

CEDAR KEY WATER & SEWER DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

CEDAR KEY WATER & SEWER DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CEDAR KEY WATER & SEWER DISTRICT
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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 Cedar Key Water & Sewer District (the District), as of and for the year ended September 30, 2020, 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.

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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 Cedar Key Water & Sewer District, as of September 30, 2020, 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 May 4, 2021, 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
May 4, 2021

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2020:

- The District's net position increased by \$49,347.
- Total ending unrestricted net position was \$177,885.

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, 2020
(Continued)**

	2020	2019	Change	% Change
Assets:				
Non-capital assets	\$ 385,153	\$ 303,182	\$ 81,971	27.0%
Capital assets	5,111,905	5,167,057	(55,152)	-1.1%
Total assets	5,497,058	5,470,239	26,819	0.5%
Liabilities:				
Current liabilities	184,745	219,564	(34,819)	-15.9%
Long-term liabilities	1,082,580	1,101,373	(18,793)	-1.7%
Total liabilities	1,267,325	1,320,937	(53,612)	-4.1%
Net position:				
Net investment in capital assets	4,018,905	4,057,057	(38,152)	-0.9%
Restricted	32,943	29,462	3,481	11.8%
Unrestricted	177,885	93,867	84,018	89.5%
Total net position	\$ 4,229,733	\$ 4,180,386	\$ 49,347	1.2%
Revenues:				
Operating revenues	\$ 887,123	\$ 823,090	\$ 64,033	7.8%
Property taxes	207,056	198,584	8,472	4.3%
Capital grants	145,902	176,468	(30,566)	-17.3%
Investment earnings	9	27	(18)	-66.7%
Gain on disposal of capital assets	10,150	-	10,150	100.0%
Total revenues	1,250,240	1,198,169	52,071	4.3%
Expenses:				
Water/sewer services	905,850	877,996	27,854	3.2%
Depreciation	263,200	261,752	1,448	0.6%
Interest on long-term debt	31,843	30,930	913	3.0%
Total expenses	1,200,893	1,170,678	30,215	2.6%
Change in net position	49,347	27,491	21,856	79.5%
Beginning net position	4,180,386	4,152,895	27,491	0.7%
Ending net position, as restated	\$ 4,229,733	\$ 4,180,386	\$ 49,347	1.2%

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(Continued)**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were \$1,250,240. Overall revenues are up 4.35% from the prior year. Expenses were \$1,200,893 which were \$30,215 higher than the prior year. This resulted in an increase in net position for the year of \$49,347.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District spent \$146,297 in the current year on the completion of two construction-projects. The District completed the replacement of waste water lines under three bridges and completed the testing phase for a new water plant. For further information on smaller purchases, please refer to a note to the accompanying financial statements entitled, *Capital Assets*.

Debt Administration

The District opened a line of credit for \$100,000 to fund on-going construction projects. 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, 2020**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 59,810
Restricted assets:	
Cash and cash equivalents	35,664
Accounts receivable, net	104,325
Due from other governments	111,746
Inventory	68,050
Prepays	5,417
Deposits	141
Total current assets	<u>385,153</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	291,446
Depreciable, net	4,820,459
Total noncurrent assets	<u>5,111,905</u>
Total assets	<u><u>\$ 5,497,058</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 25,259
Customer deposits	12,401
Unearned revenue	10,109
Current portion of compensated absences	16,255
Line of credit	100,000
Payable from restricted assets:	
Accrued interest payable	2,721
Current maturities on long-term debt	18,000
Total current liabilities	<u>184,745</u>
Noncurrent liabilities:	
Bonds payable	1,075,000
Compensated absences	7,580
Total noncurrent liabilities	<u>1,082,580</u>
Total liabilities	<u><u>\$ 1,267,325</u></u>
NET POSITION	
Net investment in capital assets	\$ 4,018,905
Restricted for debt service	32,943
Unrestricted	177,885
Total net position	<u><u>\$ 4,229,733</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, 2020**

