LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2021

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2021, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 10, 2022

Management's Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the financial statements and disclosures that follow.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $42,902,972 (total net position) for fiscal year 2021. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $36,881,394.

The District's total revenues were $20,255,544, including interest income, compared to $18,306,298 last year, or a year-over-year increase of $1,949,246. The 2020/2021 winter was much colder than the previous winter, which caused natural gas consumption to increase from 20,365,782 therms to 21,696,016 therms, resulting in a year-over-year increase in natural gas consumption of 1,330,234 therms; the District posted record profits in fiscal year 2021. The District's profit increase was fueled by higher natural gas consumption, lower marketing costs, and growth in the customer base from 25,430 to 26,587 customers, or by 4.5%. Last year was the best financial performance of the District in its history.

The 2021 news headlines continued to highlight the COVID-19 pandemic as the top story of interest and the effects it was having on world economies. As vaccines became available, the FDA gave emergency approval, distribution timelines were published, and people around the world were able to become vaccinated.

In 2021, the District executed and recorded nine new residential subdivision developer agreements in Orange and Lake counties. The builders/developers will build 618 new homes in our service area that should generate an estimated 159,486 therms annually. The District executed residential agreements for the following subdivisions: in Orange County - Oaks at Kelly Park Phase 2 with 62 lots, Tilden Place at Winter Garden with 55 lots, 30 North Park Townhomes with 9 lots, and Hull Island at Oakland Phase 2 with 42 lots; in Lake County - Canyons at Highland Ranch Phase 7 with 44 lots, Crestview Phase 2 with 142 lots, Esplanades at Highland Ranch Phase 2 with 88 lots, Canyons at Highland Ranch Phase 6 with 168 lots, and Ashton Park with 8 lots. These communities are being built by Avatar Properties, Inc./Taylor Morrison Homes, Toll Brothers, Taylor Morrison Homes, and MI Homes. We saw building and development explode throughout the state and Central Florida experienced growth greater than pre-pandemic numbers.

New residential home development was booming, but the commercial business within the District was down slightly, as restaurant and lodging facilities experienced a slow return to business. Central Florida is home to a vast amount of tourism and entertainment that attracts large numbers of international visitors. Then we had a shift to remote work, workers demanded an immediate increase in the minimum wage, causing many restaurants, retail establishments, and lodging businesses manpower operating shortages.

The new residential developer agreements and commercial accounts that were placed in service during the 2021 fiscal year increased the District's overall financial performance and our customer base grew to 26,587 customers. The Marketing Department converted 37 competitive fuel commercial accounts to natural gas during 2021, with an annual consumption of 1,015,760 therms. The District's largest commercial load was the opening of City Furniture's CNG station on East Crown Point Road in Ocoee, with an estimated annual load of 387,000 therms.

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

The District used $2,671,913 in cash flow to acquire additional capital assets, compared to $3,875,898 for the previous year. We added 17.5 miles of gas mains and 1,016 services to our existing distribution system, with several major capital expenditures to upgrade and expand the system. For system improvements, we started with the Binion Road 6-inch poly main project. This project consists of a 6-inch, 13,120-foot medium-pressure main extension along Binion Road between Harmon Road and Lakeview Drive in Apopka. This project was designed to enhance gas pressure to serve our existing and future customers along Binion Road in Apopka. This main extension will also serve as a back feed loop between Apopka, Winter Garden and Ocoee areas. Next in line is the Harmon Road 6-inch poly main project, which consists of 4,040 feet of 6-inch medium-pressure poly main on Harmon Road in Apopka. This main extension was installed to improve the gas pressure for the hospital on Harmon Road, ensuring that the gas pressure does not drop below 25 psi.

Other major capital investments were for system expansions within the District to reach industrial areas and commercial customers:

- The 2-inch poly main extension on Ocoee Apopka Road in Ocoee.
- The 2-inch poly main extension on Park Avenue in Windermere.
- The 2-inch main extension on Summit Drive in Apopka.
- The 2-inch main extension on Gotha Road in Windermere.
- The 2-inch poly main extension on Hiawassee Road in Orlando.
- The 2-inch poly main extension on Sunbittern Court in Windermere.
- The 2-inch poly main on Lake Minneola Shores in Clermont.
- The 2-inch poly main on Plant Street in Winter Garden.
- The 2-inch poly main on Anderson Street in Clermont.

There were also several new subdivisions and phase expansion projects due to the continued resurgence of our homebuilding market. We continued to expand our infrastructure into a number of new subdivisions, due to new executed agreements with home builders along with main extensions for commercial customers. We met all schedules for home closings and all deadlines for commercial turn-ons.

