

# Cedar Key Water and Sewer District

## Audit Report

September 30, 2017



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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# REPORT



## **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, 2017, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017, 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 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Gainesville, Florida

June 26, 2018



**MANAGEMENTS DISCUSSION  
AND ANALYSIS**

## 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, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2017:

- The District's net position decreased by \$62,750.
- Total ending unrestricted net position was \$227,099.

### 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

	2017	2016	Change	% Change
<b>Assets:</b>				
Non-capital assets	\$ 321,824	\$ 204,162	\$ 117,662	57.63
Capital assets	5,349,669	5,551,939	(202,270)	(3.64)
<b>Total assets</b>	<b>5,671,493</b>	<b>5,756,101</b>	<b>(84,608)</b>	<b>(1.47)</b>
<b>Liabilities:</b>				
Current liabilities	94,235	94,242	(7)	(0.01)
Long-term liabilities	1,135,481	1,157,332	(21,851)	(1.89)
<b>Total liabilities</b>	<b>1,229,716</b>	<b>1,251,574</b>	<b>(21,858)</b>	<b>(1.75)</b>
<b>Net position:</b>				
Net investment in capital assets	4,192,169	4,396,939	(204,770)	(4.66)
Restricted	22,509	23,289	(780)	(3.35)
Unrestricted	227,099	84,299	142,800	169.40
<b>Total net position</b>	<b>\$ 4,441,777</b>	<b>\$ 4,504,527</b>	<b>\$ (62,750)</b>	<b>(1.39)</b>
<b>Revenues:</b>				
Operating revenues	\$ 745,660	\$ 778,032	\$ (32,372)	(4.16)
Capital grants	64,750	212,949	(148,199)	(69.59)
Property taxes	184,662	175,327	9,335	5.32
Storm damage recovery	107,750	-	107,750	-
Impact fees	1,200	1,680	(480)	(28.57)
Investment earnings	14	121	(107)	(88.43)
<b>Total revenues</b>	<b>1,104,036</b>	<b>1,168,109</b>	<b>(64,073)</b>	<b>(5.49)</b>
<b>Expenses:</b>				
Water/sewer services	863,168	866,117	(2,949)	(0.34)
Depreciation	271,084	267,926	3,158	1.18
Loss on Sale of Equipment	386	-	386	-
Interest on long-term debt	32,148	32,849	(701)	(2.13)
<b>Total expenses</b>	<b>1,166,786</b>	<b>1,166,892</b>	<b>(106)</b>	<b>(0.01)</b>
<b>Change in net position</b>	<b>(62,750)</b>	<b>1,217</b>	<b>(63,967)</b>	<b>(5,256.12)</b>
<b>Beginning net position</b>	<b>4,504,527</b>	<b>4,503,310</b>	<b>1,217</b>	<b>0.03</b>
<b>Ending net position</b>	<b>\$ 4,441,777</b>	<b>\$ 4,504,527</b>	<b>\$ (62,750)</b>	<b>(1.39)</b>





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

### OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were \$1,104,036, including recognition of capital grants of \$64,750. Overall revenues are down 5% from the prior year due to the decrease in capital grants received in the current year. Expenses of \$1,166,786 remain consistent with prior year expenses, but are higher than anticipated due to storm damage recovery expenses after Hurricane Hermine. This resulted in a decrease in net position for the year of \$62,750. Significant variances from the approved budget are related to the planned construction of a new water plant that was delayed until after year end.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The District spent approximately \$68,000 in the current year on construction projects. The District incurred engineering and pre-construction costs on a water system improvement project. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information.

#### Debt Administration

The District borrowed \$16,500 on a \$100,000 Line of Credit. The line of credit was established 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.



# **BASIC FINANCIAL STATEMENTS**

**Cedar Key Water and Sewer District**  
**Statement of Net Position**

<i>September 30,</i>	<i>2017</i>
<b>Current assets</b>	
Cash	\$ 136,862
Accounts receivable (net of allowance of \$15,000)	65,575
Due from other governments	42,250
Inventory	54,628
Total current assets	299,315
<b>Noncurrent assets</b>	
Restricted cash	22,509
Capital assets:	
Non-depreciable	376,824
Depreciable, net	4,972,845
Total noncurrent assets	5,372,178
Total assets	5,671,493
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	19,141
Unearned revenue	6,067
Interest payable	2,909
Customer deposits	18,428
Line of credit	16,500
Current portion of long-term liabilities	31,190
Total current liabilities	94,235
<b>Noncurrent liabilities</b>	
Bonds payable	1,126,000
Compensated absences	9,481
Total noncurrent liabilities	1,135,481
Total liabilities	1,229,716
<b>Net position</b>	
Net investment in capital assets	4,192,169
Restricted for debt service	19,658
Restricted for construction	2,851
Unrestricted	227,099
Total net position	\$ 4,441,777

