

CEDAR KEY WATER & SEWER DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

**CEDAR KEY WATER & SEWER DISTRICT
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Cedar Key Water & Sewer District:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cedar Key Water & Sewer District (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Cedar Key Water & Sewer District, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
February 23, 2022

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

This discussion and analysis of the Cedar Key Water & Sewer District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2021:

- The District's net position decreased by \$120,559.
- Total ending unrestricted net position was \$179,662.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains financial statements that report on the District, which is a proprietary fund-enterprise fund that provides the community with adequate water and wastewater treatment facilities. Enterprise funds are used to account for activities in a manner similar to private-sector business enterprises and use the accrual basis of accounting.

The first financial statement is the Statement of Net Position. This statement includes all of the District's assets and liabilities using the accrual basis of accounting. All of the current year transactions are recorded, regardless of when cash is received or paid. Net position – the difference between assets, liabilities and deferred items – can be used to measure the District's financial position.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Position. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the District's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the District.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the District's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the District's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The District has no governmental activities.

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)**

	2021	2020	Change	% Change
Assets:				
Non-capital assets	\$ 300,162	\$ 385,153	\$ (84,991)	-22.1%
Capital assets	4,966,295	5,111,905	(145,610)	-2.8%
Total assets	5,266,457	5,497,058	(230,601)	-4.2%
Liabilities:				
Current liabilities	91,904	184,745	(92,841)	-50.3%
Long-term liabilities	1,065,379	1,082,580	(17,201)	-1.6%
Total liabilities	1,157,283	1,267,325	(110,042)	-8.7%
Net position:				
Net investment in capital assets	3,891,295	4,018,905	(127,610)	-3.2%
Restricted	38,217	32,943	5,274	16.0%
Unrestricted	179,662	177,885	1,777	1.0%
Total net position	\$ 4,109,174	\$ 4,229,733	\$ (120,559)	-2.9%
Revenues:				
Operating revenues	\$ 943,778	\$ 887,123	\$ 56,655	6.4%
Property taxes	217,031	207,056	9,975	4.8%
Capital grants	90,015	145,902	(55,887)	-38.3%
Investment earnings	18	9	9	100.0%
Gain on disposal of capital assets	1,000	10,150	(9,150)	100.0%
Total revenues	1,251,842	1,250,240	1,602	0.1%
Expenses:				
Water/sewer services	1,071,976	905,850	166,126	18.3%
Depreciation	269,628	263,200	6,428	2.4%
Interest on long-term debt	30,797	31,843	(1,046)	-3.3%
Total expenses	1,372,401	1,200,893	171,508	14.3%
Change in net position	(120,559)	49,347	(169,906)	-344.3%
Beginning net position	4,229,733	4,180,386	49,347	1.2%
Ending net position	\$ 4,109,174	\$ 4,229,733	\$ (120,559)	-2.9%

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were \$1,251,842 which reflect an increase of 0.13% from the prior year. Expenses were \$1,372,401 which were \$171,508 higher than the prior year. This resulted in a decrease in net position for the year of \$120,559.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District spent \$73,110 in the current year on water plant improvements. For further information on smaller purchases, please refer to a note to the accompanying financial statements entitled, *Capital Assets*.

Debt Administration

The District paid off a line of credit of \$100,000 which was used to cover prior year construction costs. Please refer to the notes to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at Post Office Box 309, Cedar Key, Florida 32625.

**CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 90,400
Restricted assets:	
Cash and cash equivalents	40,566
Accounts receivable, net	112,245
Inventory	56,810
Deposits	141
Total current assets	<u>300,162</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	291,446
Depreciable, net	4,674,849
Total noncurrent assets	<u>4,966,295</u>
Total assets	<u><u>\$ 5,266,457</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 27,539
Customer deposits	13,601
Unearned revenue	9,222
Current portion of compensated absences	20,193
Payable from restricted assets:	
Accrued interest payable	2,349
Current maturities on long-term debt	19,000
Total current liabilities	<u>91,904</u>
Noncurrent liabilities:	
Bonds payable	1,056,000
Compensated absences	9,379
Total noncurrent liabilities	<u>1,065,379</u>
Total liabilities	<u><u>\$ 1,157,283</u></u>

