LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2022

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MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2022, and the respective change in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 9, 2023, 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 9, 2023

Management's Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District's (the District) financial performance provide an overview of the District's financial activities for the fiscal year ended September 30, 2022. 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 $48,249,979 (total net position) for the fiscal year 2022. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $42,902,972.

The District's total revenues were $25,556,219, including interest income, compared to $20,255,544 last year, or a year-over-year increase of $5,300,675. The primary reason for the growth in revenue is the increase in the price of natural gas. Total expenses grew from $14,779,150 to $20,209,212 in the fiscal year 2022, with the majority of the increase coming from the cost of natural gas. Natural gas costs are a pass-through that is reflected in revenues and expenses. The contributing factors that caused natural gas revenues and costs to increase were the District's average cost for natural gas rose from $.3768 per therm to $.7757, the customer base increased from 26,587 to 27,376, customers, or 3%, and consumption grew from 21,696,016 to 21,703,933 therms, or 7,917 therms. The District posted profits in fiscal year 2022 of $5,347,007 compared to $6,021,578 in 2021. The decline in profitability from 2021 to 2022 was the non-recurring capital contribution of $545,184 by Kroger to extend our main to their new Groveland facility in 2021. When the 2021 expenses are reduced by the Kroger contribution the adjusted profit amount of $5,476,394, compares favorably to the 2022 profit amount. There was also a $572,899 increase in personnel costs that impacted profitability, but all the other expenses stayed virtually flat. Last year was the second-best financial performance in the District's history.

In 2022, the District executed and recorded eight new residential subdivision developer agreements in Orange and Lake Counties. The builders/developers will build 864 new homes in our service area that should generate an estimated 212,211 annual therms. The District executed residential agreements for the following subdivisions: in Orange County – Bargrove Phase1 with 119 lots, Fire Creek at Gotha with 42 lots, Winding Meadows with 179 lots, Ivy Trails with 67 lots, Park View Preserve with 281 lots, Ravenna Phase 5 with 12 lots and Avalon Ridge with 46 lots; in Lake County – Willow Ridge with 118 lots. These communities are being built by Landsea Homes (formerly Hanover Families Builders, LLC.), Taylor Morrison Homes, Pulte Homes, K. Hovnanian Homes, and Park Square Homes. As countries around the globe opened and people returned to work and other forms of normal activity, we continued to see developments being planned and built. Central Florida is experiencing a lack of affordable residential housing. There are several hundred multi-family projects being developed. Many of these projects have apartments, retail space with a limited number of single-family homes. These developments are planned with higher density of space in mind with smaller size living spaces to accommodate more people. They are called walkable communities.

The new residential developer agreements and commercial accounts that were placed in service during the 2022 fiscal year increased the District's overall financial performance and our customer base grew to 27,376 customers. The Marketing Department converted 58 competitive fuel commercial accounts to natural gas during 2022, with an annual consumption of 3,582,101 therms. The District's largest anticipated commercial load will come from the opening of UCF Hotel Ventures Lowes Laundry on Shelby Industrial Dr in Apopka, with an estimated annual load of 3,203,178 therms. The laundry will operate 24 hours a day 365 days a year. Central Florida's amount of tourism and entertainment business has returned and is thriving. We constantly receive information on new commercial business development coming to our service area.

The District continued to serve the Hiawassee system through a wholesale master meter agreement with TECO in 2022.

The District used $4,509,054 in cash flow to acquire additional capital assets, compared to $2,671,913 for the previous year. We added 25.8 miles of gas mains and 1,147 services to our existing distribution system in fiscal year 2022, along with several major capital expenditures to upgrade and expand the system. The District completed the following projects to improve the system:

- <u>Binion Road 6-Inch Poly Main Extension (Apopka):</u>
  We continued with Phases 2 and 3 of this project to add another 3,020 feet of 6-inch poly main on Binion 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.

