2023

City of Cedar Key
Cedar Key, Florida

Financial Statements and Independent Auditor's Report

September 30, 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

CITY OF CEDAR KEY
CEDAR KEY, FLORIDA

SEPTEMBER 30, 2023

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PURVIS GRAY

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Cedar Key, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of September 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

INDEPENDENT AUDITOR'S REPORT

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 June 28, 2024, on our consideration of the City'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 effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Purvis Gray

June 28, 2024
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cedar Key, Florida (the City) City Hall's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the City's financial activity; (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the financial plan (the approved budget); and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 11).

HIGHLIGHTS

Financial Highlights

The government-wide assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by $5,418,591 (net position). Of this amount, $281,032 is restricted for specific purposes (restricted net position), and $4,335,860 is net investment in capital assets. The City's total net position increased by $495,022 during fiscal year 2023.

General Fund revenues for 2023 increased by $392,553, or 18.1%, when compared to fiscal year 2022. General Fund expenditures increased by $446,259, or 21.4%, during this same period. The net change in fund balance in the General Fund showed a decrease of $38,392 for fiscal year 2023 compared to fiscal year 2022.

Long-term liabilities as of September 30, 2023, amounted to $2,330,346.

City and Cedar Key Community Redevelopment Agency (CKCRA) Highlights

Revenue Note: Through the CKCRA, a $9,200,000 revenue note was issued through SunTrust Bank (currently Truist Bank) in fiscal year 2008 for projects approved in the CKCRA plan. In fiscal year 2023, the note was transferred to Argosy Credit Partners II, L.P.

The City has seen the following projects started or completed in the 2022-2023 fiscal year:

Community Outreach

- Held annual Hurricane Awareness Prep Day and Hazardous Waste Day.
- Fire Department held annual Fire Prevention class at the local school for grades Pre-K through Second Grade.
- Continued support and funding for summer youth program.

Property Acquisition/Improvements

- Continued leasing Creswell House to the Chamber of Commerce to operate the Cedar Key Welcome Center and Chamber of Commerce office.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The financial statements focus on the City as a whole (government-wide). This will allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the City's accountability. Comparative analysis at the governmental level is provided this year.

Government-Wide Financial Statements

The Government-wide financial statements (see pages 11 and 12) are designed to be corporate-like in that all governmental activities are consolidated into columns which add up to a total for the Primary Government. The focus on the Statement of Net Position (the "Unrestricted Net Position") is designed to be similar to bottom-line results for the City and its governmental activities. This statement combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The Statement of Activities (see page 12) is focused on both the gross and net cost of various activities, which are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various activities.

The Governmental Activities reflect the City's basic services, including general government, fire, public services, building services, police, garbage, recreation, and CKCRA projects. Property taxes, franchise fees, garbage fees, gas taxes, and sales taxes finance the majority of these services. Additionally, the City has successfully partnered with a number of local, state, and federal partners to leverage City and CKCRA funds to accomplish a number of community needs.

Fund Financial Statements

Traditional users of government financial statements will find the Fund Financial Statement presentations more familiar. The focus is now on major funds, rather than (the previous model's) fund types.

The Government's Major Funds (see pages 13 through 16) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure - buildings, roads, curbs, and sidewalks) have not been reported nor depreciated in government financial statements. The Statement of Net Position reports these infrastructure assets.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Statement of Net Position
September 30, 2023

Governmental Activities

	Fiscal Year 2023	Fiscal Year 2022
Assets		
Current and Other Assets	$ 2,093,499	$ 1,761,605
Capital Assets	6,805,860	7,084,746
Total Assets	8,899,359	8,846,351
Deferred Outflows of Resources		
Pension Related	139,273	85,340
Liabilities		
Current Liabilities	1,203,575	1,095,818
Non-Current Liabilities	2,330,346	2,779,875
Total Liabilities	3,533,921	3,875,693
Deferred Inflows of Resources		
Advance Collections	8,844	18,461
Leases	34,921	47,619
Pension Related	42,355	66,349
Total Deferred Inflows of Resources	86,120	132,429
Net Position		
Net Investment in Capital Assets	4,335,860	4,035,782
Restricted	281,032	80,692
Unrestricted	801,699	807,095
Total Net Position	$ 5,418,591	$ 4,923,569

The majority of the City's net position is reflected as net investment in capital assets (e.g., land, buildings, infrastructure, and equipment). The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

The Unrestricted Net Position balance is intended to be a corporate-style measurement of well-being (or a measure of available resources) for the City and its related government activities. At September 30, 2023, the unrestricted net position had a balance of $801,699.