NET POSITION

Net investment in capital assets	\$ 3,891,295
Restricted for debt service	38,217
Unrestricted	179,662
Total net position	<u><u>\$ 4,109,174</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Operating revenues	\$ 918,084
Charges for services	25,694
Other operating revenues	<u>943,778</u>
Total operating revenues	<u>943,778</u>
Operating expenses	
Personnel services	448,126
Operating expenses	623,850
Depreciation	269,628
Total operating expenses	<u>1,341,604</u>
Operating income (loss)	<u>(397,826)</u>
Nonoperating revenues (expenses)	
Investment income (loss)	18
Ad valorem taxes	217,031
Gain (loss) on disposal of capital assets	1,000
Interest expense	(30,797)
Total nonoperating revenues (expenses)	<u>187,252</u>
Income (loss) before capital contributions	<u>(210,574)</u>
Capital contributions	
Capital grants	90,015
Change in net position	<u>(120,559)</u>
Net position, beginning of year	4,229,733
Net position, end of year	<u><u>\$ 4,109,174</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Cash flows from operating activities	
Cash received from customers	\$ 1,047,917
Cash payments to employees	(442,389)
Cash payments to suppliers	(603,913)
Net cash provided by (used in) operating activities	<u>1,615</u>
Cash flows from noncapital and financing activities	
Taxes received	217,031
Net cash provided by (used in) noncapital financing activities	<u>217,031</u>
Cash flows from capital and related financing activities	
Principal paid on bonds payable and lines of credit	(118,000)
Interest paid on bonds payable	(31,169)
Payments to acquire and construct plant property	(124,018)
Capital grants	90,015
Net cash provided by (used in) capital and related financing activities	<u>(183,172)</u>
Cash flows from investing activities	
Interest received	18
Net cash provided by (used in) investing activities	<u>18</u>
Net increase (decrease) in cash and cash equivalents	<u>35,492</u>
Cash and cash equivalents, beginning of year	95,474
Cash and cash equivalents, end of year	<u>\$ 130,966</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (397,826)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	269,628
Gain (Loss) on disposal of capital assets	1,000
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	103,826
Decrease (Increase) in inventory and prepaid expenses	16,657
Increase (Decrease) in accounts payable and accrued expenses	2,280
Increase (Decrease) in customer deposits payable	1,200
Increase (Decrease) in unearned revenue	(887)
Increase (Decrease) in compensated absences	5,737
Total adjustments	<u>399,441</u>
Net cash provided by (used in) operating activities	<u>\$ 1,615</u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 90,400
Restricted	40,566
Total cash and cash equivalents	<u>\$ 130,966</u>

The accompanying notes to financial statements are an integral part of this statement.

CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) Summary of Significant Accounting Policies:

The accounting policies of the Cedar Key Water & Sewer District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant policies.

(a) **Reporting entity**—The District is a special-purpose local government operating pursuant to Chapter 98-473, Laws of Florida, to provide the community with adequate water and wastewater treatment facilities.

The District uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. Component units are entities for which the District is considered to be financially accountable or entities that would be misleading to exclude. There are no other entities that qualify for inclusion as a component unit within the District's reporting entity.

(b) **Basis of presentation**—The financial transactions of the District are reported as a proprietary fund type - Enterprise Fund. Enterprise Funds are used to account for activities in a manner similar to private-sector business enterprises. The District's operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

(c) **Measurement focus and basis of accounting**—The District utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(d) **Cash and cash equivalents**—The District's cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2021 are insured or collateralized pursuant to Chapter 280, Florida Statutes. For purposes of the statement of cash flows, the District considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

(e) **Accounts receivable**—The District's accounts receivable are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable are net of a \$9,700 allowance.

(f) **Inventories and Prepaids**—The District's inventory consists of pumps, motors, and other supplies used for installations. Inventory is valued at cost, based on the first-in, first-out method.

Prepaid insurance consists of insurance premiums, which have been paid prior to the end of the fiscal year, but represent expenses which are applicable to future accounting periods. These amounts do not constitute available spendable resources even though they are a component of current assets.

(g) **Capital assets**—Capital assets are recorded at cost less accumulated depreciation, except contributed assets which are recorded at acquisition value on the date of contribution. Expenditures of \$1,000 or more are capitalized. Depreciation, on a straight-line basis, is charged over estimated useful lives ranging from 3 to 40 years.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Compensated absences**—The District's policy is to allow limited vesting of employee vacation and sick pay. A liability for compensated absences is accrued when incurred in the District's financial statements.