- <u>SR 19 4-Inch Steel Main Extension (Groveland):</u>
  This steel main project consists of 11,595 feet of 4-inch high-pressure steel main on SR 19 from the Kroger facility to Lake Emma Road in Groveland. This main extension was installed to reach new commercial businesses on SR 19 and South Obrien Road, as well as new subdivisions near the Lake Emma Road intersection. This main extension also serves as a back feed for the 60-psi system at Kroger and on US 27.

- <u>US 27 4-Inch Steel Main Extension (Clermont):</u>
  The District extended 19,326 feet of 4-inch high-pressure steel main on South US 27 in Clermont, from Hartwood Marsh Road to Trout Lake Road. This main extension would give the District access to the multi-family housing mix (single-family homes, condominiums, and apartments), as well as one million square feet of offices, medical facilities, restaurants, retail spaces, and a huge sports complex. Over the next two to ten years, this area is expected to grow in population and development.

- <u>Sadler Road 2-Inch Steel Main Extension (Zellwood):</u>
  The District extended 6,500 feet of 2-inch high-pressure steel main in Zellwood to reach new commercial customers.

- <u>Vick Road & Ponkan Road 4-Inch Poly Main Extension (Apopka):</u>
  The District extended 11,620 feet of 4-inch poly main on Vick and Ponkan Road in Apopka to capture the anticipated growth in this area.

- CR 561A to Hancock Road 4-Inch Poly Main Extension (Minneola):
  The District extended 10,750 feet of 4-inch poly main extension on Hancock Road from CR 561A to North Hancock Road to capture the planned Hills of Minneola commercial and industrial businesses.

- Hancock Road 6" Poly Main Extension (Minneola):
  The District extended 7,375 feet of 6-inch poly main extension on Hancock Road that crossed the Florida Turnpike and connected to CR 561A. The main purpose of this extension is to serve the planned Advent Hospital as well as the commercial and industrial entities in the Hills of Minneola area.

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

- The 2-inch poly main extension on Lake Minneola Shores to serve 10250 & 10260 Lake Minneola Shores (Clermont)
- The 2-inch poly main extension on SR 50 to serve 9448 West Colonial Drive (Ocoee)
- The 2-inch poly main extension on Sandy Shores Drive to serve 12023 Sandy Shores Drive (Windermere)
- The 2-inch main extension on Park Avenue to serve a Townhomes at 30 North Park Avenue (Winter Garden)
- The 2-inch main extension on Main Street to serve 118 Main Street (Windermere)
- The 2-inch poly main extension on Carter Road to serve a new shopping center and medical complex (Winter Garden)
- The 2-inch poly main extension on Sunbitten Court to serve 2908 Sunbitten Court (Windermere)
- The 2-inch poly main extension on Park Avenue to serve 12150 Lake Butler Blvd. (Windermere)
- The 2-inch poly main on Clarcona-Ocoee Road & Lakeview Drive for a new commercial project (Ocoee)
- The 2-inch poly main on Drummond Lane to serve 6750 North OBT (Lockhart)
- The 2-inch poly main on Sadler Road to serve 8504 Sadler Road (Mt. Dora)
- The 2-inch poly main on Broad Street to serve 1233 & 1239 West Broad Street (Groveland)

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 newly 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 homebuilders/developers, we added new phases to our growing list of single-family residential subdivisions:

- Bargrove Estates Phase 1 (Zellwood)
- Fire Creek @ Gotha (Gotha)
- Hull Island Phase 2-B (Oakland)
- Park View Preserve - Golden Gem Road (Apopka)
- Highland Ranch Canyons Phase 6-B1 & B2 (Clermont)
- Park View @ The Hills Phase 2 & 3 (Minneola)
- Oakland Park Phase 5 (Oakland)
- Oakland Park Phase 6 B2 (Oakland)
- Oakland Park Phase 6 B3 (Oakland)

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 fiscal year 2022 were:

- Don Wickham Road (Clermont): 890 feet of 2-inch poly main relocation.
- CR 455 & Old Highway 50 (Montverde): 2,100 feet of 2-inch steel main relocation at the Florida Turnpike Crossing.
- Clarcona-Ocoee Road (Ocoee): 575 feet of 4-inch main relocation at Ocoee Village.
- Overland Road & Beggs Road (Lockhart): 500 feet of 4-inch steel main relocation.
- Sheeler & US 441 (Apopka): 348 feet of 2-inch poly main replacement at the Shopping Center.
- Kelly Park Road (Zellwood): 21 feet of 6-inch poly main relocation.

