LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2015

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA

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Independent Auditor's Report

Board of Commissioners
Lake Apopka Natural Gas District
Winter Garden, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Apopka Natural Gas District, as of and for the year ended September 30, 2015, as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 opinions 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 of 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 opinions.

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Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of Lake Apopka Natural Gas District as of September 30, 2015, and 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 Discussions and Analysis on pages 3 through 8 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 January 14, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lake Apopka Natural Gas District's internal control over financial reporting and compliance.

Greenlee, Kurras, Rice, Brown, Garner, + Donofrio
Certified Public Accountants

Mount Dora, Florida
January 29, 2016

Management's Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the financial statements and disclosures that follow.

Financial Highlights

The District's assets (net) exceeded its liabilities by $22,261,128 for fiscal year 2015. This is consistent with the previous fiscal year when assets exceeded liabilities by $19,989,304.

The District's total revenues were $15,291,222, including interest income, in spite of the challenging regulatory, legislative and economic environment that exist. Although last winter was not one of the coldest on record, the results demonstrate that the increase in the number of customers the District served in 2015 during the winter months significantly contributed to the District's excellent financial performance in fiscal year 2015.

In 2015, the District executed and recorded 12 new residential subdivision developer agreements in Orange and Lake Counties. The developers plan to build 1,683 new home that will generate a minimum of 12,936 therms annually. The District has executed residential agreements for the following subdivisions: Highland Ranch, Trilogy and Hunters Run Phases II and III in Lake County and Hilltop Reserve Phase 1, Spring Lake Reserve, Sawyer Sound, Matthews Grove, Canopy Oaks, Highlands at Summerlake Grove, Havencrest, Arden Park Phase II and Oxford Chase in Orange County. The largest subdivisions were Trilogy and Arden Park Phase II with 590 and 205 homes, respectively. CalAtlantic Homes, K. Hovnanian and Mattamy Homes and other home builders have executed several agreements with the District to install the natural gas systems in their new and future subdivisions

The continuing strong growth in new residential developer agreements and commercial accounts that were placed in service during the 2015 fiscal year were an important component in the overall financial performance of the District. The Marketing Department converted 24 competitive fuel commercial accounts to natural gas during 2015 with an annual consumption of 209,958 therms. The District also opened commercial accounts for Vitag Florida, LLC, Senior Care Living Facility, Maximus Farms, LLC and several restaurants and retail commercial accounts. The estimated consumption for the new commercial accounts is expected to exceed 2,000,000 therms annually and Vitag Florida, LLC alone is projected to surpass 1,600,000 therms annually.

The District continues to serve the Hiawassee system through a wholesale master meter agreement with TECO. This continues to be beneficial because the District does not have to acquire additional firm pipeline capacity or build a costly main extension to serve these customers.

The District used $3,834,092 in cash flow to acquire additional capital assets compared to $2,695,283 for the previous year. The largest capital expenditure was the deployment of the third and final phase of the Automated Meter Reading (AMR) equipment program, and this project is summarized later in the report. Other noteworthy capital investments included the completion of two major pipeline loop projects. The first was an interconnection between our Apopka and Plymouth/Zellwood systems on Rock Springs Road, which was built to supplement the supply to Plymouth and Zellwood (previously fed only from FGT's pipeline). Construction was also completed on the final phase of the 2013 Tilden Road Loop Project, which provides an alternate feed to the south Winter Garden and Lake County areas. As always, there were road projects that caused the District to have to relocate pipelines. Most of these impacts were minor in 2015, but there was a significant relocation project on Lake County's North Hancock Road extension. Also, construction began on part of the State Road 50 widening project in Ocoee. This project will continue during most of fiscal year 2016, and involves relocation and reconstruction of the District's main gas supply pipeline throughout the project limits. In addition to the above improvements and relocations, the District continued in 2015 with the systematic replacement of legacy black plastic distribution systems for liability control. A sizeable replacement project was completed in the heart of Winter Garden, and several similar projects in Apopka are scheduled or underway for 2016.

There were a number of subdivision projects as a result of the continued resurgence of homebuilding in our market. One of the District's largest subdivisions is Highland Ranch, which includes the Canyons and Esplanade. Extensive distribution lines were installed in Highland Ranch, along with significant loop or feeder mains on Blackstill Lake Road and Old Highway 50. Other noteworthy subdivisions included Ardmore, Black Lake Preserve, Highlands, Spring Lake Reserve, as well as new phases in Independence, Overlook at Hamlin, Oakland Park, and Trilogy. In the industrial arena, the District built a main extension on Jones Avenue in Zellwood that will serve a new fertilizer plant called Vitag. When this facility is completed and running at full capacity, it is expected to operate 24 hours per day and be one of the largest gas users on the system. One other major project budgeted for 2015 was the expansion of the CNG fill station at the District's office, but this was deferred to 2016. This expansion will support the District's growing fleet of CNG vehicles and promote CNG use as a motor fuel in our community.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's financial statements. The District was established as an independent special district to provide natural gas service. The District accounts for its activities as a single proprietary fund, which is used to report business-type activities. The accompanying notes to the financial statements provide additional information essential to a full understanding of the financial statements.

