LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2020

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA

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MSL

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2020, 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 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 District'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 District'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.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2020, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Commissioners of the
Lake Apopka Natural Gas District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, 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 March 4, 2021, 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 4, 2021

Management's Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the financial statements and disclosures that follow.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $36,881,394 (total net position) for fiscal year 2020. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $32,931,403.

The District's total revenues were $18,306,298, including interest income, compared to $19,050,480 last year, or a year-over-year decrease of $744,182. Although the 2019/2020 winter was the hottest on record (replacing 2015) and natural gas consumption was lower than the previous year; the District posted record profits in fiscal year 2020. The District's profit increase was fueled by lower natural gas and marketing costs, and the growth in the customer base from 24,035 to 25,430 customers, or by 6%. Last year was the best financial performance of the District in its history.

The year 2020 was an unprecedented year for the world, the United States and the District with the CVOID-19 pandemic crippling the normal lifestyle we all enjoy. In 2020, the District executed and recorded seven new residential subdivision developer agreements in Orange and Lake counties. The developers/builders plan to build 773 new homes that should generate an estimated 203,445 therms annually. The District has executed residential agreements for the following subdivisions: Hamilton Garden Phase 2 with 77 lots, Oaks at Kelly Park with 62 lots, Inspiration with 90 lots, Lakeview Phase 2 with 124 lots, Garden West with 11 lots and Lake Down Reserve with 10 lots in Orange County, and Park View at the Hills with 399 lots in Lake County. The larger subdivisions, with over 100 homes, are Lakeview Phase 2, with 124 lots and Park View at the Hills with 399 lots. These communities are being built by Avatar Properties, Inc./Taylor Morrison Homes, and Beazer Homes and Hanover Family Builders. We saw builders and developers slowing to move forward on developments, as many expressed they needed to see the effects of the pandemic on the economy before moving forward.

New residential home development and commercial business within the District experienced a slowdown compared to 2019 growth numbers. The new residential developer agreements and commercial accounts that were placed in service during the 2020 fiscal year increased the District's overall financial performance and our customer base grew to 25,430 customers. The Marketing Department converted 59 competitive fuel commercial accounts to natural gas during 2020, with an annual consumption of 1,493,627 therms. The District's largest commercial load was from the Orlando Health Center at Horizons West on Porter Road in Winter Garden, with an estimated annual load of 316,762 therms.

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 $3,875,898 in cash flow to acquire additional capital assets, compared to $4,877,218 for the previous year. We have added a total of 20.13 miles of mains and 1,180 services into our existing distribution system, with several major capital expenditures on system improvements. These projects first started with the Lockhart Main Extension Phase 3B Project, which consists of 4,828 feet of 6-inch high-pressure steel main on Roger Williams Road to Apopka Regulator Gate Station to back feed the Lockhart service areas. The North US Highway 27 Main Extension Project, which consists of 12,251 feet of 6-inch high-pressure steel main on US Highway 27 joining Pitt Street and South Grand Highway in Clermont will extend gas service to the newly developing industrial areas, while the Citrus Grove Road Main Extension Phase 3 Project, which consists of 3,550 feet of 4-inch poly main extension on the Citrus Grove Road in Minneola will back feed service areas in Minneola.

Other major capital investments were for system expansions within the District to reach industrial areas and commercial customers include the 4-inch poly main extension on New Independent Parkway in Winter Garden, the 2-inch poly main extension on Hamlin Groves Trail in Winter Garden, the 2-inch poly main extension on West Colonial Drive to serve the West Market Plaza in Winter Garden, the 2-inch main extension on Hooks Street to serve the Ford Dealership in Clermont, and the 4-inch poly main extension on Old Highway 50 to serve the Islamic Center in Clermont.

As always, we had some relocation work on existing pipelines due to road work and other municipal improvements that caused the District to expend resources to relocate pipelines. The major gas main relocation projects in 2020 were the relocation of 1,400 feet of 2-inch poly main on Osceola Street in Clermont, 780 feet of 2-inch poly main on East Crown Point Road and Fullers Cross Road in Winter Garden, 130 feet of 2-inch steel on Ocoee Apopka Road in Ocoee, 710 feet of 3/4-inch steel main on Park Avenue in Windermere, and 975 feet of 2-inch poly main on CR 455 and Ridgewood in Montverde.

In addition to the above system improvements and relocations, the District continued with the systematic replacement of the legacy black plastic and Aldyl-A pipes within the distribution system for liability control. A total of 5,730 feet of mains and 40 services made of old black plastic and Aldyl-A pipe material were replaced with new yellow poly pipes throughout service areas in Clermont, Winter Garden and Zellwood.

