



**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Basic Financial Statements

September 30, 2022

(With Independent Auditors' Report Thereon)

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

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**ON THE COVER**

The cover photograph was submitted by  
Jerica Adams, Town Centers Supervisor  
for the District Property Management Department

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of the North Sumter County Utility Dependent District (the District) as of and for the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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 opinions.

#### **Emphasis-of-Matter-Change in Accounting Principle**

As described in Note 1 to the financial statements in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statements No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

#### CERTIFIED PUBLIC ACCOUNTANTS

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Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

## INDEPENDENT AUDITOR'S REPORT

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 Responsibilities 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.

Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

## INDEPENDENT AUDITOR'S REPORT

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the tables of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 February 28, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



February 28, 2023  
Ocala, Florida

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Management's Discussion and Analysis

September 30, 2022

This Management Discussion and Analysis report provides the reader with a narrative overview and analysis of the financial activities of the North Sumter County Utility Dependent District for the fiscal year ending September 30, 2022. This report is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues and concerns. The information contained within this section should be considered in conjunction with the District's Financial Statements.

### FINANCIAL HIGHLIGHTS

- Total assets of the District are \$423,197,000; and the deferred outflows of the resources of the District are \$9,171,000.
- Total liabilities of the District are \$409,634,000; and the deferred inflows of the resources of the District are \$4,139,486.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of September 30, 2022, by \$18,595,000 (net position). Of this amount, \$62,049,000 is unrestricted and can be used at the discretion of the Board of Supervisors.
- The District's total revenues of \$55,019,000 exceeded the expenses of \$49,983,000, providing a \$5,036,000 change in net position.
- Depreciation expenses on existing capital assets for the current fiscal year amounted to \$6,932,000 to show the need for the gradual replacement of these assets over time. Amortization expense totaled \$6,953,000 for the current year.
- The District's total debt increased by \$103,462,000 during the year ending September 30, 2022. The net increase is a combination of new debt issued for the Sumter Water Conservation Authority irrigation purchase, the net impact of the Sumter Sanitation refunding, which reduced debt and the normal decrease in debt due to principal debt service payments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two sections:

- Fund financial statements
- Notes to the financial statements.

This report also contains other supplemental information in addition to the basic financial statements themselves.

### Fund Financial Statements

The fund financial statements provide detailed information about the District's major funds individually. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains two proprietary funds. There are no government or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements.

### Proprietary funds

Proprietary funds are used to report business-type activities. The District maintains three proprietary funds, the North Sumter Utility Enterprise Fund (NSU) Fund, the Sumter Sanitation Fund (SSF) and the Central Sumter

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

Management's Discussion and Analysis

September 30, 2022

Utility Enterprise Fund (CSU). Enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements. The proprietary fund financial statements provide separate information for NSU, SSF and CSU, all of which are considered to be major funds of the North Sumter County Utility Dependent District.

The District maintains the following three proprietary funds:

- **North Sumter Utility Dependent District Utility Enterprise Fund (NSU):** The NSU Fund provides water, wastewater and reclaimed water services to customers located in the Village Community Development District Nos. 5, 6, 7 and 8 residential areas and the Sumter Landing Community Development District commercial areas in Sumter County.
- **Sumter Sanitation Fund (SSF):** The SSF Fund provides trash, yard waste and recycling collection services to residents located in Village Community Development District Nos. 1-11 and commercial businesses located in the Sumter Landing community Development District commercial areas in Sumter County.
- **Central Sumter Utility Fund (CSU):** The CSU Fund provides potable water supply, treatment and distribution for a portion of The Villages located within the unincorporated region of Sumter County, the City of Wildwood and the City of Fruitland Park to customers located in the Village Community Development District Nos. 9, 10 and 11 residential areas.

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

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

The *Statement of Cash Flow* presents the impact on the District of the cash flows from operations, capital and financing activities and investing activities.

Government-wide financial statements are not required to be reported because the District has no governmental activities. The District is a special purpose government with three proprietary funds. The business-type activities of the District include water and sewer and reclaimed water utilities and trash collection services serving a portion of The Villages. The District has no component units, as all functions are performed by the primary government.

The proprietary fund financial statements are provided on pages 10-12 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are presented beginning on page 13.

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**  
Management's Discussion and Analysis  
September 30, 2022

**BUSINESS-TYPE ACTIVITIES FINANCIAL STATEMENTS AND ANALYSIS**

**Statement of Net Position**

A comparison of the *Statement of Net Position* for the current year and prior year is presented below.