Financial Analysis of the District

The District's net assets at year-end were $22,261,128. This is an increase of $2,271,824 over last year's net assets of $19,989,304. Net assets measure the difference between the assets the District owns over the liabilities it owes. The following table provides a summary of the District's net assets:

Summary of Net Assets

	2014	2015
Current and Other Assets	$ 6,567,518	$ 6,151,349
Capital Assets	24,179,158	26,779,502
Total Assets	30,746,676	32,930,851
Deferred outflows	246,580	703,941
Long-Term Liabilities	3,741,492	2,685,881
Other Liabilities	5,009,490	8,270,216
Total Liabilities	8,750,982	10,956,097
Deferred inflows	246,580	417,567
Net Assets:		
Invested in capital assets, net of related debt	20,632,616	23,456,502
Unrestricted	(643,312)	(1,195,374)
Total Net Assets	$ 19,989,304	$ 22,261,128

Comparative data is presented to assist in the analysis of the District's operating performance. The following table provides a summary of the District's changes in net assets:

Summary of Changes in Net Assets

	2014	2015
Revenues:		
Charges for services	$ 15,529,719	$ 15,003,327
Other operating revenues	99,654	276,610
Other non-operating revenues	11,233	11,285
Total Revenues	15,640,606	15,291,222
Expenses:		
Natural gas costs	4,749,667	4,132,292
Personal services	4,174,337	4,441,600
Advertising and marketing	556,138	617,241
Repairs and maintenance	614,492	667,189
Other operating expenses	1,868,977	1,635,613
Depreciation	1,210,922	1,319,931
Other non-operating expenses	190,975	205,531
Total expenses	13,365,508	13,019,398
Changes in Net Assets	2,275,098	2,271,824
Beginning Net Assets	19,720,596	19,989,304
Less Pension GASB 68 adjustment	(2,006,390)	-0-
Ending Net Assets	$ 19,989,304	$ 22,261,128

The revenues decreased by $349,384 and expenses decreased by $346,110 for Lake Apopka Natural Gas District. The slight decrease in revenue was primarily due to the decrease in the price of natural gas. The cost of natural gas is a pass through that is reflected as part of revenue. Annual decreases in natural gas cost erode revenues, while increases improve revenues. The District's cost of natural gas decreased by $617,375, or 13%, due to the significant reduction in the price of natural gas consumed by its customers. The reduction in the natural gas prices were passed on to the consumers. During the year our customer base increased from 16,845 to 17,812, or 6%, due to increases in the demand for natural gas. Our operating expenses for personal services, advertising and marketing, repairs and maintenance and depreciation increased because of the significant increases in our customer base and the expansion of our distribution system during the year. Revenues were controlled through the use of the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply cost on the monthly financial statements. When collections from customers exceed the cost of gas the fund is increased, and when collections are less than the cost of gas the fund is reduced. Recovery collections are evaluated monthly to maintain process consistency.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2015, was $26,779,502. This represents an increase of $2,600,344 over the previous year, primarily due to the increased investment in the gas distribution system and furniture, machinery and equipment totaling $3,750,931.

Capital Assets
Net of Accumulated Depreciation

	2014	2015
Non-depreciable Assets:		
Land	$ 282,229	$ 282,229
Depreciable Assets:		
Buildings	1,398,714	1,413,494
Gas distribution system	20,958,040	23,557,342
Furniture, machinery and equipment	1,540,175	1,526,437
Total	$ 24,179,158	$ 26,779,502

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of $3,323,000. The District has pledged the net revenues of the natural gas system as security for the bonds.

Outstanding Revenue Bonds

2014	2015
$ 3,546,542	$ 3,323,000

The District's other long-term obligations include accrued employee benefits for vacation and sick leave. More detailed information about the District's long-term liabilities is presented in Note 8 of the financial statements.

