

# **Financial Statements**

**September 30, 2021**

**Homosassa Special Water District**

## Introductory Section

	<u>Page</u>
<b>I. Introductory Section:</b>	
Table of Contents	i
<b>II. Financial Section:</b>	
Independent Auditor's Report	1
Management Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	10
General Fund Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual	11
Statement of Net Position - Proprietary Fund	12
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Fund	14
Statement of Cash Flows - Proprietary Fund	15
Notes to Financial Statements	16
Required Supplementary Information	33
<b>III. Internal Control and Compliance Section:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards	36
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	37
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs - Federal Programs	41
Management Comments and Required Communications	42
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	44

## **Financial Section**

This section contains the following subsections:

- . Independent Auditor's Report
- . Management's Discussion and Analysis
- . Basic Financial Statements
- . Required Supplementary Information

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
*Homosassa Special Water District*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Homosassa Special Water District*, (the District), as of and for the year ended September 30, 2021, 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**

The District's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of September 30, 2021, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other post-employment and pension disclosures on pages 3-6 and 33-35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement 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 inquires 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 statement, 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (the "Schedule"), as required by the audit requirements for Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated June 22, 2022 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



Orlando, Florida  
June 22, 2022

As management of the Homosassa Special Water District we offer readers of the Homosassa Special Water District's financial statements this narrative overview and analysis of the financial activities of the Homosassa Special Water District (the District) for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements (beginning on page 7).

### **Financial Highlights**

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,982,231 (net position). Of this amount, \$890,199 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$918,680.
- As of the close of the current fiscal year, the Homosassa Special Water District's governmental funds reported combined ending fund balances of \$1,117,099, a decrease of \$88,549 in comparison with the prior year. Unassigned fund balance for the General Fund was \$1,117,099 or 7 times the amount of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Homosassa Special Water District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

### **Fund Financial Statements**

The fund financial statements begin on page 9 and provide detailed information about the funds. Some funds are required to be established by State law. However, the Board of Commissioners established another fund to help control and manage money for particular purposes. The District has a governmental fund and a proprietary fund.

#### *Governmental Fund*

The District's services are reported in the governmental fund, which focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

#### *Proprietary Fund*

Operations that are financed and operated similar to private businesses are reported in the proprietary fund. This fund is reported using the accrual basis of accounting.

#### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to financial statements can be found on pages 16 - 32 of this report.

Homosassa Special Water District  
**Management's Discussion and Analysis**

**Government-Wide Financial Analysis**

The District's net position for the year ending 2021 and 2020 were \$5,982,231 and \$5,063,551 respectively, an increase of \$918,680. A large portion of the District's net position (73%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding.

**Statement of Net Position as of September 30:**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	\$ 1,119,564	\$ 1,215,916	\$ 1,737,609	\$ 1,731,231	\$ 2,857,173	\$ 2,947,147
Capital assets	-	-	5,803,139	4,854,396	5,803,139	4,854,396
<b>Total assets</b>	<b>1,119,564</b>	<b>1,215,916</b>	<b>7,540,748</b>	<b>6,585,627</b>	<b>8,660,312</b>	<b>7,801,543</b>
Deferred Outflows of Resources	19,001	20,205	255,640	271,839	274,641	292,044
<b>Liabilities:</b>						
Current liabilities	2,465	10,268	276,306	214,813	278,771	225,081
Noncurrent liabilities	111,577	147,920	2,032,730	2,630,754	2,144,307	2,778,674
<b>Total liabilities</b>	<b>114,042</b>	<b>158,188</b>	<b>2,309,036</b>	<b>2,845,567</b>	<b>2,423,078</b>	<b>3,003,755</b>
Deferred Inflows of Resources	36,643	1,818	493,001	24,463	529,644	26,281
<b>Net Position:</b>						
Net investment in capital assets	-	-	4,358,453	3,340,581	4,358,453	3,340,581
Restricted	-	-	733,579	749,415	733,579	749,415
Unrestricted	987,880	1,076,115	(97,681)	(102,560)	890,199	973,555
<b>Total net position</b>	<b>\$ 987,880</b>	<b>\$ 1,076,115</b>	<b>\$ 4,994,351</b>	<b>\$ 3,987,436</b>	<b>\$ 5,982,231</b>	<b>\$ 5,063,551</b>



**Changes in Net Position for the Year Ended September 30:**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program Revenues-						
Charges for services	\$ -	\$ -	\$1,727,841	\$1,654,729	\$1,727,841	\$1,654,729
Intergovernmental	-	-	435,811	103,616	435,811	103,616
General Revenues-						
Ad valorem taxes	690,270	661,784	-	-	690,270	661,784
Investment income and miscellaneous	5,242	15,401	9,471	25,489	14,713	40,890
<b>Total Revenues</b>	<b>695,512</b>	<b>677,185</b>	<b>2,173,123</b>	<b>1,783,834</b>	<b>2,868,635</b>	<b>2,461,019</b>
<b>Expenses:</b>						
General government	157,131	147,481	-	-	157,131	147,481
Water system	-	-	1,792,824	1,799,568	1,792,824	1,799,568
<b>Total Expenses</b>	<b>157,131</b>	<b>147,481</b>	<b>1,792,824</b>	<b>1,799,568</b>	<b>1,949,955</b>	<b>1,947,049</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>538,381</b>	<b>529,704</b>	<b>380,299</b>	<b>(15,734)</b>	<b>918,680</b>	<b>513,970</b>
<b>Transfers</b>	<b>(626,616)</b>	<b>(1,223,535)</b>	<b>626,616</b>	<b>1,223,535</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(88,235)</b>	<b>(693,831)</b>	<b>1,006,915</b>	<b>1,207,801</b>	<b>918,680</b>	<b>513,970</b>
<b>Net Position - beginning</b>	<b>1,076,115</b>	<b>1,769,946</b>	<b>3,987,436</b>	<b>2,779,635</b>	<b>5,063,551</b>	<b>4,549,581</b>
<b>Net Position - ending</b>	<b>\$ 987,880</b>	<b>\$1,076,115</b>	<b>\$4,994,351</b>	<b>\$3,987,436</b>	<b>\$5,982,231</b>	<b>\$5,063,551</b>

**Governmental Activities**

Governmental activities decreased net position \$88,235. Total governmental activities expenses increased \$9,650 (7%), and transfers out decreased by \$596,919.