(i) **Impact fees**—The District has not adopted any ordinances or resolutions to levy impact fees in accordance with Section 163.31801, Florida Statutes.

(j) **Net position flow assumption**—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the District's policy to consider restricted net position to have been used before unrestricted net position is applied.

(k) **Revenue recognition**—Operating revenue consists primarily of charges for services, which are billed to customers for water and wastewater. Billings are included in revenue as meters are read each month. Unbilled revenues are accrued based on estimated consumption of the most recent billing. Unearned revenue represents advance collections from customers.

(l) **Property Taxes**—The Levy County Tax Collector bills and collects property taxes for the District. Details of the District's property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November - February
No Discount Period	March
Delinquent Date	April 1

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) **Cash and Cash Equivalents:**

The District invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the District is authorized to invest excess public funds in the following instruments: the Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposits in qualified public depositories; and direct obligations of the U.S. Treasury.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(3) Capital Assets:

Changes in the District's capital assets for the year ended September 30, 2021, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 125,196	\$ -	\$ -	\$ 125,196
Construction in progress	166,250	-	-	166,250
Total assets not being depreciated	<u>291,446</u>	<u>-</u>	<u>-</u>	<u>291,446</u>
Capital assets being depreciated:				
Vehicles	84,787	44,462	(4,120)	125,129
Plant and equipment	10,319,994	73,110	-	10,393,104
Other equipment	107,632	1,772	-	109,404
Sewer machinery	125,955	4,674	-	130,629
Total assets being depreciated	<u>10,638,368</u>	<u>124,018</u>	<u>(4,120)</u>	<u>10,758,266</u>
Less accumulated depreciation for:				
Vehicles	(30,772)	(10,443)	4,120	(37,095)
Plant and equipment	(4,978,375)	(194,180)	-	(5,172,555)
Other equipment	(683,055)	(64,723)	-	(747,778)
Sewer machinery	(125,707)	(282)	-	(125,989)
Total accumulated depreciation	<u>(5,817,909)</u>	<u>(269,628)</u>	<u>4,120</u>	<u>(6,083,417)</u>
Total capital assets being depreciated, net	<u>4,820,459</u>	<u>(145,610)</u>	<u>-</u>	<u>4,674,849</u>
Business-type activities capital assets, net	<u>\$ 5,111,905</u>	<u>\$ (145,610)</u>	<u>\$ -</u>	<u>\$ 4,966,295</u>

(4) Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of credit	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Bonds payable	1,093,000	-	(18,000)	1,075,000	19,000
Compensated absences	23,835	22,039	(16,302)	29,572	20,193
Total	<u>\$ 1,216,835</u>	<u>\$ 22,039</u>	<u>\$ (134,302)</u>	<u>\$ 1,104,572</u>	<u>\$ 39,193</u>

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(4) Long-Term Liabilities: (Continued)

Long-term debt at September 30, 2021, is comprised of the following:

Bonds Payable – \$1,180,000 issued in 2013 to finance water system improvements. 1,075,000
Payable each September starting September 1, 2015 of \$12,000 to \$50,000 through
September 1, 2052; interest at 2.75%. Payable from the Pledged Revenues.

Aggregate maturities of bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 19,000	\$ 29,563	\$ 48,563
2023	20,000	29,040	49,040
2024	21,000	28,490	49,490
2025	22,000	27,913	49,913
2026	23,000	27,308	50,308
2027-2031	130,000	126,501	256,501
2032-2036	160,000	106,976	266,976
2037-2041	185,000	83,601	268,601
2042-2046	210,000	56,789	266,789
2047-2051	235,000	26,539	261,539
2052	50,000	1,375	51,375
Total	<u>\$ 1,075,000</u>	<u>\$ 544,095</u>	<u>\$ 1,619,095</u>

(5) Defined Contribution Plan:

The District provides pension benefits for all of its full-time employees through the Florida Municipal Pension Trust, a 401(a) defined contribution plan which is administered by the Florida League of Cities. The Plan was established by the Board of Commissioners, and any amendments can only be made by majority vote of the Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are able to participate from the date of employment. The District contributions an amount equal to 10% of the employee's regular salary each quarter for the first ten years of service and 15% for all years thereafter. Employee contributions are voluntary. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years of continuous service. The District's contributions for employees who leave employment before ten years of service are used for reduce the District's current-period contribution requirement.

