CEDAR KEY WATER & SEWER DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Cedar Key Water & Sewer District (the District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cedar Key Water & Sewer District, as of September 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Restatement for Correction of Error

As discussed in Note (10) to the financial statements, the District restated its beginning net position to correct an error related to prior year excess billing. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
September 4, 2026

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, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2025:

- The District's net position increased by $2,360,612 primarily due to capital grant revenue and insurance proceeds recognized during the year.

- Ending unrestricted net position was $1,110,503, an increase of $722,231 from the restated prior-year balance.

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.

	2025	2024	Change	% Change
Assets:				
Non-capital assets	$ 1,535,325	$ 729,525	$ 805,800	110.5%
Capital assets	6,613,097	4,665,659	1,947,438	41.7%
Total assets	8,148,422	5,395,184	2,753,238	51.0%
Liabilities:				
Current liabilities	543,086	209,743	333,343	158.9%
Long-term liabilities	1,141,989	997,656	144,333	14.5%
Total liabilities	1,685,075	1,207,399	477,676	39.6%
Deferred Inflows of Resources:				
Deferred inflows related to leases	9,964	26,637	(16,673)	-62.6%
Net position:				
Net investment in capital assets	5,278,549	3,650,659	1,627,890	44.6%
Restricted	64,331	53,840	10,491	19.5%
Unrestricted	1,110,503	388,272	722,231	186.0%
Total net position	$ 6,453,383	$ 4,092,771	$ 2,360,612	57.7%
Operating revenues	$ 1,075,748	$ 990,787	$ 84,961	8.6%
Operating expenses	(1,832,585)	(1,813,419)	(19,166)	1.1%
Operating loss	(756,837)	(822,632)	65,795	-8.0%
Nonoperating revenues	1,061,850	622,678	439,172	70.5%
Nonoperating expenses	(194,165)	(28,490)	(165,675)	581.5%
Capital grants	2,249,764	209,668	2,040,096	973.0%
Net nonoperating revenues and capital grants	3,117,449	803,856	2,313,593	287.8%
Change in net position	2,360,612	(18,776)	2,379,388	n/a
Beginning net position, as restated*	4,092,771	4,111,547	(18,776)	-0.5%
Ending net position	$ 6,453,383	$ 4,092,771	$ 2,360,612	57.7%

*The fiscal year 2024 amounts presented above have been restated to reflect the correction of excess utility billings related to a customer account in prior years. The correction reduced fiscal year 2024 change in net position by $47,291 and reduced ending net position at September 30, 2024, by $68,377. Additional information regarding the correction is provided in Note 10 to the financial statements.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's financial position improved during fiscal year 2025. Operating revenues were $1,075,748, an increase of $84,961, or 8.6%, from the prior year. Nonoperating revenues and capital grants totaled $3,311,614, compared with $832,346 in the prior year. The increase was primarily attributable to $2,249,764 in capital grant revenue and $641,402 of insurance proceeds recognized during fiscal year 2025.

Operating expenses were $1,832,585, an increase of $19,166 or 1.1% over the prior year. The District also recognized a nonoperating loss of $166,250 related to the abandonment of certain construction projects and incurred $27,915 of interest expense. Overall, the District's net position increased by $2,360,612 during fiscal year 2025.

The District's total assets increased by $2,753,238, primarily as a result of capital asset additions and increased cash associated with grant-funded capital projects and insurance proceeds. Total liabilities increased by $477,676, primarily due to amounts payable related to capital projects, the FEMA repayment obligation, and new borrowing during the year. Unrestricted net position increased by $722,231.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the District had $6,613,097 invested in capital assets, net of accumulated depreciation, compared with $4,665,659 at September 30, 2024. During fiscal year 2025, the District incurred $2,385,394 of capital asset additions, primarily related to improvements to the District's water and wastewater systems. The District also wrote off $166,250 of construction in progress associated with abandoned projects. Additional information regarding the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At September 30, 2025, the District had $1,084,102 of bonds and revolving credit debt outstanding, compared with $1,015,000 of bonds outstanding at September 30, 2024. During fiscal year 2025, the District issued a revolving credit bond with an authorized borrowing capacity of $1,500,000 to finance water and sewer system improvements. The outstanding balance of the revolving credit bond was $91,102 at September 30, 2025. The District also made scheduled principal payments on its outstanding bonds. Additional information regarding long-term liabilities is presented in Note 5.

