

CEDAR KEY WATER & SEWER DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

**CEDAR KEY WATER & SEWER DISTRICT
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Cedar Key Water & Sewer District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cedar Key Water & Sewer District, as of September 30, 2023, and the changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 opinion.

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 for 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 District'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.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

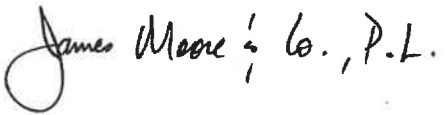
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 4, 2024, 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
June 4, 2024

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2023:

- The District's net position increased by \$114,165.
- Total ending unrestricted net position was \$460,943.

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, 2023
(Continued)**

	2023	2022	Change	% Change
Assets:				
Non-capital assets	\$ 689,909	\$ 448,937	\$ 240,972	53.7%
Capital assets	4,660,061	4,719,878	(59,817)	-1.3%
Total assets	5,349,970	5,168,815	181,155	3.5%
Liabilities:				
Current liabilities	143,734	100,401	43,333	43.2%
Long-term liabilities	1,025,676	1,049,946	(24,270)	-2.3%
Total liabilities	1,169,410	1,150,347	19,063	1.7%
Net position:				
Net investment in capital assets	3,624,061	3,663,878	(39,817)	-1.1%
Restricted	47,629	42,655	4,984	11.7%
Unrestricted	460,943	311,935	149,008	47.8%
Total net position	\$ 4,132,633	\$ 4,018,468	\$ 114,165	-2.3%
Revenues:				
Operating revenues	\$ 1,055,874	\$ 1,024,024	\$ 31,850	3.1%
Property taxes	253,730	229,399	24,331	10.6%
Capital grants	-	65,378	(65,378)	-100.0%
Operating grants	170,685	85,000	85,685	101.0%
Investment earnings	2,614	27	2,587	95.8%
Total revenues	1,482,903	1,403,828	79,075	12.1%
Expenses:				
Water/sewer services	1,065,580	1,190,327	(124,747)	-10.5%
Depreciation	274,162	274,686	(524)	-2.0%
Interest on long-term debt	28,996	29,521	(525)	-1.8%
Total expenses	1,368,738	1,494,534	(125,796)	-8.4%
Change in net position	114,165	(90,706)	204,871	25.9%
Beginning net position	4,018,468	4,109,174	(90,706)	-2.2%
Ending net position	\$ 4,132,633	\$ 4,018,468	\$ 114,165	-2.8%

**CEDAR KEY WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's financial position continued to improve during the current fiscal year. Operating revenues are reported at \$1,055,874. Additionally, the District reports non-operating revenues from grants and Ad Valorem taxes at \$427,029. Operating expenses are reported at \$1,339,742 which includes depreciation of \$274,162. As discussed above, the District's net position increased by \$114,165.

The District's total assets are reported at \$5,349,970 which is \$181,155 higher than the prior year. The most significant change is reflected in the year-end cash balance currently stated at \$368,665 which is a \$272,863 increase over the prior year. The liabilities and net position reflect little change from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District spent \$170,685 in the current year on wastewater system improvements. Additionally, the District acquired a new service truck for \$41,830. For further information on smaller purchases, please refer to the note to the accompanying financial statements entitled *Capital Assets*.

Debt Administration

Please refer to the note 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, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 368,665
Restricted assets:	
Cash and cash equivalents	49,893
Accounts receivable, net	126,324
Due from other governments	28,134
Leases receivable	48,923
Inventory	58,623
Prepays	9,206
Deposits	141
Total current assets	<u>689,909</u>

Noncurrent assets:

Capital assets:	
Non-depreciable	481,496
Depreciable, net	4,178,565
Total noncurrent assets	<u>4,660,061</u>

Total assets	<u><u>\$ 5,349,970</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 71,030
Customer deposits	14,557
Unearned revenue	11,261
Current portion of compensated absences	23,622
Payable from restricted assets:	
Accrued interest payable	2,264
Current maturities on long-term debt	21,000
Total current liabilities	<u>143,734</u>

Noncurrent liabilities:

Bonds payable	1,015,000
Compensated absences	10,676
Total noncurrent liabilities	<u>1,025,676</u>

Total liabilities	<u><u>\$ 1,169,410</u></u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	<u><u>\$ 47,927</u></u>
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NET POSITION

Net investment in capital assets	\$ 3,624,061
Restricted for debt service	47,629
Unrestricted	460,943
Total net position	<u><u>\$ 4,132,633</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, 2023

