

2021

City of Cedar Key
Cedar Key, Florida

Financial Statements and Independent Auditor's Report

September 30, 2021

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

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

SEPTEMBER 30, 2021

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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, 2021, 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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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, 2021, 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 dated June 1, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 1, 2022
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 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 2021 by \$4,130,496 (net position). Of this amount, \$71,178 is restricted for specific purposes (restricted net position), and \$3,295,883 is net investment in capital assets. The City's total net position increased by \$620,005 during fiscal year 2021.

General Fund revenues for 2021 increased by \$159,593, or 9.6%, when compared to fiscal year 2020. General Fund expenditures increased by \$7,244, or 0.5%, during this same period. The net change in fund balance in the General Fund showed an increase of \$149,584 for fiscal year 2021 compared to fiscal year 2020.

Long-term liabilities as of September 30, 2021, amounted to \$3,156,292.

City and Cedar Key Community Redevelopment Agency (CKCRA) Highlights

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

The City has seen the following projects started or completed in the 2020-2021 fiscal year:

Community Outreach

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

Property Acquisition/Improvements

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

Government-Wide Financial Statements

The Government-wide financial statements (see pages 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 12 through 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, 2021

Governmental Activities

	Fiscal Year 2021	Fiscal Year 2020
Assets		
Current and Other Assets	\$ 1,402,032	\$ 1,096,609
Capital Assets	<u>7,040,572</u>	<u>7,361,970</u>
Total Assets	<u>8,442,604</u>	<u>8,458,579</u>
 Deferred Outflows of Resources		
Pension Related	<u>78,687</u>	<u>123,894</u>
 Liabilities		
Current Liabilities	955,453	1,011,298
Non-Current Liabilities	<u>3,156,292</u>	<u>3,963,151</u>
Total Liabilities	<u>4,111,745</u>	<u>4,974,449</u>
 Deferred Inflows of Resources		
Advance Collections	23,315	15,420
Pension Related	<u>255,735</u>	<u>82,113</u>
Total Deferred Inflows of Resources	<u>279,050</u>	<u>97,533</u>
 Net Position		
Net Investment in Capital Assets	3,295,883	3,024,232
Restricted	71,178	17,198
Unrestricted	<u>763,435</u>	<u>469,061</u>
Total Net Position	<u>\$ 4,130,496</u>	<u>\$ 3,510,491</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, 2021, the unrestricted net position had a balance of \$763,435.

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, 2021

Description	Total	
	Government Activities	
	Fiscal Year 2021	Fiscal Year 2020
Revenues		
Charges for Services	\$ 609,902	\$ 577,056
Operating Grants and Contributions	72,418	36,121
Capital Grants and Contributions	35,415	-
Property Taxes	1,440,867	1,378,242
Franchise Fees	51,242	48,548
Utility Tax	102,621	98,580
Local Option Fuel Tax	8,987	8,198
State Shared Revenues	163,523	142,180
Interest	443	523
Miscellaneous	56,549	30,361
Total Revenues	2,541,967	2,319,809
Expenses		
General Government	489,121	456,057
Public Safety	581,364	619,168
Physical Environment	240,075	199,878
Transportation	168,806	175,542
Economic Environment	18,438	18,438
Culture and Recreation	268,477	320,705
Interest	155,681	173,412
Total Expenses	1,921,962	1,963,200
Change in Net Position	620,005	356,609
Net Position, Beginning of Year	3,510,491	3,153,882
Net Position, End of Year	\$ 4,130,496	\$ 3,510,491

Governmental activities increased the City's net position by \$620,005.

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 City Commission to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent a significant portion of General Fund expenditures.

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

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

GOVERNMENTAL FUNDS

Revenues

The City's property tax revenues increased by \$62,625 during fiscal year 2021. The City decreased its millage rate to 4.744 mills for fiscal year 2021. The CRA property tax revenues increased by \$62,565 during fiscal year 2021.

Several revenue sources of the General Fund increased from the prior year, with an overall increase of 9.6%. The most significant increase resulted from grant revenues in the current year.

Expenditures

General Fund expenditures increased by \$7,244, or 0.5%.