ECONOMIC FACTORS

The District continues to undertake significant water and wastewater infrastructure projects funded in part through state and federal assistance. The timing and availability of grant reimbursements and the timing of related construction expenditures may significantly affect the District's cash flows and financial position in future periods.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	$ 945,657
Restricted assets:	
Cash and cash equivalents	66,501
Accounts receivable, net	124,679
Due from other governments	176,859
Leases receivable	10,613
Inventory	73,309
Prepaids	137,707
Total current assets	1,535,325
Noncurrent assets:	
Capital assets:	
Non-depreciable	403,583
Depreciable, net	6,209,514
Total noncurrent assets	6,613,097
Total assets	$ 8,148,422
LIABILITIES	
Current liabilities:	
Accounts payable	$ 274,698
Customer deposits	15,516
Unearned revenue	13,389
Due to other governments	197,934
Current portion of compensated absences	16,379
Payable from restricted assets:	
Accrued interest payable	2,170
Current maturities on long-term debt	23,000
Total current liabilities	543,086
Noncurrent liabilities:	
Revolving credit bond	91,102
Customer credit payable	76,117
Bonds payable	970,000
Compensated absences	4,770
Total noncurrent liabilities	1,141,989
Total liabilities	$ 1,685,075
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	$ 9,964
NET POSITION	
Net investment in capital assets	$ 5,278,549
Restricted for debt service	64,331
Unrestricted	1,110,503
Total net position	$ 6,453,383

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

CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Operating revenues	
Charges for services	$ 1,032,724
Other operating revenues	43,024
Total operating revenues	1,075,748
Operating expenses	
Personnel services	458,013
Operating expenses	1,102,866
Depreciation	271,706
Total operating expenses	1,832,585
Operating income (loss)	(756,837)
Nonoperating revenues (expenses)	
Insurance proceeds	641,402
Ad valorem taxes	412,341
Investment income (loss)	8,107
Gain (loss) on disposal of capital assets	(166,250)
Interest expense	(27,915)
Total nonoperating revenues (expenses)	867,685
Income (loss) before capital contributions	110,848
Capital contributions	
Capital grants	2,249,764
Change in net position	2,360,612
Net position, beginning of year, as previously reported	4,161,148
Adjustments to revenue for prior year excess billing	(68,377)
Net position, beginning of year, as restated	4,092,771
Net position, end of year	$ 6,453,383

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

CEDAR KEY WATER & SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Cash flows from operating activities	
Cash received from customers	$ 987,888
Cash payments to employees	(445,371)
Cash payments to suppliers	(985,480)
Net cash provided by (used in) operating activities	(442,963)
Cash flows from noncapital financing activities	
Taxes received	412,341
Insurance proceeds	641,402
Net cash provided by (used in) noncapital financing activities	1,053,743
Cash flows from capital and related financing activities	
Proceeds from revolving credit bond	141,103
Principal paid on bonds payable and revolving credit bond	(72,001)
Interest paid on bonds payable	(28,009)
Payments to acquire and construct plant property	(2,385,394)
Capital grants	2,447,698
Net cash provided by (used in) capital and related financing activities	103,397
Cash flows from investing activities	
Interest received	8,107
Net cash provided by (used in) investing activities	8,107
Net change in cash and cash equivalents	722,284
Cash and cash equivalents, beginning of year	289,874
Cash and cash equivalents, end of year	$ 1,012,158
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	$ (756,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	271,706
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	(84,484)
Decrease (Increase) in inventory and prepaid expenses	(16,202)
Decrease (Increase) in leases receivable	497
Increase (Decrease) in accounts payable and accrued expenses	133,588
Increase (Decrease) in customer deposits payable	800
Increase (Decrease) in unearned revenue	(4,673)
Increase (Decrease) in compensated absences	4,902
Increase (Decrease) in customer credit payable	7,740
Total adjustments	313,874
Net cash provided by (used in) operating activities	$ (442,963)
Cash and cash equivalents classified as:	
Unrestricted	$ 945,657
Restricted	66,501
Total cash and cash equivalents	$ 1,012,158

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

(1) Summary of Significant Accounting Policies:

The accounting policies of the Cedar Key Water & Sewer District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant policies.

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

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

(b) **Basis of presentation—**The financial transactions of the District are reported as a proprietary fund type - Enterprise Fund. Enterprise Funds are used to account for activities in a manner similar to private-sector business enterprises. The District's operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

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

(d) **Cash and cash equivalents—**The District's cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2025 are insured or collateralized pursuant to Chapter 280, Florida Statutes. For purposes of the statement of cash flows, the District considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

(e) **Accounts receivable—**The District's accounts receivable are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable are net of a $21,309 allowance.

