

2019

City of Cedar Key

Financial Statements and Independent Auditor's Report

For Fiscal Year Ended September 30, 2019

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORTS**

**CITY OF CEDAR KEY
CEDAR KEY, FLORIDA**

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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An Independent Member of the BDO Alliance USA.*

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2019, and the respective changes in financial position, and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

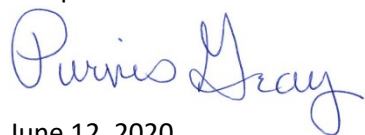
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of the City's Proportionate Share of the Net Pension Liability and the City's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report 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 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.



June 12, 2020
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cedar Key City Hall's (the City) discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the City's and Cedar Key Community Redevelopment Agency's (CKCRA) 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 10).

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 2019 by \$3,153,882 (net position). Of this amount, \$17,198 is restricted for specific purposes (restricted net position), and \$2,744,638 is net investment in capital assets. The City's total net position increased by \$260,183 during fiscal year 2019.

General Fund revenues for 2019 increased by \$177,543 or 10% when compared to fiscal year 2018. General Fund expenditures increased by \$64,573 or 4% during this same period. The net change in fund balance in the General Fund showed an increase of \$84,439 for fiscal year 2019.

Long-term liabilities as of September 30, 2019, amounted to \$5,214,707.

City and CKCRA Highlights

Revenue Note: Through the CKCRA, a \$9,200,000 revenue note was issued through SunTrust Bank in fiscal year 2008 for projects approved in the CKCRA Plan.

The City has seen the following projects started or completed in the 2018-2019 fiscal year:

Community Outreach

- Continued support of the Old Florida Celebration of the Arts, and Seafood Festival through the Public Works, Fire, and Police Departments.
- 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Property Acquisition/Improvements

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

Other Items

- Sponsored a 5-week summer youth program for children ages 5 to 17.

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 10 and 11) 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 11) 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 16 and 17) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Statement of Net Position September 30, 2019

Governmental Activities

	Fiscal Year 2019	Fiscal Year 2018
Assets		
Current and Other Assets	\$ 982,948	\$ 867,698
Capital Assets	<u>7,640,422</u>	<u>7,902,748</u>
Total Assets	<u>8,623,370</u>	<u>8,770,446</u>
Deferred Outflows of Resources		
Pension Related	<u>88,650</u>	<u>124,300</u>
Liabilities		
Current Liabilities	1,029,807	945,401
Non-Current Liabilities	<u>4,390,226</u>	<u>4,929,260</u>
Total Liabilities	<u>5,420,033</u>	<u>5,874,661</u>
Deferred Inflows of Resources		
Advance Collections	15,836	10,957
Pension Related	<u>122,269</u>	<u>115,429</u>
Total Deferred Inflows of Resources	<u>138,105</u>	<u>126,386</u>
Net Position		
Net Investment in Capital Assets	2,744,638	2,568,997
Restricted	17,198	11,648
Unrestricted	<u>392,046</u>	<u>313,054</u>
Total Net Position	<u>\$ 3,153,882</u>	<u>\$ 2,893,699</u>

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, 2019, the unrestricted net position had a balance of \$392,046.

Current Year Impacts

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities Year Ending September 30, 2019

Description	Total	
	Government Activities	
	Fiscal Year 2019	Fiscal Year 2018
Revenues		
Charges for Services	\$ 584,417	\$ 562,128
Operating Grants and Contributions	177,354	36,911
Capital Grants and Contributions	50,000	48,999
Property Taxes	1,338,909	1,247,926
Franchise Fees	51,234	50,786
Utility Tax	76,648	51,128
Local Option Fuel Tax	8,350	7,187
State Shared Revenues	143,042	134,186
Interest	567	450
Miscellaneous	42,576	100,553
Total Revenues	<u>2,473,097</u>	<u>2,240,254</u>
Expenses		
General Government	520,531	534,175
Public Safety	566,289	544,524
Physical Environment	228,199	266,113
Transportation	195,363	168,734
Economic Environment	18,438	18,439
Culture and Recreation	475,011	284,313
Interest	209,083	208,225
Total Expenses	<u>2,212,914</u>	<u>2,024,523</u>
Change in Net Position	260,183	215,731
Net Position, Beginning of Year	<u>2,893,699</u>	<u>2,677,968</u>
Net Position, End of Year	<u>\$ 3,153,882</u>	<u>\$ 2,893,699</u>