Operating revenues	
Charges for services	\$ 998,327
Other operating revenues	57,547
Total operating revenues	<u>1,055,874</u>
Operating expenses	
Personnel services	443,967
Operating expenses	621,613
Depreciation	274,162
Total operating expenses	<u>1,339,742</u>
Operating income (loss)	<u>(283,868)</u>
Nonoperating revenues (expenses)	
Investment income (loss)	2,614
Ad valorem taxes	253,730
Operating grants	170,685
Interest expense	(28,996)
Total nonoperating revenues (expenses)	<u>398,033</u>
Change in net position	<u>114,165</u>
Net position, beginning of year	4,018,468
Net position, end of year	<u><u>\$ 4,132,633</u></u>

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

**CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Cash flows from operating activities	
Cash received from customers	\$ 1,083,100
Cash payments to employees	(440,240)
Cash payments to suppliers	(528,711)
Net cash provided by (used in) operating activities	<u>114,149</u>
Cash flows from noncapital financing activities	
Operating grants	170,685
Taxes received	253,730
Net cash provided by (used in) noncapital financing activities	<u>424,415</u>
Cash flows from capital and related financing activities	
Principal paid on bonds payable and lines of credit	(20,000)
Interest paid on bonds payable	(29,040)
Payments to acquire and construct plant property	(214,345)
Net cash provided by (used in) capital and related financing activities	<u>(263,385)</u>
Cash flows from investing activities	
Interest received	2,614
Net cash provided by (used in) investing activities	<u>2,614</u>
Net change in cash and cash equivalents	<u>277,793</u>
Cash and cash equivalents, beginning of year	140,765
Cash and cash equivalents, end of year	<u><u>\$ 418,558</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (283,868)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	274,162
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	27,706
Decrease (Increase) in inventory and prepaid expenses	58,038
Decrease (Increase) in leases receivable	(996)
Increase (Decrease) in accounts payable and accrued expenses	34,864
Increase (Decrease) in customer deposits payable	356
Increase (Decrease) in unearned revenue	160
Increase (Decrease) in compensated absences	3,727
Total adjustments	<u>398,017</u>
Net cash provided by (used in) operating activities	<u><u>\$ 114,149</u></u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 368,665
Restricted	49,893
Total cash and cash equivalents	<u><u>\$ 418,558</u></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, 2023

(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, 2023 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 \$6,600 allowance.

(f) **Leases receivable**— When engaged in long-term leasing activity as the Lessor, the District recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(g) **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.

(h) **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.

(i) **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.

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

(k) **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.

(l) **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.

(m) **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

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

(n) **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) **Deposits and Investments:**

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes. The District only invests excess public funds in certificates of deposit with qualified public depositories, which is an authorized form of investment pursuant to the provisions of Section 218.415, Florida Statutes. Such investments are stated at cost and are entirely insured or collateralized. The District does not have any investments recorded at fair value.

(3) **Leases Receivable:**

The District has three ongoing lease agreements with third parties related to rentals of assets owned by the District. The three leases were entered into with 5-year terms, with rental receipts through December 31, 2024, March 31, 2025, and June 30, 2026.

A summary of the District's activity surrounding leases receivable as of and for the year ended September 30, 2023, is as follows:

	<u>General Fund</u>
Lease Receivable	\$ 48,923
Deferred Inflows	47,927

CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(4) Capital Assets:

Changes in the District's capital assets for the year ended September 30, 2023, 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	185,615	170,685	-	356,300
Total assets not being depreciated	<u>310,811</u>	<u>170,685</u>	<u>-</u>	<u>481,496</u>
Capital assets being depreciated:				
Vehicles	125,129	41,830	-	166,959
Plant and equipment	10,396,627	-	-	10,396,627
Other equipment	110,605	1,830	-	112,435
Sewer machinery	130,629	-	-	130,629
Total assets being depreciated	<u>10,762,990</u>	<u>43,660</u>	<u>-</u>	<u>10,806,650</u>
Less accumulated depreciation for:				
Vehicles	(51,775)	(18,166)	-	(69,941)
Plant and equipment	(5,367,288)	(190,600)	-	(5,557,888)
Other equipment	(808,492)	(65,017)	-	(873,509)
Sewer machinery	(126,368)	(379)	-	(126,747)
Total accumulated depreciation	<u>(6,353,923)</u>	<u>(274,162)</u>	<u>-</u>	<u>(6,628,085)</u>
Total capital assets being depreciated, net	<u>4,409,067</u>	<u>(230,502)</u>	<u>-</u>	<u>4,178,565</u>
Business-type activities capital assets, net	<u>\$ 4,719,878</u>	<u>\$ (59,817)</u>	<u>\$ -</u>	<u>\$ 4,660,061</u>

Depreciation expense for 2023 was \$274,162.