There were also several new subdivisions and phase expansion projects due to the continued resurgence of our homebuilding market. We are continuing to install distribution mains and service lines in new and existing subdivisions, such as Oakland Park Phase 5 North and South in Oakland, Highlands at Summer Lake Phase 3C in Winter Garden, Parkview at The Hills Phase 1 in Minneola, Ardmore Reserve Phase 5 in Minneola, Hamilton Garden Phase 2 in Winter Garden, Oaks Phase 1–at Kelly Park Road in Apopka, Crestview Phase 1 in Clermont, Hull Island Phases 1 and 2 in Oakland, Lakeside Phase 2 in Apopka, Bella Vita Estates in Ocoee, Enclave at Hamlin in Orange County, Garden West in Winter Garden, Inspiration Townhomes in Ocoee, and Lake Down Reserve in Windermere.

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 by the Florida legislature on June 20, 1959 to provide natural gas services to potential customers in Orange and Lake Counties. On June 20, 2019, the District celebrated its 60th year of existence. 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 position at year-end was $36,881,394. This is an increase of $3,949,991 over last year's net position of $32,931,403. Net position measures the difference between the assets the District owns and deferred outflows of resources over the liabilities it owes and deferred inflows of resources. The following table provides a summary of the District's net position:

Summary of Net Position

	2019	2020
Current Assets	$ 7,046,776	$ 10,124,801
Noncurrent Assets	38,843,624	40,940,198
Total Assets	45,890,400	51,064,999
Deferred Outflows	1,322,793	1,423,097
Current Liabilities	5,694,048	6,784,437
Long-Term Liabilities	8,281,117	8,685,939
Total Liabilities	13,975,165	15,470,376
Deferred Inflows	306,625	136,326
Net Position:		
Invested in Capital Assets, Net of Related Debt	35,128,565	37,709,982
Unrestricted	(2,197,162)	(828,588)
Total Net Position	$ 32,931,403	$ 36,881,394

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 position:

Summary of Changes in Net Position

	2019(*)	2020
Revenues:		
Charges for services	$ 18,688,961	$ 18,079,438
Other operating revenues	330,582	208,914
Other non-operating revenues	30,937	17,946
Total Revenues	19,050,480	18,306,298
Expenses:		
Natural gas costs	3,957,779	3,073,281
Personal services	5,745,308	5,932,238
Advertising and marketing	1,710,207	910,711
Repairs and maintenance	586,227	600,389
Other operating expenses	1,779,845	1,781,942
Depreciation	1,725,754	1,779,324
Other non-operating expenses	292,332	278,422
Total Expenses	15,797,452	14,356,307
Change in Net Position	3,253,028	3,949,991
Net Position - Beginning (Restated)	28,655,451	32,931,403
Change in Accounting Principal	1,022,294	-
Net Position - Beginning (Restated)	29,678,375	32,931,403
Net Position - End of Year	$ 32,931,403	$ 36,881,394

(*) Beginning Balances for 2019 were restated due to the change in accounting principle. There were no restatements in 2020.

The District's revenues decreased by $744,182 and expenses by $1,441,145. The $609,523 decrease in Charge for Services revenue was primarily due to lower cost and consumption for natural gas in 2020. The cost of natural gas is a pass-through that is reflected as part of revenue and natural gas expense. Annual increases in natural gas costs ~~increases~~ increase revenue, while decreases erode revenue. The decreases in the price of natural gas were passed on to the consumers. Revenues were controlled by using the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply costs 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. Other Operating Revenue declined from $330,582 to $208,914, primarily due to the District waiving late fees for four months during fiscal year 2020. The significant decline in expenses was primarily due to two factors that accounted for most of the net change. In fiscal year 2020, natural gas cost declined by $884,498 from $3,957,779 to $3,073,281, or 22%. The District's average price per therm for natural gas dropped from $.38445 in 2019 to $.29136 in fiscal year 2020, or by $.09319 or 24%, the decline in natural gas expense was aided by a 365,383 therm consumption decline.

The Advertising and Marketing expense category has continued to decline due to the District only including free home piping in natural gas developer agreements when the return on investment generates a positive return at the end of seven years. Marketing expenses declined from $1,796,142 to $835,117 due to the change in the District's policy in fiscal year 2020.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2020 was $40,940,198. This represents an increase of $2,096,574 over the previous year, primarily due to the $2,349,161 increased investment in the gas distribution system.

Capital Assets
Net of Accumulated Depreciation

		2019		2020
Non-depreciable Assets:				
Land	$	282,229	$	282,229
Depreciable Assets:				
Buildings		1,385,302		1,313,775
Gas distribution system		35,765,929		38,115,090
Furniture, machinery and equipment		1,410,164		1,229,104
Total	$	38,843,624	$	40,940,198

Long-Term Debt

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for $2,500,000 at a monthly interest rate of LIBOR plus 1.25% from TD Bank for three-years. The revolving line of credit for $2,500,000 with TD Bank was replaced with a $3,000,000 credit line with Regions Bank with a three year -term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. At the end of the fiscal year, the note payable balance outstanding was $3,230,216 and there was no outstanding balance on the revolving line of credit. The District pledged the net revenues of the natural gas system as security for the notes.