For residential customers, we added new phases to our growing list of single-family residential subdivisions:

- Oaks at Kelley Park Phase 2 (Apopka).
- Parkview at The Hills (Minneola).
- Ardmore Reserve Phase 5 (Minneola).
- Crestview Phase 2 (Clermont).
- Highland Ranch Canyons Phase 7 (Clermont).
- Highland Ranch Esplanade Phase 4 (Clermont).
- Oakland Park Phase 6B-1 (Oakland).
- Tilden Place at Winter Garden (Winter Garden).
- Bluford Avenue 2-inch poly main extension to serve the City of Ocoee (Ocoee).
- Kelly Park Road 2-inch poly main extension to serve the Publix (Apopka).
- Citrus Groves 6-inch poly main extension to serve the Publix (Minneola).
- Hancock Road 2-inch poly main extension to serve the Publix at 1685 N Hancock Road (Minneola).
- US 441 2-inch poly main extension to serve Zellwood Diner at 2651 N. US 441 (Zellwood)
- Roberson Road 4-inch poly main extension (Ocoee).
- Crown Point and East Crown Point Road 6-inch poly main extension to serve the City Furniture CNG station (Winter Garden).

As always, we have relocated several existing pipelines due to local road work and other municipal improvements that caused the District to expend resources to relocate pipelines. The primary projects to relocate the gas mains in 2021 were:

- Ocoee Apopka Rd & Fullers Cross Road 1202 feet of 2-inch and 1140 feet of 6-inch poly main relocation (Ocoee).
- Roper Road 450 feet of 2-inch poly main relocation (Winter Garden).
- McCormick Place 230 feet of 2-inch poly main relocation (Windermere).
- Citrus Grove Road 150 feet of 6-inch poly main relocation (Minneola).
- Black Still Lake Rd & SR 91 680 feet of 6-inch poly main relocation (Montverde).
- Old CR 50 & SR 91 (FL Turnpike) 440 feet of 2-inch steel main relocation (Montverde).
- Minneola Avenue 250 feet of 2-inch poly main relocation (Clermont).
- Oakland Avenue & SR 91 FL Turnpike 680 feet of 2-inch steel main relocation (Oakland).
- CR 455 & Ridgewood 860 feet of 2-inch poly main replacement (Montverde).
- CR 455 & Old Highway 50 2,220 feet of 2-inch steel main relocation (Montverde).
- Colonial Drive 60 feet of 2-inch poly main replacement (Winter Garden).
- Chase Road 320 feet of 4-inch poly main replacement (Windermere).

In addition to the above system improvements, expansions, and relocations, the District continued with the systematic replacement of the legacy black plastic, Aldyl-A pipes, and copper services within the distribution system for liability control. We replaced 440 feet of 2-inch mains and 2 copper services on Lakeshores Drive in Clermont.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's financial statements. The District was established as an independent special district by the Florida legislature on June 20, 1959 to provide natural gas services to potential customers in Orange and Lake Counties. On June 20, 2019, the District celebrated its 60th year of existence. The District accounts for its activities as a single proprietary fund, which is used to report business-type activities. The accompanying notes to the financial statements provide additional information essential to a full understanding of the financial statements.

Financial Analysis of the District

The District's net position at year-end was $42,902,972. This is an increase of $6,021,578 over last year's net position of $36,881,394. Net position measures the difference between the assets the District owns and deferred outflows of resources over the liabilities it owes and deferred inflows of resources. The following table provides a summary of the District's net position:

Summary of Net Position

	2020	2021
Current Assets	$ 10,124,801	$ 14,317,894
Noncurrent Assets	40,940,198	42,281,538
Total Assets	51,064,999	56,599,432
Deferred Outflows	1,423,097	1,086,456
Current Liabilities	6,784,437	7,076,208
Long-Term Liabilities	8,685,939	5,108,990
Total Liabilities	15,470,376	12,185,198
Deferred Inflows	136,326	2,597,718
Net Position:		
Invested in Capital Assets, Net of Related Debt	37,709,982	39,546,644
Unrestricted	(828,588)	3,356,328
Total Net Position	$ 36,881,394	$ 42,902,972

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

Summary of Changes in Net Position

	2020	2021
Revenues:		
Charges for services	$ 18,079,438	$ 20,184,648
Other operating revenues	208,914	70,243
Other non-operating revenues	17,946	653
Total Revenues	18,306,298	20,255,544
Expenses:		
Natural gas costs	3,073,281	4,175,348
Personnel services	5,932,238	5,192,859
Advertising and marketing	910,711	720,167
Repairs and maintenance	600,389	630,300
Other operating expenses	1,781,942	1,903,471
Depreciation	1,779,324	1,875,757
Other non-operating expenses	278,422	281,248
Total Expenses	14,356,307	14,779,150
Capital Contributions	-	545,184
Change in Net Position	3,949,991	6,021,578
Net Position - Beginning	32,931,403	36,881,394
Net Position - End of Year	$ 36,881,394	$ 42,902,972

