

Cedar Key Water and Sewer District

Audit Report

September 30, 2018



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 <i>Government Auditing Standards</i>	16
Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes	18
Schedule of Findings	19
District's Response to Auditors' Comments	--

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, 2018, 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, 2018, 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 7, 2019, 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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
June 7, 2019



Cedar Key Water and Sewer District Management's Discussion and Analysis

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2018:

- The District's net position decreased by \$288,882.
- Total ending unrestricted net position was \$145,904.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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


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

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

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

Cedar Key Water and Sewer District Management's Discussion and Analysis

	2018	2017	Change	% Change
Assets:				
Non-capital assets	\$ 250,504	\$ 321,824	\$ (71,320)	-22.2%
Capital assets	5,105,580	5,349,669	(244,089)	-4.6%
Total assets	5,356,084	5,671,493	(315,409)	-5.6%
Liabilities:				
Current liabilities	84,219	94,235	(10,016)	-10.6%
Long-term liabilities	1,118,970	1,135,481	(16,511)	-1.5%
Total liabilities	1,203,189	1,229,716	(26,527)	-2.2%
Net position:				
Net investment in capital assets	3,979,580	4,192,169	(212,589)	-5.1%
Restricted	27,411	22,509	4,902	21.8%
Unrestricted	145,904	227,099	(81,195)	-35.8%
Total net position	\$ 4,152,895	\$ 4,441,777	\$ (288,882)	-6.5%
Revenues:				
Operating revenues	\$ 810,763	\$ 745,660	\$ 65,103	8.7%
Capital grants	-	64,750	(64,750)	-100.0%
Property taxes	189,662	184,662	5,000	2.7%
Storm damage recovery	-	107,750	(107,750)	-100.0%
Impact fees	-	1,200	(1,200)	-100.0%
Investment earnings	20	14	6	42.9%
Total revenues	1,000,445	1,104,036	(103,591)	-9.4%
Expenses:				
Water/sewer services	989,813	863,168	126,645	14.7%
Depreciation	267,911	271,084	(3,173)	-1.2%
Loss on Sale of Equipment	199	386	(187)	-48.4%
Interest on long-term debt	31,404	32,148	(744)	-2.3%
Total expenses	1,289,327	1,166,786	122,541	10.5%
Change in net position	(288,882)	(62,750)	(226,132)	360.4%
Beginning net position	4,441,777	4,504,527	(62,750)	-1.4%
Ending net position	\$ 4,152,895	\$ 4,441,777	\$ (288,882)	-6.5%



Cedar Key Water and Sewer District Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were \$1,000,445. Overall revenues are down 9% from the prior year due to the decrease in capital grants received in the current year. Expenses were \$1,289,327 which was \$122,541 higher than prior year expenses. As part of the District's continuing effort to meet regulatory standards for disinfectant byproducts, the District spent substantial sums during FY 2018 on the rehabilitation of the 13-year-old Miex resin system. This resulted in a decrease in net position for the year of \$288,882.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District spent approximately \$24,000 in the current year on plant and equipment. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information.

Debt Administration

The District paid off \$16,500 on a \$100,000 Line of Credit, from the prior year. The line of credit was established, in the prior year, in assisting the District in funding pre-construction costs on a water system improvement project. 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.

Cedar Key Water and Sewer District

**Statement of Net Position
September 30, 2018**

<i>Year ended September 30, 2018</i>	2018
Current assets	
Cash	\$ 127,330
Deposits	141
Accounts receivable (net of allowance of \$16,000)	69,256
Due from other governments	750
Inventory	25,616
Total current assets	223,093
Noncurrent assets	
Restricted cash	27,411
Capital assets:	
Non-depreciable	376,824
Depreciable, net	4,728,756
Total noncurrent assets	5,132,991
Total assets	5,356,084
Current liabilities	
Accounts payable and accrued liabilities	26,724
Unearned revenue	6,067
Interest payable	2,460
Customer deposits	18,648
Current portion of long-term liabilities	30,320
Total current liabilities	84,219
Noncurrent liabilities	
Bonds payable	1,110,000
Compensated absences	8,970
Total noncurrent liabilities	1,118,970
Total liabilities	1,203,189
Net position	
Net investment in capital assets	3,979,580
Restricted for debt service	24,560
Restricted for construction	2,851
Unrestricted	145,904
Total net position	\$ 4,152,895

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Net Position
Year ended September 30, 2018**

<i>Year ended September 30, 2018</i>	2018
Operating revenues	
Charges for services	\$ 793,039
Other operating revenues	17,724
Total operating revenues	810,763
Operating expenses	
Personal services	334,442
Operating expenses	655,371
Depreciation	267,911
Total operating expenses	1,257,724
Operating loss	(446,961)
Nonoperating revenues (expenses)	
Taxes	189,662
Interest revenue	20
Interest expense	(31,404)
Loss on sale of equipment	(199)
Total nonoperating revenues (expenses)	158,079
Change in net position	(288,882)
Net position, October 1, 2017	4,441,777
Net position, September 30, 2018	\$ 4,152,895

See accompanying notes.