Economic Factors

The District's economical natural gas prices, along with our rebate program, the continued improvement in the residential homebuilding market and the increased popularity of natural gas have been excellent bargaining tools for the District to use to negotiate builder agreements and gas main construction with commercial customers. In 2015, we continued our efforts to promote green energy and encourage customers to consider natural gas as a reliable transportation fuel for their vehicles. The District is in contract negotiations with two CNG station builders who plan to build within our territory. It is the District's plan to continue our fleet upgrade/replacement program with dedicated natural gas vehicles where needed, based on a review of the age of the vehicle, high mileage, maintenance cost and whether the cost to repair exceeds the net value of the vehicle. The District also is planning to modify and upgrade our CNG station for more capacity and an additional fast fuel dispenser.

The District has continued to expand its Information Systems infrastructure to increase efficiency, business continuity, and security. Improvements included certifying our customer website portal security by external testing using the payment card industry's (PCI) compliance checklist. We upgraded our mobile app on the iOS platform and rolled out a new app on the Android platform, enabling our customers to easily make repeat payments without having to re-enter their credit card or checking account information. In addition, we upgraded our GIS system, adding "Get Gas Availability" feature to our website, adding a gas calculator feature to our website, and completed the final phase of the Itron Automated Meter Reading (AMR) multi-year project.

The District will continue to rely on Infinite Energy for natural gas purchasing and scheduling. The District also works with Energy Vision, which provides market oversight, hedging and risk management to the District.

The District's management made a decision in 2011 to replace its Datamatic "Firefly" meter reading system with Itron Automated Meter Reading (AMR) equipment. A pilot program of approximately 1,100 units was installed and tested in 2012 with excellent results. The reliability and accuracy of the Itron AMR equipment was far superior to the Datamatic equipment, and approximately 5,000 units were budgeted and installed as the first full phase of the project in 2013. The second of three phases included approximately 6,000 units, and these were budgeted and installed in 2014. The remainder of the meters in the District were budgeted and had Itron units installed in 2015, and there is now 100 per cent coverage with remote meter reading by our mobile unit.

Safety Program and Awards

Lake Apopka Natural Gas District has an active safety committee which meets regularly and also hosts safety training for District employees on a variety of topics such as safe driving, workplace violence, stress management, ladder safety, ergonomics, first aid/CPR/AED use and proper fire extinguisher use.

The District was honored last year with the American Public Gas Association's bronze SOAR award. The SOAR Award, which stands for System Operational Achievement Recognition, recognizes those public gas systems that have achieved excellence in the operation of their natural gas utility and safety is an integral part of the criteria reviewed for the award. The District maintains our commitment to placing a strong emphasis on the safety of both our employees and the public.

Contacting the District's Financial Management

This financial report is designed to provide an overview of the District's finances and to demonstrate the District's commitment to public accountability for all interested parties. If you have questions about this report or need additional financial information, contact the District's Director of Finance at 1320 Winter Garden-Vineland Road, Winter Garden, Florida 34787.

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

ASSETS

Current Assets:		
Cash	$	1,371,384
Accounts receivable (net of allowance for uncollectibles)		566,039
Inventory		598,270
Prepaid expenses		155,875
Total Current Assets		2,691,568
Noncurrent Assets:		
Restricted cash and cash equivalents		3,459,781
Capital Assets:		
Land		282,229
Buildings		2,055,202
Gas distribution system		36,240,673
Machinery and equipment		3,589,106
Less: Accumulated Depreciation		(15,387,708)
Total Noncurrent Assets		30,239,283
TOTAL ASSETS		32,930,851

DEFERRED OUTFLOWS

Deferred outflow related to state pension	463,500
Deferred outflow related to state health insurance subsidy program	128,481
Deferred outflow on interest rate swaps	111,960
Total Deferred Inflows	703,941

The independent auditor's report and notes to the financial statements are an integral part of this statement.

LIABILITIES

Current Liabilities (Payable From Current Assets):	
Accounts payable	511,448
Accrued wages and benefits payable	285,608
Accrued taxes payable	140,470
Prepaid services	115,248
Current maturities of revenue bonds	3,323,000
Gas rate stabilization	434,660
Total Current Liabilities (Payable From Current Assets)	4,810,434
Current Liabilities (Payable From Restricted Assets):	
Customer deposits	2,146,438
Developer deposits	1,298,576
Accrued interest	14,768
Total Current Liabilities (Payable From Restricted Assets)	3,459,782
Noncurrent Liabilities:	
FRS net pension liability	1,164,217
State of Florida HISP net liability	1,075,160
Accrued benefits payable	446,504
Total Noncurrent Liabilitites	2,685,881
TOTAL LIABILITIES	10,956,097

DEFERRED INFLOWS

Deferred inflow related to state pension	305,607
Deferred inflow of fair value of interest rate swap	111,960
Total Deferred Inflows	417,567

NET POSITION

Invested in capital assets, net of related debt	23,456,502
Unrestricted (See Note 13)	(1,195,374)
TOTAL NET POSITION	$ 22,261,128

