



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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Honorable Mayor and City Council  
City of Sanibel, Florida  
Sanibel, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Sanibel, Florida (the "City") as of and for the year ended September 30, 2012, which, together with the discretely presented component unit, collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2013. Professional standards require that we provide you with the following information related to our audit.

***Our responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards***

As stated in our engagement letter dated July 11, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.
3. We are also responsible for communicating certain matters in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the state of Florida. These matters are communicated in the Management Letter dated March 22, 2013.

**Planned scope and timing of the audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated July 11, 2012, and in our meetings with Vice Mayor Denham and Councilman Congress on December 17, 2012 and Mayor Ruane on January 4, 2013.



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### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Sanibel, Florida are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the governmental unit 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.

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 particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation expense is based on using the straight-line method over the useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset and related change in the net pension asset for the General Employees' Plan and the Municipal Police Officers' Pension Plan were based upon an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the other postemployment benefits (OPEB) was based upon an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of deposits and investment in Note 3 to the financial statements is significant due to the changing economy. This note indicates the risks the City's deposits and investments are exposed to and how the City is managing those risks.

The disclosure of long-term debt in Note 11 to the financial statements is significant for planning purposes and it is significant to the bond and loan holders. This note discloses the terms, activity of, and future required payments for the different categories of debt.

The disclosure of defined benefit pension plans and other post employment benefits in Note 14 to the financial statements is significant because it discloses the City's funding of the two pension plans. This note is significant to the City and the employees who participate in the plans. The disclosure provides the funding information of the plans along with other relevant information.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and uncorrected misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Disagreements with management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated March 22, 2013.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other audit 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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other information in documents containing audited financial statements***

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with

U.S. generally accepted accounting principles, 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. We have issued our report thereon dated March 22, 2013.

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the other information in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This information is intended solely for the use of the City Council and management of City of Sanibel, Florida and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 22, 2013

# City of Sanibel

City Council Meeting

April 16, 2013



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# Reports to be Delivered

Independent Auditors' Report

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* (Yellow Book Report)

Management letter as required by Chapter 10.550 Rules of the Auditor General

Communication to Governance, SAS 114

# Results of Procedures

- **Independent Auditors' Report**
  - Unqualified Opinion
  
- **Independent Auditors' Report on Internal Control (*GAS - Yellow Book*)**
  - No Material Weaknesses reported
  - No Compliance matters reported
  
- **Management Letter (*Florida Auditor General*)**
  - No Deficiencies reported
  - Update for prior year comment

# Required Communication to Governance

- **No difficulties encountered in dealing with management**
- **No corrected or uncorrected misstatements**
- **No disagreements with management**

# Looking Forward – New Standards

## ➤ Pension changes: GASB Statement 67 & 68

- Measurement
  - Pension liability will be reported as employees earn pension benefits
  - New discount rate used to calculate the actuarial value of the future pension benefit payments will likely be less than currently used
- Reporting
  - Net pension liability will now be required to be reported as a liability in the accrual-based financial statements
  - Changes in pension liability will be immediately recognized as pension expense and/or reported as deferred outflows/inflows of resources



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