**Business-Type Activities**

Charges for services for business-type activities increased 4% from 2020 to 2021. Total business-type expenses decreased 0.3% from 2020 to 2021.

**Financial Analysis of the District's Funds**

*Governmental Funds*

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund balance decreased \$88,549 from the previous year and is reporting an ending fund balance of \$1,117,099. All of this balance is unassigned.

*Proprietary Funds*

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Water System Revenue Fund reported an operating loss of \$32,749, which is an increase of \$69,757 from the previous year. Of the total net position in the amount of \$4,994,351, \$733,579 is restricted for FDOT projects.

**Final Budget versus Actual Results - General Fund**

Total revenues for the year ending 2021 came in \$7,020 less than what was budgeted. This is due to investment income being lower than the budget.

Total expenditures for the year ending 2021 came in \$292,205 less than budgeted, due to budgeting for capital outlay, which was not expended in the General Fund. Transfers out came in \$90,514 over budget due to the transfers of capital outlay from the general fund to the water fund.

**Capital Assets**

At September 30, 2021, the District's investment in capital assets amounts to \$5,803,139 (net of accumulated depreciation). This amount represents an increase of \$948,743 from the year ending September 30, 2020. This increase is due to current year additions exceeding depreciation.

**Long-Term Debt**

At September 30, 2021, the District had a Note payable of \$1,021,733 outstanding, and two SRF loans of \$422,953 outstanding.

**Economic Factors**

In October 2019 the District began annual water rate increases.

For the 2021-2022 budget cycle, the Board set the millage rate at 1.3307 which is expected to bring in an additional \$29,500 of ad valorem revenues.

**Requests for Information**

This financial report is designed to provide a general overview of the Homosassa Special Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to the office of the Homosassa Special Water District, P.O. Box 195, Homosassa, Florida 34487.

## **Basic Financial Statements**

Homosassa Special Water District  
**Statement of Net Position**  
September 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,119,564	\$ 548,444	\$ 1,668,008
Receivables (net of allowance)	-	135,088	135,088
Due from other governments	-	144,625	144,625
Prepays	-	733,579	733,579
Inventory-field supplies	-	175,873	175,873
Capital assets not being depreciated:			
Land	-	216,239	216,239
Construction in progress	-	2,986,610	2,986,610
Capital assets being depreciated, net of accumulated depreciation	-	2,600,290	2,600,290
<b>Total assets</b>	<b>1,119,564</b>	<b>7,540,748</b>	<b>8,660,312</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of pension earnings	19,001	255,640	274,641
<b>Liabilities</b>			
Accounts payable	2,465	227,347	229,812
Customer deposits	-	48,959	48,959
Noncurrent Liabilities:			
Due within one year	-	224,685	224,685
Due in more than one year	111,577	1,808,045	1,919,622
<b>Total liabilities</b>	<b>114,042</b>	<b>2,309,036</b>	<b>2,423,078</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of pension earnings	36,643	493,001	529,644
<b>Net Position</b>			
Net investment in capital assets	-	4,358,453	4,358,453
Restricted for FDOT projects	-	733,579	733,579
Unrestricted	987,880	(97,681)	890,199
<b>Total net position</b>	<b>\$ 987,880</b>	<b>\$ 4,994,351</b>	<b>\$ 5,982,231</b>

Homosassa Special Water District  
**Statement of Activities**  
Year Ended September 30, 2021

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Position		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government</b>						
Governmental Activities -						
General government	\$ 157,131	\$ -	\$ -	\$ (157,131)	\$ -	\$ (157,131)
<b>Total governmental activities</b>	<b>157,131</b>	<b>-</b>	<b>-</b>	<b>(157,131)</b>	<b>-</b>	<b>(157,131)</b>
Business-type activities -						
Water	1,792,824	1,727,841	435,811	-	370,828	370,828
<b>Total business-type activities</b>	<b>1,792,824</b>	<b>1,727,841</b>	<b>435,811</b>	<b>-</b>	<b>370,828</b>	<b>370,828</b>
<b>Total primary government</b>	<b>\$ 1,949,955</b>	<b>\$ 1,727,841</b>	<b>\$ 435,811</b>	<b>(157,131)</b>	<b>370,828</b>	<b>213,697</b>
<b>General Revenues</b>						
Property taxes				690,270	-	690,270
Investment income and miscellaneous				5,242	9,471	14,713
Transfers				(626,616)	626,616	-
<b>Total general revenues and transfers</b>				<b>68,896</b>	<b>636,087</b>	<b>704,983</b>
<b>Change in net position</b>				<b>(88,235)</b>	<b>1,006,915</b>	<b>918,680</b>
Net Position, beginning				1,076,115	3,987,436	5,063,551
<b>Net Position, ending</b>				<b>\$ 987,880</b>	<b>\$ 4,994,351</b>	<b>\$ 5,982,231</b>

Homosassa Special Water District  
**Balance Sheet Governmental Fund**  
September 30, 2021