*The accompanying "Notes to Financial Statements"  
are an integral part of this statement.*

**Cedar Key Water and Sewer District**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year ended September 30,</i>	2017
<b>Operating revenues</b>	
Charges for services	\$ 731,200
Other operating revenues	14,460
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Total operating revenues	745,660
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<b>Operating expenses</b>	
Personal services	325,689
Operating expenses	537,479
Depreciation	271,084
<hr/>	
Total operating expenses	1,134,252
<hr/>	
<b>Operating loss</b>	<b>(388,592)</b>
<hr/>	
<b>Nonoperating revenues (expenses)</b>	
Taxes	184,662
Storm damage recovery	107,750
Impact fees	1,200
Interest revenue	14
Interest expense	(32,148)
Loss on sale of equipment	(386)
<hr/>	
Total nonoperating revenues (expenses)	261,092
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<b>Loss before capital contributions</b>	<b>(127,500)</b>
<hr/>	
Capital contributions - grants	64,750
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<b>Change in net position</b>	<b>(62,750)</b>
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<b>Net position, October 1, 2016</b>	<b>4,504,527</b>
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<b>Net position, September 30, 2017</b>	<b>\$ 4,441,777</b>
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*The accompanying "Notes to Financial Statements"  
are an integral part of this statement.*

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

<i>Year ended September 30,</i>	2017
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 716,316
Payments to suppliers	(651,731)
Payments to employees	(243,990)
<hr/>	
Net cash used by operating activities	(179,405)
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Taxes received	184,662
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Capital grants	64,750
Acquisition of capital assets	(69,200)
Storm damage recovery	107,750
Payments on debt	(14,000)
Payments of interest	(31,763)
Impact fees received	1,200
Proceeds from debt	16,500
<hr/>	
Net cash provided by capital and related financing activities	75,237
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<b>Cash flows from investing activities</b>	
Interest received	14
<hr/>	
Net cash used by investing activities	14
<hr/>	
<b>Net change in cash</b>	<b>80,508</b>
<hr/>	
<b>Cash – October 1, 2016</b>	<b>78,863</b>
<hr/>	
<b>Cash – September 30, 2017</b>	<b>\$ 159,371</b>
<hr/>	
<b>Reconciliation of operating loss to net cash used</b>	
<b>by operating activities</b>	
Operating Loss	\$ (388,592)
Depreciation	271,084
Changes in assets and liabilities:	
Due from other governments	(41,500)
Accounts receivable	11,126
Inventory	(6,780)
Accounts payable and accrued liabilities	(15,063)
Unearned revenue	229
Customer deposits	801
Compensated absences	(10,710)
<hr/>	
Net cash used by operating activities	\$ (179,405)
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**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, 2017 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)

#### ***Investments***

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, 2017 follows:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
<b>Capital assets not being depreciated:</b>				
Land	\$ 125,196	\$ -	\$ -	\$ 125,196
Construction in progress	183,564	68,064	-	251,628
<b>Total capital assets not being depreciated</b>	<b>308,760</b>	<b>68,064</b>	<b>-</b>	<b>376,824</b>
<b>Capital assets being depreciated:</b>				
Vehicles	110,495	-	-	110,495
Plant & equipment	9,794,696	1,136	591	9,795,241
Other equipment	124,379	-	8,896	115,483
Sewer machinery	161,454	-	2,748	158,706
<b>Total capital assets being depreciated</b>	<b>10,191,024</b>	<b>1,136</b>	<b>12,235</b>	<b>10,179,925</b>
<b>Less accumulated depreciation for:</b>				
Vehicles	103,694	2,952	-	106,646
Plant & equipment	4,580,045	261,054	204	4,840,895
Other equipment	110,873	4,337	8,896	106,314
Sewer machinery	153,232	2,741	2,748	153,225
<b>Total accumulated depreciation</b>	<b>4,947,844</b>	<b>271,084</b>	<b>11,848</b>	<b>5,207,080</b>
<b>Total capital assets being depreciated, net</b>	<b>5,243,180</b>	<b>(269,948)</b>	<b>387</b>	<b>4,972,845</b>
<b>Capital assets, net</b>	<b>\$ 5,551,940</b>	<b>\$ (201,884)</b>	<b>\$ 387</b>	<b>\$ 5,349,669</b>



