

Cedar Key Water and Sewer  
District

Audit Report

September 30, 2014

# Cedar Key Water and Sewer District

## Table of Contents September 30, 2014

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	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements</b>	
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
<b>Additional Elements Required By the Rules of the Auditor General</b>	
Management Letter	14
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 <i>Government Auditing Standards</i>	16
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	18
Schedule of Findings	19
District's Response to Auditor's Comments	--



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## INDEPENDENT AUDITOR'S 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, 2014, 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.

#### ***Auditor's 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, 2014, and the changes in its financial position and its cash flows 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 February 6, 2015, 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 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  
February 6, 2015

# Cedar Key Water and Sewer District

## Management's Discussion and Analysis

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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, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2014:

- The District's net position increased by \$130,689.
- Total ending unrestricted net position was \$83,907.

### **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

	2014	2013	Change	% Change
<b>Assets:</b>				
Non-capital assets	\$ 192,425	\$ 405,119	\$ (212,694)	(52.50)
Capital assets	5,566,328	5,395,430	170,898	3.17
<b>Total assets</b>	<b>5,758,753</b>	<b>5,800,549</b>	<b>(41,796)</b>	<b>-</b>
<b>Liabilities:</b>				
Current liabilities	149,472	252,928	(103,456)	(40.90)
Long-term liabilities	1,228,161	1,297,190	(69,029)	(5.32)
<b>Total liabilities</b>	<b>1,377,633</b>	<b>1,550,118</b>	<b>(172,485)</b>	<b>(11.13)</b>
<b>Net position:</b>				
Net investment in capital assets	4,286,850	4,046,584	240,266	5.94
Restricted	10,363	11,592	(1,229)	(10.60)
Unrestricted	83,907	192,255	(108,348)	(56.36)
<b>Total net position</b>	<b>\$ 4,381,120</b>	<b>\$ 4,250,431</b>	<b>\$ 130,689</b>	<b>3.07</b>
<b>Revenues:</b>				
Operating revenues	\$ 767,259	\$ 781,263	\$ (14,004)	(1.79)
Capital grants	276,850	551,200	(274,350)	(49.77)
Property taxes	169,257	169,084	173	0.10
Impact fees	2,400	1,920	480	25.00
Gain on sale of capital assets	2,900	-	2,900	-
Investment earnings	139	256	(117)	(45.70)
<b>Total revenues</b>	<b>1,218,805</b>	<b>1,503,723</b>	<b>(284,918)</b>	<b>(18.95)</b>
<b>Expenses:</b>				
Water/sewer services	805,903	756,951	48,952	6.47
Depreciation	257,525	230,228	27,297	11.86
Interest on long-term debt	24,688	14,847	9,841	66.28
<b>Total expenses</b>	<b>1,088,116</b>	<b>1,002,026</b>	<b>86,090</b>	<b>8.59</b>
<b>Change in net position</b>	<b>130,689</b>	<b>501,697</b>	<b>(371,008)</b>	<b>(73.95)</b>
<b>Beginning net position</b>	<b>4,250,431</b>	<b>3,748,734</b>	<b>501,697</b>	<b>13.38</b>
<b>Ending net position</b>	<b>\$ 4,381,120</b>	<b>\$ 4,250,431</b>	<b>\$ 130,689</b>	<b>3.07</b>

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

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**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Revenues were \$1,218,805, including recognition of capital grants of \$276,850, compared to expenses of \$1,088,116. This resulted in an increase in net position for the year of \$130,689.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District spent approximately \$300,000 in the current year on the completion of a construction project in which the District replaced old water lines. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information.