Current Year Impacts

The following schedule presents the revenues and expenses for the current year:

Statement of Activities
Year Ended September 30, 2023

Description	Total Government Activities Fiscal Year 2023	Total Government Activities Fiscal Year 2022
Revenues		
Charges for Services	$ 674,423	$ 611,163
Operating Grants and Contributions	536,735	121,379
Capital Grants and Contributions	66,000	240,100
Property Taxes	1,777,820	1,556,405
Franchise Fees	59,548	52,039
Utility Tax	115,926	110,541
Local Option Fuel Tax	9,645	9,037
State Shared Revenues	187,721	195,858
Interest	2,366	2,175
Miscellaneous	50,825	54,245
Total Revenues	3,481,009	2,952,942
Expenses		
General Government	685,422	553,905
Public Safety	905,175	660,441
Physical Environment	736,479	328,030
Transportation	207,717	172,691
Economic Environment	16,106	18,438
Culture and Recreation	323,922	295,165
Interest	111,166	131,199
Total Expenses	2,985,987	2,159,869
Change in Net Position	495,022	793,073
Net Position, Beginning of Year	4,923,569	4,130,496
Net Position, End of Year	$ 5,418,591	$ 4,923,569

Governmental activities increased the City's net position by $495,022.

Normal Impacts

There are eight basic (normal) impacts on revenues and expenses as reflected below:

Revenues

Economic Condition—which can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas, and other tax revenue, as well as public spending habits for permits, elective user fees, and volumes of consumption.

Increase/Decrease in Commission Approved Rates—while certain tax rates are set by statutes, the City Commission has significant authority to impose and periodically increase/decrease rates.

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)—certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income—due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs—within the functional expense categories (General Government, Public Safety – General Government, Public Safety, Physical Environment, Roads and Streets, Comprehensive Planning and Codes Enforcement, and Culture and Recreation) individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel—changes in service demand may cause the City Commission to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent a significant portion of General Fund expenditures.

Salary Increases (cost-of-living, merit, and market adjustment)—the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation—while overall inflation appears to be reasonably modest, the City is a consumer of certain commodities, such as chemicals and supplies, fuel, and parts. Some functions may experience unusual commodity specific increases (for example, fuel prices).

GOVERNMENTAL FUNDS

Revenues

The City's property tax revenues increased by $86,384 during fiscal year 2023. The City maintained a millage rate of 4.744 mills for fiscal year 2023. The CRA property tax revenues increased by $135,031 during fiscal year 2023.

Several revenue sources of the General Fund increased from the prior year, with an overall increase of 18.1%. The most significant increase resulted from grant revenues in the current year.

Expenditures

General Fund expenditures increased by $446,259, or 21.4%.

As of year-end, the Governmental Funds (as presented on the balance sheet) reported a fund balance of $1,508,518, which is a 13.6% increase over the previous year of $1,327,524.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had $6,805,860 invested in a variety of capital assets, as reflected in the following schedule:

Capital Assets

Description	Total Governmental Activities Fiscal Year 2023	Total Governmental Activities Fiscal Year 2022
Land	$ 2,942,822	$ 2,942,822
Buildings and Improvements	1,819,261	1,803,261
Machinery and Equipment	1,947,311	1,860,629
Infrastructure	6,115,727	6,115,727
Accumulated Depreciation	(6,019,261)	(5,637,693)
Capital Assets Net of Depreciation	$ 6,805,860	$ 7,084,746

The following reconciliation summarizes the change in capital assets, which is presented in detail beginning on page 23 of the notes:

Change in Capital Assets

Description	Total Governmental Activities Fiscal Year 2023	Total Governmental Activities Fiscal Year 2022
Beginning Balance	$ 7,084,746	$ 7,040,572
Additions	102,682	412,570
Deletions	-	-
Depreciation Expense	(381,568)	(368,396)
Ending Balance	$ 6,805,860	$ 7,084,746

Further information regarding capital projects and their various sources of funding can be found in the notes to the financial statements.

Debt Outstanding

There was outstanding debt in the amount of $2,470,000 for the Redevelopment Revenue Note as of September 30, 2023.

ECONOMIC FACTORS

The State of Florida, by constitution, does not have a state personal income tax and, therefore, the state operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, etc.) and fees (franchise, occupational licenses, etc.) for their government activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and the federal governments.

For certain governmental activities (permitting, garbage, marina, etc.) the user (of services) pays a related fee (or charge) associated therewith.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional information, contact City Hall, City of Cedar Key, P.O. Box 339, Cedar Key, Florida 32625, telephone: (352) 543-5132.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

	Governmental Activities
Assets	
Current Assets	
Cash	$ 1,437,853
Accounts Receivable (Net of Allowance for Uncollectibles of $3,100)	5,532
Lease Receivable	12,722
Due from Other Governments	594,511
Other Receivable	18,859
Total Current Assets	2,069,477
Non-Current Assets	
Lease Receivable	24,022
Capital Assets:	
Land	2,942,822
Buildings and Improvements	1,819,261
Machinery and Equipment	1,947,311
Infrastructure	6,115,727
(Accumulated Depreciation)	(6,019,261)
Total Capital Assets	6,805,860
Total Non-Current Assets	6,829,882
Total Assets	8,899,359
Deferred Outflows of Resources	
Pension Related	139,273
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	273,139
Due to Other Governments	247
Deposits	12,715
Unearned Revenue	255,115
Redevelopment Revenue Note, Interest Payable (See Note 5)	48,781
Redevelopment Revenue Note (See Note 5)	580,000
Compensated Absences	33,578
Total Current Liabilities	1,203,575
Non-Current Liabilities	
Redevelopment Revenue Note, Non-Current (See Note 5)	1,890,000
Compensated Absences	14,037
Net Pension Liability	426,309
Total Non-Current Liabilities	2,330,346
Total Liabilities	3,533,921
Deferred Inflows of Resources	
Advance Collections	8,844
Leases	34,921
Pension Related	42,355
Total Deferred Inflows of Resources	86,120
Net Position	
Net Investment in Capital Assets	4,335,860
Restricted for:	
Redevelopment Projects	201,297
Tree Planting	39,838
Cemetery	39,897
Unrestricted	801,699
Total Net Position	$ 5,418,591