Governmental activities increased the City's net position by \$260,183.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 \$90,983 during fiscal year 2019. The City increased its millage rate to 5.356 mills for fiscal year 2019. The CRA property tax revenues increased by \$55,301 during fiscal year 2019.

Several revenue sources of the General Fund increased from the prior year, with an overall increase of 10%. The most significant increase resulted from grant revenues in the current year.

Expenditures

General Fund expenditures increased by \$64,573 or 4%.

As of year-end, the Governmental Funds (as presented on the balance sheet) reported a fund balance of \$909,105, which is a 10% increase over the previous year \$824,666.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$7,640,422 invested in a variety of capital assets, as reflected in the following schedule:

Capital Assets

Description	Total Government	
	Fiscal Year	Fiscal Year
	2019	2018
Land	\$ 2,942,822	\$ 2,940,962
Buildings and Improvements	1,719,990	1,719,990
Machinery and Equipment	1,515,285	1,465,931
Infrastructure	6,115,727	6,064,775
Accumulated Depreciation	(4,653,402)	(4,288,910)
Capital Assets Net of Depreciation	\$ 7,640,422	\$ 7,902,748

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 Government	
	Fiscal Year	Fiscal Year
	2019	2018
Beginning Balance	\$ 7,902,748	\$ 8,048,466
Additions	102,166	222,968
Deletions	-	(9)
Depreciation Expense	(364,492)	(368,677)
Ending Balance	\$ 7,640,422	\$ 7,902,748

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 \$4,895,784 for the Redevelopment Revenue Note as of September 30, 2019.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019
CITY OF CEDAR KEY, FLORIDA**

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 890,161
Prepaid Insurance	20,126
Accounts Receivable (Net of Allowance for Uncollectibles of \$2,225)	19,142
Due from Other Governments	44,617
Other Receivable	8,902
Total Current Assets	982,948
Capital Assets	
Land	2,942,822
Buildings and Improvements	1,719,990
Machinery and Equipment	1,515,285
Infrastructure	6,115,727
(Accumulated Depreciation)	(4,653,402)
Total Capital Assets	7,640,422
Total Assets	8,623,370
Deferred Outflows of Resources	
Pension Related	88,650
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	46,635
Deposits	11,371
Redevelopment Revenue Note Interest Payable (See Note 5)	147,320
Redevelopment Revenue Note (See Note 5)	805,784
Compensated Absences	18,697
Total Current Liabilities	1,029,807
Non-Current Liabilities	
Redevelopment Revenue Note, Non-Current (See Note 5)	4,090,000
Compensated Absences	6,540
Net Pension Liability	293,686
Total Non-Current Liabilities	4,390,226
Total Liabilities	5,420,033
Deferred Inflows of Resources	
Advance Collections	15,836
Pension Related	122,269
Total Deferred Inflows of Resources	138,105
Net Position	
Net Investment in Capital Assets	2,744,638
Restricted for:	
Building Department	5,550
Capital Projects	11,648
Unrestricted	392,046
Total Net Position	\$ 3,153,882