The District's revenues increased by $1,949,246 and expenses by $422,843. The $2,105,210 increase in Charge for Services revenue was primarily due to higher costs and consumption for natural gas in 2021. The cost of natural gas is a pass-through that is reflected as part of revenue and natural gas expense. Annual increases in natural gas costs increase revenue, while decreases erode revenue. The increases in the price of natural gas were passed on to the consumers. Revenues were controlled by using the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply costs on the monthly financial statements. When collections from customers exceed the cost of gas, the fund is increased, and when collections are less than the cost of gas, the fund is reduced. Recovery collections are evaluated monthly to maintain process consistency. Other Operating Revenue decreased from $208,914 to $70,243, primarily due to the District waiving late fees for ten months during fiscal year 2021. The slight increase in expenses is due primarily to the increased cost of natural gas and the decrease in personal service expense cost due to retirements of employees that were with the District for an extended period. In fiscal year 2021, natural gas cost increased by $1,102,067 from $3,073,281 to $4,175,348, or 36%. The District's average price per therm for natural gas increased from $.29136 in 2020 to $.37678 in fiscal year 2021, or by $.0854 or 29%. The increase in natural gas expense was aided by an 1,330,234-therm consumption increase.

The Advertising and Marketing expense category has continued to decline due to the District only including free home piping in natural gas developer agreements when the return on investment generates a positive return at the end of seven years. Marketing expenses declined from $910,711 to $720,167 due to the change in the District's policy in fiscal year 2020.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2021 was $42,281,538. This represents an increase of $1,341,340 over the previous year, primarily due to the $1,310,799 increased investment in the gas distribution system.

Capital Assets
Net of Accumulated Depreciation

		2020		2021
Non-depreciable Assets:				
Land	$	282,229	$	282,229
Depreciable Assets:				
Buildings		1,313,775		1,243,621
Gas distribution system		38,115,090		39,425,889
Furniture, machinery and equipment		1,229,104		1,329,799
Total	$	40,940,198	$	42,281,538

Long-Term Debt

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for $2,500,000 at a monthly interest rate of LIBOR plus 1.25% from TD Bank for three years. The revolving line of credit for $2,500,000 with TD Bank was replaced with a $3,000,000 credit line with Regions Bank with a three-year term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. At the end of the fiscal year, the note payable balance outstanding was $2,734,894 and there was no outstanding balance on the revolving line of credit. The District pledged the net revenues of the natural gas system as security for the notes.

Long-Term Debt

	2020		2021
$	3,230,216	$	2,734,894

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

Economic Factors

The 2022 housing market forecast by local, state, and national economists, indicates the housing market will continue to grow at a rapid pace. The shortage of existing homes for sale, the backlog of available new homes, the ever-increasing need for apartments and affordable housing has the price of all types of housing for sale or rent seeing unprecedented increases. The rate of growth for 2021 in Central Florida is still at 900 to 1,000 new people a day. Florida has gained 2.7 million new residents since 2010, a growth of 14.6 percent. The movement of people across the United States was evident in the 2020 Census numbers, which increased the state of Florida Congressional seat by one and other areas of the country losing seats. Central Florida had a job growth comeback in 2021 of 91,400 or a growth rate of 7.7 percent as tourism attendance is recovering at a rapid pace. The effects on the economy and the job market during the COVID-19 pandemic and the two surges since have changed how employers hire and retain people. Many businesses have moved to a hybrid workplace and many jobs that once required you to work from the office have changed to nearly a 100 percent remote workforce.

The Central Florida area saw single family home values increase by 17.7 percent over the past year. Home values in Florida have increased by 69 percent in the past five years. Median time to contract for single-family homes in Florida is just 12 days, which is the time it takes to receive a sales contract after being listed. At the end of October 2021, active listings for single-family homes were down nearly 30% compared to 1 year ago, with inventory at a low 1.3 month’s supply. Key real estate market stats for Florida can vary by area. Orlando has seen an annual listing price rise by 20% over the past year. Median home price in Orlando is $328,500 with a median of 49 days on the market. The price of homes is expected to remain high and continue increasing.

Real estate sales are being brought down by the lack of affordable housing stock, there is no starter home market. We have found and talked with builders/developers who are building Rent to Own affordable homes. In our talks to these developers/builders of this type of home, they understand natural gas is a more affordable energy fuel for new home buyers; but because the price point of these homes is low, there is not enough room in the price to include installing natural gas appliances.

The District is preparing a Strategic Growth Plan for areas of our service territory that we know have future plans for residential and commercial development. The Leadership Team will be touring these areas to create a plan to present to the Board of Directors. We will be researching federal and state infrastructure grants to help fund the cost of extending our mains in these areas.

Economists are not forecasting a housing downturn, as builders cannot build homes fast enough to meet the current amount of demand. The cost of supplies and the shipping bottleneck is causing price increases, delays in the delivery of homes and the possibility of the Federal Reserve increasing interest rates sometime in 2022 to ward off the rise in inflation. The District offers a very affordable natural gas rate. We provide a generous residential rebate program to new and existing customers. We offer minimum assistance on a case-by-case basis to commercial businesses converting to natural gas. Natural gas is an energy fuel that consumers desire, especially those consumers relocating to Florida from states where natural gas is preferred and easily available. Natural gas is a domestically abundant fuel. It is a reliable, resilient, efficient, and environmentally friendly energy for homes, businesses, industries, and vehicles. With the government's push for a carbon neutral and net zero carbon emissions platform, the use of renewable natural gas is leading the industry's technology and development research programs. The District's Marketing and Business Development staff is in regular communication with area developers and builders, and we set an aggressive sales growth of 776 new customers in 2022. We consistently educate the public on the direct use of natural gas as a balanced energy choice; and it is an energy that will contribute to our country's future energy goal of obtaining zero carbon emissions for future generations.