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Operating Revenues:	
Charges for services	$ 15,003,327
Other operating revenues	276,610
Total Operating Revenues	15,279,937
Operating Expenses:	
Natural gas purchases	4,132,292
Personal services	4,441,600
Insurance	92,873
Repairs and maintenance	667,189
Professional services	268,631
Advertising and marketing	617,241
Bad debt expense	60,000
Travel and per diem	78,355
Gas, oil and fuel	91,929
Freight and postage	144,206
Materials	295,472
Communication services	69,921
Utilities	97,262
Supplies	51,826
Bank charges	158,067
Dues and subscriptions	23,607
Other operating expenses	205,532
Depreciation	1,319,931
Total Operating Expenses	12,815,934
Operating Income	2,464,003
Nonoperating Revenues (Expenses):	
Interest income	11,285
Net FRS pension and HISP expense	(18,287)
Interest expense	(185,177)
Total Nonoperating Revenues (Expenses)	(192,179)
Change in net assets	2,271,824
Total Net Position - Beginning	19,989,304
Total Net Position - Ending	$ 22,261,128

The independent auditor's report and notes to the financial statements are an integral part of this statement.

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash Flows From Operating Activities:	
Cash received from customers	$ 15,559,943
Cash payments to suppliers for good and services	(7,445,994)
Cash payments to employees for services	(4,453,445)
Other operating cash receipts	276,610
Net Cash Provided By Operating Activities	3,937,114
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(3,834,092)
Principal paid on revenue bonds	(223,542)
Interest paid on revenue bonds	(186,165)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,243,799)
Cash Flows From Investing Activities:	
Interest	11,285
Net Increase (Decrease) in Cash and Cash Equivalents	(295,400)
Cash and Cash Equivalents at October 1	5,126,565
Cash and Cash Equivalents at September 30	$ 4,831,165

The independent auditor's report and notes to the financial statements are an integral part of this statement.

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income	$	2,271,824
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,319,931
Provision for uncollectible accounts increase (decrease)		15,011
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		207,156
(Increase) decrease in inventory		(73,506)
(Increase) decrease in prepaid expenses		(15,631)
Increase (decrease) in accounts payable		(128,928)
Increase (decrease) in accrued wages and benefits		31,815
Increase (decrease) in taxes payable		(2,037)
Increase (decrease) in net customer/developer deposits		204,910
Increase (decrease) in accrued benefits		28,012
Increase (decrease) in gas rate stabilization		131,941
Increase (decrease) in FRS and HISP expenses		(53,384)
Net Cash Provided By Operating Activities	$	3,937,114

Note 1 – Summary of Significant Accounting Policies:

A. Reporting Entity – Lake Apopka Natural Gas District was established pursuant to the provisions of Chapter 59-556, Laws of Florida, Acts of 1959, which became law on June 20, 1959, to provide natural gas service within its defined area of service. The District operates under a commission form of government with the commissioners being appointed by the District's member municipalities of Apopka, Winter Garden and Clermont. The District does not have any reporting requirements for a component unit.

B. Fund Financial Statements – The District is accounted for as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Activities are generally financed in whole or in part with fees charged to customers.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District has chosen to implement all applicable Governmental Accounting Standards Board (GASB) Pronouncements and Applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District does not apply FASB pronouncements issued after November 30, 1989.

   The financial statements report use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when billed to the customer and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

   Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or service. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Assets, Liabilities and Net Assets

   1. Cash and Cash Equivalents – Cash includes amounts in demand deposits as well as short-term investments with an original maturity date of three months or less. For purposes of reporting cash flows all highly liquid investments (including restricted assets) with an original maturity date of three months or less are considered to be cash equivalents.

2. Accounts Receivable – Customer accounts receivable are presented at estimated net realizable value. The allowance method is used for determining estimated uncollectible accounts. The allowance for uncollectible accounts is based on a percentage of gross sales to cover anticipated losses. The allowance account is adjusted periodically to cover management's estimate of anticipated losses of its current accounts receivable. Receivables are written off against the allowance for uncollectible accounts when management feels any additional collection efforts would be unproductive.

