

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The Honorable Mayor and
Members of the City Commission
City of Green Cove Springs
Green Cove Springs, 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 Green Cove Springs, Florida (the City) for the year ended September 30, 2023.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our original engagement letter to you dated November 29, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies

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 policies were adopted and the application of existing policies was not changed during the year ended September 30, 2023, except for:

Internal Cost Allocations – For the year ended September 30, 2023, the City changed how cost allocations are presented for the financial statements. In 2022, costs allocated to the City enterprise funds were reported as charges for services revenue of \$651,000, the recording of which changed from revenue to a contra expenditure in 2023. This change was made because enterprise funds report these allocations as expenses so these should reflect the reduced expenditures of the general fund.

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 may be particularly sensitive because of their

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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 City's financial statements were:

- **Unbilled Revenue**—The unbilled utility revenue calculation is based on the number of days from the last meter read date in the year through year-end, times the subsequent month's billing. The balance is included in the accounts receivable in the Electric, Sanitation, Water, and Wastewater Funds (Note 1.D).
- **Accounts Receivable**—Accounts receivable are reduced by an allowance for uncollectible accounts, where appropriate. As discussed in Note 1.D of the financial statements, a reserve for doubtful accounts is maintained in each fund equal to the value of the customer receivables that are not expected to be collected.
- **Depreciation**—The City uses straight-line depreciation and industry guidelines for useful lives (Note 1.D).
- **Self-Insured Program Accrual**—The City's accrued claims (known and unknown) at September 30, 2023 (Note 12). The accrual is based on reports provided by the third-party administrator.
- **Accrued Compensated Absences**—The City's liability for accrued compensated absences includes a portion that represents earned but unused vacation, and compensatory time is accrued based on the number of hours accumulated by each employee times their year-end pay rate, and including estimated payroll taxes. The accrual for compensated absences also includes a component for sick leave, which is paid at termination only under certain circumstances, and in varying percentages based on length of employment (Note 1.D).
- **Pension Liabilities**—The City has a single-employer pension plan. Under Governmental Accounting Standards Board (GASB) Statement No. 68, management has accrued a net pension liability, related deferred outflows, and deferred inflows, which were determined by an actuarial valuation of the plan as of October 1, 2022, by Southern Actuarial Services. The City is also a participant in the Florida Retirement System (FRS) a cost-sharing defined benefit plan. Under GASB Statement No. 68, management has accrued their proportionate share of the net pension liability, related deferred outflows, and deferred inflows based on their actuarial valuation performed by Milliman as of October 1, 2022.
- **Other Postemployment Benefits (OPEB)**—The unfunded accrued actuarial liability for OPEB at September 30, 2023, was determined by an actuarial report prepared by Foster & Foster, Inc., as of September 30, 2021 (the latest valuation). There are significant underlying assumptions in the actuarial report, which, if changed, would significantly affect the reported amounts (Note 11).

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

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

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- **Net Pension Liabilities (FRS and Police Pension Plan)**—This liability represents the City’s proportionate share of the unfunded liability of the FRS defined benefit pension plan and Health Insurance Subsidy (HIS) plan. These estimates are based on actuarial studies performed by a qualified actuary retained by the Florida Division of Retirement. There are underlying assumptions in the actuarial reports, which, if changed, could significantly affect the amounts reported. The net pension liability, deferred inflows, and deferred outflows are allocated between the governmental and business-type activities based on retirement contributions made. Pension expense is allocated to the various functions on the statement of activities based on retirement contributions. This allocation is also considered a significant estimate.

- **Net Pension Liability (Police Pension Plan)**—This liability represents the City’s unfunded liability of the single-employer defined benefit pension plan. These estimates are based on actuarial studies performed by Southern Actuarial Services as of October 1, 2022. There are underlying assumptions in the actuarial reports, which if changed, could significantly affect the amounts reported.

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 has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

<u>Stormwater Fund</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivable – Developed Properties		\$ (75,125)
Fund Balance	\$ 75,125	
Due to Other Governments		<u>(50,625)</u>
Fund Balance	<u>50,625</u>	
Total	<u>\$ 125,750</u>	<u>\$ (125,750)</u>

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 June 13, 2024.

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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. It is our understanding that management employed the services of another accountant (Mike Brynjulfson, CPA) to assist with the year-end closeout, financial report preparation, and other accounting matters. To our knowledge, all consultations with outside accountants were properly coordinated.

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.

We would like to draw your attention to the following observations of importance that we offer for the general benefit of the City:

Information Technology (IT) Controls

As a part of our audit of the City’s financial statements, we performed a review of IT Controls for the purpose of determining the timing and extent of our audit procedures we performed in support of our opinion on the financial statements and not for the purpose of issuing an opinion of the controls. As a result of our procedures, we noted opportunities for the City to further mature and refine IT controls and have communicated our comments and recommendations directly to City management. Topics identified in our communication include: segregation of duty conflicts regarding assignment in the financial system of user access rights and user access rights reviews not being performed.

Other Matters

We applied certain limited procedures to the management discussion and analysis (MD&A) and the required supplementary information other than the MD&A, as listed in the table of contents [collectively, the required supplementary information (RSI)], which is 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 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 supplementary information as listed in the table of contents, which accompanies the financial statements but is 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.

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Restriction on Use

This information is intended solely for the use of the Honorable Mayor, Members of the City Commission, 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

June 13, 2024
Gainesville, Florida