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,119,564
<b>Total assets</b>	<u>\$ 1,119,564</u>
<b>Liabilities and Fund Balance</b>	
Liabilities:	
Accounts payable	\$ 2,465
<b>Total liabilities</b>	<u>2,465</u>
Fund Balance:	
Unassigned	<u>1,117,099</u>
<b>Total fund balance</b>	<u>1,117,099</u>
<b>Amounts reported for governmental activities in the Statement of Net Position are different</b>	
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however they are recorded in the statement of net position under full accrual accounting.	(17,642)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	(86,507)
Net pension liability	<u>(25,070)</u>
<b>Net position of governmental activities</b>	<u>\$ 987,880</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund**

Year Ended September 30, 2021

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 690,270
Investment and miscellaneous earnings	5,242
<b>Total revenues</b>	<u>695,512</u>
<b>Expenditures</b>	
Current:	
General government	157,445
<b>Total expenditures</b>	<u>157,445</u>
Excess of Revenues Over Expenditures	<u>538,067</u>
Other Financing Sources(Uses):	
Transfers out	(626,616)
<b>Total other financing sources (uses)</b>	<u>(626,616)</u>
<b>Net Change in Fund Balance</b>	(88,549)
Fund Balance, beginning of year	1,205,648
<b>Fund Balance, end of year</b>	<u>\$ 1,117,099</u>
 <b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:</b>	
Net change in fund balances, governmental funds	\$ (88,549)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.	3,500
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(3,186)
Change in net position of governmental activities	<u>\$ (88,235)</u>

**General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 679,000	\$ 690,032	\$ 690,270	\$ 238
Investment and miscellaneous income	12,500	12,500	5,242	(7,258)
<b>Total revenues</b>	<b>691,500</b>	<b>702,532</b>	<b>695,512</b>	<b>(7,020)</b>
<b>Expenditures:</b>				
General Government:				
Tax collection and assessment fee	32,000	32,000	31,661	339
Salaries, wages and benefits	83,118	83,145	82,385	760
Audit and accounting fees	22,000	22,000	15,680	6,320
Legal fees	20,500	24,070	22,450	1,620
Engineers	7,000	14,435	3,811	10,624
Capital Outlay	274,000	274,000	1,458	272,542
<b>Total general government</b>	<b>438,618</b>	<b>449,650</b>	<b>157,445</b>	<b>292,205</b>
<b>Total expenditures</b>	<b>438,618</b>	<b>449,650</b>	<b>157,445</b>	<b>292,205</b>
<b>Excess of Revenues Over Expenditures</b>	<b>252,882</b>	<b>252,882</b>	<b>538,067</b>	<b>285,185</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(270,000)	(536,102)	(626,616)	(90,514)
Total other financing sources (uses)	(270,000)	(536,102)	(626,616)	(90,514)
<b>Net Change in Fund Balance</b>	<b>(17,118)</b>	<b>(283,220)</b>	<b>(88,549)</b>	<b>194,671</b>
Fund Balance, beginning of year	1,205,648	1,205,648	1,205,648	-
<b>Fund Balance, end of year</b>	<b>\$ 1,188,530</b>	<b>\$ 922,428</b>	<b>\$ 1,117,099</b>	<b>\$ 194,671</b>



Homosassa Special Water District  
**Statement of Net Position Proprietary Fund**  
September 30, 2021

	<b>Water System Revenue Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 548,444
Accounts receivable, net	135,088
Due from other governments	144,625
Prepaid expenses	733,579
Inventories	175,873
<b>Total current assets</b>	<b>1,737,609</b>
Noncurrent assets	
Capital Assets:	
Land	216,239
Construction in progress	2,986,610
Buildings	434,504
Water distribution system	6,088,510
Improvements	880,411
Machinery and equipment	1,228,009
Software	33,359
Less accumulated depreciation	(6,064,503)
<b>Total noncurrent assets</b>	<b>5,803,139</b>
<b>Total assets</b>	<b>7,540,748</b>
Deferred Outflows of Resources:	
Deferred outflows of pension earnings	255,640

Homosassa Special Water District  
**Statement of Net Position Proprietary Fund**  
September 30, 2021

	<b>Water System Revenue Fund</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 227,347
Customer deposits payable	48,959
Notes payable-current	212,601
Compensated absences-current	12,084
<b>Total current liabilities</b>	<u>500,991</u>
Noncurrent liabilities:	
OPEB obligation	190,316
Compensated absences	48,337
Notes payable	1,232,085
Net pension liability	337,307
<b>Total noncurrent liabilities</b>	<u>1,808,045</u>
<b>Total liabilities</b>	<u>2,309,036</u>
Deferred Inflows of Resources:	
Deferred inflows of pension earnings	<u>493,001</u>
<b>Net Position</b>	
Net investment in capital assets	4,358,453
Restricted for FDOT projects	733,579
Unrestricted	(97,681)
<b>Total net position</b>	<u><u>\$ 4,994,351</u></u>

Homosassa Special Water District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund**  
Year Ended September 30, 2021

	<b>Water System Revenue Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ 1,727,841
<b>Total operating revenues</b>	<u>1,727,841</u>
<b>Operating Expenses</b>	
Personal services	877,228
Utilities	64,736
Materials and supplies	232,632
Repairs and maintenance	119,190
Depreciation and amortization	238,508
Insurance	101,377
Other expenses	126,919
<b>Total operating expenses</b>	<u>1,760,590</u>
<b>Operating loss</b>	<u>(32,749)</u>
<b>Nonoperating Revenue (Expenses)</b>	
Intergovernmental	435,811
Investment income	9,471
Interest expense	(32,234)
<b>Total nonoperating revenue (expenses)</b>	<u>413,048</u>
<b>Income (loss) before transfers</b>	380,299
Transfers In	626,616
<b>Change in net position</b>	1,006,915
<b>Total Net Position, beginning</b>	<u>3,987,436</u>
<b>Total Net Position, ending</b>	<u><u>\$ 4,994,351</u></u>