**Debt Administration**

The District did not incur any new debt during the year. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's long-term 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, 2014

<b>Current assets</b>	
Cash	\$ 65,029
Accounts receivable (net of allowance of \$13,000)	63,681
Inventory	53,352
<b>Total current assets</b>	<b>182,062</b>
<b>Noncurrent assets</b>	
Restricted cash	10,363
Capital assets:	
Non-depreciable	189,446
Depreciable, net	5,376,882
<b>Total noncurrent assets</b>	<b>5,576,691</b>
<b>Total assets</b>	<b>5,758,753</b>
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	32,745
Unearned revenue	10,215
Interest payable	2,578
Customer deposits	16,125
Current portion of long-term liabilities	87,809
<b>Total current liabilities</b>	<b>149,472</b>
<b>Noncurrent liabilities</b>	
Notes payable	43,158
Bonds payable	1,168,000
Compensated absences	17,003
<b>Total noncurrent liabilities</b>	<b>1,228,161</b>
<b>Total liabilities</b>	<b>1,377,633</b>
<b>Net position</b>	
Net investment in capital assets	4,286,850
Restricted for debt service	4,902
Restricted for construction	5,461
Unrestricted	83,907
<b>Total net position</b>	<b>\$ 4,381,120</b>

See accompanying notes.

Cedar Key Water and Sewer District

Statement of Revenues, Expenses and Changes in Net Position  
Year ended September 30, 2014

<hr/>	
<b>Operating revenues</b>	
Charges for services	\$ 732,198
Other operating revenues	35,061
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Total operating revenues	767,259
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<b>Operating expenses</b>	
Personal services	335,015
Operating expenses	470,888
Depreciation	257,525
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Total operating expenses	1,063,428
<hr/>	
<b>Operating loss</b>	(296,169)
<hr/>	
<b>Nonoperating revenues (expenses)</b>	
Taxes	169,257
Impact fees	2,400
Interest revenue	139
Interest expense	(24,688)
Gain on sale of equipment	2,900
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Total nonoperating revenues (expenses)	150,008
<hr/>	
<b>Loss before capital contributions</b>	(146,161)
<hr/>	
Capital contributions - grants	276,850
<hr/>	
<b>Change in net position</b>	130,689
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<b>Net position, October 1, 2013</b>	4,250,431
<hr/>	
<b>Net position, September 30, 2014</b>	<b>\$ 4,381,120</b>
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See accompanying notes.

Cedar Key Water and Sewer District

Statement of Cash Flows  
Year ended September 30, 2014

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 765,841
Payments to suppliers	(599,872)
Payments to employees	(233,772)
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Net cash used by operating activities	(67,803)
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<b>Cash flows from noncapital financing activities</b>	
Taxes received	169,257
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Capital grants	276,850
Payments on debt	(69,368)
Payments of interest	(24,688)
Acquisition of capital assets	(428,423)
Impact fees received	2,400
Proceeds from sale of capital assets	2,900
<hr/>	
Net cash used by capital and related financing activities	(240,329)
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<b>Cash flows from investing activities</b>	
Interest received	139
<hr/>	
<b>Net change in cash</b>	(138,736)
<b>Cash – October 1, 2013</b>	214,128
<hr/>	
<b>Cash – September 30, 2014</b>	<b>\$ 75,392</b>
<hr/>	

<b>Reconciliation of operating loss to net cash used</b>	
<b>by operating activities</b>	
Operating loss	\$ (296,169)
Depreciation	257,525
Changes in assets and liabilities:	
Accounts receivable	(3,985)
Inventory	(33,805)
Accounts payable and accrued liabilities	6,581
Unearned revenue	1,992
Customer deposits	575
Compensated absences	(517)
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Net cash used by operating activities	<b>\$ (67,803)</b>
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See accompanying notes.