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

**NOTE 4 – REVOLVING LINE OF CREDIT**

The District has a revolving line of credit for \$100,000 with a local bank. Interest accrues at 3% and is due with any outstanding principal on December 1, 2017. The outstanding balance at September 30, 2017 was \$16,500.

**NOTE 5 – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Bonds payable	1,155,000	-	14,000	1,141,000	15,000
Compensated absences	36,381	19,761	30,471	25,671	16,190
<b>Total</b>	<b>\$ 1,191,381</b>	<b>\$ 19,761</b>	<b>\$ 44,471</b>	<b>\$ 1,166,671</b>	<b>\$ 31,190</b>

The following is a summary of bonds payable:

<i>September 30,</i>	<i>2017</i>
\$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	<b>\$ 1,141,000</b>

Aggregate maturities of long-term debt are as follows:

Years Ending September 30,	Principal	Interest	Total
2018	\$ 15,000	\$ 31,378	\$ 46,378
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
2023-2027	110,000	139,425	249,425
2028-2032	136,000	122,925	258,925
2033-2037	165,000	102,575	267,575
2038-2042	190,000	78,512	268,512
2043-2047	215,000	51,012	266,012
2048-2052	240,000	20,075	260,075
<b>Total</b>	<b>\$ 1,141,000</b>	<b>\$ 667,013</b>	<b>\$ 1,808,013</b>

**NOTE 6 – DEFINED CONTRIBUTION PLAN**

The District provides pension benefits for all of its full-time employees through 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 were approximately \$27,302. 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 2018. The statements address:

- Other postemployment benefits (OPEB) plans;
- Omnibus 2017; and
- Certain debt extinguishment issues.

The District is currently evaluating the effects that these statements will have on its 2018 financial statements.



**ADDITIONAL ELEMENTS REQUIRED BY THE  
RULES OF THE AUDITOR GENERAL**

## MANAGEMENT LETTER

(352) 372-6300  
(352) 375-1583 (fax)  
[www.cricpa.com](http://www.cricpa.com)

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, 2017, and have issued our report thereon dated June 26, 2018.

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. These requirements of the Rules of the Auditor General are addressed in the schedule of findings that accompanies this letter.

### 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.

We did note an unfavorable trend in that the District has incurred repeated losses before capital contributions. This year's loss before capital grants was \$127,500. The Board should closely monitor its financial activities to reverse this unfavorable trend.

## **Annual Financial Report**

As required by the Rules of the Auditor General, we determined that the 2016-2017 annual financial report was filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the audit report for the fiscal year ended September 30, 2017.

## **Other Matters**

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

This management letter is intended solely for the information and use of the members of the Board of Commissioners, 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.

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.

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

Carr, Riggs & Ingram, LLC

Gainesville, Florida  
June 26, 2018

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

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, 2017, 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 26, 2018.

**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 2017-001 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.

*Carly Riggs & Ingram, L.L.C.*

Gainesville, Florida  
June 26, 2018

## INDEPENDENT ACCOUNTANT'S 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, 2017. 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, 2017.

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

Gainesville, Florida

June 26, 2018





## Cedar Key Water and Sewer District Schedule of Findings

2017-001      (Similar findings were reported in previous audit reports as items 2016-001 and 2015-001.)

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. 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 and that the Board provides ongoing oversight to help mitigate this control deficiency.

**Cedar Key Water and Sewer District  
District's Response to Auditors' Comments**

**Cedar Key Water & Sewer District**

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

June 26, 2018

Carr, Riggs and Ingram, LLC  
P.O. Box 13494  
Gainesville Florida 32606

Re: Response to 2017 Audit Finding

Dear Sir:

Carr, Riggs & Ingram has presented its finding included in the annual audit report for the year ending September 30, 2016. With respect to that finding, the District is pleased to provide its response as follows:

Item 2017-001 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