Operating revenues	
Charges for services	\$ 867,058
Other operating revenues	20,065
Total operating revenues	<u>887,123</u>
Operating expenses	
Personal services	369,986
Operating expenses	535,864
Depreciation	263,200
Total operating expenses	<u>1,169,050</u>
Operating income (loss)	<u>(281,927)</u>
Nonoperating revenues (expenses)	
Investment income	9
Ad valorem taxes	207,056
Gain (loss) on disposal of capital assets	10,150
Interest expense	(31,843)
Total nonoperating revenues (expenses)	<u>185,372</u>
Income (loss) before capital contributions	(96,555)
Capital contributions	
Capital grants	145,902
Change in net position	<u>49,347</u>
Net position, beginning of year, as restated	4,180,386
Net position, end of year	<u>\$ 4,229,733</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, 2020**

Cash flows from operating activities	
Cash received from customers	\$ 776,610
Cash payments to employees	(370,299)
Cash payments to suppliers	(667,832)
Net cash provided by (used in) operating activities	<u>(261,521)</u>
Cash flows from noncapital and financing activities	
Taxes received	<u>207,056</u>
Net cash provided by (used in) noncapital financing activities	<u>207,056</u>
Cash flows from capital and related financing activities	
Proceeds from line of credit	100,000
Principal paid on bonds payable	(17,000)
Interest paid on bonds payable	(31,547)
Payments to acquire and construct plant property	(208,048)
Capital grants	145,902
Net cash provided by (used in) capital and related financing activities	<u>(10,693)</u>
Cash flows from investing activities	
Interest received	<u>9</u>
Net cash provided by (used in) investing activities	<u>9</u>
Net increase (decrease) in cash and cash equivalents	<u>(65,149)</u>
Cash and cash equivalents, beginning of year	160,623
Cash and cash equivalents, end of year	<u>\$ 95,474</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (281,927)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	263,200
(Gain) Loss on disposal of capital assets	10,150
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	(110,619)
Decrease (Increase) in inventory and prepaid expenses	(5,417)
Increase (Decrease) in accounts payable and accrued expenses	(136,701)
Increase (Decrease) in customer deposits payable	(200)
Increase (Decrease) in unearned revenue	306
Increase (Decrease) in compensated absences	(313)
Total adjustments	<u>20,406</u>
Net cash provided by (used in) operating activities	<u>\$ (261,521)</u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 59,810
Restricted	35,664
Total cash and cash equivalents	<u>\$ 95,474</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, 2020

(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, 2020 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, 2020**

(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, 2020**

(3) Capital Assets:

Changes in the District's capital assets for the year ended September 30, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 125,196	\$ -	\$ -	\$ 125,196
Construction in progress	573,634	146,297	(553,681)	166,250
Total assets not being depreciated	<u>698,830</u>	<u>146,297</u>	<u>(553,681)</u>	<u>291,446</u>
Capital assets being depreciated:				
Vehicles	39,757	57,873	(12,843)	84,787
Plant and Equipment	9,763,060	556,934	-	10,319,994
Other equipment	126,994	625	(19,987)	107,632
Sewer Machinery	125,955	-	-	125,955
Total assets being depreciated	<u>10,055,766</u>	<u>615,432</u>	<u>(32,830)</u>	<u>10,638,368</u>
Less accumulated depreciation for:				
Vehicles	(39,757)	(3,858)	12,843	(30,772)
Plant and equipment	(4,785,525)	(192,850)	-	(4,978,375)
Other equipment	(637,621)	(65,421)	19,987	(683,055)
Sewer machinery	(124,636)	(1,071)	-	(125,707)
Total accumulated depreciation	<u>(5,587,539)</u>	<u>(263,200)</u>	<u>32,830</u>	<u>(5,817,909)</u>
Total capital assets being depreciated, net	<u>4,468,227</u>	<u>352,232</u>	<u>-</u>	<u>4,820,459</u>
Business-type activities capital assets, net	<u>\$ 5,167,057</u>	<u>\$ 498,529</u>	<u>\$ (553,681)</u>	<u>\$ 5,111,905</u>