The District continued improving its Information Systems in areas, such as reliable customer service, automation of service activities, technology enhancements, and professional development. We completed over one hundred Information Systems projects that improved our efficiency and security posture. We added the feature most requested by our customers to our website – AutoPay sign-up. This allows customers to sign-up for automatic payments using a credit card or eCheck from our website portal. Our work order system software was upgraded to the latest major version. Spring boarding off this effort we made a large improvement in the efficiency of our gas meter corrosion maintenance program by using the upgraded work order software in conjunction with our mapping server software. To improve our security posture, the District Map server software was upgraded to the latest release. The District Map server software integrates with our back-office billing software, our work order software, and our meter reading software. In addition, the back-office billing software was upgraded to minor releases throughout the year for security and operational improvements. To improve communications, we held our first ever Microsoft Teams "Live" all hands meeting where we streamed the meeting from our assembly room so all employees could safely attend, and Board meetings were successfully held virtually using Microsoft Teams for a few meetings.

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

Safety Program and Awards

The District continues to be proactive in safety and damage prevention. We experienced another challenging year as conditions surrounding the pandemic continued to fluctuate. We have returned most employees to on-site work, but allow remote work as needed when situations warrant it. COVID-19 guidelines established in fiscal year 2020 remain in effect, with minor modifications. We continue to provide appropriate PPE, and needed cleaning supplies, along with regular professional cleaning. We have offered multiple training opportunities throughout the year both in-person and virtually on a variety of topics, including Drug and Alcohol Abuse, Respirator Training, 1st Aid/CPR/AED Training, Heat Stress, and other specialized training. We continue to attend training relating to COVID-19 issues. The District also continues to administer a Safety Recognition Program, which recognizes employees who show a commitment to safety in the performance of their job duties and a safety suggestion box for employees to submit safety concerns and comments. We appointed a new safety committee which meets at least quarterly to review pertinent safety topics.

The District received the American Public Gas Association's Safety Award for the 11th consecutive year, which acknowledges our excellent safety record. In addition, the APGA Gold SOAR Award, which was received in 2020, recognizes the District through 2023. The SOAR Award, which stands for System Operational Achievement Recognition, recognizes those public gas systems that have achieved excellence in the operation of their natural gas utility in four key areas: system integrity, system improvement, employee safety, and workforce development. The District remains committed to placing a strong emphasis on the safety of our employees, customers, and the general public.

Training and Community Involvement

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

The District has been active in our community by partnering with West Orange County Schools to share safety awareness information regarding Mercaptan odorant and natural gas safety practices. The District is also involved with the Apopka and Clermont Fire Departments via donations of Smoke and Carbon Monoxide Detectors, as well as planning a video script to be used in the Central Florida School systems since COVID-19 has forced us to look at new ways for providing civic training. We joined hands with our community fire departments this year by increasing children's educational training regarding natural gas characteristics, quarterly meetings with the Orange County Emergency Operation Center have begun again, and Lake County Fire and Rescue efforts are also being deployed. The District's local Emergency Operations Center training will include participation in the National Hurricane Conference being held in Orlando in 2022 as well as having a voice by attending the Common Ground Alliance Conference sponsored by our seat on the Sunshine 811 Board. The event activities for these above training exercises are all subject to moving forward from the COVID-19 restrictions enacted by State and Local mandates. If health conditions allow, we plan to move forward with these events. As policies and procedures are redeveloped by our State and Local School Officials, the District will stand by to serve and support our community via public safety communication ventures, sustained operational safety procedural measures, and continuously ensuring a healthy, as well as trained, workforce.

The District recently received a clean operational audit, without any violations, from the Florida Public Service Commission, which found no systemic issues with our utility regarding the safety and operational maintenance. This has truly been another exceptional year for community safety, public awareness involvement, operations qualifications, emergency plan effectiveness, community service efforts, and clean governmental operational audits. We are still recognized nationally with the APGA Gold SOAR Award, passed the Florida Public Service Commission annual audit with excellent no attribute exceptions, and have been historically honored with individual as well as company accolade reflections by the Orlando Business Journal and other peer business chambers. Overall, the District had another successful year in maintaining our system, educating our employees, and protecting as well as servicing our customers.

