

City of Coral Gables City Commission Meeting
Agenda Item H-4
July 29, 2009
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Donald D. Slesnick, II
Vice Mayor William H. Kerdyk, Jr.
Commissioner Maria Anderson
Commissioner Rafael “Ralph” Cabrera, Jr.
Commissioner Wayne “Chip” Withers

City Staff

City Manager, Patrick Salerno
City Attorney, Elizabeth Hernandez
City Clerk, Walter J. Foeman
Deputy Clerk, Billy Urquia

Public Speaker(s)

Brett Friedman, Director, McGladrey & Pullen

H-4 [Start: 12:09:27 p.m.]

Presentation of Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008 by Brett Friedman, Director, McGladrey & Pullen.

Mr. Friedman: Good afternoon Mayor, Commissioners, I thank you for this opportunity. Just want to point out, you should have two items in your package, one is the Annual Comprehensive Report, which is prepared by the Finance Department, and the second item is required communications that we make directly to you as the governing body for the City. With regard to the first item, the City staff primarily the Finance Department prepares the financial statements; and it's our obligation to go in and audit the information and determine whether or not it's prepared in accordance with generally accepted accounting principles. With regard to that, what we do is go ahead and issue our opinion on that, the best possible opinion the City can receive is an unqualified opinion; and I'm glad to say in this case that is what the City has received on this report. Again, its based on the presentation of the information, that's what we evaluate and determine, if its in accordance with proper standards. The other items is just some required communications that I'd like to go over with you and just advise you of things that will help you in your role as far as governing the City. The first one is that we follow generally accepted auditing standards and government auditing standards, and we perform the audit in accordance with an arrangement letter, which has been signed with the City, dated December 7, 2007. Now as happens every year, and adds a burden with everybody in government finance, there is constant new accounting pronouncements that come out. There are a couple of new ones that came out this year that are designed to provide you with additional information. The first one, GASB 48, told you about sales and pledges of receivables and future revenues. The key thing with that is that will let you know not only what your obligations have been in the past, but of

your future revenues, what amounts already is obligated to cover past debt, so it kind of gives you a sense of where you stand. The only one is GASB Statement 50, and that just modified certain disclosures regarding the pension. Now there are also a few other things that we have to communicate to you; the first one is that during the audit we did not identify any significant or unusual transactions or controversial accounting policies in emerging or areas where there is not authoritative guidance. We also did not discuss any alternative treatments with management; we evaluated and reviewed management's significant judgments and estimates, which are included in this document for you. We also have included as an attachment the management representation letter the audit adjustments that were posted during the audit, as well as uncorrected misstatements. Now uncorrected misstatements are just items that were noted during the audit that had been determined by management to not significantly impact the accuracy of the financial statements. During the audit we did not encounter any disagreements with management with regard to the application of accounting principles with anything with regard to judgments or estimates made. We also were not made aware of any consultations that management may have had with other auditors or other accountants to solicit different opinions on how to do things. During the audit this past year, we did not personally encounter any difficulties in performing the audit. The City did have for the second year in a row, difficulties in preparing and closing the financial records due to the implementation of the new accounting system. For the past two years they've implemented a new system which has created a lot of hardship and heavy burden on the staff, and this year was basically the same as the prior year. Where the financials were issued and finalized in June, which is why we are at this meeting. Now it's our understanding based on discussions with management that they've got everything together, they are up to date on everything, and everything going forward should be perfect and back to the way it used to be in prior years; that they've gotten over this new software implementation and kind of worked out the problems. The next item in here on page 4, just the significant accounting estimates for you to consider, some of these things are things that you've already mentioned and deal with a lot, obviously a key concern for the City is your pension plans, and when you are going through your discussions being aware of the future obligations that are out there, and the potential rising cost that are occurring especially when you consider the declining market values, as well as what your obligations are. Also risk management dealing with self-insurance and potential liability exposure that's out there; for both of those items the City uses outside professionals, Actuaries who specialize in projecting the future cost of those items. We've gone ahead and reviewed the underlying data that's provided to the Actuaries, and evaluate the assumptions and found them to be reasonable. Couple of the other items are depreciation of capital assets and allowance of doubtful accounts. Again, in evaluating those estimates, we did not see anything that we felt was unusual. Last item just to point out is the City going forward has to deal with some new accounting standards, which are going to add to the disclosures, and potentially add expenses; one of the significant ones you are going to have to report, other post employment benefits. Now everybody in the State of Florida there is an obligation to provide retirees with at a minimum the same cost as the existing employees, which requires an implicit subsidy to everybody. On top of that there's any other potential benefits that are provided, whether it's to the General Employees, Police, Fire, anybody within the City. That item is something that's now going to be reported in the financials and some can tell you what future obligations that's out there, as well as also to let you know what the current year cost is. Last thing just to point out is included in your package is our compliance report on internal control and financial reporting. There was one significant finding in there, and this item is in the

second tab of the Comprehensive Report, and that item says we discussed, we did identify a material weakness in the internal controls dealing with financial accounting and reporting, and as I said before the main issue with that was, due to all the complications that were occurring with the software implementation, it took people away from their normal responsibilities and put them behind doing a lot of the things that are important to maintain control and accuracy of the information. So with that, I'd just open up to any questions.

Commissioner Withers: I have a question regarding the grants that we receive. Did you look at the auditing of the way we audit and follow through with the reporting on grant requests?

Mr. Friedman: Well what we do is each year depending on whether or not you are subject to the single audit act; we'll perform tests on those grants, in this particular year under audit the City was not required to have that.

Commissioner Withers: But that's a part of your scope?

Mr. Friedman: Yes. Any other questions? Thank you for your time.

Mayor Slesnick: As a member of your Board of Directors, I'm looking at your...the Management Letter would be this two page document found under tab 2?

Mr. Friedman: Yes.

Mayor Slesnick: And the material weakness that you have discussed and so forth is really your only management suggestion for us to...

Mr. Friedman: Well that's the one with the most significance, I mean, we do have some...every year we provide any potential recommendations for improvement, the only item that we had that there was an issue or breakdown of controls was the financial reporting. There is always obviously in any organization opportunities to improve things.

Mayor Slesnick: So as I look through here I'm not going to find other suggestions or changes?

Mr. Friedman: Well there are suggestions starting in the back on page 10 of the document.

Mayor Slesnick: Page 10 of the document, where?- where are we, page 10 what document?

Mr. Friedman: In Tab 2 of the financials.

Mayor Slesnick: Oh, the same document that I'm in.

Mr. Friedman: Yes. The key item that I made reference to is on page 3, that's the financial reporting, then there are a few other recommendations starting on page 10, those are just minor recommendations for improvements.

Mayor Slesnick: OK, I got it. Any other questions?

Commissioner Withers: I'll move the acceptance of the...you want one motion for, it comes as a package, the City's and the review, how does that...?

City Manager Salerno: Technically, you are just receiving the document.

Commissioner Withers: The Management Report.

Mr. Friedman: The second one is just written communication of what we've done verbally, which is accepting...

Mayor Slesnick: Its been moved by Mr. Withers seconded by Mr. Kerdyk, that we accept the City of Coral Gables Comprehensive Annual Financial Report for the year ended September 30, 2008, and the report of McGladrey & Pullen, our Certified Public Accountants, which together form the financial report for the year ended September 30, 2008.

Mr. Friedman: Thank you for your time.

Commissioner Anderson: Thank you.

Mayor Slesnick: All those in favor please say aye, opposed like sign.

All: Aye.

[End: 12:19:02 p.m.]