

# The City of Coral Gables, Florida

## Report to the Honorable Mayor and Members of the City Commission

Fiscal Year Ended September 30, 2013



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

Attention: The Honorable Mayor and Members of the City Commission

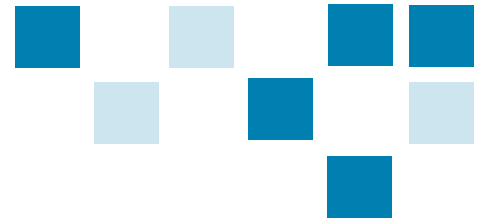
We are pleased to present this report related to our audit of the basic financial statements of the City of Coral Gables, Florida (the "City") for the year ended September 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility 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.

*McGladrey LLP*

Miami, Florida  
March 31, 2014

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## **Exhibit A – Material Written Communication Between Management and Our Firm**

- Representation Letter



# 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
<b>Our Responsibilities with regard to the Financial Statement Audit</b>	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 arrangement letter dated October 7, 2013.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	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.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>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><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. In the current year the City adopted the following applicable significant accounting statements:</p> <ul style="list-style-type: none"><li>▪ <i>GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i></li><li>▪ <i>GASB Statement No. 65, Items Previously Reported as Assets and Liabilities</i></li></ul>

Area	Comments
	<p data-bbox="784 231 1240 262"><b>Significant or Unusual Transactions</b></p> <p data-bbox="784 310 1390 451">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="784 489 1325 556"><b>Management's Judgments and Accounting Estimates</b></p> <p data-bbox="784 604 1414 814">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.</p>
<b>Audit Adjustments</b>	<p data-bbox="784 856 1398 961">There were no audit adjustments proposed by us, to be made to the original trial balance presented to begin the audit.</p>
<b>Uncorrected Misstatements</b>	<p data-bbox="784 1003 1403 1066">We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
<b>Disagreements with Management</b>	<p data-bbox="784 1115 1419 1325">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>
<b>Consultations with Other Accountants</b>	<p data-bbox="784 1371 1403 1476">We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
<b>Significant Issues Discussed with Management</b>	<p data-bbox="784 1522 1419 1627">No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>

Area	Comments
<b>Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting</b>	<p>We have separately communicated control deficiencies and recommendations for improvement to management in our letter issued in accordance with the Rules of the Auditor General of the State of Florida which is included in Exhibit A.</p> <p>We have also issued, under separate cover, the following reports:</p> <ul style="list-style-type: none"> <li>▪ <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></li> <li>▪ <i>Independent Auditor's Report on Compliance For Each Federal Major Program and State Project; and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Florida Auditor General.</i></li> </ul>
<b>Certain Written Communications between Management and Our Firm</b>	<p>Copies of material written communications between our firm and the management of the City, including the representation letter to be provided to us by management, are attached as Exhibit A.</p>

# The City of Coral Gables, Florida

## Summary of Significant Accounting Estimates

### Fiscal Year Ended September 30, 2013

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, 2013, 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 and 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.
Pension Plans	The City has an actuarial valuation performed to determine the annual required contribution. Any net difference between the annual required contribution and actual contributions from or on behalf of the City are recorded as a net pension asset or obligation of the City at year end.	The City utilizes the services of actuaries 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 of the City.	We have reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.

Capitalization of Capital Asset	The City capitalizes all capital assets with a cost in excess of a \$1,000 threshold and an estimated life greater than one year. Depreciation expense is recorded using the straight line method over the estimated useful life for each asset.	Management reviews the nature of the capital assets and determines the appropriate estimated useful lives for depreciating such capital assets.	We have reviewed and evaluated the reasonableness and consistency of the useful lives used by management and have deemed the resulting estimates to be reasonable.
Allowance for Doubtful Accounts	All trade and other receivables are shown net of an allowance for uncollectible amounts to arrive at the net realizable value.	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 historic experience.	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	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.	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.	We evaluated the underlying data supporting the estimate and reviewed management's methodology to determine its propriety and the consistency of its application.



## **Exhibit A - Material Written Communications between Management and Our Firm**



## The City of Coral Gables

### *Finance Department*

CITY HALL 405 BILTMORE WAY  
CORAL GABLES, FLORIDA 33134

March 31, 2014

McGladrey LLP  
801 Brickell Avenue, Suite 1050  
Miami, FL 33131

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, 2013, 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 (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of March 31, 2014:

#### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 7, 2013, 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, including those with other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, joint ventures in which the City has an interest, and jointly governed organizations in which the City participates, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, 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, when applicable, when applicable.
6. 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.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.
9. 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 statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit. We did not expend state financial assistance equal to or in excess of \$500,000 in order to require a State Single Audit.
11. We have no knowledge of any material uncorrected misstatements in the financial statements.

*Information Provided*

12. 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 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 entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
17. We have disclosed to you all instances of known noncompliance or alleged noncompliance with laws and regulations that are required to be disclosed in the financial statements.
18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

20. 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.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

*Supplementary Information*

22. With respect to supplementary information presented in relation to the 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 accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
23. With respect to required supplementary information presented 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 accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
24. 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.

*Compliance Considerations*

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

25. We are responsible for:
  - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
  - b. Establishing and maintaining effective internal control over financial reporting.
26. We have identified and disclosed to you (when applicable):
  - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
27. When applicable, we will take timely and appropriate steps to remedy violations of provisions of contracts or grant agreements, or abuse that has been reported.

28. We have a process to track the status of audit findings and recommendations.
29. When applicable, we have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions we have taken or plan to take to address significant findings and recommendations.
30. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

31. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
32. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
33. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
34. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
35. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
36. We have made available all applicable contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs audited by you and related activities that have taken place with federal agencies or pass-through entities.
37. Other than has been disclosed to you, we have no knowledge of any questioned cost or known noncompliance with the direct and material compliance requirements of federal awards.
38. We believe that we have complied with the direct and material compliance requirements in connection with federal awards which are applicable to the city.
39. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
40. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
41. We have no knowledge of any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report.

42. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.
43. We are responsible for taking corrective action on audit findings of the compliance audit, when applicable.
44. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions, when applicable.
45. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period, when applicable.
46. We have no knowledge of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
47. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited, when applicable.
48. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
49. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
50. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133, when applicable.
51. We have issued management decisions timely after the receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and we have ensured that subrecipients have taken the appropriate and timely corrective action on findings, when applicable.
52. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records, when applicable.
53. We have charged costs to federal awards in accordance with applicable cost principles.
54. There are no findings required to be included on the summary schedule of prior audit findings as required by Circular A-133.
55. We will accurately complete appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate, and timely filing of the data collection form with the Federal Audit Clearinghouse.
56. We have disclosed all contracts or other agreements with service organizations.
57. We are not aware of any communications from service organizations relating to noncompliance at those organizations.

The City of Coral Gables, Florida



Sally Ola Ola, Assistant Finance Director



Adolfo E. Sansores, Assistant Finance Director



Diana Gomez, Finance Director



Patrick G. Salerno, City Manager