Contacting the District's Financial Management

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS

Current Assets:		
Cash and cash equivalents	$	7,400,510
Restricted cash and cash equivalents		3,736,682
Accounts receivable (net of allowance for uncollectibles)		1,928,190
Inventory		803,384
Prepaid expenses		449,128
Total Current Assets		14,317,894
Noncurrent Assets:		
Capital Assets:		
Land		282,229
Buildings		2,367,584
Gas distribution system		59,733,896
Machinery and equipment		4,980,747
Less: Accumulated Depreciation		(25,082,918)
Total Noncurrent Assets		42,281,538
TOTAL ASSETS		56,599,432

DEFERRED OUTFLOWS

Deferred outflows related to pensions		1,086,456
Total Deferred Outflows		1,086,456

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

LIABILITIES

Current Liabilities (Payable From Current Assets):	
Accounts payable	$ 1,083,196
Due to other governments	828,613
Accrued wages and benefits payable	444,025
Accrued taxes payable	213,925
Current portion of note payable	506,026
Gas rate stabilization	263,741
Total Current Liabilities (Payable From Current Assets)	3,339,526
Current Liabilities (Payable From Restricted Assets):	
Customer deposits	3,624,063
Developer deposits	112,619
Total Current Liabilities (Payable From Restricted Assets)	3,736,682
Noncurrent Liabilities:	
FRS net pension liability	716,898
State of Florida HIS net liability	1,333,294
Total OPEB liability	173,942
Note payable	2,228,868
Accrued benefits payable	655,988
Total Noncurrent Liabilities	5,108,990
TOTAL LIABILITIES	12,185,198

DEFERRED INFLOWS

Deferred inflows related to pensions	2,597,718
Total Deferred Inflows	2,597,718

NET POSITION

Invested in capital assets, net of related debt	39,546,644
Unrestricted	3,356,328
TOTAL NET POSITION	$ 42,902,972

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Operating Revenues:	
Charges for services	$ 20,184,648
Other operating revenues	70,243
Total Operating Revenues	20,254,891
Operating Expenses:	
Natural gas purchases	4,175,348
Personal services	5,192,859
Insurance	238,077
Repairs and maintenance	630,300
Professional services	319,474
Advertising and marketing	720,167
Bad debt expense	36,000
Travel and per diem	55,935
Gas, oil and fuel	94,891
Freight and postage	138,701
Materials	135,877
Communication services	72,056
Utilities	85,627
Supplies	38,289
Bank charges	334,080
Dues and subscriptions	78,044
Other operating expenses	276,420
Depreciation	1,875,757
Total Operating Expenses	14,497,902
Operating Income	5,756,989
Nonoperating Revenues (Expenses):	
Interest income	653
Interest expense	(64,287)
Intergovernmental transfers	(216,961)
Total Nonoperating Revenues (Expenses)	(280,595)
Capital Contributions	545,184
Change in Net Position	6,021,578
Total Net Position - Beginning	36,881,394
Total Net Position - Ending	$ 42,902,972

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cash Flows From Operating Activities:	
Cash received from customers	$ 19,851,322
Cash payments to suppliers for goods and services	(7,222,621)
Cash payments to employees for services	(5,431,000)
Net Cash Provided By Operating Activities	7,197,701
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(2,671,913)
Principal paid on note payable	(495,322)
Interest paid on note payable	(64,287)
Net Cash Used In Capital and Related Financing Activities	(3,231,522)
Cash Flows From Investing Activities:	
Interest	653
Net Increase in Cash and Cash Equivalents	3,966,832
Cash and Cash Equivalents at October 1	7,170,360
Cash and Cash Equivalents at September 30 (1)	$ 11,137,192

(1) Cash - Unrestricted Assets	$ 7,400,510
Cash and Cash Equivalents - Restricted Assets	3,736,682
	$ 11,137,192

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

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	5,756,989
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,875,757
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		573
(Increase) decrease in inventory		(77,087)
(Increase) decrease in prepaid expenses		(149,747)
Increase (decrease) in accounts payable		433,499
Increase (decrease) in accrued wages and benefits		62,442
Increase (decrease) in taxes payable		44,079
Increase (decrease) in net customer/developer deposits		(340,834)
Increase (decrease) in gas rate stabilization		(107,387)
Increase (decrease) in net pension liability/deferrals		(295,199)
Increase (decrease) in total OPEB liability		(5,384)
Net Cash Provided By Operating Activities	$	7,197,701

Supplemental disclosure of noncash investing, capital and financing activities:
The District recognized $545,184 in Developer Contributions.
The District recognized $216,961 Dividend's Payable.

Note 1 – Summary of Significant Accounting Policies:

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The accounting and reporting policies of the District conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB).

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

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

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

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

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

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

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

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

6. Capital Assets – All capital assets are stated at historical cost. Capital assets are defined by the District as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Land is the only capital asset not depreciated. Estimated useful lives are as follows:

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

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

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

   The deferred outflows related to pensions are an aggregate of items related to pensions, as calculated in accordance with Generally Accepted Accounting Principles (GAAP). The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 10.

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

   The deferred inflows related to pensions are an aggregate of items related to pensions, as calculated in accordance with GAAP. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note 10.