Homosassa Special Water District  
**Statement of Cash Flows Proprietary Fund**  
Year Ended September 30, 2021

	<b>Water System Revenue Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,745,201
Cash paid to employees	(921,386)
Cash paid to suppliers	(605,359)
<b>Net cash provided by operating activities</b>	<b>218,456</b>
<b>Cash Flows from Investing Activities:</b>	
Investment income (loss)	9,471
<b>Net cash provided by investing activities</b>	<b>9,471</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfer in from general fund	626,616
<b>Net cash provided by noncapital financing activities</b>	<b>626,616</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital grants	394,802
Acquisitions and construction of capital assets	(1,187,251)
Proceeds from notes payable	368,604
Payments on notes payable	(437,733)
Interest paid on notes payable	(32,234)
<b>Net cash used by capital and related financing activities</b>	<b>(893,812)</b>
<b>Net Increase in Cash</b>	<b>(39,269)</b>
<b>Cash and Cash Equivalents, beginning</b>	<b>587,713</b>
<b>Cash and Cash Equivalents, ending</b>	<b>\$ 548,444</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating loss	(32,749)
Adjustments Not Affecting Cash:	
Depreciation	238,508
Change in Assets and Liabilities:	
Decrease (increase) in accounts and unbilled revenue receivable	18,745
Decrease (increase) in prepaid expenses	15,836
Increase (decrease) in accounts payable	62,878
Increase (decrease) in OPEB obligation	7,011
Decrease (increase) in deferred outflows	16,199
Increase (decrease) in deferred inflows	468,538
Increase (decrease) in net pension liability	(531,825)
Increase (decrease) in salaries payable	(4,081)
Decrease (increase) in inventory	(39,219)
Increase (decrease) in customers' deposits	(1,385)
<b>Total adjustments</b>	<b>251,205</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 218,456</b>

**Notes to Financial Statements**

## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

The *Homosassa Special Water District* (the District) was created pursuant to an act (Chapter 59-1177) passed by the Florida House and Senate in June 1959, establishing a public body corporate and political subdivision in Citrus County, Florida.

The Board of Commissioners of Homosassa Special Water District, a five-member group, is the level of government which has governance responsibilities over all activities related to supplying water to customers within the boundaries of the District.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organizations' governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, there are no potential component units or related organizations of the District.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for; (1) the governmental fund (general fund), statement of revenue, expenditures and changes in fund balance- Budget and Actual; (2) proprietary fund (water system revenue fund), statements of revenue, expenses and changes in fund net position and cash flows.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Ad valorem taxes attach, as an enforceable lien, on property as of February 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent March 1 of the following year. Ad valorem tax revenues are recognized when they become available. Available includes those ad valorem tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Interest associated with the current fiscal period is considered susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

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

### **Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The funds used by the District are as follows:

#### **General Fund**

Is the major governmental fund of the District. It accounts for all financial resources, except those required to be accounted for in another fund.

#### **Proprietary Fund - Water System Revenue Fund**

A proprietary fund is distinguished from a governmental fund in that proprietary funds report on the determination of net income, financial position, and cash flows. Activities reported in this fund generally include those services that are funded by user fees (or other income sources) that are structured to recover the costs of providing those specific services.

The Water System Revenue Fund is the proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of this fund is that the costs, including depreciation, of supplying water to customers within the District boundaries be financed or recovered primarily through user charges. The Water System Revenue Fund is also used to report all of the transactions and balances of special assessment projects.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's water system revenue fund are charges to customers for sales and services. The District also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

### **Assets, Liabilities and Net Position or Equity**

#### *Cash Equivalents*

For purposes of the statement of cash flows, the water system revenue fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, including deposits with the local government surplus trust funds investment pool.

#### *Inventory - Field Supplies*

Inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

#### *Prepays*

Included in prepaids are escrow funds held by FDOT for the U.S. Highway 19 project and the Halls River Bridge project.

#### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectible accounts. The District reserved \$9,365 for uncollectible accounts in the Water System Revenue Fund.

*Capital Assets*

Capital assets of the Water System Revenue Fund are recorded as expenditures at the time of purchase to satisfy budgetary requirements. At year-end, these assets are capitalized at cost for financial statement presentation. Cost includes capitalized interest on long-term obligations and overhead costs during the construction period of capital assets, when material. The District has adopted the accounting policy of capitalizing “infrastructure” capital assets (water lines and improvements, wells and similar assets) that are immovable and of value only to the District. Depreciation is calculated under the straight-line method and is charged to operations. The estimated lives of the assets, for determining depreciation charges are as follows:

<b>Assets</b>	<b>Year</b>
Water Distribution System and Water Treatment Plant	20-40
Office Buildings	30-40
Trucks, Equipment and Office Equipment	5-10
Software	3-5

Capital asset additions contributed to the Water System Revenue Fund are recorded as invested in capital assets at their acquisition value at time of acquisition.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category for the year ended September 30, 2021, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category for the year ended September 30, 2021, deferred inflows of pension earnings.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government - wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.



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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners is authorized to assign amounts for specific purposes. The Board of Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

Net position in the government-wide statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment, net of any related debt.

### *Budgets and Budgetary Accounting*

The District is required by state law to adopt an annual budget for each fund. Each budget is adopted on the cash basis. This basis is not consistent with accounting principles generally accepted in the United States of America (GAAP). Budgetary comparisons presented in this report, for the General Fund, are on this non-GAAP budgetary basis; however, there were no items at September 30, 2021 which would require conversion to GAAP budgetary basis. The budget is used as a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. The Board of Commissioners amends the budget as activities occur that warrant such changes. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the Board of Commissioners.

The District's procedures in establishing budgetary data reflected in the financial statements are as follows:

- a) In August, the Board of Commissioners meets and develops a budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures, revenues and intergovernmental transfers.
- b) Prior to October 1, the Board of Commissioners holds a public hearing, then formally approves the budget.