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
General Government	$ 685,422	$ 8,309	$ -	$ -	$ (677,113)
Public Safety	905,175	226,506	41,698	-	(636,971)
Physical Environment	736,479	278,112	494,737	-	36,370
Transportation	207,717	-	-	-	(207,717)
Economic Environment	16,106	-	-	-	(16,106)
Culture and Recreation	323,922	161,496	300	66,000	(96,126)
Interest Charges	111,166	-	-	-	(111,166)
Total Governmental Activities	$ 2,985,987	$ 674,423	$ 536,735	$ 66,000	(1,708,829)
General Revenues					
Property Taxes					1,777,820
Franchise Fees					59,548
Utility Tax					115,926
Local Option Fuel Tax					9,645
Sales Tax and Other State Shared Revenues					187,721
Interest Earnings					2,366
Miscellaneous					50,825
Total General Revenues					2,203,851
Change in Net Position					495,022
Net Position, Beginning of Year					4,923,569
Net Position, End of Year					$ 5,418,591

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

	Major Funds		Total
	General Fund	CKCRA Special Revenue	Governmental Funds
Assets			
Cash	$ 1,236,556	$ 201,297	$ 1,437,853
Accounts Receivable (Net of Allowance for Uncollectibles of $3,100)	5,532	-	5,532
Due from Other Governments	594,511	-	594,511
Other Receivable	18,859	-	18,859
Lease Receivable	36,744	-	36,744
Total Assets	1,892,202	201,297	2,093,499
Liabilities			
Accounts Payable and Accrued Expenses	273,139	-	273,139
Due to Other Governments	247	-	247
Deposits	12,715	-	12,715
Unearned Revenue	255,115	-	255,115
Total Liabilities	541,216	-	541,216
Deferred Inflows of Resources			
Advance Collections	8,844	-	8,844
Leases	34,921	-	34,921
Total Deferred Inflows of Resources	43,765	-	43,765
Fund Balances			
Restricted for:			
Redevelopment Projects	-	201,297	201,297
Tree Planting	39,838	-	39,838
Cemetery	39,897	-	39,897
Assigned for:			
Capital Projects	293,513	-	293,513
Subsequent Year's Expenditures	428,317	-	428,317
Unassigned	505,656	-	505,656
Total Fund Balances	1,307,221	201,297	1,508,518
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,892,202	$ 201,297	$ 2,093,499

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

Fund Balance - Total Governmental Funds			$ 1,508,518
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the statement of revenues, expenditures, and changes in fund balances.			6,805,860
Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:			
Deferred Outflows Related to Pensions	$ 139,273		
Deferred Inflows Related to Pensions	(42,355)		96,918
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year-end consist of:			
Redevelopment Revenue Note	(2,470,000)		
Accrued Compensated Absences	(47,615)		
Net Pension Liability	(426,309)		(2,943,924)
Accrued interest on note payable from current financial resources is not reported as a fund liability of the governmental fund.			(48,781)
Net Position of Governmental Activities			$ 5,418,591

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

	Major Funds		
	General Fund	CKCRA Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 1,098,688	$ 920,099	$ 2,018,787
Licenses and Permits	119,601	-	119,601
Intergovernmental Revenues	659,521	-	659,521
Charges for Services	579,346	-	579,346
Fines and Forfeitures	27,380	-	27,380
Rent	23,574	-	23,574
Miscellaneous	52,318	482	52,800
Total Revenues	2,560,428	920,581	3,481,009
Expenditures			
Current:			
General Government	651,180	-	651,180
Public Safety	804,069	-	804,069
Physical Environment	736,479	-	736,479
Transportation	64,093	-	64,093
Culture and Recreation	172,202	-	172,202
Capital Outlay	102,682	-	102,682
Debt Service:			
Principal	-	578,964	578,964
Interest	-	190,346	190,346
(Total Expenditures)	(2,530,705)	(769,310)	(3,300,015)
Excess of Revenues Over Expenditures	29,723	151,271	180,994
Other Financing Sources (Uses)			
Transfers to Other Funds	(76,578)	(26,552)	(103,130)
Transfers from Other Funds	26,552	76,578	103,130
Total Other Financing Sources (Uses)	(50,026)	50,026	-
Net Change in Fund Balances	(20,303)	201,297	180,994
Fund Balances, Beginning of Year	1,327,524	-	1,327,524
Fund Balances, End of Year	$ 1,307,221	$ 201,297	$ 1,508,518

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023 CITY OF CEDAR KEY, FLORIDA

Net Change in Fund Balances - Total Governmental Funds		$ 180,994
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases, less net book value of disposals, exceeds depreciation expense:		
Capital Purchases	102,682	
Depreciation Expense	(381,568)	(278,886)
The changes in the net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the statement of activities, but not in the governmental funds.		(48,366)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Principal Repayments	578,964	
Compensated Absences	(16,864)	
Interest Payable	79,180	641,280
Change in Net Position of Governmental Activities		$ 495,022

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Cedar Key, Florida (the City) conform to generally accepted accounting principles for governmental entities. The following is a summary of significant accounting policies.