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

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

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

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

   Employees can accumulate up to 10 vacation days over the amount earned for one year. Employees are paid for all outstanding vacation time accumulated when they leave the District's employment, provided they submit adequate written notice and are not being terminated for misconduct.

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

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

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

E. Revenues and Expenses

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

F. Risk Management

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

G. Net Position

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

H. Estimates

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

Note 2 – Deposits:

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

Note 3 – Receivables:

Accounts receivable have been reported, net of allowance for uncollectible accounts. The allowance for uncollectible accounts at September 30, 2021 was $99,105. The allowance is based upon management's specific identification of receivables that may become uncollectible.

Note 4 – Capital Assets:

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

	Balance 9/30/20	Additions	Deletions	Balance 9/30/21
Land	$ 282,229	$ -	$ -	$ 282,229
Buildings	2,355,514	12,070	-	2,367,584
Gas distribution system	56,903,255	2,830,641	-	59,733,896
Office furniture and equipment	227,739	2,811	-	230,550
Computer equipment and software	1,336,212	43,435	-	1,379,647
Transportation equipment	1,309,158	263,126	(64,486)	1,507,798
Tools and work equipment	1,595,877	57,773	-	1,653,650
Communication equipment	199,067	7,240	-	206,307
Other equipment	2,795	-	-	2,795
Totals	64,211,846	3,217,096	(64,486)	67,364,456
Less: Accumulated depreciation	(23,271,648)	(1,875,757)	64,486	(25,082,918)
Net	$ 40,940,198	$ 1,341,339	$ -	$ 42,281,538

Note 5 – Other Post-Employment Benefits:

Plan Description:

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

Plan Membership as of October 1, 2020:

Inactive Plan Member or Beneficiaries Currently Receiving Benefits	0
Inactive Plan Member Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	59
	59

Benefits Provided:

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

Total OPEB Liability:

The measurement date is September 30, 2021.
The measurement period for the OPEB expense was October 1, 2020 to September 30, 2021.
The reporting period is October 1, 2020 through September 30, 2021.

The District's Total OPEB Liability was measured as of September 30, 2021.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	2.43%
Initial Trend Rate	7.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	54

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019.

Discount Rate:

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.43%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense:

For the year ended September 30, 2021, the District will recognize OPEB Expense of $3,848.

Changes in Total OPEB Liability:

Reporting Period Ending	9/30/2021
Measurement Date	9/30/2021
Total OPEB Liabiity	
Service Cost	$ 9,330
Interest	3,913
Differences Between Expected and Actual Experience	(2,772)
Changes of Assumptions	(9,723)
Benefit Payments	(6,132)
Net Change in Total OPEB Liability	(5,384)
Total OPEB Liability - Beginning	179,326
Total OPEB Liability - Ending	$ 173,942

Changes of assumptions reflect a change in the discount rate from 2.14% for the fiscal year ended September 30, 2020 to 2.43% for the fiscal year ended September 30, 2021. Also reflected as assumption changes are updated mortality rates, updated health care costs and premiums, and updated health care cost trend rates.

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

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

	1% Decrease 1.43%	Current Discount Rate 2.43%	1% Increase 3.43%
Total OPEB Liability (Asset)	$ 198,758	$ 173,942	$ 153,565

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

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

	1% Decrease 3.00% - 6.00%	Healthcare Cost Trend Rates 4.00% - 7.00%	1% Increase 5.00% - 8.00%
Total OPEB Liability (Asset)	$ 150,328	$ 173,942	$ 202,988

Note 6 – Long-Term Debt:

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for $2,500,000 at a monthly interest rate of LIBOR plus 1.25% for a minimum of three years. The revolving line of credit for $2,500,000 with TD Bank was replaced with a $3,000,000 credit line with Regions Bank with a three-year term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. At the end of the fiscal year, the note payable balance outstanding was $2,734,894 and the revolving line of credit balance was $0.

The District has pledged the net revenues generated by the overall system for payment of the note and revolving line of credit issued. The note and revolving line of credit are payable solely from the District's customers' net revenues payable through fiscal year 2027. Annual principal and interest payments on the note are currently expected to require approximately 10% of net revenues. The total principal and interest remaining on the note, as noted below under Debt Service Requirements, is $2,891,310. Principal and interest paid for the current year and total customer net revenues were $559,609 and $7,633,399, respectively.