As of year-end, the Governmental Funds (as presented on the balance sheet) reported a fund balance of \$1,309,435, which is a 26.6% increase over the previous year \$1,034,478.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$7,040,572 invested in a variety of capital assets, as reflected in the following schedule:

Capital Assets

Description	Total Government	
	Fiscal Year	Fiscal Year
	2021	2020
Land	\$ 2,942,822	\$ 2,942,822
Buildings and Improvements	1,801,911	1,801,911
Machinery and Equipment	1,484,410	1,448,735
Infrastructure	6,115,727	6,115,727
Accumulated Depreciation	(5,304,298)	(4,947,225)
Capital Assets Net of Depreciation	\$ 7,040,572	\$ 7,361,970

The following reconciliation summarizes the change in capital assets, which is presented in detail beginning on page 24 of the notes:

Change in Capital Assets

Description	Total Government	
	Fiscal Year	Fiscal Year
	2021	2020
Beginning Balance	\$ 7,361,970	\$ 7,640,422
Additions	38,625	86,311
Deletions	-	-
Depreciation Expense	(360,023)	(364,763)
Ending Balance	\$ 7,040,572	\$ 7,361,970

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 \$3,744,689 for the Redevelopment Revenue Note as of September 30, 2021.

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, 2021
CITY OF CEDAR KEY, FLORIDA

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,237,054
Prepaid Vehicle Deposit	46,835
Accounts Receivable (Net of Allowance for Uncollectibles of \$3,100)	16,433
Due from Other Governments	91,550
Other Receivable	10,160
Total Current Assets	1,402,032
Capital Assets	
Land	2,942,822
Buildings and Improvements	1,801,911
Machinery and Equipment	1,484,410
Infrastructure	6,115,727
(Accumulated Depreciation)	(5,304,298)
Total Capital Assets	7,040,572
Total Assets	8,442,604
Deferred Outflows of Resources	
Pension Related	78,687
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	56,693
Deposits	12,588
Redevelopment Revenue Note Interest Payable (See Note 5)	151,446
Redevelopment Revenue Note (See Note 5)	714,689
Compensated Absences	20,037
Total Current Liabilities	955,453
Non-Current Liabilities	
Redevelopment Revenue Note, Non-Current (See Note 5)	3,030,000
Compensated Absences	5,499
Net Pension Liability	120,793
Total Non-Current Liabilities	3,156,292
Total Liabilities	4,111,745
Deferred Inflows of Resources	
Advance Collections	23,315
Pension Related	255,735
Total Deferred Inflows of Resources	279,050
Net Position	
Net Investment in Capital Assets	3,295,883
Restricted for:	
Tree Planting	30,039
Cemetery	41,139
Unrestricted	763,435
Total Net Position	\$ 4,130,496

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
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	\$ 489,121	\$ 9,616	\$ -	\$ -	\$ (479,505)
Public Safety	581,364	178,653	7,850	35,415	(359,446)
Physical Environment	240,075	257,856	46,112	-	63,893
Transportation	168,806	-	-	-	(168,806)
Economic Environment	18,438	-	17,836	-	(602)
Culture and Recreation	268,477	163,777	620	-	(104,080)
Interest Charges	155,681	-	-	-	(155,681)
Total Governmental Activities	<u>\$ 1,921,962</u>	<u>\$ 609,902</u>	<u>\$ 72,418</u>	<u>\$ 35,415</u>	<u>(1,204,227)</u>
General Revenues					
Property Taxes					1,440,867
Franchise Fees					51,242
Utility Tax					102,621
Local Option Fuel Tax					8,987
Sales Tax and Other State Shared Revenues					163,523
Interest Earnings					443
Miscellaneous					56,549
Total General Revenues					<u>1,824,232</u>
Change in Net Position					620,005
Net Position, Beginning of Year					<u>3,510,491</u>
Net Position, End of Year					<u>\$ 4,130,496</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021
CITY OF CEDAR KEY, FLORIDA**