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 the following:

- Tilden St. & Lakeview Avenue (Winter Garden): 560 feet of 2-inch main and 4 service lines.
- Beach Street (Groveland): 175 feet of 2-inch main and one service line.

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 $48,249,979. This is an increase of $5,347,007 over last year's net position of $42,902,972. 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

	2021	2022
Current Assets	$ 14,317,894	$ 17,522,773
Noncurrent Assets	42,281,538	44,846,095
Total Assets	56,599,432	62,368,868
Deferred Outflows	1,086,456	1,229,877
Current Liabilities	7,076,208	7,940,007
Long-Term Liabilities	5,108,990	7,176,223
Total Liabilities	12,185,198	15,116,230
Deferred Inflows	2,597,718	232,536
Net Position:		
Invested in Capital Assets, Net of Related Debt	39,546,644	42,617,226
Unrestricted	3,356,328	5,632,753
Total Net Position	$ 42,902,972	$ 48,249,979

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

	2021	2022
Revenues:		
Charges for services	$ 20,184,648	$ 25,491,681
Other operating revenues	70,243	29,780
Other non-operating revenues	653	34,758
Total Revenues	20,255,544	25,556,219
Expenses:		
Natural gas costs	4,175,348	8,847,076
Personnel services	5,192,859	5,765,758
Advertising and marketing	720,167	657,560
Repairs and maintenance	630,300	656,582
Other operating expenses	1,903,471	2,067,503
Depreciation	1,875,757	1,944,497
Other non-operating expenses	281,248	270,236
Total Expenses	14,779,150	20,209,212
Capital Contributions	545,184	-
Change in Net Position	6,021,578	5,347,007
Net Position - Beginning	36,881,394	42,902,972
Net Position - End of Year	$ 42,902,972	$ 48,249,979

The District's revenues increased by $5,300,675 and expenses by $5,430,062. The $5,307,033 increase in charge for services revenue was primarily due to higher natural gas costs, increases in customer base and slightly higher natural gas consumption in 2022. 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. The primary reason for the increase in total expenses is the increase in the cost of natural gas and the moderate increase in the cost of personnel services. In fiscal year 2022, natural gas costs increased by $4,671728 from $4,175,348 to $8,847,076, or 112%. The District's average price per therm for natural gas increased from $.3768 in 2021 to $.7757 in fiscal year 2022, or by $.3989 or 106%. The increase in natural gas expense was aided slightly by a 7,917-therm consumption increase. The increase of $572,899 in personnel service expense is primarily due to a 5% increase in the cost of the District's health plan, 4% payroll increases for cost of living and a merit raise up to 3% of an employee's salary. All the other expense categories were virtually flat.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2022, was $44,846,095. This represents an increase of $2,564,557 over the previous year, primarily due to the $2,760,161 increased investment in the gas distribution system.

Capital Assets
Net of Accumulated Depreciation

	2021	2022
Non-depreciable Assets:		
Land	$ 282,229	$ 282,229
Depreciable Assets:		
Buildings	1,243,621	1,161,315
Gas distribution system	39,425,889	42,186,050
Furniture, machinery, and equipment	1,329,799	1,216,501
Total	$ 42,281,538	$ 44,846,095

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 10-year period with TD Bank. The District also has $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 $2,228,869 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

2021	2022
$ 2,734,894	$ 2,228,869

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 has slowed and reversed from a true seller's market to a negotiable buyer's market. The change is attributed to interest rate hikes by the United States Treasury over the last year to slow down the economy and decrease the rate of inflation. These interest increases were done to stop the country from slipping into a recession. However, the robust increase in interest rate has stopped many potential homebuyers from signing contracts to purchase new homes. This slowdown has caused some builders to place projects on hold to see what the economy will look like in 2023. The District has been advised by a few builders that subdivisions they had committed to install natural gas were being put on hold temporarily until the economy turns around.