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF CEDAR KEY, FLORIDA

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	\$ 520,531	\$ 9,337	\$ -	\$ -	\$ (511,194)
Public Safety	566,289	153,596	26,071	-	(386,622)
Physical Environment	228,199	267,719	29,986	-	69,506
Transportation	195,363	-	-	-	(195,363)
Economic Environment	18,438	-	-	-	(18,438)
Culture and Recreation	475,011	153,765	121,297	50,000	(149,949)
Interest Charges	209,083	-	-	-	(209,083)
Total Governmental Activities	<u>\$ 2,212,914</u>	<u>\$ 584,417</u>	<u>\$ 177,354</u>	<u>\$ 50,000</u>	<u>(1,401,143)</u>
General Revenues					
Property Taxes					1,338,909
Franchise Fees					51,234
Utility Tax					76,648
Local Option Fuel Tax					8,350
Sales Tax and Other State Shared Revenues					143,042
Interest Earnings					567
Miscellaneous					42,576
Total General Revenues					<u>1,661,326</u>
Change in Net Position					<u>260,183</u>
Net Position, Beginning of Year					<u>2,893,699</u>
Net Position, End of Year					<u>\$ 3,153,882</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
CITY OF CEDAR KEY, FLORIDA**

	Major Funds		Total Governmental Funds
	General Fund	CKCRA Special Revenue	
Assets			
Cash	\$ 890,160	\$ 1	\$ 890,161
Prepaid Insurance	20,126	-	20,126
Accounts Receivable (Net of Allowance for Uncollectibles of \$2,225)	19,142	-	19,142
Due from Other Governments	44,617	-	44,617
Other Receivable	8,902	-	8,902
Total Assets	982,947	1	982,948
Liabilities			
Accounts Payable and Accrued Expenses	46,635	-	46,635
Redevelopment Revenue Note Interest Payable	-	1	1
Deposits	11,371	-	11,371
Total Liabilities	58,006	1	58,007
Deferred Inflows of Resources			
Advance Collections	15,836	-	15,836
Total Deferred Inflows of Resources	15,836	-	15,836
Fund Balances			
Non-Spendable:			
Prepaid Expenses	20,126	-	20,126
Restricted for:			
Building Department	5,550	-	5,550
Capital Projects	11,648	-	11,648
Unassigned	871,781	-	871,781
Total Fund Balances	909,105	-	909,105
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 982,947	\$ 1	\$ 982,948

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
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF CEDAR KEY, FLORIDA**

Fund Balance - Total Governmental Funds	\$	909,105
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**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.		7,640,422
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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	\$ 88,650	
Deferred Inflows Related to Pensions	(122,269)	(33,619)

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	(4,895,784)	
Accrued Compensated Absences	(25,237)	
Net Pension Liability	(293,686)	(5,214,707)

Accrued interest on note payable from current financial resources is not reported as a fund liability of the governmental fund.		(147,319)
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Net Position of Governmental Activities	\$	3,153,882
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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, 2019
CITY OF CEDAR KEY, FLORIDA**

	Major Funds		Total Governmental Funds
	General Fund	CKCRA Special Revenue Fund	
Revenues			
Taxes	\$ 908,338	\$ 595,978	\$ 1,504,316
Licenses and Permits	108,087	-	108,087
Intergovernmental Revenues	268,718	-	268,718
Charges for Services	511,989	-	511,989
Fines and Forfeitures	10,450	-	10,450
Rent	11,993	-	11,993
Miscellaneous	57,544	-	57,544
Total Revenues	1,877,119	595,978	2,473,097
Expenditures			
Current:			
General Government	502,717	-	502,717
Public Safety	529,590	-	529,590
Physical Environment	228,199	-	228,199
Transportation	47,431	-	47,431
Culture and Recreation	329,905	-	329,905
Capital Outlay	102,166	-	102,166
Debt Service	-	648,650	648,650
(Total Expenditures)	(1,740,008)	(648,650)	(2,388,658)
Excess (Deficiency) of Revenues Over (Under) Expenditures	137,111	(52,672)	84,439
Other Financing Sources (Uses)			
Transfers (to) from Other Funds	(52,672)	52,672	-
Total Other Financing Sources (Uses)	(52,672)	52,672	-
Net Change in Fund Balances	84,439	-	84,439
Fund Balances, Beginning of Year	824,666	-	824,666
Fund Balances, End of Year	\$ 909,105	\$ -	\$ 909,105

