

April 27, 2022

To the Honorable Mayor, City Council, and City Manager,
City of 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) as of and for the year ended September 30, 2021, and have issued our report thereon dated April 27, 2022. Professional standards require that we advise you the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 17, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated April 27, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive estimates affecting the financial statements are:

Management's estimate of the allowance for doubtful accounts was based on historical electric, water, sewer, solid waste, and stormwater revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the fair value estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the useful lives for depreciation was based on past history within each capital asset class. We evaluated the key factors and assumptions used to develop the fair value estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability/asset and the total OPEB liability were based on actuarial factors and were calculated by actuaries independent of the City. We evaluated the key factors and assumptions used to develop the fair value estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

Note 7 to the financial statements summarizes the City's long-term debt obligations, including future debt service payments.

Note 8(A) and (B) to the financial statements summarizes the basic information regarding the City's pension plans and the net pension liability/asset.

Note 8(C) to the financial statements summarizes the basic information regarding the City's other post-employment benefits and the total OPEB liability.

Note 9 to the financial statements summarizes the City's Self-Insurance program for health and medical benefits.

Note 13 to the financial statements summarizes recently issued Governmental Accounting Standards Board pronouncements.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such uncorrected misstatements were noted as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material or significant misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- \$295,000 in adjustments to correct health self-insurance expenditure, expenses, prepaid items, and liability balances
- \$130,000 adjustment to record interest expense, loan fees, and related grant revenue
- \$136,000 adjustment to record the state insurance premium tax revenue and related pension contribution expenditure

Disagreements with Management

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

Representation Requested from Management

We have requested certain representations from management, which are included in the management representation letter dated April 27, 2022.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors. In addition, during our audit, we became aware of a matter that is an opportunity for strengthening internal operating policies. The following is our comment and suggestion concerning this matter:

Compliance with Fund Balance Policy

During testing of the City's Fund Balance Policy, we noted the unrestricted/unassigned fund balance for the General Fund, Sewer Utility Fund, and Customer Service Fund as described below:

General Fund – The City's Fund Balance policy states the General Fund shall have a reservation of fund balance equal to 30 days of the current fiscal year operating budget. For the year ended September 30, 2021, the unassigned fund balance in the General Fund was \$(429,513).

Sewer Utility Fund - The City's Fund Balance Policy states utility funds shall have a reservation of fund balance equal to 90 days of the current fiscal year operating budget. For the year ended September 30, 2021, the unrestricted net position in the Sewer Utility Fund was \$196,341 or approximately 15% of the current fiscal year operating budget, which is 53 days of fund balance.

Customer Service Fund - The City's Fund Balance Policy states utility funds (including Customer Service Fund) shall have a reservation of fund balance equal to 90 days of the current fiscal year operating budget. For the year ended September 30, 2021, the unrestricted net position in the Customer Service Fund was a negative \$(14,506).

We recommend the above fund balance and net positions be closely monitored and adjusted in accordance with the City's Fund Balance Policy. Should it be determined the current Fund Balance Policy requirements are not attainable or not appropriate, we recommend the City consider modifying the Policy.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read management's discussion and analysis and required supplementary information, as listed in the table of contents, for material consistency with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

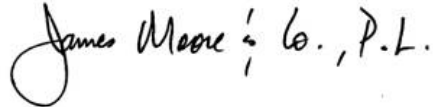
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Other Matters

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 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.

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

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style. The first part "James" is written with a large, looped 'J'. The rest of the signature "Moore & Co., P.L." is written in a more compact, cursive script.

JAMES MOORE & CO., P.L.