(5) Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	1,056,000	-	(20,000)	1,036,000	21,000
Compensated absences	30,571	23,844	(20,117)	34,298	23,622
Total	<u>\$ 1,086,571</u>	<u>\$ 23,844</u>	<u>\$ (40,117)</u>	<u>\$ 1,070,298</u>	<u>\$ 44,622</u>

Long-term debt at September 30, 2023, is comprised of the following:

Bonds Payable – \$1,180,000 issued in 2013 to finance water system improvements. 1,036,000
Payable each September starting September 1, 2015 of \$12,000 to \$50,000 through
September 1, 2052; interest at 2.75%. Payable from the Pledged Revenues.

**CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(5) Long-Term Liabilities: (Continued)

Aggregate maturities of bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 21,000	28,490	\$ 49,490
2025	22,000	27,913	49,913
2026	23,000	27,308	50,308
2027	24,000	26,675	50,675
2028	25,000	26,015	51,015
2029-2033	142,000	119,186	261,186
2034-2038	170,000	98,039	268,039
2039-2043	195,000	73,289	268,289
2044-2048	220,000	45,101	265,101
2049-2052	194,000	13,476	207,476
Total	<u>\$ 1,036,000</u>	<u>\$ 485,492</u>	<u>\$ 1,521,492</u>

(6) 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 to reduce the District's current-period contribution requirement.

The District's contributions to the plan during the year ended September 30, 2023 were \$35,686. Employees contributed approximately \$2,169.

(7) 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, 2023. As such, no OPEB liability has been recorded.

CEDAR KEY WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) **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.

(9) **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.

(10) **Recent Accounting Pronouncements:**

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

- (a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.



**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 Cedar Key Water & Sewer District (the District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 4, 2024.

Report on 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 opinion 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 that we consider to be material weaknesses. We identified one deficiency in internal control that we consider to be a significant deficiency in internal controls, as described in the following paragraph:

2023-001 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.

Report on Compliance and Other Matters

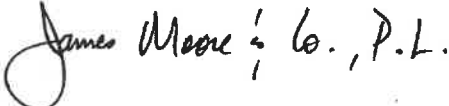
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the letter titled Management's Response to the Auditors' Comments, as listed in the table of contents. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
June 4, 2024

**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, 2023, and have issued our report thereon dated June 4, 2024.

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 June 4, 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 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 2021-001 has been repeated as comment 2022-001 and remains uncorrected from the third preceding audit.

2022-001 Limited Segregation of Duties – Previously recorded as 2021-00, 2020-00 and 2019-001. Corrective action not taken. See 2023-001.

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 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 Cedar Key Water & Sewer District was established by special act by the Florida Legislature. There are no component units related to the District.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Special District Component Units

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

Specific Special District Information – Cedar Key Water & Sewer District

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

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

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 5 employees.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 1 independent contractor.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$307,859.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$31,376.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: DEP Grant LPA0260 \$170,685.

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

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

- a) The millage rate or rates imposed by the district: 1.2000.
- b) The total amount of ad valorem taxes collected by or on behalf of the district: \$253,730.
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds: \$1,036,000, in the form of bonds payable from pledged revenues to finance water system improvements.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 Jr., P.L.

Gainesville, Florida
June 4, 2024



INDEPENDENT ACCOUNTANTS' REPORT

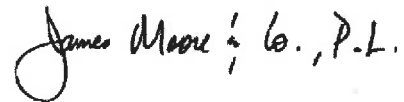
To the Board of Directors,
Cedar Key Water & Sewer District:

We have examined the Cedar Key Water & Sewer District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2023. The District's management is responsible for the District's compliance with those requirements. Our responsibility is to obtain reasonable assurance by evaluating against the requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating against aforementioned statutes and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the District's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that were not in accordance with those requirements in all material respects, 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 of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the District's compliance for the year ended September 30, 2023, was in accordance with the aforementioned requirements in all material respects.



Gainesville, Florida
June 4, 2024

MANAGEMENT'S RESPONSE TO FINDINGS

2023-001 – Limited Segregation of Duties

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