Long-Term Debt

	2019		2020
$	3,715,059	$	3,230,216

The District's other long-term obligations include accrued employee benefits for vacation, sick leave, Other Post-Employment Benefits, and State of Florida pension and health insurance supplemental plans. More detailed information about the District's long-term liabilities is presented in Note 6 of the financial statements.

Economic Factors

The 2021 housing market forecast by local, state, and national economists, indicates the housing market will remain steady, but with some slowdown in growth compared to 2020. The effects on the economy and the job market from the COVID-19 pandemic has the United States in a slow recovery mode. Economists and financial experts are advising newly installed President Biden and members of congress that the country needs another round of stimulus support for citizens who are still out of work, those in danger of home foreclosure, rental assistance, businesses that are closing and state and local governments that are seeing budget shortfalls due to the shutdown of many businesses because of the raging number of positive COVID-19 cases. President Biden's COVID-19 team and the Center for Disease Control have a plan for the rapid deployment of the COVID-19 vaccine to all areas of the country with guidelines of who should be inoculated first. The jobs report for December 2020 was the worst since the shutdowns in the spring of 2020.

The Central Florida area is seeing home values increase by 7.1% over the past year and the latest forecast indicate this will continue to rise by 10.1% as house inventory in the area is very tight has become a seller's market in the Orlando area. In November 2020, home sales spiked 20.4% over the same time last year. Mortgage interest rates are at a historic low and the Federal Reserve has indicated they will remain low for some time. This should help the housing market in 2021. The price of homes is expected to remain high. The real estate industry is being brought down by the lack of affordable housing stock, the starter home price range and workforce housing.

With the pandemic, people are flocking to the suburbs and out of the crowded cities. There are news reports of many land purchases and developments coming to the Lake County area of the District's service territory. The District is preparing a strategic plan on how we can financially and feasibly extend our services to capture this new development growth in this area as the plans for development are submitted to local planning boards for approval.

There is no predicted housing downturn, maybe a slight slowing as to when builders will build homes. The District's growth rate will continue to expand, as data indicates Florida is still seeing nearly 1,000 new residents per day moving to the Sunshine State. The District offers an economical natural gas rate. We provide a residential rebate program, and we offer some assistance for commercial businesses converting to natural gas. Natural gas is an energy source desired by consumers who are relocating to Florida. Natural gas is a clean, domestic, affordable, abundant, reliable, resilient, efficient, and environmentally friendly energy for homes, businesses, industries, and vehicles. The District is in communication with several developers and builders, and we have projected a growth of 573 new customers in 2021. We constantly market and educate the public on the direct use of natural gas as ~~a~~ part of a balanced energy choice and part of our country's energy future to obtain zero carbon emissions for generations to come.

The District continued improving its Information Systems in areas, such as reliable customer service, automation of service activities, technology enhancements, and professional development. When the COVID-19 pandemic occurred, we updated our website, informing our customers that the District would continue to deliver gas safely and reliably. We quickly replaced desktop computers with laptops**,** enabling our employees to work from home and still provide reliable customer service. We also informed the customers how to pay their bills in the safest manner.

During the year we updated our mobile application to allow credit card numbers or e-check information to be securely stored so customers did not have to enter the information every time they make a payment. We programmed our mobile app to allow customers to scan their credit card instead of entering the numbers to eliminate errors. To eliminate errors during payment, we put in protections to ensure that when a customer overpays to make sure the wrong amount is not accidentally entered.

Service activities benefitted from our continued digital transformation. Just a few years ago, we created a new visualization layer on our District Map to allow images of As-Builts to be uploaded. We added over 10,800 new images during the year and now have over 18,000 images on our District Map. This enhancement allows field personnel to view As-Builts without having to drive back to the office to find the paper copy. We also eliminated hours of work each week manually coding our customer accounts in the back-office billing system when a "Turn Off/On Non-Pay" task was entered into our work tracking system. A new programming interface was created to automatically update the billing system depending on the status of these tasks. Creating a visualization for these tasks on our District Map allowed our Meter Readers to plan their routes by looking at the map instead of a text list of addresses. This eliminated a lot of pre-planning time and allowed them to optimize their work routes easily. Another automation was created to notify a user who enters a Leak or Cut Line ticket which truck is within a few miles of the newly entered ticket, saving lookup time, and it improved safety.

A major technology enhancement this year was upgrading our back-office billing system. Every few years we undertake our largest and most complex upgrade of this system, operating systems, servers, mapping software, enterprise database, and all inter-connected systems. We completed the upgrade in fiscal year 2020 after months of work and testing. We also took on the upgrade of our meter reading software. This was a required software migration to a new product mandated by our vendor, Itron, and would have cost us tens of thousands of dollars to bring in a team to perform this task. We managed to do it in house with a cross department team and hard work. Information Systems contributed to the District's professional development by continuing to train team members on desktop software and continued formal training for email attacks, which many security analysts believe is the number one corporate threat. This year's training also included many classes on working remotely and unified communications software.

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.