The District's contributions to the plan during the year ended September 30, 2021 were \$34,714. Employees contributed approximately \$2,600.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(6) Other Post-Employment Benefits (OPEB):

Retirees and their dependents are permitted to remain covered under the District's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes.

Based on the District's policies, the OPEB liability was actuarially determined to be zero. There have been no changes to the District's policies or state statutes since that time which management believes would impact this determination as of September 30, 2021. As such, no OPEB liability has been recorded.

(7) Risk Management:

The District is exposed to various risks of loss for which it carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years.

(8) Contingencies and Uncertainties:

The District is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the District cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the District.

(9) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the District's financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Cedar Key Water & Sewer District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Cedar Key Water & Sewer District (the District) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify one deficiency in internal control that we consider to be a significant deficiency in internal controls, as described in the following paragraph:

2021-001 Limited Segregation of Duties

The District employs a limited number of personnel and may not be able to adequately segregate certain duties at all times. Consequentially, the possibility exists that unintentional errors or irregularities could exist. We recommend the District segregate duties whenever practical, and the Board continues its practice of ongoing oversight to mitigate the control deficiency.

Compliance and Other Matters

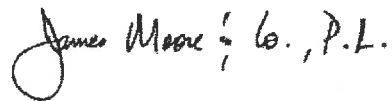
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The District's responses to the findings identified in our audit are described in the letter titled Management's Response to the Auditor's Comments, as listed in the table of contents. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
February 23, 2022

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,
Cedar Key Water & Sewer District:

Report on the Financial Statements

We have audited the basic financial statements of the Cedar Key Water & Sewer District (the District), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 23, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 23, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following summarizes the status of prior year findings and recommendations. Prior year comment 2019-001 has been repeated as comment 2020-001 and remains uncorrected from the second preceding audit.

2020-001 Limited segregation of duties – Previously recorded as 2019-001 and 2018-001. Corrective action not taken. See 2021-001.

2020-002 Physical inventory count – Corrective action taken.

Official Title and Legal District

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal District for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Cedar Key Water & Sewer District was established by special act by the Florida Legislature. There are no component units related to the District.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audits, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had no such recommendations:

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Special District Information – Cedar Key Water & Sewer District

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 5 employees.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 1 independent contractor.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$318,421.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$55,405.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: DEP LP38091 for \$67,615 for improvements to drinking water infrastructure.

- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: there were no amendments between the original and final total district expenditure budget.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported the following unaudited data:

- a) The millage rate or rates imposed by the district: 1.200.
- b) The total amount of ad valorem taxes collected by or on behalf of the district: \$217,031.
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds: \$1,075,000, in the form of bonds payable from pledged revenues to finance water system improvements.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Gainesville, Florida
February 23, 2022

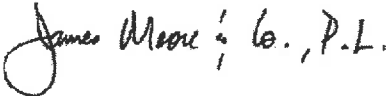

JAMESMOORE
INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors,
Cedar Key Water & Sewer District:

We have examined the Cedar Key Water & Sewer District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. The District's management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Cedar Key Water & Sewer District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.



Gainesville, Florida
February 23, 2022

Cedar Key Water & Sewer District

*P.O. Box 309
Cedar Key, FL 32625
Phone: 352-543-5285*

February 23, 2022

Auditor General
Sherrill F. Norman, CPA
PO Box 1735
Tallahassee, FL 32302

Re: Response to 2021 Audit Findings

Dear Madam Norman,

James Moore & Company has presented its finding included in the annual audit report for the year ending in September 30, 2021. With respect to that finding, the District is pleased to provide its response as follows:

Item 2021-001 The Board is aware of our lack of segregation of employee responsibilities. The situation exists because the District Office is managed with two individual employees. We are aware of the internal control problems that could exist as a result of this finding and assign employee responsibilities to strengthen these controls wherever possible. It is not cost beneficial to hire additional employees to achieve the internal procedures as described by our auditors.

If we can offer any further information, please do not hesitate to contact our office.

Sincerely,



Chad Wisdom
General Manager