

The City of Coral Gables, Florida

Report to the Honorable Mayor and
Members of the City Commission

March XX, 2017

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The City of Coral Gables, Florida
405 Biltmore Way
Coral Gables, FL 33134

Attention: The Honorable Mayor and Members of the City Commission

We are pleased to present this report related to our audit of the basic financial statements and reports on internal control over financial reporting and on compliance for the City of Coral Gables, Florida (the "City") for the year ended September 30, 2016. 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.

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Exhibit A – Significant Written Communications between Management and Our Firm

Representation Letters

Exhibit B – Letter Communicating Internal Control Matters

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.

Management Letter Required Chapter 10.550, Rules of the Florida Auditor General of the State of Florida.

Independent Accountant's Report in Accordance with Chapter 10.550 of the Rules of the Auditor General of the State of Florida, relating to the City's compliance with Section 218.415, Florida Statutes, Local Government Investment Policies.

Required Communications

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

| Area | Comments |
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| Our Responsibilities With Regard to the Financial Statement Audit. | Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our professional services agreement dated August 31, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter. |
| Overview of the Planned Scope and Timing of the Financial Statement Audit. | We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. |
| Accounting Policies and Practices | <p data-bbox="618 957 1252 989">Preferability of Accounting Policies and Practices</p> <p data-bbox="618 1020 1349 1138">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.</p> <p data-bbox="618 1188 1219 1220">Adoption of, or Change in, Accounting Policies</p> <p data-bbox="618 1251 1414 1310">Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City.</p> <p data-bbox="618 1346 1414 1556">As discussed in Note 1 to the financial statements, the City adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statements No. 72, <i>Fair Value Measurement and Application and Statement</i> and No. 76, <i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which supersedes Statement No. 55</i>, effective October 1, 2015.</p> <p data-bbox="618 1587 1377 1675">The City did not adopt any additional new significant accounting policies, nor have there been any significant changes in existing accounting policies during the current period.</p> |

| Area | Comments |
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| Accounting Policies and Practices (continued) | <p data-bbox="618 312 1081 340">Significant or Unusual Transactions</p> <p data-bbox="618 390 1419 478">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.</p> <p data-bbox="618 512 1300 539">Management’s Judgments and Accounting Estimates</p> <p data-bbox="618 573 1419 720">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” section of this document.</p> |
| Audit Adjustments | <p data-bbox="618 768 1390 856">There was one audit adjustment proposed by us and recorded by the City, which consisted of adjusting accounts payable for \$154,434 relating to the improper accrual of expenditure.</p> |
| Uncorrected Misstatements | <p data-bbox="618 905 1369 961">We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p> |
| Disagreements with Management | <p data-bbox="618 1010 1398 1152">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.</p> |
| Consultations with Other Accountants | <p data-bbox="618 1201 1414 1257">We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p> |
| Significant Issues Discussed with Management | <p data-bbox="618 1306 1406 1362">No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p> |
| Significant Difficulties Encountered in Performing the Audit | <p data-bbox="618 1442 1354 1499">We did not encounter any significant difficulties in dealing with management during the audit.</p> |
| Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting | <p data-bbox="618 1577 1419 1810">We have separately communicated the significant deficiencies and material weaknesses in internal control over financial reporting identified during our audit of the basic financial statements, as required by <i>Government Auditing Standards</i> through issuance of our <i>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</i>.</p> |

Area

Comments

We have issued, under separate cover, the following reports:

- *Management Letter Required Chapter 10.550, Rules of the Florida Auditor General of the State of Florida.*
- *Independent Accountant's Report in Accordance with Chapter 10.550 of the Rules of the Auditor General of the State of Florida, relating to the City's compliance with Section 218.415, Florida Statutes, Local Government Investment Policies.*

These reports are attached herein as Exhibit B.

Significant Written Communications between Management and Our Firm

Copies of material written communications between our firm and the management of the City, including the representation letters provided to us by management, is attached as Exhibit A.

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Summary of 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 describes the significant accounting estimates reflected in the City's September 30, 2016, financial statements.

| Estimate | Accounting Policy | Management's Estimation Process | Basis for Our Conclusions on Reasonableness of Estimate |
|---|---|--|---|
| Risk Management | The City is self-insured for general, auto liability, and workers' compensation. The liability for the amount of claims represents an estimate of the eventual loss on claims including claims incurred but not yet reported. | The City utilizes the services of an actuary to assist in developing risk reserves based on historical experience, open incidents and recent trends. The City approved the results of the actuarial determination. | 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 Pension Plans and the Related Net Pension Liabilities | Annual required contributions (ARC), net pension liabilities and related pension amounts are actuarially determined in accordance with the parameters established by the Government Accounting Standards Board. The difference between total pension liability and Plan Fiduciary Net Position at the Plan measurement date and any associated deferred outflows and inflows as of period ended are recognized in the financial statements of the City. | City management and/or the pension plan's 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 plan's actuarial report. | We have audited the underlying data supporting the estimate and reviewed management's methodology, including evaluating the actuarial report and assumptions used which appears reasonable and consistently applied, and have deemed the resulting estimate to be reasonable. |

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| <p>Accounting for Other Post-Employment Benefits</p> | <p>The City has an actuarial valuation performed to determine the annual required contribution. Any net difference between the annual required contribution and actual contributions is recorded as a net asset or obligation of the City at year end.</p> | <p>The City utilizes the services of an actuary to determine the City's annual required contribution. Management and the actuary determine the appropriateness of the actuarial assumptions to be utilized. The actuary then performs the calculation which is reviewed and approved by management.</p> | <p>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.</p> |
| <p>Allowance for Doubtful Accounts</p> | <p>All trade and other receivables are shown net of an allowance for uncollectible amounts to arrive at the net realizable value.</p> | <p>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.</p> | <p>All trade and other receivables are shown net of an allowance for uncollectible amounts to arrive at the net realizable value.</p> |

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