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

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

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

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

(g) **Inventories and prepaids**—The District's inventory consists of pumps, motors, and other supplies used for installations. Inventory is valued at cost, based on the first-in, first-out method.

Prepaid insurance consists of insurance premiums, which have been paid prior to the end of the fiscal year, but represent expenses which are applicable to future accounting periods. These amounts do not constitute available spendable resources even though they are a component of current assets.

(h) **Capital assets**—Capital assets are recorded at cost less accumulated depreciation, except contributed assets which are recorded at acquisition value on the date of contribution. Expenditures of $1,000 or more are capitalized. Depreciation, on a straight-line basis, is charged over estimated useful lives ranging from 3 to 40 years.

(i) **Compensated absences**—The District recognizes a liability for compensated absences for leave attributable to services already rendered that accumulates and is more likely than not to be used for time off or otherwise paid or settled. The liability is measured using employees' rates of pay as of the financial statement date and includes salary-related payments that are directly and incrementally associated with the leave payments. Annual leave and sick leave are recognized based on the District's leave policies and the estimated amount of accumulated leave expected to be used or paid. Amounts expected to be liquidated within one year are reported as current liabilities, with the remainder reported as noncurrent liabilities.

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

(k) **Net position flow assumption**—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the District's policy to consider restricted net position to have been used before unrestricted net position is applied.

(l) **Revenue recognition**—Operating revenue consists primarily of charges for services, which are billed to customers for water and wastewater. Billings are included in revenue as meters are read each month. Unbilled revenues are accrued based on estimated consumption of the most recent billing. Unearned revenue represents advance collections from customers.

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

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

Lien Date	January 1
Levy Date	October 1
Discount Period	November - February
No Discount Period	March
Delinquent Date	April 1

(n) **Recently adopted accounting standards—**During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 101 establishes updated recognition and measurement requirements for compensated absences. GASB Statement No. 102 establishes disclosure requirements for certain concentrations and constraints that make a government vulnerable to a substantial impact. Implementation of GASB Statement No. 102 did not result in additional disclosures for the District.

(o) **Use of estimates—**The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) **Deposits and Investments:**

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

(3) **Leases Receivable:**

The District has one ongoing lease agreement with third parties related to rentals of assets owned by the District. The lease was entered into with 5-year terms, with rental receipts through June 30, 2026.

A summary of the District's activity surrounding leases receivable as of and for the year ended September 30, 2025, is as follows:

	Enterprise Fund
Lease Receivable	$ 10,613
Deferred Inflows	9,964

(4) Capital Assets:

Changes in the District's capital assets for the year ended September 30, 2025, were as follows:

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 125,196	$ -	$ -	$ 125,196
Construction in progress	589,924	278,387	(589,924)	278,387
Total assets not being depreciated	715,120	278,387	(589,924)	403,583
Capital assets being depreciated:				
Vehicles	205,824	-	-	205,824
Plant and equipment	10,396,627	2,516,348	-	12,912,975
Other equipment	112,435	14,333	-	126,768
Sewer machinery	130,629	-	-	130,629
Total assets being depreciated	10,845,515	2,530,681	-	13,376,196
Less accumulated depreciation for:				
Vehicles	(94,282)	(30,819)	-	(125,101)
Plant and equipment	(5,735,197)	(178,388)	-	(5,913,585)
Other equipment	(938,321)	(62,120)	-	(1,000,441)
Sewer machinery	(127,176)	(379)	-	(127,555)
Total accumulated depreciation	(6,894,976)	(271,706)	-	(7,166,682)
Total capital assets being depreciated, net	3,950,539	2,258,975	-	6,209,514
Business-type activities capital assets, net	$ 4,665,659	$ 2,537,362	$ (589,924)	$ 6,613,097

Depreciation expense for 2025 was $271,706.

Construction in progress decreases of $589,924 consisted of $423,674 transferred to completed capital assets and $166,250 of costs related to abandoned projects written off during the year.

(5) Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond payable	$ 1,015,000	$ -	$ (22,000)	$ 993,000	$ 23,000
Revolving credit bond	-	141,103	(50,001)	91,102	-
Customer credit payable	68,377	7,740	-	76,117	-
Compensated absences, net	16,247	4,902	-	21,149	16,379
Total	$ 1,099,624	$ 153,745	$ (72,001)	$ 1,181,368	$ 39,379

(5) **Long-Term Liabilities:** (Continued)

The change in compensated absences is presented as a net change. Long-term debt at September 30, 2025, is comprised of the following:

Revolving Credit Bond – $1,500,000 authorized in 2025 to finance water and sewer improvements, bearing interest at 4.96% with monthly required interest payments. The outstanding principal and accrued unpaid interest are due March 6, 2029.	$	91,102
Bond Payable – $1,180,000 issued in 2013 to finance water system improvements. Payable each September starting September 1, 2015, of $12,000 to $50,000 through September 1, 2052; interest at 2.75%. Payable from the Pledged Revenues.	$	993,000

Aggregate maturities of the bond payable and revolving credit bond are as follows:

	Principal	Interest	Total
2026	$ 23,000	$ 31,889	$ 54,889
2027	24,000	31,256	55,256
2028	25,000	30,609	55,609
2029	117,102	27,299	144,401
2030	27,000	24,613	51,613
2031-2035	154,000	111,211	265,211
2036-2040	180,000	88,551	268,551
2041-2045	205,000	62,426	267,426
2046-2050	230,000	32,864	262,864
2051-2052	99,000	4,098	103,098
Total	$ 1,084,102	$ 444,816	$ 1,528,918

(6) **Defined Contribution Plan:**

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

The District's contributions to the plan during the year ended September 30, 2025 were $31,314. Employees contributed approximately $3,000.

(7) Other Post-Employment Benefits (OPEB):

Retirees and their dependents are permitted to remain covered under the District's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes.

Based on the District's policies, the OPEB liability was actuarially determined to be zero. There have been no changes to the District's policies or state statutes since that time which management believes would impact this determination as of September 30, 2025. As such, no OPEB liability has been recorded.

(8) Risk Management:

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

(9) Contingencies and Uncertainties:

The District is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the District cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the District.

(10) Correction of an Error:

During fiscal year 2025, the District identified excess utility billings related to a customer account in prior years. The financial statements have been restated to correct this error. The correction resulted in a $68,377 reduction in utility revenue recognized in prior years and a corresponding reduction in beginning net position. The correction decreased the District's previously reported change in net position for the fiscal year ended September 30, 2024, by $47,291. The effect of the correction on beginning net position was as follows:

	Balance
Net position, beginning of year, as previously reported	$ 4,161,148
Adjustment to revenue for prior year excess billing	(68,377)
Net position, beginning of year, as restated	$ 4,092,771

(11) Recent Accounting Pronouncements:

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

(a) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

(b) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.

(c) GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

SUPPLEMENTARY INFORMATION

CEDAR KEY WATER & SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

State Grantor/ Pass-Through Grantor/Project Title	CSFA Number	Contract / Grant Number	Expenditures
State of Florida Department of Environmental Protection			
Direct Programs:			
Statewide Water Quality Restoration Projects	37.039	LPA0260	$ 2,216,536
Total Expenditures of State Financial Assistance			$ 2,216,536

Notes:

1) Basis of Presentation:

The accompanying Schedule of Expenditures includes state financial assistance activity of Cedar Key Water & Sewer District (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Florida Auditor General.

2) Subrecipients:

The District provided no state awards to subrecipients during the year ended September 30, 2025.

The accompanying notes to the schedule of expenditures of state financial assistance are an integral part of this schedule.

CEDAR KEY WATER & SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. Summary of Auditors' Results

Financial Statements:

Type of audit report issued on the financial statements:		*Unmodified*
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiency(ies) identified?	X yes	___ none reported
Noncompliance material to financial statements noted?	___ yes	X no

State Financial Assistance:

Internal control over major state projects:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X none reported
Type of auditors' report issued on compliance for major state projects		*Unmodified*
Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?	___ yes	X none reported
Dollar threshold used to distinguish between type A and type B programs:		$664,961

Identification of major state projects:

CSFA Number	Project Name
37.039	Statewide Water Quality Restoration Projects

B. Financial Statement Findings:

2025-001 Material Weakness – Grant Reporting and Year-End Communication

Criteria: Significant grant-related information should be communicated timely and incorporated into the accounting records so revenues and liabilities are properly reported.

Condition and Context: The District did not record a $197,934 FEMA repayment obligation known prior to year-end, resulting in overstated grant revenue and understated liabilities.

Cause: Information regarding the FEMA project withdrawal and repayment requirement was not timely communicated through the District's year-end financial reporting process to be properly reported.

Effect: Grant revenue, liabilities, and net position were materially misstated prior to audit adjustment.

Recommendation: Implement a formal year-end process requiring significant grant correspondence, withdrawals, repayment requirements, and other funding developments to be communicated to the external accountant and evaluated for financial statement impact.

2025-002 Significant Deficiency – Utility Billing Controls

Criteria: Utility billing controls should ensure meter information and customer usage are accurately recorded and reviewed so billings are complete and accurate.