Appropriations for the general fund lapse at the end of the fiscal year.

Encumbrance accounting is not used by the District.

### *Excess Expenditures over Appropriations*

Transfers out exceeded appropriations by \$90,514 due to the transfer of capital outlay. These over expenditures were funded by available capital outlay appropriations.

### *Estimates*

The Board uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that were used.

### **New Accounting Standards**

In fiscal year 2021, the District has not implemented any new accounting standards with a material effect on the District's financial statements.

## **NOTE 2 CASH AND INVESTMENTS**

### **Cash Equivalents**

All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District's investment policies are governed by State Statutes which allow the following investments:

1. The Local Government Surplus Funds Trust (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest bearing savings accounts and certificates of deposit in qualified public depositories.
4. Direct obligations of the U.S. Government and its agencies.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund, therefore, the pool account balance can be used as fair value for the financial reporting.

At September 30, 2021, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Credit Rating</b>	<b>Weighted Average Maturity</b>
Florida Prime	\$ 1,183,312	AAAm	49 days

The District does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The District policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories (QPD) by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2021, all of the District's bank deposits were in QPDs.

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 216,239	\$ -	\$ -	\$ 216,239
Construction in progress	2,012,865	1,000,865	(27,120)	2,986,610
<b>Total capital assets not being depreciated</b>	<u>2,229,104</u>	<u>1,000,865</u>	<u>(27,120)</u>	<u>3,202,849</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	429,191	5,313	-	434,504
Water distribution system	6,054,010	34,500	-	6,088,510
Improvements/infrastructure	880,411	-	-	880,411
Machinery and equipment	1,106,575	173,693	(52,259)	1,228,009
Intangibles	33,359	-	-	33,359
<b>Total capital assets being depreciated</b>	<u>8,503,546</u>	<u>213,506</u>	<u>(52,259)</u>	<u>8,664,793</u>
Less Accumulated Depreciation for:				
Buildings	(197,440)	(11,309)	-	(208,749)
Water distribution system	(3,795,829)	(187,913)	-	(3,983,742)
Improvements/infrastructure	(851,309)	(2,425)	-	(853,734)
Machinery and equipment	(1,000,317)	(36,861)	52,259	(984,919)
Intangibles	(33,359)	-	-	(33,359)
<b>Total accumulated depreciation</b>	<u>(5,878,254)</u>	<u>(238,508)</u>	<u>52,259</u>	<u>(6,064,503)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,625,292</u>	<u>(25,002)</u>	<u>-</u>	<u>2,600,290</u>
<b>Total capital assets</b>	<u>\$ 4,854,396</u>	<u>\$ 975,863</u>	<u>\$ (27,120)</u>	<u>\$ 5,803,139</u>

Depreciation expense was \$238,508 and was charged to water activities for the year ended September 30, 2021.

**NOTE 4 LONG-TERM LIABILITIES**

**Series 2013 Note- Direct Borrowing**

On July 25, 2013, the District signed a promissory note for \$2,600,000 to finance the costs of certain capital improvements consisting of water line replacement and expansion of the water utility system and pay off the Series 2006 Note. The note requires monthly principal and interest payments beginning August 25, 2013 and carries a fixed interest rate of 2.60%. The maturity date is July 25, 2028 and is secured by a pledge of water system revenue. In the event of default, the entire unpaid principal and interest balance may become due.

Total principal and interest remaining on the Series 2013 Note as of September 30, 2021 is \$1,093,752. For the year ended September 30, 2021, principal and interest paid was \$461,302 and total water system revenue pledged for the year was \$841,846.

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**SRF Loans - Direct Borrowing**

In January 2019, the District executed Drinking Water State Revolving Fund (SRF) Loan agreement DW090201 for the construction of transmission facilities. This agreement provides for total funding of \$130,000 including principal forgiveness of \$65,000. The loan period is for 10 years with semiannual principal and interest payments beginning December 15, 2019 and carries a fixed interest rate of 1.88%. The note is secured by gross revenues from the water system net of operation and maintenance costs and payments on senior debt obligations. Total principal and interest remaining on the SRF Loan as of September 30, 2021 is \$58,789. For the year ended September 30, 2021, principal and interest paid was \$7,349 and pledged revenue was \$380,544.

In July 2019, the District executed Drinking Water State Revolving Fund (SRF) Loan agreement DW090202 for water main replacements. This agreement provides for total funding of \$2,560,000 including estimated principal forgiveness of \$1,328,250. The loan period is for 30 years and carries an estimated interest rate of 0.71%. Loan payments are scheduled to commence on August 15, 2022. The note is secured by gross revenues from the water system net of operation and maintenance costs. Total principal and interest remaining on the SRF Loan as of September 30, 2021 is \$381,040. For the year ended September 30, 2021, interest paid was \$1,316 and pledged revenue was \$380,544.

In the event of default on the State Revolving Fund Loans, the Florida Department of Environmental Protection may cause to establish rates and collect fees, require the District to account for all moneys received and used, appoint a receiver to manage the Water and Sewer Systems, intercept delinquent amounts plus a penalty due to the District under State Revenue Sharing, recover all amounts due including costs of collection and attorney fees, and accelerate the repayment schedule or increase the interest rate by a factor of up to 1.667.

