

To the Honorable Mayor and
City Council Members
Mount Dora, 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 Mount Dora, Florida (the City), for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 November 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

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 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 2017. We noted a transaction described below where there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Treatment of NEIL and CR3 Settlement

The City elected to treat the remaining NEIL and all of the CR3 settlement payments for financial statement purposes as revenue in the fiscal year ending September 30, 2016. The City has been refunding the NEIL and CR3 payments monthly to the City's customers as a credit to the cost of power adjustment. By recognizing all of the payments as revenue in fiscal year 2016, the City's electric fund will appear to be approximately \$270,000 less profitable until the credits are fully refunded in year 2020. This is due to the financial statements recognizing all of the revenue at once, while the City is returning the payments monthly over an extended period. Different City's affected by the CR3 settlement have accounted for these items different ways. Management believes that the accounting for this item is reasonable and correct.

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 City's financial statements were:

- Management's estimate of accumulated depreciation and depreciation expense for capital assets using the straight-line method of depreciation and by determining estimated useful lives based on the classes of depreciable property describe in the notes to the financial statements.
- Management's estimate of the allowance for uncollectible accounts which is based on historical trends and an analysis of the collectability of individual accounts.

Certified Public Accountants

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Significant Audit Findings *(Continued)*

Qualitative Aspects of Accounting Practices (Concluded)

Treatment of NEIL and CR3 Settlement (Concluded)

- Management's estimate of the other Postemployment Benefits Obligation which is based on actuarial assumptions and estimates, which are selected based on risk and market factors affecting governmental entities of similar sizes and employee census information.
- Management's estimate of the net pension liability for the City's three defined benefit pension plans is based on the actuarial valuations performed by qualified actuaries. As permitted by GASB Statement No. 68, the City has elected to use a measurement date to record the net pension liabilities and related deferred inflows and outflows of resources, that is one year prior to the reporting date. The net pension liability represents the difference between the value of the pension plan assets and the total pension liability, which is measured using various actuarial assumptions. These assumptions, if changed, could have a significant impact on recorded amounts.
- Management's estimate of the allocation of the City's net pension liability and other related items between the business-type and governmental activities. This allocation is based on active employee payroll. These assumptions, if changed, could have a significant impact on the allocation amounts.
- Management's estimate of compensated absences which is based on payroll data as of year-end, including the employees' current rate of pay and accrued hours for vacation and sick leave.

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 in Note 8 that discussed the Other Post-employment Benefits of the City.
- The disclosure in Note 11 that discussed the Pension Plans of the City.

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

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to delays in receiving all of the necessary information to complete the audit. This was caused by significant turnover in staff, including turnover of the Finance Director position.

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 attached material misstatements detected as a result of audit procedures were corrected by management.

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 July 26, 2018.

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Significant Audit Findings (Concluded)

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 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 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.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) as identified in the table of contents to the financial statements, which are 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 identified in the table of contents to the financial statements, 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 statistical information as described in the table of contents to the financial statements, 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 the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.


July 26, 2018
Gainesville, Florida