There is still a shortage of existing homes for sale, a backlog of available new homes due to supply chain issues that started to clear up near the end of 2022. The ever-increasing need for apartments and affordable housing continues in Central Florida has caused the average low to moderate income worker to be priced out of the apartment and housing markets, and some adults moved back home with their parents or other relatives and friends to make ends meet. There is some relief being seen with more apartments being built, but affordable living spaces is staying a constant topic for government officials. Higher interest rates for home mortgages and the price of new or existing homes has kept first-time homebuyers out of the market. The population growth for 2022 in Central Florida averages about 1,000 new people a week. Central Florida has been adding this size population growth for the last 60 years. According to economists and those who track population growth, Central Florida's growth is in a category of its own. The four-county region that make up the Orlando Metropolitan Statistical Area – Lake, Orange, Osceola, and Seminole Counties, grew by 2.4% to reach a population of just above 2.5 million people. This growth rate is four times the rate of growth of the United States. Citizens from colder areas of the country like the year-round warm temperatures of Florida and are moving here. According to the 2020 United States Census, Florida is the third largest state with a population of 21.5 million people. Central Florida saw a job increase of 425,800, over last year, or a 5.3% increase, which as of December 2022, exceeded the national average increase of 3.3% by a full 2% points.

In 2022, Central Florida area saw single family home values increase by 15.3% from the previous year. The median time to contract for single-family homes in Florida is 49 days today compared to 12 days or less in 2021. Overall sales increased by 11.7% from November 2022 to December 2022 and home inventory dropped by 11.8% compared to 2021. The median home price in Orlando is $365,000. The price of homes is expected to remain steady with some price decreases due to high interest rates in 2023.

The District prepared a Five-Year Strategic Growth Plan for residential and business development areas of our service territory based on independent research and forecasts from the cities in our District. The Leadership Team and key staff personnel presented the plan to the Board of Commissioners at the August 22, 2022 meeting. The Board of Commissioners approved the plan to extend the District's mains. The Five-Year Strategic Growth Plan will be updated and presented to the Board annually.

Economists are not forecasting a housing downturn like that of the Great Recession in 2007-2008. However, the cost of goods and service are increasing, with soaring prices for supplies, a shipping bottleneck that is slowly easing and rising labor costs. These factors contributed to the increase in inflation rate from 4.7% in 2021 to 6.45% in 2022. The District offers residential and commercial customers a reasonable affordable natural gas rate. We offer rebates to new and existing residential customers, and we also offer commercial businesses rebate assistance on a case-by-case basis for choosing or converting to natural gas. Natural gas is a desirable source of energy for homes and businesses, because of its availability, affordability, reliability, and resilience during storm outages in Florida. A large number of consumers from Northern and Midwestern states prefer natural gas, because they have used natural gas as an energy source most of their life. Natural gas is a domestically abundant fuel and with more renewable natural gas coming into the pipeline daily to further reduce greenhouse gas emissions and help curtail global climate change. Governments around the world are pressing the energy industry for a more carbon neutral and net zero carbon emissions energy footprint. The natural gas industry has revved up its research and technology dollars to companies that are developing solutions to these concerns and issues.

The District's Marketing and Business Development staff stays in constant communication with area developers and builders to meet our sales growth target of adding 776 new customers in 2022. We provide market materials via traditional print, digital and on social media platform to constantly educate the public on the direct use of natural gas as a balanced energy choice for home and businesses. Natural gas is an energy that will continue to contribute to our country's future goal of obtaining zero carbon emissions for generations of consumers in the future.