(4) Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Line of credit	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Bonds payable	1,110,000	-	17,000	1,093,000	18,000
Compensated absences	24,148	16,857	17,170	23,835	16,255
Total	<u>\$ 1,134,148</u>	<u>\$ 116,857</u>	<u>\$ 34,170</u>	<u>\$ 1,216,835</u>	<u>\$ 134,255</u>

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(4) **Long-Term Liabilities:** (Continued)

Long-term debt at September 30, 2020, is comprised of the following:

Line of Credit – \$100,000 issued in 2020 with interest of 4.5%. Final principal and interest due 3/2/2021.	\$ 100,000
Bonds Payable – \$1,180,000 issued in 2013 to finance water system improvements. 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.	1,093,000

Aggregate maturities of bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 18,000	\$ 30,057	\$ 48,057
2022	19,000	29,563	58,563
2023	20,000	29,040	49,040
2024	21,000	28,490	49,490
2025	22,000	27,913	49,913
2026-2030	125,000	129,939	254,939
2031-2035	154,000	111,211	265,211
2036-2040	180,000	88,551	268,551
2041-2045	205,000	62,426	267,426
2046-2050	230,000	32,864	262,864
2051-2055	99,000	4,098	103,098
Total	<u>\$ 1,093,000</u>	<u>\$ 574,152</u>	<u>\$ 1,667,152</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 contributes 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, 2020 were \$28,386. Employees contributed approximately \$3,200.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(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, 2020. 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.

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the District as of September 30, 2020, management believes that a material impact on the District's financial position and results of future operations is reasonably possible.

(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, as adjusted for the provisions of GASB Statement No. 95, which delated the implementation dates of certain provisions. 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. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

(10) **Prior Period Restatement:**

Subsequent to issuance of the September 30, 2019, financial statements, management became aware of an inventory valuation adjustment. The net effect of understating assets had the effects on beginning net position as follows:

	<u>Enterprise Fund</u>
Net position, 09/30/19, as originally reported	\$ 4,149,302
Inventory adjustment	31,084
Net position, 09/30/20, as restated	<u>\$ 4,180,386</u>

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2021.

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:

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Gainesville, FL 32607-2063
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2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
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2020-001 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.

Gainesville, Florida
May 4, 2021

James Moore & Co., P.L.

**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, 2020, and have issued our report thereon dated May 4, 2021.

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 May 4, 2021, 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.

2019-001 Limited segregation of duties – Previously recorded as 2018-001 and 2017-001. Corrective action not taken. See 2020-001.

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.

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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 the following recommendations:

2020-002 Physical Inventory Count

During our testing over inventory, we noted that there was no physical inventory count performed at year end for fiscal year 2020. We recommend having a physical inventory count at the end of each reporting period in order to validate the quantity and value of year-end inventory.

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
May 4, 2021

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, 2020. 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, 2020, 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, 2020.

James Moore & Co., P.L.

Gainesville, Florida
May 4, 2021

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Cedar Key Water & Sewer District

PO Box 309

Cedar Key, FL 32625

Phone: 352-543-5285

Dear Concerned,

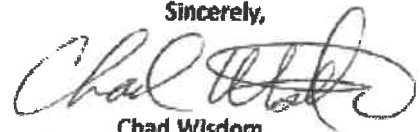
James Moore has presented its finding included in the audit report for the year ending September 30, 2020. With respect to that finding, the District is pleased to provide its response as follows:

Item 2020-001 The Board is aware of our lack of segregation of employee responsibilities. This 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 as possible. It is not cost beneficial to hire additional employees to achieve the internal control procedures as described by our auditors.

Item 2020-002 The Board is aware of our minimum physical inventory count not being a hard number of required pieces. This situation exists due to the small size of our district and resources and the fact that most items can be had in a relatively small amount of time.

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

Sincerely,



Chad Wisdom

General Manager

