Cedar Key Water and Sewer District

Audit Report

September 30, 2019

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com

Cedar Key Water and Sewer District
Table of Contents

REPORT

Independent Auditors' Report 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 3

BASIC FINANCIAL STATEMENTS

Statement of Net Position 6

Statement of Revenues, Expenses and Changes in Net Position 7

Statement of Cash Flows 8

Notes to Financial Statements 9

ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL

Management Letter 14

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 16

Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes 18

Schedule of Findings 19

District's Response to Auditors' Comments --

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

352.372.6300
352.375.1583 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Cedar Key Water and Sewer District
Cedar Key, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Cedar Key Water and Sewer District (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 District'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 District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 11, 2020

This discussion and analysis of the Cedar Key Water & Sewer District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2019:

- The District's net position decreased by $3,593.
- Total ending unrestricted net position was $62,783.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains financial statements that report on the District, which is a proprietary fund-enterprise fund that provides the community with adequate water and wastewater treatment facilities. Enterprise funds are used to account for activities in a manner similar to private-sector business enterprises and use the accrual basis of accounting.

The first financial statement is the Statement of Net Position. This statement includes all of the District's assets and liabilities using the accrual basis of accounting. All of the current year transactions are recorded, regardless of when cash is received or paid. Net position – the difference between assets, liabilities and deferred items – can be used to measure the District's financial position.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Position. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the District's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the District.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the District's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the District's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The District has no governmental activities.

	2019	2018	Change	% Change
Assets:				
Non-capital assets	$ 303,182	$ 250,504	$ 52,678	21.0%
Capital assets	5,167,057	5,105,580	61,477	1.2%
Total assets	5,470,239	5,356,084	114,155	2.1%
Liabilities:				
Current liabilities	219,564	84,219	135,345	160.7%
Long-term liabilities	1,101,373	1,118,970	(17,597)	-1.6%
Total liabilities	1,320,937	1,203,189	117,748	9.8%
Net position:				
Net investment in capital assets	4,057,057	3,979,580	77,477	1.9%
Restricted	29,462	27,411	2,051	7.5%
Unrestricted	62,783	145,904	(83,121)	-57.0%
Total net position	$ 4,149,302	$ 4,152,895	$ (3,593)	-0.1%
Revenues:				
Operating revenues	$ 823,090	$ 810,763	$ 12,327	1.5%
Capital grants	176,468	-	176,468	-
Property taxes	198,584	189,662	8,922	4.7%
Investment earnings	27	20	7	35.0%
Total revenues	1,198,169	1,000,445	197,724	19.8%
Expenses:				
Water/sewer services	909,080	989,813	(80,733)	-8.2%
Depreciation	261,752	267,911	(6,159)	-2.3%
Loss on Sale of Equipment	-	199	(199)	-100.0%
Interest on long-term debt	30,930	31,404	(474)	-1.5%
Total expenses	1,201,762	1,289,327	(87,565)	-6.8%
Change in net position	(3,593)	(288,882)	285,289	-98.8%
Beginning net position	4,152,895	4,441,777	(288,882)	-6.5%
Ending net position	$ 4,149,302	$ 4,152,895	$ (3,593)	-0.1%

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were $1,198,169. Overall revenues are up 19.76% from the prior year due to the increase in capital grants received in the current year. Expenses were $1,201,762 which was $87,565 lower than prior year expenses. This resulted in a decrease in net position for the year of $3,593.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District disbursed approximately $284,188 in the current year on construction projects. The District replaced the waste water lines under three bridges and continued with the twin oxide pilot project. If the pilot test is successful the District will start construction on a new water plant. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information.

Debt Administration

The District did not incur any new debt during the current year. Please refer to the notes to the accompanying financial statements entitled *Revolving Line of Credit* and *Long-term Liabilities* for more detailed information about the District's debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at Post Office Box 309, Cedar Key, Florida 32625.

Statement of Net Position
September 30, 2019

Current assets		
Cash	$	131,161
Deposits		141
Accounts receivable (net of allowance of $16,000)		67,956
Due from other governments		37,496
Inventory		36,966
Total current assets		273,720
Noncurrent assets		
Restricted cash		29,462
Capital assets:		
Non-depreciable		698,830
Depreciable, net		4,468,227
Total noncurrent assets		5,196,519
Total assets		5,470,239
Current liabilities		
Accounts payable and accrued liabilities		161,960
Unearned revenue		9,803
Interest payable		2,425
Customer deposits		12,601
Current portion of long–term liabilities		32,775
Total current liabilities		219,564
Noncurrent liabilities		
Bonds payable		1,093,000
Compensated absences		8,373
Total noncurrent liabilities		1,101,373
Total liabilities		1,320,937
Net position		
Net investment in capital assets		4,057,057
Restricted for debt service		29,462
Unrestricted		62,783
Total net position	$	4,149,302

See accompanying notes.