	Major Funds		Total
	General Fund	CKCRA Special Revenue	Governmental Funds
Assets			
Cash	\$ 1,237,053	\$ 1	\$ 1,237,054
Prepaid Vehicle Deposit	46,835	-	46,835
Accounts Receivable (Net of Allowance for Uncollectibles of \$3,100)	16,433	-	16,433
Due from Other Governments	91,550	-	91,550
Other Receivable	10,160	-	10,160
Total Assets	<u>1,402,031</u>	<u>1</u>	<u>1,402,032</u>
Liabilities			
Accounts Payable and Accrued Expenses	56,693	-	56,693
Redevelopment Revenue Note Interest Payable	-	1	1
Deposits	12,588	-	12,588
Total Liabilities	<u>69,281</u>	<u>1</u>	<u>69,282</u>
Deferred Inflows of Resources			
Advance Collections	23,315	-	23,315
Total Deferred Inflows of Resources	<u>23,315</u>	<u>-</u>	<u>23,315</u>
Fund Balances			
Non-Spendable:			
Prepaid Expenses	46,835	-	46,835
Restricted for:			
Tree Planting	30,039	-	30,039
Cemetery	41,139	-	41,139
Committed for:			
Summer Youth Camp	5,729	-	5,729
Assigned for:			
Capital Projects	211,093	-	211,093
Subsequent Year's Expenditures	322,456	-	322,456
Unassigned	652,144	-	652,144
Total Fund Balances	<u>1,309,435</u>	<u>-</u>	<u>1,309,435</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,402,031</u>	<u>\$ 1</u>	<u>\$ 1,402,032</u>

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, 2021
CITY OF CEDAR KEY, FLORIDA**

Fund Balance - Total Governmental Funds	\$	1,309,435
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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.		7,040,572
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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	\$ 78,687	
Deferred Inflows Related to Pensions	(255,735)	(177,048)

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	(3,744,689)	
Accrued Compensated Absences	(25,536)	
Net Pension Liability	(120,793)	(3,891,018)

Accrued interest on note payable from current financial resources is not reported as a fund liability of the governmental fund.		(151,445)
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Net Position of Governmental Activities	\$	<u><u>4,130,496</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF CEDAR KEY, FLORIDA**

	Major Funds		Total Governmental Funds
	General Fund	CKCRA Special Revenue Fund	
Revenues			
Taxes	\$ 938,329	\$ 711,481	\$ 1,649,810
Licenses and Permits	104,330	-	104,330
Intergovernmental Revenues	156,613	-	156,613
Charges for Services	535,536	-	535,536
Fines and Forfeitures	15,015	-	15,015
Rent	9,785	-	9,785
Miscellaneous	70,878	-	70,878
Total Revenues	<u>1,830,486</u>	<u>711,481</u>	<u>2,541,967</u>
Expenditures			
Current:			
General Government	473,823	-	473,823
Public Safety	599,879	-	599,879
Physical Environment	240,075	-	240,075
Transportation	24,642	-	24,642
Culture and Recreation	119,270	-	119,270
Capital Outlay	38,625	-	38,625
Debt Service	-	770,696	770,696
(Total Expenditures)	<u>(1,496,314)</u>	<u>(770,696)</u>	<u>(2,267,010)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>334,172</u>	<u>(59,215)</u>	<u>274,957</u>
Other Financing Sources (Uses)			
Transfers (to) from Other Funds	(59,215)	59,215	-
Total Other Financing Sources (Uses)	<u>(59,215)</u>	<u>59,215</u>	<u>-</u>
Net Change in Fund Balances	274,957	-	274,957
Fund Balances, Beginning of Year	<u>1,034,478</u>	<u>-</u>	<u>1,034,478</u>
Fund Balances, End of Year	<u>\$ 1,309,435</u>	<u>\$ -</u>	<u>\$ 1,309,435</u>

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, 2021
CITY OF CEDAR KEY, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds	\$	274,957
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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	\$ 38,625	
Depreciation Expense	<u>(360,023)</u>	(321,398)

The changes in the net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the statement of activities, but not in the governmental funds.		48,997
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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	593,049	
Compensated Absences	2,434	
Interest Payable	<u>21,966</u>	<u>617,449</u>