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, 2019
CITY OF CEDAR KEY, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds	\$	84,439
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**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	\$	102,166	
Depreciation Expense		<u>(364,492)</u>	(262,326)

The changes in the net pension liability and pension related deferred outflows and inflows or resources result in an adjustment to pension expense in the statement of activities, but not in the governmental funds.	(5,541)
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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	437,967	
Compensated Absences	4,044	
Interest Payable	<u>1,600</u>	<u>443,611</u>

Change in Net Position of Governmental Activities	\$	<u><u>260,183</u></u>
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The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF CEDAR KEY, FLORIDA**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 884,635	\$ 884,635	\$ 908,338	\$ 23,703
Licenses and Permits	98,955	98,955	108,087	9,132
Intergovernmental Revenues	110,637	252,692	268,718	16,026
Charges for Services	524,157	524,157	511,989	(12,168)
Fines and Forfeitures	11,250	11,250	10,450	(800)
Rent	20,110	20,110	11,993	(8,117)
Miscellaneous	83,005	83,005	57,544	(25,461)
Total Revenues	1,732,749	1,874,804	1,877,119	2,315
Expenditures				
Current:				
General Government	513,958	513,958	502,717	11,241
Public Safety	626,965	626,965	533,330	93,635
Physical Environment	236,925	266,911	228,199	38,712
Transportation	40,402	46,600	47,431	(831)
Culture and Recreation	416,827	485,158	428,331	56,827
Reserve for Contingencies	425,000	425,000	-	425,000
(Total Expenditures)	(2,260,077)	(2,364,592)	(1,740,008)	624,584
Excess of Revenues Over Expenditures	(527,328)	(489,788)	137,111	626,899
Other Financing (Uses)				
Transfers to Other Fund	(52,672)	(52,672)	(52,672)	-
Total Other Financing (Uses)	(52,672)	(52,672)	(52,672)	-
Net Change in Fund Balance	(580,000)	(542,460)	84,439	626,899
Fund Balance, Beginning of Year	778,729	778,729	824,666	45,937
Fund Balance, End of Year	\$ 198,729	\$ 236,269	\$ 909,105	\$ 672,836

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE - CKCRA
FOR THE YEAR ENDED SEPTEMBER 30, 2019
CITY OF CEDAR KEY, FLORIDA**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 595,978	\$ 595,978	\$ 595,978	\$ -
Total Revenues	<u>595,978</u>	<u>595,978</u>	<u>595,978</u>	<u>-</u>
Expenditures				
Debt Service	648,650	648,650	648,650	-
(Total Expenditures)	<u>(648,650)</u>	<u>(648,650)</u>	<u>(648,650)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,672)</u>	<u>(52,672)</u>	<u>(52,672)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers from Other Fund	52,672	52,672	52,672	-
Total Other Financing Sources (Uses)	<u>52,672</u>	<u>52,672</u>	<u>52,672</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS CITY OF CEDAR KEY, FLORIDA

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 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.

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 inter-fund 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.

NOTES TO FINANCIAL STATEMENTS CITY OF CEDAR KEY, FLORIDA

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 from specific revenue sources collected by the CKCRA and used for specific purposes.

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 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 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.

NOTES TO FINANCIAL STATEMENTS CITY OF CEDAR KEY, FLORIDA

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, or 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 (e.g., ordinance or resolution) of the organization'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 (e.g., ordinance or resolution) 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 organization's governing authority, or by an individual or body to whom the governing authority 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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

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 cost 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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

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, 2019, was 5.356 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 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.