3. Inventories – The inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

4. Prepaid Expenses – Payments made to vendors for services that will benefit future reporting periods.

5. Restricted Assets – The restricted assets shown on the balance sheet represent those assets which are earmarked for specific purposes. The corresponding liability designated as payable from restricted assets represents the current maturities for which the restricted assets are accumulated. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Capital Assets – All capital assets are stated at historical cost. Capital assets are defined by the District as assets with an initial individual cost of more than $200 and an estimated useful life in excess of one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Land is the only capital asset not depreciated. Estimated useful lives are as follows:

Buildings	20 – 50 years
Gas distribution system	15 – 50 years
Machinery and equipment	5 – 15 years

7. Capitalized Interest – Interest is capitalized on qualifying assets constructed with tax-exempt borrowings externally restricted to finance the construction of specified qualifying assets or to service the related debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

8. Employee Benefits – Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred.

E. Revenues and Expenses

1. Unbilled revenue, which results from cyclical billing practices, is recorded in the following fiscal year.

2. Employee Benefits – Employees earn annual vacation leave at the rate of 10 days per year for the first 5 years of service, after which they earn additional time based upon the District's vacation schedule whereby an employee has 15 days per year after 10 years of service; 20 days per year after 20 years of service; and 25 days per year after 25 years of service. Employees can accumulate up to 5 vacation days over the amount earned for one year. Employees are paid for all outstanding vacation time accumulated when they leave the District's employment.

   Employees earn sick leave at the rate of 4 hours per month for the first year of service and 8 hours per month after the first year of service. Sick leave can be accumulated up to a maximum of 1040 hours. Employees are paid for accrued sick leave up to a maximum of 480 hours when they leave the District's employment.

F. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed. Settled claims have not exceeded this commercial coverage for the current year or the three prior years.

G. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Deposits:

The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the Treasurer of the State of Florida as qualified public depositories. The District only places deposits with qualified public depositories. Therefore, all deposits are entirely insured by FDIC or Florida's Multiple Financial Institution Collateral Pool.

Note 3 – Receivables:

Accounts receivable have been reported net of allowance for uncollectible accounts. The allowance for uncollectible accounts at September 30, 2015 was $113,071.

Note 4 – Capital Assets:

A summary of changes in the District's capital assets is as follows:

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15
Land	$ 282,229	$ . . .	$ . . .	$ 282,229
Buildings	1,972,041	83,160	. . .	2,055,202
Gas distribution system	32,685,452	3,555,222	. . .	36,240,674
Office furniture and equipment	196,021	8,443	. . .	204,464
Computer equipment and software	962,982	110,148	. . .	1,073,129
Transportation equipment	1,049,633	99,256	(86,183)	1,062,706
Tools and work equipment	1,031,633	63,123	. . .	1,094,755
Communication equipment	150,333	922	. . .	151,256
Other equipment	2,795	. . .	. . .	2,795
Totals	38,333,118	3,920,275	(86,183)	42,167,210
Less: Accumulated depreciation	(14,153,960)	(1,319,931)	86,183	(15,387,708)
Net	$ 24,179,158	$ 2,600,344	$ . . .	$ 26,779,502

Note 5 – Florida Retirement System Pension Plan:

Plan Description: The District contributes to the Florida Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Florida Division of Retirement. The Plan provides retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121 assigns the authority to administer the Plan to the Division of Retirement. The Florida Legislature retains the authority to establish and amend benefit provisions and contribution levels. The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Florida Division of Retirement, 2639 North Monroe Street, Tallahassee, Florida 32399-1560.

The Pension Plan provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire after 30 years of service or after age 62 with 6 years or more of service. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit, where average compensation is computed based on an individual's five highest years of earnings. Benefits also include a post-retirement health insurance subsidy as well as disability and survivor's benefits, as established by Florida Statutes.

The Florida Retirement System provides employees with a choice between two retirement plan options. One is the Pension Plan, which provides for vesting after 8 years of creditable service for those employed on or after July 1, 2011, and after 6 years of creditable service for those employed prior to July 1, 2011. The second plan, called the Investment Plan, provides for vesting after one year of creditable service. Early retirement is available to qualified employees with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years of service credit, where average compensation is computed based on an individual's five highest years of earnings. Benefits also include a post-retirement health insurance subsidy as well as disability and survivor's benefits, as established by Florida Statutes.

Funding Policy: The District and its employees are required to contribute at an actuarially determined rate. Employees are required to contribute 3%. Effective July 1, 2015, the District's required current rate for regular members, senior management and drop participants is 7.26%, 21.43% and 12.88% respectively, of annual covered payroll. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the System for the years ending September 30, 2015, 2014 and 2013 were $224,082, $249,742 and $177,394 respectively, equal to their required contributions for each year.

Note 6 – Post-Employment:

Post-Employment Health Care Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Premiums are paid by the insured. This program is offered for a period of 18 months after the termination date. The associated cost to the District under this program is undeterminable due to the composite rate structure, which charges the same for all employees.

Note 7 – Short-Term Debt:

The District did not utilize any short-term borrowings for the year ended September 30, 2015.