Change in Net Position of Governmental Activities	\$	<u><u>620,005</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, 2021
CITY OF CEDAR KEY, FLORIDA**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 924,894	\$ 924,894	\$ 938,329	\$ 13,435
Licenses and Permits	78,750	78,750	104,330	25,580
Intergovernmental Revenues	107,416	107,416	156,613	49,197
Charges for Services	523,051	523,051	535,536	12,485
Fines and Forfeitures	11,300	11,300	15,015	3,715
Rent	10,129	10,129	9,785	(344)
Miscellaneous	37,305	37,305	70,878	33,573
Total Revenues	<u>1,692,845</u>	<u>1,692,845</u>	<u>1,830,486</u>	<u>137,641</u>
Expenditures				
General Government	558,989	558,989	477,227	81,762
Public Safety	811,111	811,111	635,100	176,011
Physical Environment	242,200	242,200	240,075	2,125
Transportation	63,700	63,700	24,642	39,058
Culture and Recreation	162,594	162,594	119,270	43,324
Reserve for Contingencies	831	831	-	831
(Total Expenditures)	<u>(1,839,425)</u>	<u>(1,839,425)</u>	<u>(1,496,314)</u>	<u>343,111</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(146,580)</u>	<u>(146,580)</u>	<u>334,172</u>	<u>480,752</u>
Other Financing (Uses)				
Transfers to Other Fund	(56,420)	(56,420)	(59,215)	(2,795)
Total Other Financing (Uses)	<u>(56,420)</u>	<u>(56,420)</u>	<u>(59,215)</u>	<u>(2,795)</u>
Net Change in Fund Balance	(203,000)	(203,000)	274,957	477,957
Fund Balance, Beginning of Year	<u>375,000</u>	<u>375,000</u>	<u>1,034,478</u>	<u>659,478</u>
Fund Balance, End of Year	<u>\$ 172,000</u>	<u>\$ 172,000</u>	<u>\$ 1,309,435</u>	<u>\$ 1,137,435</u>

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, 2021
CITY OF CEDAR KEY, FLORIDA**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 681,335	\$ 681,335	\$ 711,481	\$ 30,146
Total Revenues	<u>681,335</u>	<u>681,335</u>	<u>711,481</u>	<u>30,146</u>
Expenditures				
Debt Service	681,305	681,305	770,696	(89,391)
(Total Expenditures)	<u>(681,305)</u>	<u>(681,305)</u>	<u>(770,696)</u>	<u>(89,391)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30</u>	<u>30</u>	<u>(59,215)</u>	<u>(59,245)</u>
Other Financing Sources (Uses)				
Transfers from Other Fund	-	-	59,215	59,215
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>59,215</u>	<u>59,215</u>
Net Change in Fund Balance	30	30	-	(30)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ (30)</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 blended component unit of the City. The City Commission designated itself as the CKCRA and has committed itself to the implementation of the Cedar Key Redevelopment Plan. The CKCRA is presented as a special revenue fund. Separately issued financial statements for the CKCRA can be obtained by contacting the City Hall at (352) 543-5132.

Government-Wide and Fund Financial Statements

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

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

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

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

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

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 the Governmental Accounting Standards Board (GASB). Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Indirect expenses, such as interest and depreciation, are allocated to specific programs when it is clearly applicable to specific program(s). The effect of interfund activity has been eliminated from these statements.

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

Fund Financial Statements

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

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

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, using the highest level of decision-making authority (ordinance) 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 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 value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Machinery and Equipment	5-10
Infrastructure	50

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

Deferred Inflows and Outflows of Resources

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

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

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

Receivables

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

Compensated Absences

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

**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.

Excess of Expenditures Over Budget Appropriations

For the year ended September 30, 2021, the CKCRA expenditures exceeded appropriations by \$89,391.

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, 2021, was 4.744 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.

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

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

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

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

Note 3 - Cash

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

Cash deposits include cash deposited with qualified depositories.