Safety Program and Awards

The District continues to be proactive in safety and damage prevention. This year has been extraordinary as we have implemented new safety measures to help combat the risk of the COVID-19 pandemic. We have introduced guidelines to allow more employees to work remotely. In addition to the Pandemic Policy that we already had, the District created a Pandemic Personal Protective Equipment (PPE) Policy, a Telecommuting Agreement outlining expectations of remote workers, Employee COVID-19 Workplace Guidelines to set clear standards for on-site behaviors, a COVID-19 Return to Work Plan for Managers, and a Positive COVID-19 Case, Exposure and Return to Work Policy. We continue to provide appropriate PPE, including masks, gloves, shoe covers, additional cleaning supplies, and adhere to more stringent cleaning standards. We have also attended hours of training relating to COVID-19 issues. These pandemic related activities are over and above the regular activities of our company safety committee and ongoing safety training activities. The District continues to administer a Safety Recognition Program, which recognizes employees who show a commitment to safety in the performance of their job duties and a safety suggestion box for employees to submit safety concerns and comments.

The District received two special safety awards this year. First, the District received the "10 Year Safety Award" from American Public Gas Association (APGA) for having received a Safety Award for our exceptional safety record for 10 consecutive years! Secondly, the District was thrilled to receive the APGA Gold SOAR Award! We had received the Silver SOAR Award in 2016, 2018 and 2019, 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 in four key areas: system integrity, system improvement, employee safety, and workforce development. The District remains committed to placing a strong emphasis on the safety of our employees, customers, and the general public.

Training and Community Involvement

Management encourages employees to participate in industry associations and its training programs to increase their technical skills and competency in the natural gas industry. Employees participate and hold leadership positions on the Sunshine 811 Board of Directors, American Public Gas Executive Board of Directors, Board of Directors of the Florida Natural Gas Association, and the Florida Municipal Natural Gas Association. District employees receive training in all elements of the natural gas industry to keep abreast of new developments, regulations and disaster preparedness. The District, the cities of Winter Garden, Apopka, Clermont, and Orange County have been actively responding to the COVID-19 epidemic by meeting virtually, telephone conference calls, and by written communication when small face to face group meetings are not tolerable due to safety precautions. We have held telephone calls between neighboring Investor-Owned utility companies to ensure better and more rapid response times for contractor outages for avoidable damage prevention safety. We are also actively prepared to respond to disaster storm restorations via the Orange and Lake County Emergency Management Centers.

The District is usually active in our community by partnering with West Orange County Schools to share safety awareness information regarding Mercaptan odorant and natural gas safety practices. The District is involved in the Central Florida Rotary Club, and we also join hands with our community fire departments in children's educational training regarding natural gas characteristics, quarterly meetings with the Orange County Emergency Operation Center, and Lake County Fire and Rescue efforts. We also train and participate with our local Emergency Operations Centers which have all been virtual. The activities for these above training exercises have been temporarily eliminated due to COVID-19 enacted State and Local mandates. As policies and procedures are redeveloped by our State and Local School Officials, the District will stand by to serve and support our community. Our Chief Executive Officer (CEO) has been recognized and honored as the Orlando Business Journal's CEO of The Year. He was honored and recognized for the District achievements under his leadership. He was also awarded APGA's highest individual award, their Distinguished Service award.

The District recently received a clean audit, without any violations, from the Florida Public Service Commission, which found no systemic issues with our utility regarding the safety and operational maintenance reviews. This has truly been a good year for community safety, public awareness involvement, operations qualifications, emergency plan effectiveness, community service efforts, and governmental operational audits. As previously mentioned above, we were recognized nationally with the APGA Gold SOAR Award, passed the Florida Public Service Commission annual audit with excellent no attribute exceptions, and have been honored with individual as well as company accolade reflections by the Orlando Business Journal. Overall, the District has truly had a system safe, public community service driven, and an exceptional year.

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 Chief Financial Officer at 1320 Winter Garden-Vineland Road, Winter Garden, Florida 34787.

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

ASSETS

Current Assets:		
Cash and cash equivalents	$	3,092,844
Restricted cash and cash equivalents		4,077,516
Accounts receivable (net of allowance for uncollectibles)		1,928,763
Inventory		726,297
Prepaid expenses		299,381
Total Current Assets		10,124,801
Noncurrent Assets:		
Capital Assets:		
Land		282,229
Buildings		2,355,514
Gas distribution system		56,903,255
Machinery and equipment		4,670,848
Less: Accumulated Depreciation		(23,271,648)
Total Noncurrent Assets		40,940,198
TOTAL ASSETS		51,064,999

DEFERRED OUTFLOWS

Deferred outflows related to pensions	1,423,097
Total Deferred Outflows	1,423,097