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 100 Information Systems projects throughout the year and a few examples follow. To provide reliable customer service, we must be able to communicate with our team, even during a hurricane. So, this year, we migrated our operations team to the AT&T FirstNet, a wireless broadband network dedicated to public safety. Our corrosion maintenance work which we perform directly on our District map was improved by adding information on the form showing which side of the building the meter is located. This improved our efficiency for this task enabling us to work smarter, not harder. Further improving this entire process, we updated the map visualizations to color meters that have not been inspected the longest so they could be identified quickly and easily and made a priority. We made improvements that enhanced our PSC audit like adding anodes to our District map and printing custom maps showing only odd numbered stations at the inspector's request. We purchased, installed, and configured a test environment for our major software systems. We routinely patched and upgraded our minor systems. Our end user and administrative passwords were all changed, and we implemented multi-factor authentication for our users and administrators to improve our security posture. We trained all personnel on phishing attacks with weekly testing and often video training. Our internal efforts to train team members continued with IS leading classes on various topics. Finally, we were excited to receive two awards this year from our mapping software vendor, ESRI: The GIS Gas Hero award (Scott Minter) and the Special Achievement in GIS award (entire IS team).

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. Things have gradually returned to pre-pandemic modes in the area of training, though we continue to use Teams meetings as needed. The large majority of employees are working on-site full time but, in limited cases, we are offering employees the opportunity to work remotely for a limited period of time. COVID-19 guidelines have been revised, following the lead of the CDC. We continue to provide appropriate PPE, and needed cleaning supplies, along with regular professional cleaning. We have offered many training opportunities throughout the year both in-person (off-site and on-site) and virtually on a variety of topics, including Drug and Alcohol Abuse, Respirator Training, First Aid/CPR/AED Training, Heat Stress, and other specialized training. We continue to attend training relating to COVID-19 issues. The District continues to administer a Safety Recognition Program, which recognizes employees who show a commitment to safety in the performance of their job duties and a safety suggestion box for employees to submit safety concerns and comments. Safety committee members meet quarterly to review pertinent safety topics.

The District received the American Public Gas Association's Safety Award for the 12th 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 making the safety of our employees, customers, and the public our highest priority.

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 Association Committees, 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. We held telephone calls with neighboring investor-owned utilities when needed to improve response times and damage prevention safety. We provided support as needed to disaster storm restorations via the Orange and Lake County Emergency Management centers, including providing support when two hurricanes affected our area in 2022.

The District was active in the community when we partnered with local fire departments to develop training materials, and shared safety awareness information regarding Mercaptan odorant and natural gas safety practices to schools in the area. The District was also involved with the Apopka and Clermont Fire Departments via donations of smoke and carbon monoxide detectors with a commitment this year from the Winter Garden Fire Department to join the program in the future. We began developing 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 by increasing children's educational training regarding natural gas characteristics. Quarterly meetings with the Orange County Emergency Operation Center began again, and we participated in the National Hurricane Conference held in Orlando. We also sent a representative to the Common Ground Alliance International Conference in 2022.

The District communicated to the local community via advertisements, local community event participation, safety mailing brochures, billing stuffers, and exhibited fire department trailers and educational materials. We communicated with emergency responders via letters, onsite meetings, children training materials, safety meetings, educational training, and mock drills. We communicated with our local public officials through letters, community events, and direct personal contact. We communicated with excavators via tailgate meetings, direct mailers, and advertisements. We also worked alongside Sunshine 811 training officers via classroom sessions with contractors when applicable.

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, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	$ 9,750,596
Restricted cash and cash equivalents	3,933,237
Accounts receivable (net of allowance for uncollectibles)	2,529,725
Inventory	944,990
Prepaid expenses	364,225
Total Current Assets	17,522,773
Noncurrent Assets:	
Capital Assets:	
Land	282,229
Buildings	2,367,584
Gas distribution system	64,082,552
Machinery and equipment	3,410,734
Less: accumulated depreciation	(25,297,004)
Total Noncurrent Assets	44,846,095
TOTAL ASSETS	62,368,868

DEFERRED OUTFLOWS

Deferred outflows related to pensions	1,229,877
Total Deferred Outflows	1,229,877