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

Note 3 - Cash

Chapter 280 of the Florida Statutes 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 10/1/2018	Increases	Transfers	(Decreases)	Ending Balance 9/30/2019
Capital Assets Not Being Depreciated:					
Land	\$ 2,940,962	\$ 1,860	\$ -	\$ -	\$ 2,942,822
Total Not Being Depreciated	2,940,962	1,860	-	-	2,942,822
Capital Assets Being Depreciated:					
Buildings	1,719,990	-	-	-	1,719,990
Machinery and Equipment	1,465,931	49,354	-	-	1,515,285
Infrastructure	6,064,775	50,952	-	-	6,115,727
Total Being Depreciated	9,250,696	100,306	-	-	9,351,002
Total Before Depreciation	12,191,658	102,166	-	-	12,293,824
Less Accumulated Depreciation for:					
Buildings	(695,150)	(56,726)	-	-	(751,876)
Machinery and Equipment	(1,179,045)	(51,418)	-	-	(1,230,463)
Infrastructure	(2,414,715)	(256,348)	-	-	(2,671,063)
Total Accumulated Depreciation	(4,288,910)	(364,492)	-	-	(4,653,402)
Total Being Depreciated, Net	4,961,786	(264,186)	-	-	4,697,600
Fixed Assets, Cost Less Depreciation	\$ 7,902,748	\$ (262,326)	\$ -	\$ -	\$ 7,640,422

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

Depreciation expense was charged to functions as follows:

General Government	\$ 21,858
Public Safety	31,158
Transportation	147,932
Economic Environment	18,438
Culture/Recreation	<u>145,106</u>
Total Depreciation Expense	<u>\$ 364,492</u>

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, issuance costs of \$55,000, and the balance of funds will be 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 2019 on long-term debt totaled \$209,083, none of which was capitalized.

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

<u>Year Ending September 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2020	\$ 805,784	\$ 193,383
2021	520,000	161,555
2022	540,000	141,015
2023	560,000	119,685
2024	580,000	97,565
2025-2027	<u>1,890,000</u>	<u>151,285</u>
Total	<u>\$ 4,895,784</u>	<u>\$ 864,488</u>

Unpaid principal due on the CKCRA Redevelopment Revenue Note at September 30, 2019, was \$305,784. Interest due on the CKCRA Redevelopment Revenue Note at September 30, 2019, was \$147,320. On January 9, 2020, the CKCRA paid this outstanding principal and interest that was due at September 30, 2019.

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

The following tabulation summarizes the changes in the long-term debt during the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 29,281	\$ 23,617	\$ 27,661	\$ 25,237	\$ 18,697
\$9.2 Million Redevelopment					
Revenue Note, Direct Borrowing	5,333,751	-	437,967	4,895,784	805,784
Net Pension Liability	330,635	-	36,949	293,686	-
Total	<u>\$ 5,693,667</u>	<u>\$ 23,617</u>	<u>\$ 502,577</u>	<u>\$ 5,214,707</u>	<u>\$ 824,481</u>

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. Annual principal and interest on the note is expected to require 100% of such Tax Increment Revenues that are payable through 2027. Principal and interest paid for the current year was \$648,650, and Tax Increment Revenues totaled \$595,978 for the year.

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, 2019, the amount of pension expense was \$0. The City used \$24,493 in the forfeiture account of the plan to make current year contributions for employees. 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, 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.

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

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 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. 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 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 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 cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can 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 \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

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, 2019, were as follows:

	<u>FRS</u>	<u>HIS</u>
Regular Class	6.81%	1.66%
Special Risk Class	23.82%	1.66%
Senior Management Service Class	23.75%	1.66%
DROP from FRS	12.94%	1.66%

The City's contributions for the year ended September 30, 2019, were \$21,994 to the FRS Pension Plan and \$2,775 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019, 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 Program. The net pension liabilities were measured as of June 30, 2019. 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.