A summary of long-term liability activity for the year ended September 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Other Post Employment Benefits	\$ 83,321	\$ 3,186	\$ -	\$ 86,507	\$ -
Net Pension Liability	64,599	-	(39,529)	25,070	-
Governmental Activities long-term liabilities	<u>\$ 147,920</u>	<u>\$ 3,186</u>	<u>\$ (39,529)</u>	<u>\$ 111,577</u>	<u>\$ -</u>
<b>Business-type Activities:</b>					
Notes Payable:					
Series 2013 Note	\$ 1,453,227	\$ -	\$ (431,494)	\$ 1,021,733	\$ 185,141
SRF Loans	60,588	368,604	(6,239)	422,953	27,460
Compensated Absences	64,502	-	(4,081)	60,421	12,084
Other Post Employment Benefits	183,305	7,011	-	190,316	-
Net Pension Liability	869,132	-	(531,825)	337,307	-
Business-type Activities long-term liabilities	<u>\$ 2,630,754</u>	<u>\$ 375,615</u>	<u>\$ (973,639)</u>	<u>\$ 2,032,730</u>	<u>\$ 224,685</u>

**NOTE 4 LONG TERM LIABILITIES (CONTINUED)**

A schedule of debt maturities for notes payable is as follows:

<b>Years Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 212,601	\$ 27,663
2023	240,911	22,758
2024	246,349	17,320
2025	251,923	11,746
2026	257,637	6,033
2027-2030	235,265	3,375
	<b>\$ 1,444,686</b>	<b>\$ 88,895</b>

**NOTE 5 RETIREMENT PLANS**

**Florida Retirement System Retirement Plan**

The District's employees participate in the Florida System Retirement Plan (the Plan), which is a conditionally qualified plan under Section 401(a) of the Internal Revenue Code. The Plan is a cost sharing public employee retirement system with one exception: All risks and costs are not shared by the District, but are the liability of the State of Florida. The Plan is funded through contributions by the District and the District has no legal obligation for paying benefits. Generally, membership is mandatory for all employees.

**General Information**

All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**FRS**

*Plan Description*

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

*Benefits Provided*

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

#### **NOTE 5 RETIREMENT PLANS (CONTINUED)**

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement. In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

#### *Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular - 10% and 10.82%; Senior Management Service – 27.29% and 29.01%; Elected Officers' – 49.18% and 51.42%; and DROP participants -16.98% and 18.34%.

These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021.

The District's contributions, including employee contributions, to the Pension Plan totaled \$81,558 for the fiscal year ended September 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -*  
At September 30, 2021, the District reported a liability of \$146,992 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was .00194 percent, which was an increase of .00027 percent from its proportionate share measured as of June 30, 2020.

**NOTE 5 RETIREMENT PLANS (CONTINUED)**

For the fiscal year ended September 30, 2021, the District recognized pension expense of \$17,148. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 25,195	\$ -
Change of Assumptions	100,579	-
Net Difference Between Projected and Actual earnings on Pension		
Plan investments	-	512,819
Changes in Proportion and Differences Between District Pension Plan		
Contributions and Proportionate Share of Contributions	95,318	6,956
District Pension Plan Contributions Subsequent to the Measurement Date	18,936	-
<b>Total</b>	<b>\$ 240,028</b>	<b>\$ 519,775</b>

The deferred outflows of resources related to the Pension Plan, totaling \$18,936 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. 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:	Amount
2022	\$ (50,805)
2023	(59,362)
2024	(84,711)
2025	(115,196)
2026	11,391
Thereafter	-

*Actuarial Assumptions*

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table varies by member category and sex projected generationally with Scale MP2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**NOTE 5 RETIREMENT PLANS (CONTINUED)**

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 and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	2.10%	2.10%	1.10%
Fixed Income	20.00%	3.80%	3.70%	3.30%
Global Equity	54.20%	8.20%	6.70%	17.80%
Real Estate	10.30%	7.10%	6.20%	13.80%
Private Equity	10.80%	11.70%	8.50%	26.40%
Strategic Investments	3.70%	5.70%	5.40%	8.40%
<b>Total</b>	<b>100.00%</b>			
Assumed Inflation - Mean			2.40%	1.20%

(1) As outlined in the Pension Plan's investment policy

*Discount Rate*

The discount rate used to measure the total pension liability was 6.80%. 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.

*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 discount rate of 6.80% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	<b>1% Decrease (5.80%)</b>	<b>Current Discount Rate (6.80%)</b>	<b>1% Increase (7.80%)</b>
District's Proportionate Share of the Net Pension Liability	\$ 657,359	\$ 146,992	\$ (279,617)

*Pension Plan Fiduciary Net Position*

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**HIS Plan**

*Plan Description*

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.



**NOTE 5 RETIREMENT PLANS (CONTINUED)**

*Benefits Provided*

For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions*

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution for the period October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 was 1.66% and 1.66%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$10,449 for the fiscal year ended September 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2021, the District reported a liability of \$215,385 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At September 30, 2021, the District's proportionate share was .0017 percent, which was the same as its proportionate share measured as of September 30, 2020.

For the fiscal year ended September 30, 2021, the District recognized pension expense of \$18,184. In addition, the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 7,207	\$ 90
Change of Assumptions	16,924	8,874
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	225	-
Changes in Proportion and Differences Between District HIS Plan Contributions and Proportionate Share of Contributions	7,685	905
District HIS Plan Contributions Subsequent to the Measurement Date	2,572	-
<b>Total</b>	<b>\$ 34,613</b>	<b>\$ 9,869</b>

**NOTE 5 RETIREMENT PLANS (CONTINUED)**

The deferred outflows of resources related to the HIS Plan, totaling \$2,572 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2022	\$ 6,406
2023	2,465
2024	3,955
2025	4,709
2026	3,750
Thereafter	887

*Actuarial Assumptions*

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	2.16%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP 2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

*Discount Rate*

The discount rate used to measure the total pension liability was 2.16%. 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.

*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 discount rate of 2.16%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
District's Proportionate Share of the Net Pension Liability	\$ 249,005	\$ 215,385	\$ 187,840

*Pension Plan Fiduciary Net Position*

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

## **NOTE 5 RETIREMENT PLANS (CONTINUED)**

### **Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected District Officers, etc.), as the Pension Plan. Contributions are directed to individual member's accounts, and the individual member's allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2021 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, and Special Risk class 14.00%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$5,440 for the fiscal year ended September 30, 2021.