Reporting Entity

The City is a Florida municipal corporation governed by an elected five-member City Commission. The City provides services to its citizens including refuse collection, parks and recreation, streets, public safety, and other general governmental activities.

The accompanying financial statements present the financial position and results of operations of the applicable fund types governed by the City Commission of the City in accordance with governmental accounting standards. The reporting entity for the City (the primary government) contained one separate legal entity (component unit) for which the City Commission has financial accountability. Financial accountability is present if the City Commission appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City established the Cedar Key Community Redevelopment Agency (CKCRA) on December 19, 1999; it is a dependent special district and is reported as a blended component unit of the City. The City Commission designated itself as the CKCRA and has committed itself to the implementation of the Cedar Key Redevelopment Plan. The CKCRA is presented as a special revenue fund. Separately issued financial statements for the CKCRA can be obtained by contacting City Hall at (352) 543-5132.

Government-Wide and Fund Financial Statements

The basic financial statements of the City are composed of the following:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties. The City has no business-type activities.

The statement of activities shows the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly related to a specific function or segment. *Program revenues* include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and b) grants and contributions that are restricted to meeting specific requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues.*

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

- **General Fund**—the primary operating fund, used to account for and report all activities except those accounted for and reported in another fund.

- **CKCRA Fund**—to account for activities of the City's Community Redevelopment Agency. The primary source of revenues is ad valorem tax incremental funds, which are restricted for expenditures benefiting the redevelopment district.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Indirect expenses, such as interest and depreciation, are allocated to specific programs when it is clearly applicable to specific program(s). The effect of interfund activity has been eliminated from these statements.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of related liability, rather than as an expenditure.

Fund Financial Statements
Governmental fund financial statements are reported using *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, sales taxes, gas taxes, operating, and capital grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Budget and actual data, when presented in the statements of revenue, expenditures, and changes in fund balance, is prepared on essentially the same basis of accounting as described for the fund financial statements.

Fund Balance
Fund balance is reported in five components: non-spendable, restricted, committed, assigned, and unassigned:

- **Non-Spendable**—This component of fund balance consists of amounts that cannot be spent because: a) they are not expected to be converted to cash; or b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

- **Restricted**—This component of fund balance consists of amounts that are constrained either: a) externally by third parties (creditors, grantors, contributors, laws, or regulations of other governments); or b) by law through constitutional provisions or enabling legislation.

- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, using the highest level of decision-making authority (ordinance) of the City's governing authority (the City Council). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action employed to constrain those amounts.

- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the City Council, or by an individual or body to whom the City Council has delegated this responsibility. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

- **Unassigned**—This classification is used for: a) deficit unrestricted fund balances in any governmental fund; or b) fund balances within the general fund that are not restricted, committed, or assigned.

Use of Restricted and Unrestricted Assets
When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

Capital Assets
Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks, storm water drainage, and similar items), are reported in the government-wide financial statements. Capital assets include items of a non-consumable nature with a value of at least $1,000 and a life of one year or more. Donated capital assets are recorded at acquisition value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20-50
Machinery and Equipment	5-10
Infrastructure	50

As required by GASB, the City has added infrastructure assets that were constructed after October 1, 2003. The City has not reported infrastructure assets that were constructed prior to October 1, 2003.

Deferred Inflows and Outflows of Resources
Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred outflow of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that future time.

Advance Collections—Amounts received in advance for which time requirements are not met for revenue recognition are reported as a deferred inflow at both the fund level and the government-wide level.

Pension Related—The difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension liability, and the difference between expected and actual earnings on pension plan investments, are reported as deferred inflows or outflows of resources, to be recognized in expense as disclosed in Note 7. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

Receivables
Customer accounts receivable are recorded at their net realizable value, which includes an allowance for uncollectible accounts.

Compensated Absences
The City accrues accumulated unpaid vacation when incurred. The liability is reported on the statement of net position.

Leases
At commencement of a lease when the City is the lessor, the City measures the lease receivable as the present value of expected rental receipts over the lease term. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for prepayments received prior to lease commencement.

At commencement of a lease when the City is the lessee, the City initially measures the lease liability at the present value of total payments over the lease term. The lease asset is measured as the value of the lease liability, adjusted for prepayments, plus certain initial direct costs.

Estimates and judgments are sometimes made when determining the discount rate and overall term for leases. The City monitors its leases for significant changes in circumstances that warrant a remeasurement of the lease liability and associated intangible asset, and/or lease receivable, and associated deferred inflows of resources.

Note 2 - Stewardship, Compliance, and Accountability

Budgeting
The City's procedures in preparing and adopting the annual budget are as follows:

- The City Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.

- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.

- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrances are not recorded. Budgets are amended through the passage of a resolution. The original budget and final budget are presented in the statements of revenues, expenditures, and changes in fund balance - budget and actual. Budget appropriations may not be legally exceeded on a total fund basis.

Property Taxes
Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills for general operations. The tax levy rate for the tax year ended September 30, 2023, was 4.7440 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year. The County Property Appraiser incorporates the City millages into the total tax levy which includes Levy County (the County), various other municipalities, and County School Board tax requirements.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year, or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes on real property.

After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are estimated to be immaterial.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The City does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are estimated to be immaterial.

Note 3 - Cash

Chapter 280 of the Florida Statutes (the Act) requires, in general, that all public deposits (including those of the City) be made in qualified public depositories within the State of Florida. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. In the event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash deposits held by the bank are fully insured and collateralized.

Cash deposits include cash deposited with qualified depositories.

The City has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies to follow the state policy in Section 218.415(17), Florida Statutes. That section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the United States Treasury.

The City does not have policies that address credit risk, custodial credit risk, or interest rate risk. The City had no investments at year-end or during the year.

Note 4 - Capital Assets

Capital asset activity for the year is as follows:

	Beginning Balance 10/1/2022	Increases	(Decreases)	Ending Balance 9/30/2023
Capital Assets Not Being Depreciated:				
Land	$ 2,942,822	$ -	$ -	$ 2,942,822
Total Not Being Depreciated	2,942,822	-	-	2,942,822
Capital Assets Being Depreciated:				
Buildings	1,803,261	16,000	-	1,819,261
Machinery and Equipment	1,860,629	86,682	-	1,947,311
Infrastructure	6,115,727	-	-	6,115,727
Total Being Depreciated	9,779,617	102,682	-	9,882,299
Total Before Depreciation	12,722,439	102,682	-	12,825,121
Less Accumulated Depreciation for:				
Buildings	(909,313)	(47,260)	-	(956,573)
Machinery and Equipment	(1,288,856)	(78,797)	-	(1,367,653)
Infrastructure	(3,439,524)	(255,511)	-	(3,695,035)
Total Accumulated Depreciation	(5,637,693)	(381,568)	-	(6,019,261)
Total Being Depreciated, Net	4,141,924	(278,886)	-	3,863,038
Fixed Assets, Cost Less Depreciation	$ 7,084,746	$ (278,886)	$ -	$ 6,805,860

Depreciation expense was charged to functions as follows:

General Government	$ 17,378
Public Safety	52,740
Transportation	143,624
Economic Environment	16,106
Culture/Recreation	151,720
Total Depreciation Expense	$ 381,568

Note 5 - Long-Term Debt

The CKCRA authorized the issuance of a $9,200,000 Redevelopment Revenue Note, Series 2007, dated December 20, 2007. The proceeds from the note were used to pay off existing outstanding loans of approximately $2,315,420 and pay issuance costs of $55,000. The balance of funds was used for various capital projects and to pay debt service.

Payment of principal and interest at 3.95% is due semiannually on April 15 and October 15, through April 15, 2027.

The CKCRA Redevelopment Revenue Note is secured solely by the Tax Increment Revenues derived from the Redevelopment Area established under Ordinance No. 338, enacted by the City on October 10, 2000, as provided by Section 163.387, Florida Statutes. Neither the City nor the CKCRA shall ever be required to levy ad valorem taxes to pay the principal or interest on the Redevelopment Revenue Note. The holder of the Redevelopment Revenue Note shall not be entitled to payment of the note from any funds of the CKCRA except from Tax Increment Revenues described above.

Interest expense recorded during 2023 on long-term debt totaled $111,166, none of which was capitalized.

Principal and interest amounts due through maturity on long-term debt, excluding compensated absences, are as follows:

Year Ending September 30,	Principal Amount	Interest Amount
2024	$ 580,000	$ 97,565
2025	605,000	74,655
2026	630,000	50,758
2027	655,000	25,872
Total	$ 2,470,000	$ 248,850

The following tabulation summarizes the changes in the long-term debt during the year ended September 30, 2023:

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Compensated Absences	$ 30,751	$ 28,931	$ (12,067)	$ 47,615	$ 33,578
$9.2 Million Redevelopment Revenue Note, Direct Borrowing	3,048,964	-	(578,964)	2,470,000	580,000
Net Pension Liability	300,016	126,293	-	426,309	-
Total	$ 3,379,731	$ 155,224	$ (591,031)	$ 2,943,924	$ 613,578

Events of Default—The following shall constitute an event of default in accordance with the City's Resolution No. 285 (the Resolution):

- CKCRA's failure to pay any payment of principal and interest on any note as the same becomes due and payable;

- Default in the performance or observance of any covenant or agreement contained in the Resolution and failure to cure the same within thirty (30) days;

- Filing of a petition by or against the CKCRA relating to bankruptcy, reorganization, arrangement, or readjustment of debt of the CKCRA or for any other relief relating to the CKCRA under the United States Bankruptcy Code, as amended, or any other insolvency act or law now or hereafter existing, or the involuntary appointment of a receiver or trustee for the CKCRA, and the continuance of any such event for 90 days undismissed or undischarged.

