

City of Gainesville, Florida

Required Communications

September 30, 2016



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City of Gainesville, Florida

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September 30, 2016

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March 24, 2017

To the Audit and Finance Committee
 City of Gainesville, Florida

We are pleased to present the results of our audit of the 2016 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Gainesville, Florida. We did not audit the financial statements of Gainesville Regional Utilities. Those financial statements were audited by other auditors.

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the 2016 financial statements. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of the Audit and Finance Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,

Carr, Riggs & Ingram, LLC

CARR, RIGGS & INGRAM, LLC
 CERTIFIED PUBLIC ACCOUNTANTS

Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the financial statements as of and for the year ended September 30, 2016;
- Perform audit services in accordance with the Federal and State Single Audit Acts and Rules of the Florida Auditor General;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements as of and for the year September 30, 2016, and have issued our report thereon dated March 24, 2017. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Government Auditing Standards	Professional standards require that we provide you with information about our responsibilities, as well as certain information related to the planned scope and timing of our audit. We have previously communicated such information in our engagement letter.
Management's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the financial statements in conformity with GAAP. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Management's judgments and accounting estimates	Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sometimes particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ from those expected. The most sensitive estimates in the financial statements are the estimates involved in computing the net pension liability, the carrying value of depreciable capital assets, the estimated fair value of investments, the amount of self-insurance liabilities, and the net OPEB asset. We evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Financial statement disclosures	Certain financial statement disclosures are sometimes particularly sensitive because of their significance to financial statement users. The City's disclosure, in Note 2, is of particular interest because it describes various risks associated with the investment portfolio. Note 4 is also notable because it describes the assumptions used to determine pension-related amounts. Another sensitive disclosure affecting the financial statements is the disclosure of commitments and contingencies in Note 13, because of the uncertainty associated with contingent liabilities. The financial statement disclosures are neutral, consistent and clear.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Significant difficulties encountered in the audit	We encountered no significant difficulties in performing our audit.
Disagreements with management	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Corrected and uncorrected misstatements	Please see the following section titled "Summary of Audit Adjustments."
Consultations with other accountants	None of which we are aware.
Written representations	See "Management Representation Letter" section.
Required supplementary information	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
Supplementary information in relation to the financial statements as a whole	We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Other information in documents containing audited financial statements	We were not engaged to report on the other information, which accompanies the financial statements but is not required supplementary information. This information has not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.
Other matters	After the fiscal year, management identified and informed us of an incident which occurred in the Parks and Recreation department for which corrective action has been taken by management.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected).

There were no corrected adjustments as a result of our audit procedures. One uncorrected adjustment was identified and this has been displayed as an attachment in the “Management Representation Letter” section.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference concerns an area of the City’s operating environment that has been identified as playing a significant role in the City’s operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.

Management Representation Letter

March 24, 2017

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

This representation letter is provided in connection with your audit of the financial statements of City of Gainesville, Florida (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and the remaining fund information as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to 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 are also providing this letter in connection with your audits of the City's separately-issued pension and OPEB plans and your separate audit of the City's Wild Spaces Public Places funds and your separate audit of the Community Redevelopment Agency's funds as of and for the year ended September 30, 2016. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 2, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Management Representation Letter

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) 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 and all audit or relevant monitoring reports, if any, received from funding sources.
 - 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 City or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) Except as made known to you, we have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) Except as made known to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

Management Representation Letter

- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes and all other Supplementary Information including the schedules of expenditures of federal awards and state financial assistance. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and all the supplementary information, including the schedule of expenditures of federal awards.
- 28) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Management Representation Letter

- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34](#).
- 32) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the combining statements and the budget to actual schedule of revenue and expenditures (the "Supplementary Information")—
 - a) We acknowledge our responsibility for presenting the Supplementary Information in accordance with accounting principles generally accepted in the United States of America, and we believe the Supplementary Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Supplementary Information have not changed from those used in the prior

Management Representation Letter

period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the Supplementary Information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

45) With respect to federal and state award programs:

- a) We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the state single audit act, including requirements relating to preparation of the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA), schedule of expenditures of state financial assistance (SESA) and related notes in accordance with the requirements of the Uniform Guidance and the state single audit act, and we believe the SEFA and SESA, including their form and content, are fairly presented in accordance with the Uniform Guidance and state single audit act. The methods of measurement or presentation of the SEFA and SESA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA and SESA.
- c) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and state single audit act compliance audits, and have included in the SEFA and SESA, expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal awards, state financial assistance, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, the state single audit act, regulations, and the terms and conditions of federal and state awards related to each of our federal programs and state projects and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program or project.
- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs and state projects that provides reasonable assurance that we are managing our federal and state awards in compliance with federal statutes, the state single audit act, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal programs or state projects. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to federal programs or state projects and related activities.
- g) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

Management Representation Letter

- h) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal or state awards.
- i) We have disclosed any communications from federal and state awarding agencies 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 the auditor's report.
- j) 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 the auditor's report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and the state single audit act.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program and state project financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- q) Federal program and state project financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal program and state project financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
- s) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, the state single audit act, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance and the state single audit act.
- t) We have issued management decisions for audit findings that relate to federal and state awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the

Management Representation Letter

subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal or state award provided to the subrecipient.

- u) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- v) We have charged costs to federal and state awards in accordance with applicable cost principles.
- w) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- x) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- y) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

46) The City complied with the provisions of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year.

Signature: _____

Signature: _____

Title: _____

Title: _____

Signature: _____

Title: _____

Management Representation Letter

City of Gainesville, Florida
SUMMARY OF AUDIT DIFFERENCES
Year Ended September 30, 2016

	Current Year effect
Unadjusted audit differences:	
To increase the estimated allowance for doubtful accounts and decrease the related revenue.	\$ 50,150
Cumulative effect	<u>\$ 50,150</u>