Statement of Revenues, Expenses and Changes in Net Position
Year ended September 30, 2019

Operating revenues		
Charges for services	$	806,609
Other operating revenues		16,481
Total operating revenues		823,090
Operating expenses		
Personal services		362,322
Operating expenses		546,758
Depreciation		261,752
Total operating expenses		1,170,832
Operating loss		(347,742)
Nonoperating revenues (expenses)		
Taxes		198,584
Interest revenue		27
Interest expense		(30,930)
Total nonoperating revenues (expenses)		167,681
Loss before capital contributions		(180,061)
Capital contributions - grants		176,468
Change in net position		(3,593)
Net position, October 1, 2018		4,152,895
Net position, September 30, 2019	$	4,149,302

See accompanying notes.

Cedar Key Water and Sewer District

Statement of Cash Flows
Year ended September 30, 2019

Cash flows from operating activities		
Receipts from customers	$	822,754
Payments to suppliers		(570,398)
Payments to employees		(252,979)
Net cash used by operating activities		(623)
Cash flows from noncapital financing activities		
Taxes received		198,584
Cash flows from capital and related financing activities		
Capital grants		139,047
Acquisition of capital assets		(284,188)
Payments on debt		(16,000)
Payments of interest		(30,965)
Net cash used by capital and related financing activities		(192,106)
Cash flows from investing activities		
Interest received		27
Net change in cash		5,882
Cash – October 1, 2018		154,741
Cash – September 30, 2019	$	160,623
Reconciliation of operating loss to net cash used by operating activities		
Operating Loss	$	(347,742)
Depreciation		261,752
Changes in assets and liabilities:		
Due from other governments		675
Accounts receivable		1,300
Inventory		(11,350)
Accounts payable and accrued liabilities		96,195
Unearned revenue		3,736
Customer deposits		(6,047)
Compensated absences		858
Net cash used by operating activities	$	(623)

Reconciliation of cash to cash and restricted cash per the statement of net position follows:

September 30,		2019
Cash	$	131,161
Restricted Cash		29,462
Cash – September 30, 2019	$	160,623

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cedar Key Water and Sewer District (the "District") conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The District is a special-purpose local government operating pursuant to Chapter 98-473, Laws of Florida, to provide the community with adequate water and wastewater treatment facilities.

The District uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. Component units are entities for which the District is considered to be financially accountable or entities that would be misleading to exclude. There is no other entity reported as a component unit within the District's reporting entity.

Basis of Presentation

The financial transactions of the District are reported as a proprietary fund type – Enterprise Fund. Enterprise Funds are used to account for activities in a manner similar to private-sector business enterprises.

The District's operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

The District utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Cash

The District's cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2019 are insured or collateralized pursuant to Chapter 280, Florida Statutes.

For purposes of the statement of cash flows, the District considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Authorized

The District invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the District is authorized to invest excess public funds in the following instruments: the Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at acquisition value on the date donated.

For qualifying constructed assets, interest costs are capitalized, net of interest revenue earned on debt proceeds, from the time of borrowing until the completion of the project.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight line method. The estimated useful lives are as follows:

Plant and equipment	5-40 Years
Vehicles	3-5 Years
Other equipment and sewer machinery	5-30 Years

Inventory

Inventory is valued at cost (first-in, first-out).

Compensated Absences

The District's policy is to allow limited vesting of employee vacation and sick pay. A liability for compensated absences is accrued when incurred in the District's financial statements.

Restricted Net Position

In the accompanying statement of net position, *restricted net position* is subject to restrictions beyond the District's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. It is the practice of the District to utilize restricted assets before unrestricted assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – PROPERTY TAXES

The Levy County Tax Collector bills and collects property taxes for the District. Details of the District's property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November - February
No discount period	March
Delinquent date	April 1

NOTE 3 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2019 follows:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	$ 125,196	$ -	$ -	$ 125,196
Construction in progress	251,628	322,006	-	573,634
Total capital assets not being depreciated	376,824	322,006	-	698,830
Capital assets being depreciated:				
Vehicles	110,495	-	70,738	39,757
Plant & equipment	9,808,021	-	76,576	9,731,445
Other equipment	124,635	1,223	-	125,858
Sewer machinery	158,706	-	-	158,706
Total capital assets being depreciated	10,201,857	1,223	147,314	10,055,766
Less accumulated depreciation for:				
Vehicles	109,415	1,080	70,738	39,757
Plant & equipment	5,099,091	254,678	76,576	5,277,193
Other equipment	108,629	4,575	-	113,204
Sewer machinery	155,966	1,419	-	157,385
Total accumulated depreciation	5,473,101	261,752	147,314	5,587,539
Total capital assets being depreciated, net	4,728,756	(260,529)	-	4,468,227
Capital assets, net	$ 5,105,580	$ 61,477	$ -	$ 5,167,057