### *Section 457 Deferred Compensation Plan*

Effective October 15, 2002, the Board adopted a Section 457 Deferred Compensation Plan for the benefit of all employees and commissioners. Employees and commissioners may defer up to Internal Revenue Code limits. There were no costs incurred by the District for the Plan and no employer contributions were made to the Plan for the year ended September 30, 2021.

## **NOTE 6 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; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the District to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

## **NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

During the year ended September 30, 2021, the General Fund transferred \$626,616 to the Water Fund for current year debt service and capital outlay.

**NOTE 8 CONTINGENCIES**

During the ordinary course of its operations, the District is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in opinion of the District's management and legal counsel, these matters are not anticipated to have a material financial impact on the District.

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS**

In accordance with Florida Statutes Section 112.0801, the District makes continued group health insurance through the District's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the District, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retirees.

*Retirement eligibility*

General Employees - Participants are eligible for medical continuation at age 62 and 10 years of service, or 25 years of service.

*Benefits provided*

<u>Type of Coverage</u>	<u>Employee</u>	<u>Spouse</u>
<u>Medical Coverage</u>		
Eligibility	Retiree meets District Retirement eligibility	Same as Retiree
Retiree cost sharing	Retiree pays 100% of premium	Retiree pays 100% of spousal premium
Coverage ceases	All forms of coverage cease upon the earlier of death or discontinuance of required cost sharing	All forms of coverage cease upon the earlier of death or discontinuance of
<u>Dental and Vision Coverage</u>		
	Not available to retirees.	Not available to retirees.
<u>Life Insurance Coverage</u>		
Eligibility	\$50,000	N/A
Retiree cost sharing	\$2,304	N/A
Coverage ceases	All forms of coverage cease upon the earlier of death or discontinuance of required cost sharing	N/A

Post-65 Medical coverage is available.

*Employees covered by benefit terms*

At October 1, 2021, (the valuation date), the following employees were covered by the benefit terms:

Retired Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	16
	19

*Employer contributions*

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

*Employee contributions*

None.

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Total OPEB Liability**

The District's total OPEB liability is \$276,823 as of September 30, 2021. The values shown for this fiscal year and reporting period are based on a measurement date of September 30, 2021 and the corresponding measurement period of October 1, 2020 to September 30, 2021. The measurement of the total OPEB liability is based on a valuation date of September 30, 2021.

Total OPEB Liability	\$	276,823
Plan Fiduciary Net Position		-
		<hr/>
Sponsor's Net OPEB Liability	\$	276,823
		<hr/> <hr/>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		0.00%

*Actuarial assumptions and other inputs*

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Mortality	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected fro 10 years.
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method

The District has used the alternative measurement method for employers. As a result of using the alternative measurement method, no deferred inflows or outflows related to OPEB are recognized.

**Changes in Total OPEB Liability**

	<u>OPEB Liability</u>
Balances at September 30, 2020	\$ 266,626
Changes for the year:	
Service cost	3,494
Interest	103
Contributions-employer	-
Economic/Demographic Gains or Losses	6,600
Assumption Changes or Inputs	-
	<hr/>
<b>Net Changes</b>	<b>10,197</b>
	<hr/>
<b>Balances at September 30, 2021</b>	<b>\$ 276,823</b>
	<hr/> <hr/>

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> 1.74%	<u>Current Discount</u> Rate 2.74%	<u>1% Increase</u> 3.74%
Plan Sponsor's Net OPEB Liability	\$ 334,574	\$ 276,823	\$ 231,402

*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 1-percentage-point lower (8.5 percent decreasing to 4.5 percent) or 1-percentage-point higher (10.5 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Plan Sponsor's Net OPEB Liability	\$ 276,823	\$ 276,823	\$ 276,823

Homosassa Special Water District  
**Schedule of the District's Proportionate Share of Net Pension Liability**  
 Last 10 Fiscal Years\*

**Florida Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.001945922%	0.001670891%	0.001546634%	0.001560901%	0.001508397%	0.001645911%	0.001733008%
District's Proportionate Share of the Net Pension Liability	\$ 146,992	\$ 724,189	\$ 532,639	\$ 470,152	\$ 446,174	\$ 415,594	\$ 223,850
District's employee payroll	\$ 627,201	\$ 595,634	\$ 564,724	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
District's Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	23.44%	121.58%	94.32%	83.23%	80.13%	77.03%	43.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

**HIS Plan**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.001755877%	0.001716170%	0.001695748%	0.001698380%	0.001678390%	0.001703166%	0.001619668%
District's Proportionate Share of the Net Pension Liability	\$ 215,385	\$ 209,542	\$ 189,737	\$ 179,758	\$ 179,461	\$ 198,497	\$ 165,181
District's employee payroll	\$ 627,201	\$ 595,634	\$ 564,856	\$ 564,856	\$ 556,812	\$ 556,812	\$ 539,541
District's Proportionate Share of the Net Pension Liability as a Percentage of its covered payroll	34.34%	35.18%	33.59%	31.82%	32.23%	35.65%	30.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	50.00%

\* Prior years data unavailable

Homosassa Special Water District  
**Schedule of District Contributions**  
 Last 10 Fiscal Years\*

**Florida Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 81,558	\$ 66,835	\$ 58,409	\$ 57,738	\$ 53,805	\$ 52,099	\$ 42,043
Contributions in Relation to the Contractually Required Contribution	(81,558)	(66,835)	(58,409)	(57,738)	(53,805)	(52,099)	(42,043)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 634,911	\$ 597,265	\$ 576,648	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
Contributions as a Percentage of covered payroll	12.85%	11.19%	10.13%	10.22%	9.66%	9.66%	8.23%

