided inclusive of the comments that were provided in management's response, which basically articulates in terms of how they are going to rectify or address the issue. There are three levels of findings that we site in our profession, which is control deficiency that is significant deficiency, the next is material weakness, which is the highest severity in terms of what we determine to be a finding, this is at the lowest level which is a control deficiency and these are basically areas of improvement that we are encouraging the City to employ. Again, the responses are included therein and although we haven't audited the

responses, we feel comfortable that management can achieve their intended goal in terms of rectifying the finding.

City Manager Swanson-Rivenbark: Excuse me one second, Mr. Mayor these are the same two issues that we shared with each of you in your briefings; one are e-mail, we need to remove City employees that have exited faster, it's an IT type of handling process that we will address; and second, was the management of the capital assets that a division director must also get the signature authority of the director. We've briefed you on these issues and we've already implemented the necessary corrections, but from our understanding these kinds of issues are actually low risk, not significant, but we take all of our opportunities for improvement seriously, so the Finance Director has already begun those.

Mayor Cason: Great. Thank you. Any discussion? So, a motion on H-9?

Commissioner Keon: Can I just ask – what page did you say was the – what was it that you said to read that was...?

Mr. McGinley: The General Fund. OK. For the General Fund, on page 24, and we kind of focus on the General Fund, because it's the main operating fund of the City, but to Diana's point, where she mentioned that the total fund balance there are other funds that also have unassigned or available fund balance to be spent, but most of those are already earmarked for a specific project, but on page 24 where it says, unassigned...

Mayor Cason: Yes, it's on my bill...to the penny.

[Laughter]

Mayor Cason: Can I have a motion on H-9?

Commissioner Keon: I'll move.

Vice Mayor Quesada: Second.

Mayor Cason: Commissioner Keon makes the motion, Vice Mayor seconds, City Clerk.

Commissioner Keon: Yes

Commissioner Lago: Yes

Vice Mayor Quesada: Yes

Commissioner Slesnick: (Stepped out of the Chambers)

Mayor Cason: Yes  
(Vote: 4-0)

Mayor Cason: Thank you.

Mr. McGinley: Thank you very much.

Mayor Cason: Thank you very much.

Mr. McGinley: And congratulations on your...

Mayor Cason: Thanks,

[End: 10:39:56 a.m.]