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	$	649,697
Due to other governments		611,652
Accrued wages and benefits payable		409,277
Accrued taxes payable		169,846
Current portion of note payable		495,321
Gas rate stabilization		371,128
Total Current Liabilities (Payable From Current Assets)		2,706,921
Current Liabilities (Payable From Restricted Assets):		
Customer deposits		3,419,713
Developer deposits		657,803
Total Current Liabilities (Payable From Restricted Assets)		4,077,516
Noncurrent Liabilities:		
FRS net pension liability		3,824,316
State of Florida HIS net liability		1,319,108
Total OPEB liability		179,326
Note payable		2,734,895
Accrued benefits payable		628,294
Total Noncurrent Liabilities		8,685,939
TOTAL LIABILITIES		15,470,376

DEFERRED INFLOWS

Deferred inflows related to pensions		136,326
Total Deferred Inflows		136,326

NET POSITION

Invested in capital assets, net of related debt		37,709,982
Unrestricted		(828,588)
TOTAL NET POSITION	$	36,881,394

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Operating Revenues:	
Charges for services	$ 18,079,438
Other operating revenues	208,914
Total Operating Revenues	18,288,352
Operating Expenses:	
Natural gas purchases	3,073,281
Personal services	5,932,238
Insurance	175,055
Repairs and maintenance	600,389
Professional services	361,620
Advertising and marketing	910,711
Bad debt expense	36,000
Travel and per diem	46,757
Gas, oil and fuel	84,317
Freight and postage	133,318
Materials	173,198
Communication services	53,238
Utilities	86,253
Supplies	40,613
Bank charges	299,456
Dues and subscriptions	50,474
Other operating expenses	241,643
Depreciation	1,779,324
Total Operating Expenses	14,077,885
Operating Income	4,210,467
Nonoperating Revenues (Expenses):	
Interest income	17,946
Interest expense	(74,765)
Intergovernmental transfers	(203,657)
Total Nonoperating Revenues (Expenses)	(260,476)
Change in Net Position	3,949,991
Total Net Position - Beginning	32,931,403
Total Net Position - Ending	$ 36,881,394

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, 2020

Cash Flows From Operating Activities:		
Cash received from customers	$	19,025,100
Cash payments to suppliers for goods and services		(6,462,956)
Cash payments to employees for services		(5,250,054)
Net Cash Provided By Operating Activities		7,312,090
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets		(3,875,898)
Principal paid on note payable		(484,843)
Interest paid on note payable		(74,765)
Net Cash Used In Capital and Related Financing Activities		(4,435,506)
Cash Flows From Investing Activities:		
Interest		17,946
Net Increase in Cash and Cash Equivalents		2,894,530
Cash and Cash Equivalents at October 1		4,275,830
Cash and Cash Equivalents at September 30 (1)	$	7,170,360

(1) Cash - Unrestricted Assets	$	3,092,844
Cash and Cash Equivalents - Restricted Assets		4,077,516
	$	7,170,360

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

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	4,210,467
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,779,324
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		(18,354)
(Increase) decrease in inventory		(89,313)
(Increase) decrease in prepaid expenses		(75,828)
Increase (decrease) in accounts payable		68,508
Increase (decrease) in accrued wages and benefits		71,526
Increase (decrease) in taxes payable		4,273
Increase (decrease) in net customer/developer deposits		820,243
Increase (decrease) in gas rate stabilization		(69,414)
Increase (decrease) in net pension liability/deferrals		572,865
Increase (decrease) in total OPEB liability		37,793
Net Cash Provided By Operating Activities	$	7,312,090

Note 1 – Summary of Significant Accounting Policies:

A. Reporting Entity – Lake Apopka Natural Gas District (the 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 accounting and reporting policies of the District conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB).

   The financial statements report uses 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 nonoperating in the financial statements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

   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. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. 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 statement of financial position 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 $1,000 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. Employee Benefits – Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred.

8. Deferred Outflow/Inflow of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time.

   The deferred outflows related to pensions are an aggregate of items related to pensions, as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 10.

   In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting as deferred inflows of resources.

   The deferred inflows related to pensions are an aggregate of items related to pensions, as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 10.

9. Pensions/Net Pension Liability – In the statement of net position, net pension liability represents the District's proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. This proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing pension plans to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position.

   For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Employee Benefits and Other Post-Employment Benefits (OPEB) – Employees earn annual vacation leave based upon the following schedule:

Length of Service	Hours per Year
1-2 Years	84 hours
3-5 Years	96 hours
6-8 Years	108 hours
9-10 Years	120 hours
11-13 Years	132 hours
14-16 Years	144 hours
17-19 Years	156 hours
20-24 Years	168 hours
25 Years	200 hours

   Employees can accumulate up to 10 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, provided they submit adequate written notice and are not being terminated for misconduct.

   Employees earn sick leave at the rate of 4 hours per month during 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.

   OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits and life insurance. Like pensions, OPEB arises from an exchange of salaries and benefits for employees rendered and constitute part of compensation for those services. The amounts are accrued when incurred in the statement of net position.

11. Use of Restricted Resources – The District's policy is to spend unrestricted funds only after all of the applicable restricted resources have been depleted.

