

GOVERNANCE LETTER

Honorable Mayor and City Commissioners
City of Eustis
Eustis, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eustis, Florida (the City) as of and for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 23, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City 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 2024. We noted no transactions entered into by the City 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

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:

- Estimation of the Allowance for Doubtful Accounts—Management's estimate for the allowance for doubtful accounts is based on historical collection rates and an analysis of the collectability of individual receivables.
- Depreciation—The City uses straight-line depreciation and industry useful lives. The useful lives are reviewed annually by management for reasonableness.

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- Pension Actuarial Methods and Assumptions—Management’s estimates are based upon risk and market factors affecting governmental entities of similar sizes and employee census information. Management also uses the assistance of an actuary hired by the City to project estimated contributions.
- Leases/SBITA—Management’s estimate related to the initial measurement of lease assets and liabilities, interest expense, lease term, present value of lease payments and fair value of underlying assets is all based on terms in the agreements and the discount rate, based on the implementation on Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
- Pension and Other Postemployment Benefits (OPEB)—Management’s estimates of the net pension liability, unfunded actuarial accrued liability, and net OPEB obligation are based upon actuarial methods and assumptions, which are selected based on risk and market factors affecting governmental entities of similar sizes and employee census information. Management also uses the assistance of an actuary hired by the City to project estimated contributions.
- Florida Retirement System (FRS) Pension Liabilities—As a participating employer in the FRS, the City has recorded its share of the FRS net pension liability and related deferred outflows/inflows on its statement of net position. These numbers are estimates based on assumptions embedded in the employer allocations. If these assumptions were changed, the reported amounts could be significantly affected. In addition, because the FRS operates on a fiscal year ending June 30, there is a difference between the measurement date of these numbers (June 30, 2024) and the reporting date (September 30, 2024).
- Investment Fair Value—Management’s estimate of the fair value of financial instruments is based on the fair market value of the security at a particular point in time.
- Valuation of Donated Capital Assets—When capital assets are donated to the City, management estimates the value to record by obtaining the acquisition value from the donor or from the value of similar assets.

We evaluated the 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.

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management elected not to record depreciation in the amount of \$73,620 in the Proprietary funds. The net effect of this entry results in an overstatement of assets and overstatement of Net Position for this amount. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected

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misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. 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.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 28, 2025.

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 City's financial statements or a determination of the type of auditor's 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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit, we also noted the following:

■ **Building Department Net Position**

Based on our review of the building department's operations, it appears the restricted net position (unexpended balances) exceeds the average of its operating budget for the previous four fiscal years less any reserves per Florida Statute 553.80(7)(a). This results in an excess unexpended carryforward which is not in compliance with Florida Statute 553.80(7)(a) and is subject to Florida Statute 553.80(7)(a)(2), "A local government must use any excess funds that it is prohibited from carrying forward to rebate and reduce fees". We recommend management determine treatment of the building fund excess reserves to become compliant with the Florida Statutes.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic 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

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responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards, combining and individual non-major fund statements and schedules, and non-major fund budgetary comparison schedules, which accompany the financial statements but are not RSI. 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.

We were not engaged to report on the Transmittal Letter or Statistical Information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Purvis Gray

March 28, 2025
Ocala, Florida