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2019:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Due Within One Year
Bonds payable	$ 1,126,000	$ -	$ 16,000	$ 1,110,000	$ 17,000
Compensated absences	23,290	16,032	15,174	24,148	15,775
Total	$ 1,149,290	$ 16,032	$ 31,174	$ 1,134,148	$ 32,775

The following is a summary of bonds payable:

September 30,	2019
$1,180,000 water revenue bonds (Series 2013); due in installments, beginning September 1, 2015, of $12,000 to $50,000 through September 1, 2052; interest at 2.75%; to finance improvements to the water system	$ 1,110,000

Aggregate maturities of long–term debt are as follows:

Years Ending September 30	Principal	Interest	Total
2020	$ 17,000	$ 30,525	$ 47,525
2021	18,000	30,058	48,058
2022	19,000	29,563	48,563
2023	20,000	29,040	49,040
2024	21,000	28,490	49,490
2025-2029	120,000	133,238	253,238
2030-2034	148,000	115,280	263,280
2035-2039	175,000	93,363	268,363
2040-2044	200,000	67,925	267,925
2045-2049	225,000	39,050	264,050
2050-2052	147,000	8,140	155,140
Total	$ 1,110,000	$ 604,672	$ 1,714,672

NOTE 5 – DEFINED CONTRIBUTION PLAN

The District provides pension benefits for all of its full-time employees through the Florida Municipal Pension Trust, a 401(a) defined contribution plan which is administered by the Florida League of Cities. The Plan was established by the Board of Commissioners, and any amendments can only be made by majority vote of the Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are able to participate from the date of employment. The District contributes an amount equal to 10% of the employee's regular salary each quarter for the first 10 years of service and 15% for all years thereafter. Employee contributions are voluntary. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years of continuous service. The District's

NOTE 5 – DEFINED CONTRIBUTION PLAN (Continued)

contributions for employees who leave employment before ten years of service are used to reduce the District's current-period contribution requirement.

The District's contributions to the plan during the year ended September 30, 2019 were $28,117. Employees contributed approximately $5,200.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss for which it carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years.

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent years. The statements address:

- FY 2020 – Fiduciary activities (GASB Statement No. 84) and majority equity interests (GASB Statement No 90)
- FY 2021 – Leases (GASB Statement No. 87) and accounting for interest during construction periods (GASB Statement No. 89)
- FY 2022 – Conduit debt obligations (GASB Statement No. 91)

The District is currently evaluating the effects that these statements will have on its 2020 financial statements.

NOTE 8 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Additional Elements Required by the Rules of the Auditor General

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

352.372.6300
352.375.1583 (fax)
CRIcpa.com

MANAGEMENT LETTER

To the Board of Commissioners
Cedar Key Water and Sewer District
Cedar Key, Florida

Report on the Financial Statements

We have audited the financial statements of the Cedar Key Water and Sewer District (the "District"), Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 12, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Accountants' Reports 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 and schedule, which are dated June 11, 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 findings and recommendations made in the preceding financial audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. Finding 2019-001 was reported in prior years as finding 2018-001 and 2017-001.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Additional Matters

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 11, 2020

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

352.372.6300
352.375.1583 (fax)
CRIcpa.com

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

Board of Commissioners
Cedar Key Water and Sewer District
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 Cedar Key Water and Sewer District (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 11, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

The District's response to the finding identified in our audit is described in its accompanying letter of response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 11, 2020

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

352.372.6300
352.375.1583 (fax)
CRIcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Commissioners
Cedar Key Water and Sewer District
Cedar Key, Florida

We have examined Cedar Key Water and Sewer District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

In our opinion, the District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* during the year ended September 30, 2019.

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

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 11, 2020

2019-001 (Similar findings were reported in previous audit reports as items 2018-001 and 2017-001.)

Criteria – The District is responsible for maintaining effective internal controls over financial transactions and reporting.

Condition – Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Cause – Limited number of District personnel.

Effect – Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. Our audit did not reveal any errors or irregularities; however we feel it is important that you are aware of this condition.

Recommendation – Whenever possible and practical, duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. We also recommend that the Board continues its practice of providing ongoing oversight to help mitigate this control deficiency.

Cedar Key Water & Sewer District

P.O. Box 309
Cedar Key, FL 32625
Phone: 352-543-5285
Fax: 866-278-7502

June 11, 2020

Auditor General
Sherrill F. Norman, CPA
PO Box 1735
Tallahassee, FL 32302

Re: Response to 2019 Audit Finding

Dear Sir:

Carr, Riggs & Ingram has presented its finding included in the annual audit report for the year ending September 30, 2019. With respect to that finding, the District is pleased to provide its response as follows:

Item 2019-001 The Board is aware of our lack of segregation of employee responsibilities. This situation exists because the District Office is managed with two individual employees. We are aware of the internal control problems that could exist as a result of this finding and assign employee responsibilities to strengthen these controls wherever possible. It is not cost beneficial to hire additional employees to achieve the internal control procedures as described by our auditors.

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

Sincerely

John McPherson
General Manager