E. Revenues and Expenses

1. Revenues and Expenses – The District distinguishes operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering in connection with the District's ongoing operations. The principal operating revenues of the District are charges for services to customers for natural gas services. The significant expenses of the District consist of costs associated with the purchase and distribution of services, advertising and marketing, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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 Position

Net position represents the difference between assets and liabilities in the statement of net position. Net invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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, 2020 was $80,949. The allowance is based upon management's specific identification of receivables that may become uncollectible.

Note 4 – Capital Assets:

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

	Balance 9/30/19	Additions	Deletions	Balance 9/30/20
Land	$ 282,229	$ -	$ -	$ 282,229
Buildings	2,345,386	10,128	-	2,355,514
Gas distribution system	53,115,036	3,788,219	-	56,903,255
Office furniture and equipment	214,285	13,454	-	227,739
Computer equipment and software	1,293,351	42,861	-	1,336,212
Transportation equipment	1,309,158	-	-	1,309,158
Tools and work equipment	1,574,641	21,236	-	1,595,877
Communication equipment	199,067	-	-	199,067
Other equipment	2,795	-	-	2,795
Totals	60,335,948	3,875,898	-	64,211,846
Less: Accumulated depreciation	(21,492,324)	(1,779,324)	-	(23,271,648)
Net	$ 38,843,624	$ 2,096,574	$ -	$ 40,940,198

Note 5 – Other Post-Employment Benefits:

Plan Description:

The District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to continue medical insurance coverage as a participant in the District's plan.

Plan Membership as of October 1, 2018:

Inactive Plan Member or Beneficiaries Currently Receiving Benefits	0
Inactive Plan Member Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	58
	58

Benefits Provided:

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive postemployment health care benefits. All retiree and dependent coverage is at the expense of the retiree.

Total OPEB Liability:

The measurement date is September 30, 2020.
The measurement period for the OPEB expense was October 1, 2019 to September 30, 2020.
The reporting period is October 1, 2019 through September 30, 2020.

The District's Total OPEB Liability was measured as of September 30, 2020.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	2.14%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	56

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

Discount Rate:

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense:

For the year ended September 30, 2020, the District will recognize OPEB Expense of $44,694.

Changes in Total OPEB Liability:

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2019	$ 141,533
Changes for a Year:	
Service Cost	10,096
Interest	5,332
Changes of Assumptions	27,766
Benefit Payments	(5,401)
Net Changes	37,793
Reporting Period Ending September 30, 2020	$ 179,326

Changes of assumptions reflect a change in the discount rate from 3.58% for the fiscal year ended September 30, 2019 to 2.14% for the fiscal year ended September 30, 2020. Other changes of assumptions include updated health care costs and trend rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one-percentage-point-lower or one-percentage-point-higher than the current discount rate:

	1% Decrease 1.14%	Current Discount Rate 2.14%	1% Increase 3.14%
Total OPEB Liability (Asset)	$ 204,034	$ 179,326	$ 159,975

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point-lower or one-percentage-point-higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.00%	Healthcare Cost Trend Rates 4.00% - 8.00%	1% Increase 5.00% - 9.00%
Total OPEB Liability (Asset)	$ 155,060	$ 179,326	$ 210,516

Note 6 – Long-Term Debt:

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for $2,500,000 at a monthly interest rate of LIBOR plus 1.25% for a minimum of three years. The revolving line of credit for $2,500,000 with TD Bank was replaced with a $3,000,000 credit line with Regions Bank with a three year -term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. At the end of the fiscal year, the note payable balance outstanding was $3,230,216 and the revolving line of credit balance was $0.

The District has pledged the net revenues generated by the overall system for payment of the note and revolving line of credit issued. The note and revolving line of credit are payable solely from the District's customers' net revenues payable through fiscal year 2027. Annual principal and interest payments on the note are currently expected to require approximately 10% of net revenues. The total principal and interest remaining on the note, as noted below under Debt Service Requirements, is $3,450,918. Principal and interest paid for the current year and total customer net revenues were $559,608 and $6,007,737, respectively.

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance 9/30/19	Additions	Reductions	Balance 9/30/20	Due Within One Year
2017 Note	$3,715,059	$ -	$ 484,843	$ 3,230,216	$495,321
Net Pension Liability	4,299,956	843,468	-	5,143,424	-
Total OPEB Liability	141,533	37,793	-	179,326	-
Employee Benefits	761,765	51,010	21,364	791,411	163,107
	$8,918,313	$932,271	$ 506,207	$ 9,344,377	$658,428

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2020 are as follows:

Year Ending September 30,	Principal	Interest
2021	$ 495,321	$ 64,287
2022	506,026	53,583
2023	516,961	42,647
2024	528,134	31,475
2025	539,547	20,061
Thereafter	644,227	8,650
Total Payments	$ 3,230,216	$ 220,702

Note 7 – Gas Rate Stabilization:

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

Note 8 – Dividend Payable:

At their September 25, 2017 meeting, the District's Board of Commissioners (the Board) approved the establishment of a Dividend Payable account to accumulate funds equal to one (1) cent for each Therm of natural gas billed to customers each month for potential distribution to member cities.