Condition and Context: An incorrect meter/register configuration resulted in one customer being overbilled over multiple years, requiring a $68,377 prior-period adjustment and a $7,740 reduction of FY2025 revenue.

Cause: The billing process did not include sufficient verification of meter/register configuration or monitoring for unusual changes in customer usage.

Effect: Utility revenue and related customer liabilities were misstated.

Recommendation: Require verification of meter/register configuration during meter readings and implement review procedures for significant or unusual changes in customer usage or billings.

C. State Financial Assistance Findings and Questioned Costs: None.

D. Summary Schedule of Prior Audit Findings:

2024-001 Significant Deficiency – Limited Segregation of Duties

Resolved. During FY2025, the District engaged an external accounting firm to provide accounting and financial reporting services, which improved segregation and independent review over the financial reporting process. The previous year's significant deficiency is considered remediated.

E. Corrective Action Plan: See Management's Response to Findings on page 31.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Cedar Key Water & Sewer District's (the District) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the District's major state projects for the year ended September 30, 2025. The District's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance 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. Our responsibilities under those standards and the Chapter 10.550, Rules of the Auditor General, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
September 4, 2026

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of Cedar Key Water & Sewer District (the District) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2026.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
September 4, 2026

JAMESMOORE

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

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

Report on the Financial Statements

We have audited the basic financial statements of the Cedar Key Water & Sewer District (the District), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated September 4, 2026.

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' 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 September 4, 2026, 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. The following is a summary of all findings and recommendations reported in the preceding financial audit report. These were also included in the second and third preceding annual financial report.

2024-001 Significant Deficiency – Limited Segregation of Duties Previously recorded as 2023-001 and 2022-001 - Corrective action taken.

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

Financial Condition and Management

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

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

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

Utility Billing Review

During our testing of utility billings, we identified one instance in which a customer was underbilled due to an incorrect gallon amount being used in the billing calculation. We recommend that the District implement additional review procedures to verify meter usage and billing calculations for accuracy.

Property Assessed Clean Energy (PACE) Programs

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

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the District did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the District's geographical boundaries during the fiscal year under audit.

Special District Component Units

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

Specific Special District Information – Cedar Key Water & Sewer District

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

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

a) The total number of district employees compensated in the last pay period of the district's fiscal year: 5 employees.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 1 independent contractor.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: $453,499.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: $15,960.

e) Each construction project with a total cost of at least $65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: Lift Station Rehabilitation – Phase III; total expenditures through September 30, 2025, of $110,759.

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

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the District reported the following unaudited data:

a) The millage rate or rates imposed by the district: 2.000

b) The total amount of ad valorem taxes collected by or on behalf of the district: $412,341.

c) The total amount of outstanding bonds issued by the district and the terms of such bonds: $993,000, in the form of bonds payable from pledged revenues to finance water system improvements. In addition, $91,102 was outstanding under a revolving credit bond issued to finance water and sewer system improvements.

Additional Matters

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

Purpose of this Letter

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

James Moore & Co., P.L.

Gainesville, Florida
September 4, 2026

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the Cedar Key Water & Sewer District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2025. The District's management is responsible for the District's compliance with those requirements. Our responsibility is to obtain reasonable assurance by evaluating against the requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance by evaluating whether the District complied with the Statute for the year ended September 30, 2025, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the District's compliance with the Statute based on our examination for the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the District was not in compliance with the Statute, in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

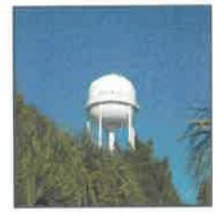
In our opinion, the District's compliance for the year ended September 30, 2025, was in accordance with the aforementioned requirements in all material respects.

James Moore & Co., P.L.

Gainesville, Florida
September 4, 2026

P.O. Box 309
510 3rd Street
Cedar Key, FL 32625
352-543-5285
ckwater.org

CEDAR KEY WATER & SEWER DISTRICT



MANAGEMENT'S RESPONSE TO FINDINGS
September 4, 2026

2025-001 Material Weakness – Grant Reporting and Year-End Communication

Management's Response: Management agrees with the finding. The District will implement a year-end review process to ensure significant grant-related correspondence, including project withdrawals, repayment requirements, and other changes affecting grant eligibility, is timely communicated and evaluated for appropriate financial reporting.

2025-002 Significant Deficiency – Utility Billing Controls

Management's Response: Management agrees with the finding. The District confirmed that no other water meters have the unique meter/register configuration that caused the billing error. Meter readers have been instructed to verify water meter register sizes during monthly readings. Management will also review unusual billing activity to identify potential billing errors on a timely basis.