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	$	2,389,487
Due to other governments		241,273
Accrued wages and benefits payable		316,299
Accrued taxes payable		249,906
Current portion of note payable		516,961
Gas rate stabilization		292,844
Total Current Liabilities (Payable From Current Assets)		4,006,770
Current Liabilities (Payable From Restricted Assets):		
Customer deposits		3,820,618
Developer deposits		112,619
Total Current Liabilities (Payable From Restricted Assets)		3,933,237
Noncurrent Liabilities:		
FRS net pension liability		3,497,444
HIS net liability		1,155,026
Total OPEB liability		138,114
Note payable		1,711,908
Accrued benefits payable		673,731
Total Noncurrent Liabilities		7,176,223
TOTAL LIABILITIES		15,116,230
DEFERRED INFLOWS		
Deferred inflows related to pensions		232,536
Total Deferred Inflows		232,536
NET POSITION		
Invested in capital assets, net of related debt		42,617,226
Unrestricted		5,632,753
TOTAL NET POSITION	$	48,249,979

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Operating Revenues:	
Charges for services	$ 25,491,681
Other operating revenues	29,780
Total Operating Revenues	25,521,461
Operating Expenses:	
Natural gas purchases	8,847,076
Personal services	5,765,758
Insurance	231,954
Repairs and maintenance	656,582
Professional services	341,538
Advertising and marketing	657,560
Bad debt expense	36,000
Travel and per diem	80,502
Gas, oil and fuel	134,939
Freight and postage	143,376
Materials	167,214
Communication services	64,149
Utilities	91,429
Supplies	56,731
Bank charges	392,794
Dues and subscriptions	30,760
Other operating expenses	296,117
Depreciation	1,944,497
Total Operating Expenses	19,938,976
Operating Income	5,582,485
Nonoperating Revenues (Expenses):	
Interest income	34,758
Interest expense	(53,583)
Intergovernmental transfers	(216,653)
Total Nonoperating Revenues (Expenses)	(235,478)
Change in Net Position	5,347,007
Total Net Position - Beginning	42,902,972
Total Net Position - Ending	$ 48,249,979

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, 2022

Cash Flows From Operating Activities:	
Cash received from customers	$ 25,181,565
Cash payments to suppliers for goods and services	(10,979,133)
Cash payments to employees for services	(5,817,894)
Net Cash Provided By Operating Activities	8,384,538
Cash Flows From Capital and Related Financing Activities:	
Dividends paid to member municipalities	(803,993)
Acquisition and construction of capital assets	(4,509,054)
Principal paid on note payable	(506,025)
Interest paid on note payable	(53,583)
Net Cash Used In Capital and Related Financing Activities	(5,872,655)
Cash Flows From Investing Activities:	
Interest	34,758
Net Increase in Cash and Cash Equivalents	2,546,641
Cash and Cash Equivalents at October 1	11,137,192
Cash and Cash Equivalents at September 30 (1)	$ 13,683,833

(1) Cash - Unrestricted Assets	$ 9,750,596
Cash and Cash Equivalents - Restricted Assets	3,933,237
	$ 13,683,833

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	$	5,582,485
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		1,944,497
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		(601,535)
(Increase) decrease in inventory		(141,606)
(Increase) decrease in prepaid expenses		84,903
Increase (decrease) in accounts payable		1,306,291
Increase (decrease) in accrued wages and benefits		(109,983)
Increase (decrease) in taxes payable		35,981
Increase (decrease) in net customer/developer deposits		196,555
Increase (decrease) in gas rate stabilization		29,103
Increase (decrease) in net pension liability/deferrals		93,675
Increase (decrease) in total OPEB liability		(35,828)
Net Cash Provided By Operating Activities	$	8,384,538

Supplemental disclosure of noncash investing, capital and financing activities:
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, 2022 was $125,425. 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 9/30/21	Additions	Deletions	Balance 9/30/22
Land	$ 282,229	$ -	$ -	$ 282,229
Buildings	2,367,584	-	-	2,367,584
Gas distribution system	59,733,896	4,348,656	-	64,082,552
Office furniture and equipment	230,550	4,619	(89,060)	146,109
Computer equipment and software	1,379,647	30,230	(715,318)	694,559
Transportation equipment	1,507,798	67,716	(66,407)	1,509,107
Tools and work equipment	1,653,650	51,523	(704,950)	1,000,223
Communication equipment	206,307	6,310	(154,676)	57,941
Other equipment	2,795	-	-	2,795
Totals	67,364,456	4,509,054	(1,730,411)	70,143,099
Less: Accumulated depreciation	(25,082,918)	(1,944,497)	1,730,411	(25,297,004)
Net	$ 42,281,538	$ 2,564,557	$ -	$ 44,846,095