Upon the occurrence and during the continuation of any event of default, the owner of the note may declare the entire debt then remaining unpaid immediately due and payable, and in any such default and acceleration, the CKCRA shall also be obligated to pay as part of the indebtedness evidenced by the note, all costs of collection and enforcement hereof, including such reasonable attorney's fees as may be incurred, including on appeal or incurred in any proceeding under bankruptcy laws as they now or hereafter exist.

Note 6 - Pledged Revenue

The City has pledged the Tax Increment Revenues, established under Ordinance No. 338, enacted on October 10, 2000, to repay the $9,200,000 Redevelopment Revenue Note, Series 2007. The remaining principal and interest payments on the note at September 30, 2023 totaled $2,718,850. Principal and interest paid for the current year was $769,310. Tax Increment Revenues totaled $920,099 for the year, of which 84% was used for debt service.

Note 7 - Pension Plans

Defined Contribution Pension Plan

During the year ended September 30, 1993, the City established a defined contribution plan to provide pension benefits for its employees who were not police officers. The plan is the Northwestern Mutual Life Insurance Company Prototype Defined Contribution Plan and Trust, administered by the Florida Municipal Pension Trust Fund (Florida League of Cities, Inc.). Effective October 1, 2001, the City adopted the Florida Municipal Pension Trust Fund's Section 401(a) Deferred Contribution Plan to replace the Northwestern Mutual Life Insurance Company Prototype Deferred Contribution Plan and Trust. This plan is also administered by the Florida Municipal Pension Trust Fund. The plan provisions are the same, except that the minimum age requirement was removed. The plan provides retirement benefits to substantially all City employees. All benefits vest after ten years of credited service. To be eligible for the plan, employees must have completed one year of service. Contributions to the plan are discretionary but are currently funded by the City at 10% of each eligible employee's compensation (excluding overtime pay). For the year ended September 30, 2023, the amount of pension expense was $27,377. The City Commission has the authority to establish and amend the provisions of the plan. Additional information regarding the plan may be obtained at City Street, 2 Tower Center, East Brunswick, New Jersey 08816, Attention: Account Management Team at 23rd Floor.

Deferred Compensation 457 Plan

Effective October 1, 2001, the City adopted the Florida Municipal Pension Trust Fund's Deferred Compensation Plan under Internal Revenue Code Section 457(b). The plan allows substantially all City employees to make pretax contributions to the plan, in accordance with the plan. The City does not make contributions to this plan.

Defined Benefit Pension Plans

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (**www.dms.myflorida.com**).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension

Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified, cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Plan. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. Per Chapter 2023-193, Laws of Florida, the level of monthly benefits increased from $5 times years of service to $7.50, with an increased minimum of $45 and maximum of $225. This change applies to all years of service for both members currently in pay and members not yet in pay. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Effective January 1, 2009, the City Commission adopted Resolution No. 302, which provided that all police officers of the City shall become compulsory members of the FRS. Essentially, membership in the state-administered FRS and HIS plans is limited to eligible full-time police officers of the City.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to Section 112.363, Florida Statutes.

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2023, were as follows:

	FRS	HIS
Regular Class	11.57%	2.00%
Special Risk Class	30.67%	2.00%
Senior Management Service Class	32.54%	2.00%
DROP from FRS	19.13%	2.00%

The City's contributions for the year ended September 30, 2023, were $41,221 to the FRS Pension Plan and $3,523 to the HIS Plan.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2023, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Plan. The net pension liabilities were measured as of June 30, 2023. The City's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS	Investment Plan
Net Pension Liability	$ 340,825	$ 85,484	N/A
Proportion at:			
Current Measurement Date	0.000855324%	0.000538267%	N/A
Prior Measurement Date	0.000675690%	0.000458844%	N/A
Pension Expense	$ 62,608	$ 30,500	$ 27,629

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Employer Contributions After Measurement Date	$ 9,884	$ -	$ 859	$ -
Difference Between Expected and Actual Experience	32,000	-	1,251	201
Change of Assumptions	22,217	-	2,247	7,407
Changes of Proportion and Difference Between City Contributions and Proportionate Share of Contributions	45,605	24,027	10,931	10,720
Net Difference Between Projected and Actual Earnings on Pension Investments	14,235	-	44	-
Total	$ 123,941	$ 24,027	$ 15,332	$ 18,328

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year-end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2024. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending	FRS Amount	HIS Amount
2024	$ 7,601	$ (1,992)
2025	1,599	(979)
2026	62,395	(65)
2027	14,023	(1,253)
2028	4,412	65
Thereafter	-	369
Total	$ 90,030	$ (3,855)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2023, and determined by actuarial valuations dated July 1, 2023 for FRS and July 1, 2022 for HIS.