On November 19, 2019, the Board approved resolution number 2019-02, entitled *A Resolution of Lake Apopka Natural Gas District Establishing Parameters for Future Member Dividend Distribution, Providing For Future Review and Revision As Best Meets The Needs Of The District, And Providing An Effective Date*. The resolution states that dividends shall be payable when the amount in the Dividend Payable account reaches 10% of the sum total of the outstanding bond and revolving line of credit amounts.

The dividend to be distributed would be determined by Board and requires leaving a minimum in the Dividend Payable account after dividend distribution of at least 10% of the sum total of the outstanding bond and revolving credit line amounts. Dividends would be distributed in equal proportions to each of the three (3) member municipalities, at such time and such amount the Board determines appropriate, provided that at all times there shall remain a minimum amount in the Dividend Payable account of at least 10% in excess of the sum total of the outstanding bond and line of credit; and the Board may, from time to time, review and revise the parameters to best meet the needs of the District. The Dividend Payable balance was $611,652 at September 30, 2020.

Note 9 – Contingencies:

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

Note 10 – Other Matters:

The District's current pipeline capacity contracts require the District to purchase a minimum volume of pipeline capacity on a monthly basis. Currently, 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 11 – 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 FRS 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 Pension 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 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 5 to 8 highest years of earnings. Benefits also include 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 FRS employer for up to 60 months. Accumulated system benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the FRS 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 10.00%, 27.29%, and 16.98%, respectively, of annual covered payroll, which includes the HIS Plan rate of 1.66%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the FRS for the years ended September 30, 2020, 2019, and 2018 were $373,059, $359,340, and $331,308, respectively. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – At September 30, 2020, the District reported a liability of $3,824,316 and $1,319,108 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share for the Pension Plan was .008823688%, which was an decrease of .000091625% from its proportionate share measured as of June 30, 2019. At June 30, 2020, the proportionate share for the HIS Plan was .01080365%, which was an decrease of .00018613% from its proportionate share measured as of June 30, 2019.

For the year ended September 30, 2020, the District recognized pension expense of $826,186 for the Pension Plan, and $116,854 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	$ 146,364	$ -
Change of assumptions	692,323	-
Net difference between projected and actual earnings on Pension Plan investments	227,703	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	34,930	34,946
District Pension Plan contributions subsequent to the measurement date	82,180	-
Total	$ 1,183,500	$ 34,946

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	$ 53,960	$ 1,018
Change of assumptions	141,842	76,701
Net difference between projected and actual on HIS Plan investments	1,053	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	28,183	23,661
District HIS Plan contributions subsequent to the measurement date	14,559	-
Total	$ 239,597	$ 101,380

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling $82,180 and $14,559, respectively, resulting from District contributions to the Plans subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2020. 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 follows:

Fiscal Year Ending September 30,	Pension Plan Amount	HIS Plan Amount
2021	$ 221,383	$ 39,299
2022	342,204	28,241
2023	291,492	8,147
2024	173,628	13,301
2025	37,667	19,352
Thereafter	-	15,318
Total	$ 1,066,374	$ 123,658

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of Pension Plan investment expense
Mortality	PUB2010 base table varies by member category and sex

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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	1.0 %	2.2 %
Fixed income	19.0	3.0
Global equity	54.2	8.0
Real estate	10.3	6.4
Private equity	11.1	10.8
Strategic investments	4.4	5.5
Total	100.0 %	

Pension Plan Discount Rate – The discount rate used to measure the total pension liability was 6.80%. The prior year discount rate was 6.90%. 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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	2.21%
Mortality	Generational RP-2000 with Projection Scale BB

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 2.21%. The prior year discount rate was 3.50%. 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.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – 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 (5,80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Pension Plan proportionate share of the net pension liability	$ 6,106,791	$ 3,824,316	$ 1,917,984

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
HIS Plan proportionate share of the net pension liability	$ 1,524,830	$ 1,319,108	$ 1,150,725

The FRS 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, 2020.

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

Lake Apopka Natural Gas District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	9/30/2020	9/30/2019	9/30/2018
Reporting Period Ending	9/30/2020	9/30/2019	9/30/2018
Measurement Date	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability			
Service Cost	$ 10,096	$ 9,007	$ 8,787
Interest	5,332	6,006	5,450
Difference between Expected and Actual Experience	-	(12,287)	-
Change of Assumptions	27,766	9,718	(9,056)
Benefit Payments	(5,401)	(11,113)	(11,707)
Net Change in Total OPEB Liability	37,793	1,331	(6,526)
Total OPEB Liability - Beginning	141,533	140,202	146,728
Total OPEB Liability - Ending	$ 179,326	$ 141,533	$ 140,202
Covered Employee Payroll	$ 3,565,134	$ 3,478,180	$ 3,202,204
Total OPEB Liability as a percentage of Covered Employee Payroll	5.03%	4.07%	4.38%

Notes to schedule:

Change of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ended September 30, 2020:	2.14%
Fiscal Year Ended September 30, 2019:	3.58%
Fiscal Year Ended September 30, 2018:	4.18%
Fiscal Year Ended September 30, 2017:	3.64%

The District implemented GASB Statement No. 75 for the fiscal year ended September 30, 2018, information for prior years is not available.

