

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Members of the Board of County Commissioners
DeSoto County, 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 DeSoto County, Florida (the County) for the year ended September 30, 2024, and have issued our report thereon dated June 30, 2025. 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*. We have communicated such information in our engagement letter to you dated August 7, 2024. 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 County are described in Note 1 to the financial statements. Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* was adopted during 2024. The effects of new accounting pronouncements are described in Note 1. The application of existing policies was not changed during 2024. We noted no transactions entered into by the County 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.

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 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 County's financial statements were:

■ Allowance for Uncollectible Receivables

- *Fire and EMS*—Accounts receivable at year-end were offset by an allowance for doubtful accounts. Management determined the allowance for doubtful accounts based upon aging of the accounts receivable (Note 4).
- *Water/Sewer Utility*—Accounts receivable at year-end were offset by an allowance for doubtful accounts. Management determined the allowance for doubtful accounts based upon aging of the accounts receivable (Note 4).

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

- **Depreciation**—The County uses straight-line depreciation and industry guidelines for useful lives (Note 5).
- **Lease Right-to-Use Asset and Liability**—The County bases the right-to-use asset value on the initial measurement of the lease liability, plus any payments made at or before the commencement of the lease term and certain direct costs. The lease liability is measured at the present value of payments expected to be made during the lease term (Notes 5 and 6).
- **Subscription Asset and Liability**—The County bases the subscription asset value on the initial measurement of the subscription liability, plus any payments made at or before the commencement of the subscription term and certain direct costs. The subscription liability is measured at the present value of payments expected to be made during the subscription term (Notes 5 and 6).
- **Lease Receivable and Related Deferred Inflows of Resources**—The County bases the lease receivable on the present value of payments expected to be received during the lease term, while the deferred inflows of resources is based on the balance of the lease receivable divided evenly over the lease term (Note 4).
- **Accrued Compensated Absences**—The County and Officers base this liability on reports from their respective payroll systems. The calculations use the employees' current pay and benefit rates and accrued hours (for vacation, sick leave, and comp time) as of year-end (Note 6A).
- **Accrued Landfill Closure/Post-Closure Costs**—The County's calculation of accrued landfill closure/post-closure care costs are based on cost estimates approved by the Florida Department of Environmental Protection annually. The same costs are used for both regulatory and accounting purposes. For accounting purposes, capacity used during the year and remaining capacity at year-end are based on the County Engineer's estimate using computer modeling. The provision credit resulted from a revision of the expected life of the landfill zones (Note 6C).
- **Other Postemployment Benefits (OPEB)**—Management's estimate of the total OPEB liability, related deferred inflows/outflows of resources, and expenses for OPEB at year-end, is an estimate based on actuarial studies performed by a qualified actuary retained by the County. The actuarial valuation is based upon actuarial methods and assumptions which are selected based on risk and market factors affecting governmental entities of similar sizes, OPEB plan policies, and employee census information. The total OPEB liability and deferred inflows/outflows of resources allocated to the County are determined by the actuary and also considered a significant estimate.
- **Pension Related**—As a participating employer in the Florida Retirement System (FRS), the County has recorded its share of the FRS's net pension liabilities and related deferred outflows/inflows on its statement of net position. These numbers are estimates based on assumptions underlying actuarial reports, and there are additional 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 ended June 30, there is a difference between the measurement date of these numbers (June 30) and the reporting date (September 30) each year.

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

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Financial Statement Disclosures

The financial statement disclosures were drafted by us, and are intended to be neutral, consistent, and clear. Certain disclosures may be sensitive to particular users.

Difficulties Encountered in Performing the Audit

While significant improvements were made during the fiscal year, as further described in findings 2024-01 and 2024-02 in the Schedule of Findings and Questioned Costs, the completion of the audit was delayed due to delays in the financial close and reporting and inventory management processes, which included significant post-closing entries to the working trial balance.

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 misstatement detected as a result of audit procedures was corrected by management: an adjustment to properly recognize federal and state public assistance previously reported as unearned revenue in the combined amount of \$4,730,586.

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 30, 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 County'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 other accountants (Milestone, Inc.) to assist with the year-end closeout. To our knowledge, all consultations with those or other accountants were proper.

Other Audit Matters

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

The following are audit matters we would like to bring to the attention of the Board of Directors and management of the County:

■ **Building Fund Compliance**

Per Florida Statute 553.80 (the statute), a local government may not carry forward an amount exceeding the average of its operating budget for enforcing the Florida Building Code for the previous four fiscal years. Compliance testing over the Building Fund was performed, concluding that the

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

County is not in compliance with the statute. The current year fund balance exceeded the average operating budget for the previous four fiscal years by approximately \$588,000. We recommend that the County review the statute to determine the best allowable use of the excess funds and become compliant as soon as possible.

We applied certain limited procedures to the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A, as listed in the table of contents (collectively, the required supplementary information), which is 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 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 other supplementary information (as listed in the table of contents), which accompanies the financial statements, but is not RSI. With respect to the 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.

Restriction on Use

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

Purvis Gray

June 30, 2025
Sarasota, Florida