The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary Increases	3.25%	3.25%
Long-Term Expected Rate of Return	6.70%	N/A
Discount Rate	6.70%	3.65%

Mortality assumptions for the FRS Pension Plan and HIS Plan were based on the PUB-2010 base table varying by member category and sex, projected generationally with Scale MP-2018.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (Property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Assumed Inflation – Mean			2.4%	1.4%

Note: (1) As Outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability for the HIS Pension Plan was 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

The following changes in actuarial assumptions occurred in 2023:

- FRS – There were no changes in the key actuarial assumptions in 2023.
- HIS – The municipal bond index rate and the discount rate used to determine the total pension liability was increased from 3.54% to 3.65%.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

FRS	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
City's Proportionate Share of the Net Pension Liability	$ 582,188	$ 340,825	$ 138,885

HIS	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
City's Proportionate Share of the Net Pension Liability	$ 97,524	$ 85,484	$ 75,504

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

Defined Contribution Pension Plan - FRS

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement System Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the FRS in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2023, totaled $68,638.

Note 8 - Lease Receivables

The City is the lessor in a contract with outside parties for the right to use land for communication towers. The remaining lease term as of the implementation date of October 1, 2021, was 57 months. The aggregate annual payment of $13,754 as of September 30, 2023, is discounted using an estimated incremental borrowing rate of 4.00%. The City has $36,744 in outstanding lease receivable at September 30, 2023. During the fiscal year, the City recognized $12,698 in lease revenue and $1,733 in lease interest.

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the City carries commercial insurance. Insurance against losses are provided through the Florida League of Cities, Inc. for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk. There was no significant reduction in insurance coverage in the current year and the amount of settlements did not exceed coverage for the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 1,108,937	$ 1,108,937	$ 1,098,688	$ (10,249)
Licenses and Permits	100,375	100,375	119,601	19,226
Intergovernmental Revenues	319,247	319,247	659,521	340,274
Charges for Services	556,465	556,465	579,346	22,881
Fines and Forfeitures	12,800	12,800	27,380	14,580
Rent	19,984	19,984	23,574	3,590
Miscellaneous	17,362	17,362	52,318	34,956
Total Revenues	2,135,170	2,135,170	2,560,428	425,258
Expenditures				
General Government	672,398	700,800	677,661	23,139
Public Safety	774,221	790,271	814,270	(23,999)
Physical Environment	456,233	456,233	736,479	(280,246)
Transportation	34,000	34,000	64,093	(30,093)
Culture and Recreation	284,143	288,117	238,202	49,915
Reserve for Contingencies	456,114	407,688	-	407,688
(Total Expenditures)	(2,677,109)	(2,677,109)	(2,530,705)	146,404
Excess (Deficiency) of Revenues Over (Under) Expenditures	(541,939)	(541,939)	29,723	571,662
Other Financing (Uses)				
Transfers to Other Fund	(76,578)	(76,578)	(76,578)	-
Transfers from Other Fund	-	-	26,552	26,552
Total Other Financing (Uses)	(76,578)	(76,578)	(50,026)	26,552
Net Change in Fund Balance	(618,517)	(618,517)	(20,303)	598,214
Fund Balance, Beginning of Year	618,517	618,517	1,327,524	709,007
Fund Balance, End of Year	$ -	$ -	$ 1,307,221	$ 1,307,221

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE - CKCRA
FOR THE YEAR ENDED SEPTEMBER 30, 2023
CITY OF CEDAR KEY, FLORIDA

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	$ 920,099	$ 920,099	$ 920,099	$ -
Miscellaneous	-	-	482	482
Total Revenues	920,099	920,099	920,581	482
Expenditures				
Debt Service	768,675	768,675	769,310	(635)
Reserve for Contingencies	228,002	228,002	-	228,002
(Total Expenditures)	(996,677)	(996,677)	(769,310)	227,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,578)	(76,578)	151,271	227,849
Other Financing Sources (Uses)				
Transfers to Other Fund	-	-	(26,552)	(26,552)
Transfers from Other Fund	76,578	76,578	76,578	-
Total Other Financing Sources (Uses)	76,578	76,578	50,026	(26,552)
Net Change in Fund Balance	-	-	201,297	201,297
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ 201,297	$ 201,297

CITY OF CEDAR KEY, FLORIDA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the FRS Net Pension Plan	0.000855324%	0.000675690%	0.000712568%	0.000748246%	0.000696907%	0.000897846%	0.001207303%	0.001318839%	0.136447800%
City's Proportionate Share of the FRS Net Pension Plan Liability	$ 340,825	$ 251,417	$ 53,832	$ 324,307	$ 240,005	$ 270,436	$ 357,112	$ 333,008	$ 176,241
City's Covered Payroll (for the Year Ended June 30)	$ 213,246	$ 174,475	$ 193,255	$ 183,586	$ 160,456	$ 189,096	$ 201,943	$ 206,485	$ 218,747
City's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	159.83%	144.10%	27.86%	176.65%	149.58%	143.02%	176.84%	161.27%	80.57%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

Notes to the Schedule:

The amounts presented for the Net Pension Liability were determined using a measurement date of June 30.