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 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, 2022.
The measurement period for the OPEB expense was October 1, 2021 to September 30, 2022.
The reporting period is October 1, 2021 through September 30, 2022.

The District's Total OPEB Liability was measured as of September 30, 2022.

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	4.77%
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 4.77%. 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 fiscal year ended September 30, 2022, the District will recognize OPEB Expense of $(28,075).

Changes in Total OPEB Liability:

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2021	$ 173,942
Changes for a Year:	
Service Cost	9,028
Interest	4,371
Changes of Assumptions	(43,024)
Benefit Payments	(6,203)
Net Changes	(35,828)
Reporting Period Ending September 30, 2022	$ 138,114

Changes of assumptions reflect a change in the discount rate from 2.43% for the fiscal year ended September 30, 2021, to 4.77% for the fiscal year ended September 30, 2022.

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

	1% Decrease 3.77%	Current Discount Rate 4.77%	1% Increase 5.77%
Total OPEB Liability	$ 154,371	$ 138,114	$ 124,333

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:

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	$ 120,834	$ 138,114	$ 159,014

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 $2,228,869 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 $2,331,701. Principal and interest paid for the current year and total customer net revenues were $559,608 and $7,611,740, respectively.

The following is a summary of changes in long-term debt for the fiscal year ended September 30, 2022:

	Balance 9/30/21	Additions	Reductions	Balance 9/30/22	Due Within One Year
2017 Note	$2,734,894	$ -	$ 506,025	$ 2,228,869	$516,961
Net Pension Liability	2,050,192	2,602,278	-	4,652,470	-
Total OPEB Liability	173,942	-	35,828	138,114	-
Employee Benefits	833,432	-	2,877	830,555	156,824
	$5,792,460	$2,602,278	$ 544,730	$ 7,850,008	$673,785

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2022 are as follows:

Year Ending September 30,	Principal	Interest
2023	$ 516,961	$ 42,647
2024	528,134	31,475
2025	539,547	20,061
2026	551,207	8,401
2027	93,020	248
Total Payments	$ 2,228,869	$ 102,832

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 District paid dividends to member municipalities totaling $803,993 during the fiscal year ended September 30, 2022 The Dividend Payable balance was $241,273 at September 30, 2022.

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 11.91%, 31.57%, and 18.60%, 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, 2022, 2021, and 2020 were $457,799, $392,969, and $373,059, 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, 2022, the District reported a liability of $3,497,444 and $1,155,026 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share for the Pension Plan was .009399701%, which was a decrease of .00009077% from its proportionate share measured as of June 30, 2021. At June 30, 2021, the proportionate share for the HIS Plan was .010905119%, which was an increase of .00003573% from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2021, the District recognized pension expense of $523,109 for the Pension Plan, and $65,314 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	$ 166,108	$ -
Change of assumptions	430,725	-
Net difference between projected and actual earnings on Pension Plan investments	230,936	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	147,061	33,749
District Pension Plan contributions subsequent to the measurement date	116,115	-
Total	$ 1,090,945	$ 33,749

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	$ 35,058	$ 5,082
Change of assumptions	66,207	178,682
Net difference between projected and actual on HIS Plan investments	1,672	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	17,890	15,023
District HIS Plan contributions subsequent to the measurement date	18,105	-
Total	$ 138,932	$ 198,787

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
2023	$ 232,793	$ (16,114)
2024	107,286	(10,879)
2025	(37,447)	(4,776)
2026	609,261	(11,289)
2027	29,188	(23,981)
Thereafter	-	(10,921)
Total	$ 941,081	$ (77,960)

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2022 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	6.70%, net of Pension Plan investment expense
Mortality	PUB2010 base table varies by member category and sex

The actuarial assumptions used in the July 1, 2022 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 %	2.6 %
Fixed income	19.8	4.4
Global equity	54.0	8.8
Real estate	10.3	7.4
Private equity	11.1	12.0
Strategic investments	3.8	6.2
Total	100.0 %	

<u>Pension Plan Discount Rate</u> – The discount rate used to measure the total pension liability was 6.70%. 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.