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Balance 9/30/20	Additions	Reductions	Balance 9/30/21	Due Within One Year
2017 Note	$3,230,216	$ -	$ 495,322	$ 2,734,894	$506,026
Net Pension Liability	5,143,424	-	3,093,232	2,050,192	-
Total OPEB Liability	179,326	-	5,384	173,942	-
Employee Benefits	791,411	42,021	-	833,432	177,437
	$9,344,377	$ 42,021	$ 3,593,938	$ 5,792,460	$683,463

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest
2022	$ 506,026	$ 53,583
2023	516,961	42,647
2024	528,134	31,475
2025	539,547	20,061
2026	551,207	8,401
Thereafter	93,019	248
Total Payments	$ 2,734,894	$ 156,415

Note 7 – Gas Rate Stabilization:

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

Note 8 – Dividend Payable:

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

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

The dividend to be distributed would be determined by Board and requires leaving a minimum in the Dividend Payable account after dividend distribution of at least 10% of the sum total of the outstanding bond and revolving credit line amounts. Dividends would be distributed in equal proportions to each of the three (3) member municipalities, at such time and such amount the Board determines appropriate, provided that at all times there shall remain a minimum amount in the Dividend Payable account of at least 10% in excess of the sum total of the outstanding bond and line of credit; and the Board may, from time to time, review and revise the parameters to best meet the needs of the District. The Dividend Payable balance was $828,613 at September 30, 2021.

Note 9 – Contingencies:

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

Note 10 – Other Matters:

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

Note 11 – Florida Retirement System Pension Plan:

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

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

Pension Plan members may participate in a Deferred Retirement Option Plan (DROP), after reaching eligibility for normal retirement or through the available deferral period for eligible members. This plan allows employees to defer receipt of retirement benefits, while continuing employment with a FRS employer for up to 60 months. Accumulated system benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the FRS on behalf of the employee.

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

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

Funding Policy: The District is required to contribute at an actuarially determined rate. The current rate for regular members, senior management, and DROP participants is 10.82%, 29.01%, and 18.34%, respectively, of annual covered payroll, which includes the HIS Plan rate of 1.66%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the FRS for the years ended September 30, 2021, 2020, and 2019 were $392,969, $373,059, and $359,340, respectively. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – At September 30, 2021, the District reported a liability of $716,898 and $1,333,294 for its proportionate share of the Pension Plan and HIS Plan's net pension liability, respectively. The net pension liability was measured as of June 30, 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 June 30, 2021, the District's proportionate share for the Pension Plan was .009490478%, which was an increase of .000066679% from its proportionate share measured as of June 30, 2020. At June 30, 2021, the proportionate share for the HIS Plan was .010869387%, which was an increase of .00006574% from its proportionate share measured as of June 30, 2020.

For the year ended September 30, 2021, the District recognized pension expense of $37,960 for the Pension Plan, and $102,098 for the HIS Plan.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 122,877	$ -
Change of assumptions	490,537	-
Net difference between projected and actual earnings on Pension Plan investments	-	2,501,076
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	192,010	21,807
District Pension Plan contributions subsequent to the measurement date	91,674	-
Total	$ 897,098	$ 2,522,883

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 44,615	$ 558
Change of assumptions	104,767	54,935
Net difference between projected and actual on HIS Plan investments	1,390	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	23,699	19,342
District HIS Plan contributions subsequent to the measurement date	14,887	-
Total	$ 189,358	$ 74,835

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling $91,674 and $14,887, respectively, resulting from District contributions to the Plans subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Pension Plan Amount	HIS Plan Amount
2022	$ (295,955)	$ 31,168
2023	(350,550)	10,965
2024	(477,256)	16,173
2025	(623,369)	22,258
2026	29,671	15,763
Thereafter	-	3,309
Total	$ (1,717,459)	$ 99,636

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.0 %	2.1 %
Fixed income	19.0	3.8
Global equity	54.2	8.2
Real estate	10.3	7.1
Private equity	10.8	11.7
Strategic investments	3.7	5.7
Total	100.0 %	

Pension Plan Discount Rate – The discount rate used to measure the total pension liability was 6.80%. The prior year discount rate was also 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.

HIS Plan 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	2.40%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	2.16%
Mortality	Generational RP-2000 with Projection Scale BB

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 2.16%. The prior year discount rate was 2.21%. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease (5,80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Pension Plan proportionate share of the net pension liability/(asset)	$ 3,206,015	$ 716,898	$ (1,363,725)

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
HIS Plan proportionate share of the net pension liability	$ 1,541,417	$ 1,333,294	$ 1,162,783

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Detailed information regarding the FRS and HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report for the year ended June 30, 2021.

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

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O. Box 9000, Tallahassee, FL 32315-9000

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

Reporting Period Ending	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability				
Service Cost	$ 9,330	$ 10,096	$ 9,007	$ 8,787
Interest	3,913	5,332	6,006	5,450
Difference Between Expected and Actual Experience	(2,772)	-	(12,287)	-
Change of Assumptions	(9,723)	27,766	9,718	(9,056)
Benefit Payments	(6,132)	(5,401)	(11,113)	(11,707)
Net Change in Total OPEB Liability	(5,384)	37,793	1,331	(6,526)
Total OPEB Liability - Beginning	179,326	141,533	140,202	146,728
Total OPEB Liability - Ending	$ 173,942	$ 179,326	$ 141,533	$ 140,202
Covered Employee Payroll	$ 3,990,336	$ 3,565,134	$ 3,478,180	$ 3,202,204
Total OPEB Liability as a percentage of Covered Employee Payroll	4.36%	5.03%	4.07%	4.38%

Notes to Schedule:

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

Fiscal Year Ended September 30, 2021:	2.43%
Fiscal Year Ended September 30, 2020:	2.14%
Fiscal Year Ended September 30, 2019:	3.58%
Fiscal Year Ended September 30, 2018:	4.18%
Fiscal Year Ended September 30, 2017:	3.64%

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

Lake Apopka Natural Gas District
Schedule of Contributions

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2021	$ 392,969	$ 392,969	$ -	$ 3,867,727	10.16%
2020	$ 293,172	$ 293,172	$ -	$ 3,764,787	7.79%
2019	$ 297,921	$ 297,921	$ -	$ 3,699,919	8.05%
2018	$ 250,266	$ 250,266	$ -	$ 3,586,313	6.98%
2017	$ 229,868	$ 229,868	$ -	$ 3,431,192	6.70%
2016	$ 211,132	$ 211,132	$ -	$ 3,326,467	6.35%
2015	$ 219,757	$ 219,757	$ -	$ 2,949,736	7.45%
2014	$ 197,434	$ 197,434	$ -	$ 2,016,036	9.79%

Notes:

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

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

District's Fiscal Year Ended Sept. 30,	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2021	$ 64,204	$ 64,204	$ -	$ 3,867,727	1.66%
2020	$ 62,256	$ 62,256	$ -	$ 3,764,787	1.65%
2019	$ 61,419	$ 61,419	$ -	$ 3,699,919	1.66%
2018	$ 59,111	$ 59,111	$ -	$ 3,586,313	1.65%
2017	$ 58,272	$ 58,272	$ -	$ 3,431,192	1.70%
2016	$ 54,924	$ 54,924	$ -	$ 3,326,467	1.65%
2015	$ 40,320	$ 40,320	$ -	$ 2,949,736	1.37%
2014	$ 34,717	$ 34,717	$ -	$ 2,016,036	1.72%

Notes:

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

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

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2021	2021	0.0095%	$ 716,898	$ 3,867,727	18.54%	96.40%
2020	2020	0.0088%	$ 3,824,316	$ 3,764,787	101.58%	78.85%
2019	2019	0.0089%	$ 3,070,310	$ 3,699,919	82.98%	82.61%
2018	2018	0.0088%	$ 2,645,041	$ 3,586,313	73.75%	84.26%
2017	2017	0.0088%	$ 2,611,870	$ 3,431,192	76.12%	83.89%
2016	2016	0.0086%	$ 2,186,079	$ 3,326,467	65.72%	84.88%
2015	2015	0.0090%	$ 1,164,215	$ 2,949,736	39.47%	92.00%
2014	2014	0.0074%	$ 1,266,714	$ 2,016,036	62.83%	96.09%

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

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

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2021	2021	0.0109%	$ 1,333,294	$ 3,867,727	34.47%	3.56%
2020	2020	0.0108%	$ 1,319,108	$ 3,764,787	35.04%	3.00%
2019	2019	0.0109%	$ 1,229,646	$ 3,699,919	33.23%	2.63%
2018	2018	0.0109%	$ 1,153,673	$ 3,586,313	32.17%	2.15%
2017	2017	0.0110%	$ 1,177,327	$ 3,431,192	34.31%	1.64%
2016	2016	0.0105%	$ 1,248,843	$ 3,326,467	37.54%	0.97%
2015	2015	0.0107%	$ 1,075,160	$ 2,949,736	36.45%	0.50%
2014	2014	0.0101%	$ 966,589	$ 2,016,036	47.95%	0.99%

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

Florida Retirement System

NOTE 1 - CHANGES IN BENEFIT TERMS

FRS Pension Plan:

2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

HIS Program:

2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

2021:

No significant changes.

2020:

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

2019:

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

2018:

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

2017:

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

2016:

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

HIS Program:

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

2021: 2.16%
2020: 2.21%
2019: 3.50%
2018: 3.87%
2017: 3.58%
2016: 2.85%

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements, as listed in the table of contents, of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 10, 2022.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the District's management, in a separate letter dated March 10, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 10, 2022

MSL

Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the basic financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 10, 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 of America and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Accountant's Report on an examination conducted with AICPA *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated March 10, 2022 should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Financial Condition and Management *(Continued)*

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General,* requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the District for the fiscal year ended September 30, 2021.

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 59.
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 $3,769,645.
d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $1,594,565.
e. Each 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, together with the total expenditures for such project as listed below:
    - Citrus Grove PH 5, 6" Poly Main Ext. (Clermont) $81,615
    - Highland Ranch Canyons, PH 6 $120,594
    - Lake Roberts Preserve $97,292
    - Wincey Groves (Dream Finders) $115,903
    - Ocoee City Center $92,739
    - General Electric Laundry (Apopka) $226,557
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 adopted budget under Section 189.016(6), Florida Statutes, as $0.

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

Additional Matters

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

Purpose of this Letter

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

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 10, 2022

INDEPENDENT ACCOUNTANT'S REPORT

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 10, 2022