Note 8 – Long-Term Debt:

On June 26, 2006, the District issued the $5,000,000 Natural Gas System Capital Improvement Revenue Bond, Series 2006, to finance the acquisition and construction of additions, extensions and improvements to the facilities of the District. The Bond was issued with a variable interest rate of ninety-four basis points (94) in excess of 70% of the LIBOR base rate. In order to obtain a fixed rate of interest the District entered into a SWAP Agreement whereby the District effectively obtained a fixed interest rate of 5.33% per annum. The Bond and the SWAP Agreement are secured by the net revenues of the District.

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

	Balance 10/1/14	Additions	Reductions	Balance 9/30/15	Amount Due in One Year
Revenue Bond,					
Series 2006	$ 3,546,542	$ . . .	$ 223,542	$ 3,323,000	$ 3,323,000
Employee Benefits	564,631	289,572	254,462	599,741	153,237
Total	$ 4,111,173	$ 289,572	$ 478,004	$ 3,922,741	$ 3,476,237

Long-term debt is comprised of the following:

	9/30/15
$5,000,000 Natural Gas System Capital Improvement Revenue Bond, Series 2006, due in monthly installments ranging from $12,241 to $19,440 plus interest at 5.33% per annum, starting August 1, 2006 until June 26, 2016, when the entire unpaid balance and accrued interest is due, secured by the net revenues of the gas system	$ 3,323,000
Employee Benefits	
Accrued vacation and sick leave	599,741
Subtotal	3,922,741
Less Current Maturities	3,476,237
Total	$ 446,504

The annual requirements to amortize all long-term debt outstanding as of September 30, 2015 are as follows:

Year Ending September 30	Principal	Interest
2016	$ 3,323,000	$ 141,221
Employee Benefits	599,741	. . .
Total Payments	$ 3,922,741	$ 141,221

Derivative Instruments

Simultaneous to the issuance of the Series 2006 bond, the District entered into a pay-fixed receive variable interest rate swap, a derivative instrument, in order to fix the rate on the new bonds. Because the variable rate of the swaps and all other relevant terms are the same as the bonds, the pay-fix interest rate swap does not vary. Accordingly, the derivative instrument is considered effective for financial reporting purposes. The interest rate swap is recorded at fair value as a liability with a corresponding Deferred Inflow as an asset.

The fair value balance and notional amount of the derivative instrument outstanding as of September 30, 2015, classified by type, and the change in fair value of the derivative instrument for the year then ended as reported in the 2015 financial statements is as follows:

	Changes in Fair Value		Fair Value at 9/30/14		
	Classification	Amount	Classification	Amount	Notional
Business-type activities					
Cash flow hedge:					
Pay-fixed interest rate swap	Deferred Outflow	$134,620	Debt	$ (111,960)	$ 3,323,500

The fair value of the interest rate swap is based on the expected cash flows over the life of the trade by evaluating transactions with a pricing model using a specific market environment. These values do not take into account liquidity, hedging costs, bid/offer, credit or other considerations that are specfic to each counterparty and transaction, and that vary over time. The values are produced using proprietary models that rely on certain assumptions and available market data.

The District’s objective and terms of the hedging derivative instrument as of September 30, 2015 was a follows:

	Series 2006
Type:	Pay-fixed interest rate swap
Objective:	To provide a fix rate on the bonds
Original Notional Amount:	$5,000,000
Current Notional Amount:	$3,323,500
Date of Agreement:	August 1, 2006
Effective Date:	August 1, 2006
Maturity Date:	June 26, 2016
Terms:	See above terms
Adjustment Period:	End of each month
Counterparty Credit Rating:	BBB- / A-3

Risks

Credit Risk
The agreement is subject to termination if there is a credit event due to merger or bankruptcy of either party. In such event close-out netting provision permits the non-defaulting party to terminate the agreement and pay or receive a single amount.

The fair value of the hedging derivative was negative $111,960 as of September 30, 2015. This is the maximum liability that the District would have if there was an early termination of the bond agreement.

Interest rate risk
The District is exposed to interest rate risk on the hedging instrument. A pay-fix interest rate swap, the amount that may be payable due to early termination, will increase or decrease in direct relationship to the change in the LIBOR rate.

Basis risk
The District is exposed to basis risk with this pay-fix interest rate swap only if there is an early termination. The amount of risk is dependent on the prevailing current market rate at that time.

Termination Risk
The District may terminate the pay-fix interest rate swap at any time and be subject to pay or receive payment based upon Net Settlement Amount equal to the market value of the derivative.

Rollover Risk
The District has no rollover risk as the derivative instrument has an identical maturity date to that of the outstanding bonds.

Note 9 – Gas Rate Stabilization:

Gas rate stabilization represents the District's liability to customers for excess costs collected over costs incurred for natural gas.