	<u>FRS</u>	<u>HIS</u>	<u>Investment Plan</u>
Net Pension Liability	\$ 240,005	\$ 53,681	N/A
Proportion at:			
Current Measurement Date	0.000696907%	0.000479766%	N/A
Prior Measurement Date	0.000897846%	0.000568768%	N/A
Pension Expense	\$ 29,644	\$ 667	\$ 14,796

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions After Measurement Date	\$ 5,166	\$ -	\$ 702	\$ -
Difference Between Expected and Actual Experience	14,235	149	652	66
Change of Assumptions	61,644	-	6,216	4,387
Changes of Proportion and Difference Between City Contributions and Proportionate Share of Contributions	-	88,003	-	16,386
Net Difference Between Projected and Actual Earnings on Pension Investments	-	13,278	35	-
Total	<u>\$ 81,045</u>	<u>\$ 101,430</u>	<u>\$ 7,605</u>	<u>\$ 20,839</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

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, 2020. 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
2020	\$ (33)	\$ 2,404
2021	12,174	2,518
2022	1,542	2,725
2023	3,574	2,829
2024	6,562	2,131
Thereafter	1,732	1,329
Total	\$ 25,551	\$ 13,936

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018.

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

	FRS	HIS
Inflation	2.60%	2.60%
Salary Increases	3.25%	3.25%
Long-Term Expected Rate of Return	6.90%	N/A
Discount Rate	6.90%	3.50%

Mortality assumptions for FRS Pension Plan were based on the PUB2010 base table varying by member category and sex, projected generationally with Scale MP-2018. The HIS Plan was based on the Generational RP-2000 with Projection Scale BB.

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:

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate (Property)	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
Assumed Inflation – Mean			2.6%	1.7%

Note: (1) As Outlined in the Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. 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 3.50%. 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.

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.

<i>FRS</i>			
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's Proportionate Share of the Net Pension Liability	\$ 414,889	\$ 240,005	\$ 93,948
<i>HIS</i>			
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City's Proportionate Share of the Net Pension Liability	\$ 61,280	\$ 53,681	\$ 47,352

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 Comprehensive Annual Financial Report.

**NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA**

Defined Contribution Pension Plan - FRS

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement 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 Florida Retirement System 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, 2019, totaled \$14,796.

Note 8 - 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 | ■ Public Officials' Liability |
| ■ General and Automobile Liability | ■ Accidental Death and Dismemberment |
| ■ Real and Personal Property Damage | |

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.

Note 9 - Subsequent Events

Due to the COVID-19 pandemic, there is much uncertainty with respect to the economy, subject to when businesses will reopen, and what effect the new business model will have on property owners, sales taxes, and other related revenue streams. The ultimate effect of these items is expected to be significant but is not quantifiable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the FRS Net Pension Plan	0.000696907%	0.000897846%	0.001207303%	0.001318839%	0.136447800%
City's Proportionate Share of the FRS Net Pension Plan Liability	\$ 240,005	\$ 270,436	\$ 357,112	\$ 333,008	\$ 176,241
City's Covered Payroll (for the Year Ended June 30)	\$ 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	149.58%	143.02%	176.84%	161.27%	80.57%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
City's Proportion of the HIS Net Pension Plan	0.000479766%	0.000568768%	0.000630742%	0.000643953%	0.070611200%
City's Proportionate Share of the HIS Net Pension Plan Liability	\$ 53,681	\$ 60,199	\$ 67,442	\$ 75,050	\$ 72,012
City's Covered Payroll (for the Year Ended June 30)	\$ 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	33.46%	31.84%	33.40%	36.35%	32.92%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 21,994	\$ 22,127	\$ 30,126	\$ 32,846	\$ 34,553
FRS Contribution in Relation to the Contractually Required Contribution	<u>(21,994)</u>	<u>(22,127)</u>	<u>(30,126)</u>	<u>(32,846)</u>	<u>(34,553)</u>
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (for the Year Ended September 30)	\$ 167,169	\$ 169,064	\$ 196,395	\$ 206,485	\$ 218,747
FRS Contributions as a Percentage of Covered Payroll	13.16%	13.09%	15.34%	15.91%	15.80%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 2,775	\$ 2,758	\$ 3,309	\$ 3,359	\$ 2,970
HIS Contribution in Relation to the Contractually Required Contribution	<u>(2,775)</u>	<u>(2,758)</u>	<u>(3,309)</u>	<u>(3,359)</u>	<u>(2,970)</u>
HIS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (for the Year Ended September 30)	\$ 167,169	\$ 169,064	\$ 196,395	\$ 206,485	\$ 218,747
HIS Contributions as a Percentage of Covered Payroll	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, 2019, 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 12, 2020.