Cedar Key Water and Sewer District

Statement of Cash Flows Year ended September 30, 2018

<i>Year ended September 30, 2018</i>	2018
Cash flows from operating activities	
Receipts from customers	\$ 848,661
Payments to suppliers	(718,234)
Payments to employees	(237,365)
Net cash used by operating activities	(106,938)
Cash flows from noncapital financing activities	
Taxes received	189,662
Cash flows from capital and related financing activities	
Acquisition of capital assets	(24,021)
Payments on debt	(31,000)
Payments of interest	(32,353)
Net cash used by capital and related financing activities	(87,374)
Cash flows from investing activities	
Interest received	20
Net cash used by investing activities	20
Net change in cash	(4,630)
Cash – October 1, 2017	159,371
Cash – September 30, 2018	\$ 154,741
Reconciliation of operating loss to net cash used by operating activities	
Operating Loss	\$ (446,961)
Depreciation	267,911
Changes in assets and liabilities:	
Due from other governments	41,500
Deposits	(141)
Accounts receivable	(3,681)
Inventory	29,012
Accounts payable and accrued liabilities	7,583
Customer deposits	220
Compensated absences	(2,381)
Net cash used by operating activities	\$ (106,938)
Reconciliation of cash to cash and restricted cash per the statement of net position follows:	
<i>September 30,</i>	2018
Cash	\$ 127,330
Restricted Cash	27,411
Cash – September 30, 2018	\$ 154,741

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, 2018 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.

**Cedar Key Water and Sewer District
Notes to Financial Statements**

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.

**Cedar Key Water and Sewer District
Notes to Financial Statements**

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, 2018 follows:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Capital assets not being depreciated:				
Land	\$ 125,196	\$ -	\$ -	\$ 125,196
Construction in progress	251,628	-	-	251,628
Total capital assets not being depreciated	376,824	-	-	376,824
Capital assets being depreciated:				
Vehicles	110,495	-	-	110,495
Plant & equipment	9,795,241	12,780	-	9,808,021
Other equipment	115,483	11,241	2,089	124,635
Sewer machinery	158,706	-	-	158,706
Total capital assets being depreciated	10,179,925	24,021	2,089	10,201,857
Less accumulated depreciation for:				
Vehicles	106,646	2,769	-	109,415
Plant & equipment	4,840,895	258,196	-	5,099,091
Other equipment	106,314	4,205	1,890	108,629
Sewer machinery	153,225	2,741	-	155,966
Total accumulated depreciation	5,207,080	267,911	1,890	5,473,101
Total capital assets being depreciated, net	4,972,845	(243,890)	199	4,728,756
Capital assets, net	\$ 5,349,669	\$ (243,890)	\$ 199	\$ 5,105,580

**Cedar Key Water and Sewer District
Notes to Financial Statements**

NOTE 4 – REVOLVING LINE OF CREDIT

The District had a revolving line of credit for \$100,000 with a local bank which was established to fund pre-construction costs on a water system improvement project. The line of credit was renewed during the fiscal year. The following is a summary of changes in short-term liabilities for the year:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018	Due Within One Year
Line of Credit	\$ 16,000	\$ -	\$ 16,000	\$ -	\$ -

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018	Due Within One Year
Bonds payable	\$ 1,141,000	\$ -	\$ 15,000	\$ 1,126,000	\$ 16,000
Compensated absences	25,671	19,059	21,440	23,290	14,320
Total	\$ 1,166,671	\$ 19,059	\$ 36,440	\$ 1,149,290	\$ 30,320

The following is a summary of bonds payable:

<i>September 30,</i>	2018
\$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	\$ 1,126,000

Aggregate maturities of long-term debt are as follows:

Years Ending September 30	Principal	Interest	Total
2019	\$ 16,000	\$ 30,965	\$ 46,965
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
2024-2028	115,000	136,400	251,400
2029-2033	142,000	119,185	261,185
2034-2038	170,000	98,038	268,038
2039-2043	195,000	73,288	268,288
2044-2048	220,000	45,100	265,100
2049-2052	194,000	13,475	207,475
Total	\$ 1,126,000	\$ 635,637	\$ 1,761,637

NOTE 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 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 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, 2018 were \$26,335. Employees contributed approximately \$2,600.

NOTE 7 – 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 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- FY 2019 – Asset retirement obligations (GASB Statement No. 83) and debt disclosures (GASB Statement No. 88)
- 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 2019 financial statements.

MANAGEMENT LETTER

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

We have audited the financial statements of the Cedar Key Water and Sewer District (the "District"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 7, 2019. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. 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 2018-001 was reported in prior years as finding 2017-001 and 2016-001.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

Purpose of This Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Caru, Riggs & Ingram, L.L.C.

Gainesville, Florida

June 7, 2019

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, 2018, 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 7, 2019.

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 2018-001 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.

Carri Riggs & Ingram, L.L.C.

Gainesville, Florida

June 7, 2019



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.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, 2018. 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, 2018.

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 7, 2019



Cedar Key Water and Sewer District Schedule of Findings

2018-001 (Similar findings were reported in previous audit reports as items 2017-001 and 2016-001.)

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 7, 2019

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

Re: Response to 2018 Audit Finding

Dear Sir:

Carr, Riggs & Ingram has presented its finding included in the annual audit report for the year ending September 30, 2018. With respect to that finding, the District is pleased to provide its response as follows:

Item 2018-001 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