Note 10 – Contingencies:

The District is not aware of any pending or threatened litigation, which would not be covered by insurance.

Note 11 – Other Matters:

The District's current pipeline capacity contracts require the District to purchase a minimum volume of pipeline capacity on a monthly basis. Presently, the District's sales volume is less than the required purchase volume during the November through April contract period. The District's asset manager, Infinite Energy, markets the excess capacity.

Note 12 - Florida Retirement System Pension Plan:

Plan Description: The District contributes to the Florida Retirement System, (FRS) a cost-sharing multiple-employer public employee retirement system (PERS) administered by the Florida Division of Retirement. The System offers a choice between a defined benefit plan ("Pension Plan") and a defined contribution plan ("Investment Plan"). Employees also participated in the Retiree Health Insurance Subsidy ("HIS Plan") which is a defined benefit plan. Florida Statutes Chapter 121 assigns the District to administer the Plan to the Division of Retirement. The Florida Legislature establishes and amends benefit provisions and contribution levels.

The Pension Plan provides for vesting of benefits after 6 to 8 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 to 65 with 6 or 8 or more of years of service. Early retirement is available after 6 to 8 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit, where average compensation is computed based on an individual's five to eight highest years of earnings. Benefits also include a disability and survivor's benefits, as established by Florida Statutes.

Pension Plan members may participate in a Deferred Retirement Option Plan (DROP), after reaching eligibility for normal retirement or through the available deferral period for eligible members. This plan allows employees to defer receipt of retirement benefits while continuing employment with a System employer for up to sixty months. Accumulated system benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the System on behalf of the employee.

The Investment plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants may receive amounts accumulated in their investment accounts.

The HIS Plan is established in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees in paying their health insurance costs. Current benefits are based on $5 per year of service, ranging from $30 - $150 per month. To be eligible, retirees must provide proof of health insurance coverage, which may include Medicare.

Funding Policy: The District is required to contribute at an actuarially determined rate. The current rate for regular members, senior management, and DROP participants is 7.26%, 21.43%, and 12.88% respectively, of annual covered payroll, which includes the HIS Plan rate of 1.26%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the System for the years ending September 30, 2015, 2014 and 2013 were $224,082, $249,742, and $177,394 respectively. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension</u> – At September 30, 2015, the District reported a liability of $1,164,217 and $1,075,160 for its proportionate share of the Pension Plan and HIS Plan's net pension liability, respectively. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share for the Pension Plan was .009013505%, which was an increase of .000859196% from its proportionate share measured as of June 30, 2014. At June 30, 2015, the proportionate share for the HIS Plan was .010542409%, which was a decrease of .000204829% from its proportionate share measured as of June 30, 2014.

For the year ended September 30, 2015, the District recognized pension expense of $126,258 for the Pension Plan, and $85,122 for the HIS Plan.

The deferred outflows of resources and deferred inflows of resources related to the Pension Plan are as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 122,907	$ 27,612
Change of assumptions	77,274	-
Net difference between projected and actual earning on Pension Plan investments	-	277,995
Changes in proportion and differences between County Pension Plan contributions and proportionate share of contributions	206,276	-
District Pension Plan contributions subsequent to the measurement date	57,043	-
Total	$ 463,500	$ 305,607

The deferred outflows of resources and deferred inflows of resources related to the HIS Plan are as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Change of assumptions	84,587	-
Net difference between projected and actual on HIS Plan investments	582	-

Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	28,682	-
District HIS Plan contributions subsequent to the measurement date	14,630	-
Total	$ 128,481	$ -

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling $57,043 and $14,630, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follow:

Fiscal Year Ending September 30:	Pension Plan Amount	HIS Plan Amount
2016	$ 16,008	$ 15,732
2017	16,008	15,732
2018	16,008	15,732
2019	16,008	15,732
2020	16,008	15,732
Thereafter	20,810	34,609

<u>Pension Plan Actuarial Assumptions</u> - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of turn	7.65%, net of pension plan investment expense
Mortality	Generational RP-2000 with Projection Scale BB

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The target allocation (as outlined in the Pension Plan's Investment Policy) and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.00 %	3.11 %
Intermediate – Term Bonds	18.00	4.18
High Yield Bonds	3.00	6.79
Broad US Equites	26.50	8.51
Developed Foreign Entities	21.20	8.66
Emerging Market Equites	5.30	11.58
Private Equity	6.00	11.80
Hedge Funds/Absolute Return	7.00	5.81
Real Estate (Property)	12.00	7.11
Total	100.00 %	

Pension Plan Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total; pension liability is equal to the long-term expected rate of return.