Lake Apopka Natural Gas District
Schedule of Contributions

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2020	$ 293,172	$ 293,172	$ -	$ 3,764,787	7.79%
2019	$ 297,921	$ 297,921	$ -	$ 3,699,919	8.05%
2018	$ 250,266	$ 250,266	$ -	$ 3,586,313	6.98%
2017	$ 229,868	$ 229,868	$ -	$ 3,431,192	6.70%
2016	$ 211,132	$ 211,132	$ -	$ 3,326,467	6.35%
2015	$ 219,757	$ 219,757	$ -	$ 2,949,736	7.45%
2014	$ 197,434	$ 197,434	$ -	$ 2,016,036	9.79%

Notes:

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

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

District's Fiscal Year Ended Sept. 30,	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2020	$ 62,256	$ 62,256	$ -	$ 3,764,787	1.65%
2019	$ 61,419	$ 61,419	$ -	$ 3,699,919	1.66%
2018	$ 59,111	$ 59,111	$ -	$ 3,586,313	1.65%
2017	$ 58,272	$ 58,272	$ -	$ 3,431,192	1.70%
2016	$ 54,924	$ 54,924	$ -	$ 3,326,467	1.65%
2015	$ 40,320	$ 40,320	$ -	$ 2,949,736	1.37%
2014	$ 34,717	$ 34,717	$ -	$ 2,016,036	1.72%

Notes:

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

Lake Apopka Natural Gas District
Schedule of the District's Proportionate Share of the Net Pension Liability

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	2020	0.0088%	$ 3,824,316	$ 3,764,787	101.58%	78.85%
2019	2019	0.0089%	$ 3,070,310	$ 3,699,919	82.98%	82.61%
2018	2018	0.0088%	$ 2,645,041	$ 3,586,313	73.75%	84.26%
2017	2017	0.0088%	$ 2,611,870	$ 3,431,192	76.12%	83.89%
2016	2016	0.0086%	$ 2,186,079	$ 3,326,467	65.72%	84.88%
2015	2015	0.0090%	$ 1,164,215	$ 2,949,736	39.47%	92.00%
2014	2014	0.0074%	$ 1,266,714	$ 2,016,036	62.83%	96.09%

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

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

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District'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
2020	2020	0.0108%	$ 1,319,108	$ 3,764,787	35.04%	3.00%
2019	2019	0.0109%	$ 1,229,646	$ 3,699,919	33.23%	2.63%
2018	2018	0.0109%	$ 1,153,673	$ 3,586,313	32.17%	2.15%
2017	2017	0.0110%	$ 1,177,327	$ 3,431,192	34.31%	1.64%
2016	2016	0.0105%	$ 1,248,843	$ 3,326,467	37.54%	0.97%
2015	2015	0.0107%	$ 1,075,160	$ 2,949,736	36.45%	0.50%
2014	2014	0.0101%	$ 966,589	$ 2,016,036	47.95%	0.99%

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

Florida Retirement System

NOTE 1 - CHANGES IN BENEFIT TERMS

FRS Pension Plan:

2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

HIS Program:

2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

2020:

The long-term expected rate of return was decreased from 6.90% to 6.80%, and the active member mortality assumption was updated.

2019:

The long-term expected rate of return was decreased from 7.00% to 6.90%, and the active member mortality assumption was updated.

2018:

The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.

2017:

The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.

2016:

The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member mortality assumption was updated.

2015:

No significant changes. The inflation assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.

HIS Program:

The municipal rate used to determine total pension liability changed each year:

2020: 2.21%
2019: 3.50%
2018: 3.87%
2017: 3.58%
2016: 2.85%
2015: 3.80%

Certified Public Accountants

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*

To the Board of Commissioners of the
Lake Apopka Natural Gas District
Winter Garden, 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 basic financial statements, as listed in the table of contents, of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 4, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Commissioners of the
Lake Apopka Natural Gas District

Compliance and Other Matters

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

We noted certain matters that we reported to the District's management, in a separate letter dated March 4, 2021.

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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 4, 2021

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the basic financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 4, 2021.

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 of America and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Accountant's Report on an examination conducted with AICPA *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated March 4, 2021 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. In connection with the preceding audit, there were no findings or recommendations.

Official Title and Legal Authority

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

Financial Condition and Management

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

To the Board of Commissioners of the
Lake Apopka Natural Gas District

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General,* requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the District for the fiscal year ended September 30, 2020.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General,* requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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, Federal and other granting agencies, the District Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 4, 2021

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the compliance of the Lake Apopka Natural Gas District (the District) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2020. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with those requirements in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 4, 2021