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) to determine the 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 may exist that have not been identified.

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

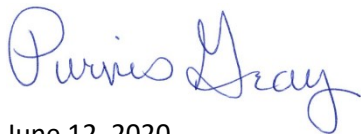
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 determination of financial statement amounts. 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.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P".

June 12, 2020
Gainesville, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

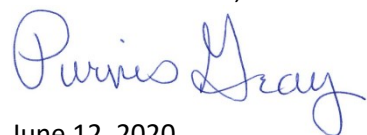
We have examined the City of Cedar Key, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2019, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance 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 risk 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.

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 for the year ended September 30, 2019.

This report 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, the Mayor, and City Commission members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



June 12, 2020
Gainesville, Florida

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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, 2019, and have issued our report thereon dated June 12, 2020.

Auditor's Responsibility

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; 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 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 12, 2020, 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 annual financial audit report. Item ML 2019-1 has been reported in the previous years as Item ML 2015-1.

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 as a component unit. The Cedar Key Community Redevelopment Agency is reported as a special revenue fund in the accompanying financial statements.

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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 of Cedar Key, Florida, or the Cedar Key Community Redevelopment Agency 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 audit, we determined that the Cedar Key Community Redevelopment Agency did meet one of the conditions described in Section 218.503(1), Florida Statutes:

■ ML 2019-1 Cedar Key Community Redevelopment Agency (CKCRA)

The CKCRA owes long-term debt under a Redevelopment Revenue Note, Series 2007 to SunTrust Bank. Because of decreasing property values in the CKCRA district, the annual tax increment revenues generated within the CKCRA district have become insufficient to fully fund the semiannual debt service payments due under the Note. Unpaid principal due on the CKCRA Redevelopment Revenue Note at September 30, 2019, was \$305,784. Interest due on the CKCRA Redevelopment Revenue Note at September 30, 2019 was \$147,320. The CKCRA paid \$453,104 on January 22, 2020, to retire this outstanding principal and interest that was due. During the 2018-2019 fiscal year, the CKCRA budgeted and paid 100% of the tax increment revenues for debt service payments under the Note.

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 of Cedar Key, Florida'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 did not have any 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.

Additional Matters

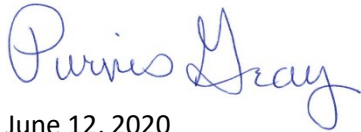
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the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

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

MANAGEMENT LETTER

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.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive, flowing style.

June 12, 2020
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

MANAGEMENT RESPONSE LETTER

State of Florida
Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

June 12, 2020

Gentlemen:

Our auditors, Purvis Gray & Company, have prepared our Audit Report for the fiscal year 2018-2019. Our response to their recommendations and concerns are as follows:

Financial Condition:

- **ML 2019-1 Cedar Key Community Redevelopment Agency (CKCRA)**

The City of Cedar Key CRA Board is aware that current revenues are not sufficient for the CRA to stay current with its bond principal and interest payments. The board and its attorney continue to keep the note holder (SunTrust Bank) informed of its efforts. Fortunately, CRA revenues have begun to rise in recent years as a result of increased property values in the local area. We will continue to work with the note holder in an effort to resolve the note deficiencies.

Sincerely,



Heath Davis, Mayor
City of Cedar Key

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