HEALTH INSURANCE SUBSIDY PENSION PLAN

	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the HIS Net Pension Plan	0.000538267%	0.000458844%	0.000545884%	0.000526724%	0.000479766%	0.000568768%	0.000630742%	0.000643953%	0.070611200%
City's Proportionate Share of the HIS Net Pension Plan Liability	$ 85,484	$ 48,599	$ 66,961	$ 64,312	$ 53,681	$ 60,199	$ 67,442	$ 75,050	$ 72,012
City's Covered Payroll (for the Year Ended June 30)	$ 213,246	$ 174,475	$ 193,255	$ 183,586	$ 160,456	$ 189,096	$ 201,943	$ 206,485	$ 218,747
City's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	40.09%	27.85%	34.65%	35.03%	33.46%	31.84%	33.40%	36.35%	32.92%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Notes to the Schedule:

The amounts presented for the Net Pension Liability were determined using a measurement date of June 30.

CITY OF CEDAR KEY, FLORIDA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 41,221	$ 28,582	$ 29,426	$ 27,476	$ 21,994	$ 22,127	$ 30,126	$ 32,846	$ 34,553
FRS Contribution in Relation to the Contractually Required Contribution	(41,221)	(28,582)	(29,426)	(27,476)	(21,994)	(22,127)	(30,126)	(32,846)	(34,553)
FRS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll (for the Year Ended September 30)	$ 203,337	$ 171,179	$ 192,067	$ 192,595	$ 167,169	$ 169,064	$ 196,395	$ 206,485	$ 218,747
FRS Contributions as a Percentage of Covered Payroll	20.27%	16.70%	15.32%	14.27%	13.16%	13.09%	15.34%	15.91%	15.80%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 3,523	$ 2,721	$ 3,236	$ 3,239	$ 2,775	$ 2,758	$ 3,309	$ 3,359	$ 2,970
HIS Contribution in Relation to the Contractually Required Contribution	(3,523)	(2,721)	(3,236)	(3,239)	(2,775)	(2,758)	(3,309)	(3,359)	(2,970)
HIS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll (for the Year Ended September 30)	$ 203,337	$ 171,179	$ 192,067	$ 192,595	$ 167,169	$ 169,064	$ 196,395	$ 206,485	$ 218,747
HIS Contributions as a Percentage of Covered Payroll	1.73%	1.59%	1.68%	1.68%	1.66%	1.63%	1.68%	1.63%	1.36%

OTHER INFORMATION

INDEPENDENT AUDITOR'S 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*

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the City of Cedar Key, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

INDEPENDENT AUDITOR'S 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*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards.*

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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

June 28, 2024
Gainesville, Florida

PURVIS GRAY

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 - INVESTMENTS OF PUBLIC FUNDS

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

We have examined the City of Cedar Key, Florida's (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. City management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City'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 City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risks of material non-compliance, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2023.

This report is intended solely for the information and use of the Florida Auditor General, the Mayor, City Commission members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 28, 2024
Gainesville, Florida

MANAGEMENT LETTER

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

Report on the Financial Statements
We have audited the financial statements of the City of Cedar Key, Florida (the City) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 28, 2024.

Auditor's 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 Auditor's 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 American Institute of Certified Public Accountants 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 June 28, 2024, 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 significant findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority 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 City was established in 1923 under a Charter in accordance with Laws of Florida 9698. The City includes the Cedar Key Community Redevelopment Agency (CKCRA) as a component unit. The CKCRA is reported as a special revenue fund in the accompanying financial statements.

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

MANAGEMENT LETTER

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 communicate the results of our determination as to whether or not the City 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 audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and 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 noted the following recommendation for financial management improvement:

2023-01

- **Financial Close and Reporting**

  The City experienced significant turnover in positions involved in the financial close and reporting process, including that of its outsourced accounting firm. As a result, upon commencement of the audit, the preliminary working trial balance did not reflect all the required closing entries. Several audit adjustments were required after we began the audit process, including entries to record capital assets, debt, compensated absences, pension liability, and lease activity. The lack of an effective financial close and reporting process increases the risk that material misstatements will not be detected in a timely manner. It also results in delays in performing and completing the audit. We recommend the City evaluate its annual financial close and reporting process and engage the necessary expertise prior to the commencement of the audit to reduce the risk of inaccurate financial information and delays in the audit process.

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 Information

The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, for the CKCRA have been reported in separately-issued audited financial statements of the CKCRA.

Honorable Mayor-Commissioner and
Board of Commissioners
City of Cedar Key
Cedar Key, Florida

MANAGEMENT LETTER

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 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 Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, City Commissioners and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis Gray

June 28, 2024
Gainesville, Florida

City of Cedar Key

The Island City

Phone (352) 543-5132 • Fax 1-866-674-2419 • P.O. Box 339 • Cedar Key, Florida 32625

June 28, 2024

Purvis Gray and Company
222 NE 1st Street
Gainesville, Florida 32601

Ladies and Gentlemen:

This letter is provided in connection with your audit of the financial statements of the City of Cedar Key, Florida, as of September 30, 2023. Our response to your recommendation and concerns are as follows:

2023-01 Financial Close and Reporting
We, the city, recognize this deficiency and agree to the cause of the situation. We have rehired the previously used accounting firm for future management of the City's fiscal year end close out and reporting process to reduce the risk of inaccurate financial information and delays in the audit process.

Sincerely,

Sue Colson

Sue Colson, Mayor
City of Cedar Key

PURVIS GRAY

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa

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