HIS Plan Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond rate	3.80%
Mortality	Generational RP-2000 with Projection Scale BB

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 3.8% . In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

<u>Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate</u> – The following represents the District's proportionate share of the net pension liability calculated using the current discount rate and what it would be if it were calculated using a discount rate that is one percentage point lower and one percentage point higher:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Pension Plan proportionate share of the net pension liability	$ 1,666,088	$ 1,164,215	$ 746,573

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
HIS Plan proportionate share of the net pension liability	$ 1,108,896	$ 1.075,160	$ 1,047,029

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Detailed information regarding the FRS and HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report for the year ended June 30, 2015.

That report can be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member communications
P.O. Box 9000, Tallahassee, FL 32315-9000
950-488-5706 or toll free at 877-377-1737

Note 13 - Change in Accounting Principle

The District was required to implement Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.* This resulted in a cumulative restatement decrease in prior year net position of $2,006,390. This is a onetime restatement.

Unrestricted net assets at 09/30/15 (Pre GASB 68)	$ 757,632
Adjustment for GASB 68 – prior year	(2,006,390)
Adjustment for GASB 68 – current year (operating)	53,384
Current year unrestricted net assets	$ (1,195,374)

SUPPLEMENTARY INFORMATION

LAKE APOPKA NATURAL GAS DISTRICT
SCHEDULE OF CONTRIBUTIONS

Florida Retirement System (FRS) Defined Benefit Pension Plan

Fiscal Year Ending 30-Sep	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	Authority's Covered Employee Payroll	FRS Contributions as a Percentage of Covered Payroll
2015	$ 219,757	$ 219,757	$ -	$ 3,247,137	6.77%

Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan

Fiscal Year Ending 30-Sep	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency	Authority's Covered Employee Payroll	HIS Contributions as a Percentage of Covered Payroll
2015	$ 40,300	$ 40,300	$ -	$ 3,247,137	1.24%

Note: The Authority implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015
Including a restatement of September 30, 2014. Information for prior years is not available.

LAKE APOPKA NATURAL GAS DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Florida Retirement System (FRS) Defined Benefit Pension Plan

Authority Fiscal Year Ending Sept 30	Plan Sponsor Measurement Date June 30	Authority's Proportion of FRS Net Pension Liability	Authority's Proprtionate Share of FRS Net Pension Liability	Authority's Covered Employee Payroll	Authority's Proportionate Share of FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	2015	0.009013505	$ 1,164,215	$ 3,247,137	35.85%	92.00%

Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan

Authority Fiscal Year Ending Sept 30	Plan Sponsor Measurement Date June 30	Authority's Proportion of the HIS Net Pension Liability	Authority's Proprtionate Share of the HIS Net Pension Liability	Authority's Covered Employee Payroll	Authority's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	2015	.010542409	$ 1,075,160	$ 3,247,137	33.11%	0.50%

Note: The Authority implemented GASB Statement No. 68 for the fiscal year ended September 30, 2015 including a restatement of September 30, 2014. Information for prior years is not available.

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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
Lake Apopka Natural Gas District
Winter Garden, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the Lake Apopka Natural Gas District, as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lake Apopka Natural Gas 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Apopka Natural Gas District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Apopka Natural Gas 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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. Given these limitations, during our audit we did

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not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Lake Apopka Natural Gas District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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***.

<u>Purpose of this Report</u>

This 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 Lake Apopka Natural Gas District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenlee, Kurras, Rice, Brown, Gainer, + Donofrio
Certified Public Accountants

Mount Dora, Florida
January 29, 2016

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MANAGEMENT LETTER

Board of Commissioners
Lake Apopka Natural Gas District
Winter Garden, Florida

Report on the Financial Statements

We have audited the financial statements of Lake Apopka Natural Gas District as of and for the year ended September 30, 2015 and have issued our report thereon dated January 29, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 29, 2016, should be considered in conjunction with this management letter

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no significant findings or recommendations made in the preceding annual financial audit.

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Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 of the financial statement audit.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Lake Apopka Natural Gas District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Lake Apopka Natural Gas District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for Lake Apopka Natural Gas District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. Lake Apopka Natural Gas District is not a component unit of any other county, municipality, or special district.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

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

Greenlee, Kurras, Rice, Brown, Garner, + Donofrio
Certified Public Accountants

Mount Dora, Florida
January 29, 2016

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
Lake Apopka Natural Gas District
Winter Garden, Florida

We have examined the Lake Apopka Natural Gas District's compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. 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, 2015.

Greenlee, Kurras, Rice, Brown, Garner, + Donofrio
Certified Public Accountants

Mount Dora, Florida
January 29, 2016

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