**HIS Plan**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 10,449	\$ 9,923	\$ 9,567	\$ 9,220	\$ 9,017	\$ 8,703	\$ 6,821
Contributions in Relation to the Contractually Required Contribution	(10,449)	(9,923)	(9,567)	(9,220)	(9,017)	(8,703)	(6,821)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 634,911	\$ 597,265	\$ 576,648	\$ 564,856	\$ 556,812	\$ 539,541	\$ 510,934
Contributions as a Percentage of covered payroll	1.65%	1.66%	1.66%	1.63%	1.62%	1.61%	1.34%

\* Prior years data unavailable



Homosassa Special Water District  
**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**  
 Last 10 Fiscal Years\*

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 3,494	\$ 3,632	\$ 2,304	\$ 11,784
Interest	103	7,417	6,026	8,021
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	6,600	(11,493)	48,481	(31,328)
Changes of assumptions	-	-	11,692	(45,495)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Net change in total OPEB liability	\$ 10,197	\$ (444)	\$ 68,503	\$ (57,018)
Total OPEB liability, beginning	<u>266,626</u>	<u>267,070</u>	<u>198,567</u>	<u>255,585</u>
Total OPEB liability, ending	<u>\$ 276,823</u>	<u>\$ 266,626</u>	<u>\$ 267,070</u>	<u>\$ 198,567</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
covered payroll	\$ 655,277	\$ 615,849	\$ 586,648	\$ 564,856
Net OPEB liability as a percentage of payroll	42.25%	43.29%	45.52%	35.15%

\* Prior years data unavailable

**Internal Control and Compliance Section**

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

Board of Commissioners  
*Homosassa Special Water District*

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 governmental activities, the business-type activities, and each major fund of Homosassa Special Water District as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Homosassa Special Water District's basic financial statements, and have issued our report thereon dated June 22, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Homosassa Special Water District's internal control over financial reporting (internal control) as a basis for designing 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 Homosassa Special Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Homosassa Special Water District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Homosassa Special Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**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.

*McDermitt Davis*

Orlando, Florida  
June 22, 2022

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Commissioners  
*Homosassa Special Water District*

### **Report on Compliance for Each Major Federal Program**

We have audited the *Homosassa Special Water District's* (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal programs applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2021.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*McDiarmid Davis*

Orlando, Florida  
June 22, 2022

Homosassa Special Water District  
**Schedule of Expenditures of Federal Awards**  
 Year Ended September 30, 2021

<b>Award type</b>			
<b>Grantor</b>			
<b>Pass-through grantor</b>	<b>CFDA</b>	<b>Agency or Pass-through</b>	
<b>Grantor program title</b>	<b>Number</b>	<b>Entity Grant Number</b>	<b>Expenditures</b>
<b>Federal Grants</b>			
<b>United States Environmental Protection Agency</b>			
Passed through State of Florida, Department of Environmental Protection			
Drinking Water State Revolving Funds Capitalization Grants *	66.468	DW090202	839,959
Total federal awards			<u>\$ 839,959</u>

\* Denotes a major program

**NOTE 1           BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Homosassa Special Water District (the District) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2021, even if the grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3           LOANS AND LOAN GUARANTEES**

In July 2019, the District executed a State Revolving Fund Loan agreement DW090202 for the District's drinking water main replacement project. Loan balance as of September 30, 2021 was \$368,604. Loan expenditures reported in current year SEFA is \$404,148.

**NOTE 4           INDIRECT COST RATE**

Indirect cost rate is dictated by its federal contract terms. The 10-percent de Minimis indirect rate as allowed under the Uniform Guidance is not in effect nor is available under its contracts.

**Section I - Summary of Independent Auditor's Results:**

*Financial Statements*

Type of auditors' report issued:	Unmodified Opinion	
Internal control over financial reporting:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Noncompliance material to financial Statements noted?	___ Yes	<u> X </u> No

*Federal Programs*

Type of auditors' report issued on compliance for major federal programs:	Unmodified Opinion	
Internal control over major Federal programs:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	___ Yes	<u> X </u> No

**Identification of major Federal Programs**

CFDA No. 66.468      Drinking Water State Revolving Funds  
 Capitalization Grants

Dollar threshold used to distinguish between type A and type B programs Federal      \$750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance?      \_\_\_ Yes       X  No

**Section II - Financial Statement Findings:**      None

**Section III - Federal Award Findings and Questioned Costs:**      None

**Section IV - Federal Award Summary Schedule of Prior Year Findings:**      No Prior Year Findings



## MANAGEMENT COMMENTS

Board of Commissioners  
*Homosassa Special Water District*  
Homosassa, Florida

### Report on the Financial Statements

We have audited the financial statements of *Homosassa Special Water District* (the "District"), Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 22, 2022.

### 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs and Independent Accountant's Report on an examination conducted in accordance 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 June 22, 2022, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

### 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. This information has been disclosed in the notes to the financial statements.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. 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.

**Specific Information**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- a. The total number of district employees compensated in the last pay period of the District's fiscal year as 11.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$655,277.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$23,097.50.
- e. The District did not have any construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final budget under Section 189.016(6), Florida Statutes, as included in the general fund budget statement.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- a. The mileage rate or rates imposed by the district as 1.3307.
- b. The total amount of ad valorem taxes collected by or on behalf of the District as \$690,270.
- c. The total amount of bonds issued by the district and the terms of such bonds as: not applicable.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to 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 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 Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiarmid Davis*

Orlando, Florida  
June 22, 2022



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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Commissioners  
*Homosassa Special Water District*

We have examined Homosassa Special Water District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2021. 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 the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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, Homosassa Special Water District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

*McDermitt Davis*

Orlando, Florida  
June 22, 2022