<u>HIS Plan Actuarial Assumptions</u> – The total pension liability in the July 1, 2022, 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	3.54%
Mortality	Generational RP-2000 with Projection Scale BB

<u>HIS Plan Discount Rate</u> – The discount rate used to measure the total pension liability was 3.54%. The prior year discount rate was 2.16%. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease (5,70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Pension Plan proportionate share of the net pension liability	$ 6,048,589	$ 3,497,444	$ 1,364,383

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
HIS Plan proportionate share of the net pension liability	$ 1,321,445	$ 1,155,026	$ 1,017,318

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 fiscal year ended June 30, 2022.

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
Required Supplementary Information
Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Reporting Period Ending	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement Date	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability					
Service Cost	$ 9,028	$ 9,330	$ 10,096	$ 9,007	$ 8,787
Interest	4,371	3,913	5,332	6,006	5,450
Difference Between Expected and Actual Experienc	-	(2,772)	-	(12,287)	-
Change of Assumptions	(43,024)	(9,723)	27,766	9,718	(9,056)
Benefit Payments	(6,203)	(6,132)	(5,401)	(11,113)	(11,707)
Net Change in Total OPEB Liability	(35,828)	(5,384)	37,793	1,331	(6,526)
Total OPEB Liability - Beginning	173,942	179,326	141,533	140,202	146,728
Total OPEB Liability - Ending	$ 138,114	$ 173,942	$ 179,326	$ 141,533	$ 140,202
Covered Employee Payroll	$ 4,090,095	$ 3,990,336	$ 3,565,134	$ 3,478,180	$ 3,202,204
Total OPEB Liability as a percentage of Covered Employee Payroll	3.38%	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, 2022:	4.77%
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
Required Supplementary Information
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
2022	$ 457,799	$ 457,799	$ -	$ 4,169,934	10.98%
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
2022	$ 69,188	$ 69,188	$ -	$ 4,169,934	1.66%
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
Required Supplementary Information
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
2022	2022	0.0094%	$ 3,497,444	$ 4,169,934	83.87%	82.89%
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
2022	2022	0.0109%	$ 1,155,026	$ 4,169,934	27.70%	4.81%
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:

'2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

HIS Program:

'2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

2022:

The long-term expected rate of return was decreased from 6.80% to 6.70%, and the active member

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:

2022: 3.54%
2021: 2.16%
2020: 2.21%
2019: 3.50%
2018: 3.87%
2017: 3.58%
2016: 2.85%

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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, 2022, and have issued our report thereon dated March 9, 2023.

Report on 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 9, 2023.

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

MSL, P.A.
Certified Public Accountants

Orlando, Florida
March 9, 2023

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, 2022, and have issued our report thereon dated March 9, 2023.

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 9, 2023, 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, 2022.

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 $3,843,274.
d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $1,990,311.
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 2-4" & 6' Poly Main Ext. $66,397
    - Citrus Grove PH 4-6' Poly Main Ext. $110,592
    - Willow Ridge – Black East $132,254
    - Dell Web @ Hamock & CR 561-a, Minneola $108,635
    - Pulte Homes @ Roger & CR 535 $65,856
    - Hamlin Southwest $138,012
    - Assemblage in Apopka $94,959
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's 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 9, 2023

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the compliance of the Lake Apopka Natural Gas District (the District) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2022. 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 AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with the aforementioned requirements in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the District's compliance with those requirements, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2022.

MSL, P.A.
Certified Public Accountants

Orlando, Florida
March 9, 2023