# Cedar Key Water and Sewer District

## Notes to Financial Statements

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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, 2014 are insured or collateralized pursuant to Chapter 280, Florida Statutes.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 their estimated fair 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, 2014 follows:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
<b>Capital assets not being depreciated:</b>				
Land	\$ 125,196	\$ -	\$ -	\$ 125,196
Construction in progress	1,430,648	316,274	1,682,672	64,250
<b>Total capital assets not being depreciated</b>	<b>1,555,844</b>	<b>316,274</b>	<b>1,682,672</b>	<b>189,446</b>
<b>Capital assets being depreciated:</b>				
Vehicles	140,498	9,260	39,263	110,495
Plant & equipment	7,649,177	1,771,889	-	9,421,066
Other equipment	115,312	13,672	-	128,984
Sewer machinery	163,464	-	-	163,464
<b>Total capital assets being depreciated</b>	<b>8,068,451</b>	<b>1,794,821</b>	<b>39,263</b>	<b>9,824,009</b>
<b>Less accumulated depreciation for:</b>				
Vehicles	135,182	1,871	39,263	97,790
Plant & equipment	3,853,881	240,545	-	4,094,426
Other equipment	92,888	12,289	-	105,177
Sewer machinery	146,914	2,820	-	149,734
<b>Total accumulated depreciation</b>	<b>4,228,865</b>	<b>257,525</b>	<b>39,263</b>	<b>4,447,127</b>
<b>Total capital assets being depreciated, net</b>	<b>3,839,586</b>	<b>1,537,296</b>	<b>-</b>	<b>5,376,882</b>
<b>Capital assets, net</b>	<b>\$ 5,395,430</b>	<b>\$ 1,853,570</b>	<b>\$ 1,682,672</b>	<b>\$ 5,566,328</b>

Cedar Key Water and Sewer District

Notes to Financial Statements

**NOTE 4 – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2014:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014	Due Within One Year
Notes payable	\$ 168,846	\$ -	\$ 69,368	\$ 99,478	\$ 56,320
Bonds payable	1,180,000	-	-	1,180,000	12,000
Compensated absences	37,009	20,736	21,253	36,492	19,489
<b>Total</b>	<b>\$ 1,385,855</b>	<b>\$ 20,736</b>	<b>\$ 90,621</b>	<b>\$ 1,315,970</b>	<b>\$ 87,809</b>

**Notes Payable**

4.22% note payable to bank, \$4,953 payable monthly including interest \$ 99,478

**Bonds Payable**

\$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 \$ 1,180,000

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 68,320	\$ 35,567	\$ 103,887
2016	56,158	32,873	89,031
2017	14,000	31,763	45,763
2018	15,000	31,378	46,378
2019	16,000	30,965	46,965
2020-2024	95,000	147,675	242,675
2025-2029	120,000	133,238	253,238
2030-2034	148,000	115,280	263,280
2035-2039	175,000	93,363	268,363
2040-2044	200,000	67,925	267,925
2045-2049	225,000	39,050	264,050
2050-2053	147,000	8,140	155,140
<b>Total</b>	<b>\$ 1,279,478</b>	<b>\$ 767,217</b>	<b>\$ 2,046,695</b>

**NOTE 5 – DEFINED CONTRIBUTION PLAN**

The District provides pension benefits for all of its full-time employees through the Florida Municipal Pension Trust Fund, 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 \$28,500. Employees contributed approximately \$585.

**NOTE 6 – RISK MANAGEMENT**

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

Additional Elements Required  
by the Rules of the  
Auditor General

## 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, 2014, and have issued our report thereon dated February 6, 2015.

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 (\$146,161) increased by almost \$100,000 over last year's loss. 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 2013-2014 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, 2014.

## **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.

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

Gainesville, Florida  
February 6, 2015

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2015.

**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.

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, we identified a deficiency in internal control that we consider to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings as item 2014-001 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.

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

Gainesville, Florida  
February 6, 2015

## **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, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 aforementioned requirements for the year ended September 30, 2014.

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  
February 6, 2015

# Cedar Key Water and Sewer District

## Schedule of Findings

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2014-001 (Similar findings were reported in previous audit reports as items 2013-001 and 12-1.)

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 & Sewer District

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

February 6, 2015

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

Re: Response to 2014 Audit Finding

Dear Sir:

Carr, Riggs & Ingram has presented its finding included in the annual audit report for the year ending September 30, 2014. With respect to that finding, the District is pleased to provide its response as follows:

Item 2013-001 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