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

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

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

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

Note 4 - Capital Assets

Capital asset activity for the year is as follows:

	Beginning Balance 10/1/2020	Increases	(Decreases)	Ending Balance 9/30/2021
Capital Assets Not Being Depreciated:				
Land	\$ 2,942,822	\$ -	\$ -	\$ 2,942,822
Total Not Being Depreciated	2,942,822	-	-	2,942,822
Capital Assets Being Depreciated:				
Buildings	1,801,911	-	-	1,801,911
Machinery and Equipment	1,448,735	38,625	(2,950)	1,484,410
Infrastructure	6,115,727	-	-	6,115,727
Total Being Depreciated	9,366,373	38,625	(2,950)	9,402,048
Total Before Depreciation	12,309,195	38,625	(2,950)	12,344,870
Less Accumulated Depreciation for:				
Buildings	(807,005)	(52,961)	-	(859,966)
Machinery and Equipment	(1,211,718)	(51,551)	2,950	(1,260,319)
Infrastructure	(2,928,502)	(255,511)	-	(3,184,013)
Total Accumulated Depreciation	(4,947,225)	(360,023)	2,950	(5,304,298)
Total Being Depreciated, Net	4,419,148	(321,398)	-	4,097,750
Fixed Assets, Cost Less Depreciation	\$ 7,361,970	\$ (321,398)	\$ -	\$ 7,040,572

Depreciation expense was charged to functions as follows:

General Government	\$ 17,732
Public Safety	30,482
Transportation	149,207
Economic Environment	18,438
Culture/Recreation	144,164
Total Depreciation Expense	\$ 360,023

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.

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

Interest expense recorded during 2021 on long-term debt totaled \$155,681, 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>
2022	\$ 714,689	\$ 285,880
2023	560,000	109,504
2024	580,000	87,287
2025	605,000	63,656
2026	630,000	39,304
2027	655,000	13,964
Total	<u>\$ 3,744,689</u>	<u>\$ 599,595</u>

Unpaid principal due on the CKCRA Redevelopment Revenue Note at September 30, 2021, was \$174,689. Interest due on the CKCRA Redevelopment Revenue Note at September 30, 2021, was \$151,446. On February 17, 2022, the CKCRA paid this outstanding principal and interest that was due at September 30, 2021.

The following tabulation summarizes the changes in the long-term debt during the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 27,970	\$ 25,769	\$ (28,203)	\$ 25,536	\$ 20,037
\$9.2 Million Redevelopment Revenue Note, Direct Borrowing	4,337,738	-	(593,049)	3,744,689	714,689
Net Pension Liability	388,619	-	(267,826)	120,793	738
Total	<u>\$ 4,754,327</u>	<u>\$ 25,769</u>	<u>\$ (889,078)</u>	<u>\$ 3,891,018</u>	<u>\$ 735,464</u>

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

- CKCRA’s failure to pay any payment of principal and interest on any Note as the same becomes due and payable;
- Default in the performance or observance of any covenant or agreement contained in the Resolution and failure to cure the same within thirty (30) days;
- Filing of a petition by or against the CKCRA relating to bankruptcy, reorganization, arrangement or readjustment of debt of the CKCRA or for any other relief relating to the CKCRA under the United States Bankruptcy Code, as amended, or any other insolvency act or law now or hereafter existing, or the involuntary appointment of a receiver or trustee for the CKCRA, and the continuance of any such event for 90 days undismissed or undischarged.

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

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

Note 6 - Pledged Revenue

The City has pledged the Tax Increment Revenues established under ordinance No. 338 enacted on October 10, 2000, to repay the \$9,200,000 Redevelopment Revenue Note, Series 2007. 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 \$770,696, and Tax Increment Revenues totaled \$711,481 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, 2021, the amount of pension expense was \$23,628. The City Commission has the authority to establish and amend the provisions of the plan. Additional information regarding the plan may be obtained at City Street, 2 Tower Center, East Brunswick, New Jersey 08816, Attention: Account Management Team at 23rd Floor.

Deferred Compensation 457 Plan

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

Defined Benefit Pension Plans

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

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

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

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement system must provide proof of eligible health insurance coverage, which may include Medicare.

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

Benefits Provided

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

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

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2021, were as follows:

	FRS	HIS
Regular Class	9.16%	1.66%
Special Risk Class	24.23%	1.66%
Senior Management Service Class	27.35%	1.66%
DROP from FRS	16.68%	1.66%

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

The City's contributions for the year ended September 30, 2021, were \$29,426 to the FRS Pension Plan and \$3,236 to the HIS Plan.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2021, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Plan. The net pension liabilities were measured as of June 30, 2021. 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	\$ 53,832	\$ 66,961	N/A
Proportion at:			
Current Measurement Date	0.0007125625%	0.0005458850%	N/A
Prior Measurement Date	0.0007482464%	0.0005267228%	N/A
Pension Expense	\$ (18,762)	\$ 2,429	\$ 15,315

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>FRS</u>		<u>HIS</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	\$ 10,061	\$ -	\$ 932	\$ -
Difference Between Expected and Actual Experience	9,226	-	2,241	28
Change of Assumptions	36,831	-	5,262	2,759
Changes of Proportion and Difference Between City Contributions and Proportionate Share of Contributions	8,647	55,577	5,417	9,584
Net Difference Between Projected and Actual Earnings on Pension Investments	-	187,787	70	-
Total	<u>\$ 64,765</u>	<u>\$ 243,364</u>	<u>\$ 13,922</u>	<u>\$ 12,371</u>

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, 2021. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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

<u>Fiscal Year Ending</u>	<u>FRS Amount</u>	<u>HIS Amount</u>
2022	\$ (42,751)	\$ (835)
2023	(44,875)	(1,048)
2024	(48,071)	(296)
2025	(51,899)	722
2026	(1,064)	1,632
Thereafter	-	444
Total	<u>\$ (188,660)</u>	<u>\$ 619</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2021. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2021. For the HIS Plan, the total pension liability was determined by an actuarial valuation dated July 1, 2021.

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

	<u>FRS</u>	<u>HIS</u>
Inflation	2.40%	2.40%
Salary Increases	3.25%	3.25%
Long-Term Expected Rate of Return	6.80%	N/A
Discount Rate	6.80%	2.16%

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

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

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Assumed Inflation – Mean			2.4%	1.2%

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

NOTES TO FINANCIAL STATEMENTS
CITY OF CEDAR KEY, FLORIDA

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. 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 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

The following changes in actuarial assumptions occurred in 2021:

- FRS – Decreased the maximum amortization period to 20 for all current and future amortization bases.
- HIS – The municipal bond index rate used to determine the total pension liability decreased from 2.21% to 2.16%.

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 (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's Proportionate Share of the Net Pension Liability	\$ 240,713	\$ 53,832	\$ (102,391)
 <i>HIS</i>	 1% Decrease (1.16%)	 Current Discount Rate (2.16%)	 1% Increase (3.16%)
City's Proportionate Share of the Net Pension Liability	\$ 77,413	\$ 66,961	\$ 58,398

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

**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 System Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the FRS in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2021, totaled \$15,315.

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.

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

Notes to the Schedule:

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

HEALTH INSURANCE SUBSIDY PENSION PLAN

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

Notes to the Schedule:

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

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

FLORIDA RETIREMENT SYSTEM PENSION PLAN

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

HEALTH INSURANCE SUBSIDY PENSION PLAN

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

OTHER INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Cedar Key, Florida (the City) as of and for the year ended September 30, 2021, 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 1, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



June 1, 2022
Gainesville, Florida

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

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

We have examined the City of Cedar Key, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2021. City management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the 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, 2021.

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



June 1, 2022
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, 2021, and have issued our report thereon dated June 1, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with 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 1, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding financial audit report. Item ML 2020-1 and ML 2019-1 reported in the previous two years is now reported in a separate report for the Cedar Key Community Redevelopment Agency.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City was established in 1923 under a Charter in accordance with Laws of Florida 9698. The City includes the Cedar Key Community Redevelopment Agency (CKCRA) as a component unit. The Cedar Key Community Redevelopment Agency is reported as a special revenue fund in the accompanying financial statements.

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 has met one

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City of Cedar Key
Cedar Key, Florida

MANAGEMENT LETTER

or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we 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.

Specific Information

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

Additional Matters

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

Purpose of this Letter

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



June 1, 2022
Gainesville, Florida

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