	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
Assets:		
Current assets	\$ 64,772,434	57,126,488
Restricted assets	21,318,559	17,532,619
Capital assets (net of accumulated depreciation)	162,468,629	149,864,919
Bond insurance costs (net of accumulated amortization)	539,729	166,480
Intangible assets (net of accumulated amortization)	178,112,211	91,684,580
Total Assets	427,211,562	316,375,086
Deferred outflows of resources		
Deferred charges	5,156,461	4,777,542
Liabilities:		
Current liabilities	9,735,173	11,157,041
Long term debt:		
Due in one year	4,110,000	4,445,000
Due in more than one year	395,788,635	291,992,017
Total Liabilities	409,633,808	307,594,058
Deferred inflow of resources		
Deferred amount on leases	4,139,486	-
Net position:		
Net investment in capital assets	(53,677,192)	(48,276,934)
Restricted for debt service	9,423,163	4,736,260
Restricted for renewal and replacement	799,292	446,960
Unrestricted	62,049,466	56,652,284
Total net position	\$ 18,594,729	13,558,570

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's total assets (and deferred outflows) exceeded total liabilities (and deferred inflows) by \$18,595,000. The net position increased \$5,036,000 from a balance of \$13,559,000 as of September 30, 2021.



**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Management's Discussion and Analysis

September 30, 2022

The District's net position is broken down into four categories:

- **Net investment in capital assets** reflects its investment in capital assets less any related outstanding debt to acquire those assets. The District uses these capital assets to provide services to its residents; therefore, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.
- **Restricted for debt service** An additional portion of the District's net position, \$9,423,000 represents resources that are subject to external restrictions on how they may be used. The District's restricted net position is restricted for the purpose of meeting its debt service obligations.
- **Restricted for renewal and replacement** A total \$799,000 of the District's net position is restricted by the bond indenture to ensure capital renewal and replacement is adequately funded, calculated as a minimum of 2% of the prior year's revenues.
- **Unrestricted net position** The remaining portion of \$62,049,000 is unrestricted and available to meet the future needs of the district as unrestricted net position.

**Statement of Changes in Net Position**

A comparison of the *Statement of Changes in Net Position* for the current year and prior year is presented below.

	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
Business activity revenues		
Charges for physical environment services	\$ 54,886,159	46,833,335
Investment income (loss)	(947,016)	939,173
Contributions - private sources & donations	424,178	-
Rents and royalties	228,981	292,618
Miscellaneous Revenues	406,505	27,498
Sale of surplus materials and scrap	20,095	10,500
Total revenues	55,018,902	48,103,124
Business activity expenses		
Physical environment	22,948,133	19,867,108
Interest on long-term debt	13,149,339	11,042,876
Depreciation (unallocated)	6,931,843	6,590,198
Amortization expense	6,953,428	4,040,702
Total expenses	49,982,743	41,540,884
Changes in net position	\$ 5,036,159	6,562,240

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Management's Discussion and Analysis

September 30, 2022

As noted earlier, the Statement of Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year.

**Revenues** The District's revenues for the years ended September 30, 2022, and September 30, 2021 were approximately \$55,019,000 and \$48,103,000 respectively. Total revenues increased \$6,916,000 year over year. The District's expenses for the years ended September 30, 2022, and September 30, 2021, were \$49,983,000 and \$41,541,000 respectively.

Revenues include charges for physical environment services, investment income and other miscellaneous income. On average, charges for services increased 2 1/2% over prior year. Investment income declined by \$2,021,000 compared to prior year. Investment loss was primarily due to the continued unfavorable market conditions related to the Coronavirus Pandemic and increased inflation impacted by supply chain issues and labor shortages.

**Expenses** Total expenses increased by \$8,442,000 in fiscal year 2022 compared to fiscal year 2021. This increase in expense was primarily related to the purchase of the new irrigation system in Central Sumter Utility. Overall expenses increased in Physical Environment by \$3,081,000, Depreciation expense increased \$342,000, Amortization expense increased \$2,913,000 and Interest Expense increased by \$2,106,000 year over year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of September 30, 2022 amounts to \$162,469,000. This investment in capital assets includes land, infrastructure and furniture and fixtures. The District invested a net \$18,964,000 during the year. Depreciation expenses totaled \$6,932,000 resulting in an overall net increase in capital assets of \$12,604,000.

Additional information regarding the District's capital assets can be found in Note 4 of the Notes to Basic Financial Statements.

### Long-Term Debt

As of September 30, 2022, and September 30, 2021, the District had long-term debt outstanding of \$399,899,000 and \$296,437,000, respectively. The debt consists of various Revenue Bonds issued to purchase NSU, SSF and CSU. This debt is secured by a pledge of revenues under the indentures which are derived by the District from the users of the utility services.

Additional information regarding the District's long-term debt can be found in Note 6 of the Notes to Basic Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Local, state and national economic factors influence the District's budget in a variety of ways. These factors were considered in preparing the District's budget for the 2022 Fiscal Year.

- The unemployment rate in Sumter County where the District is located was 3.9% in September 2022, a decrease from 5.6% a year ago. The County's average unemployment rate was above the State's average unemployment rate of 2.6%, which was below the national average rate of 3.3%.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Management's Discussion and Analysis

September 30, 2022

- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers increased from 5.4% in September 2021 to 8.2% in September 2022.

**North Sumter Utility Fund:** In Fiscal Year 2023, the total revenues are projected to increase by \$478,000 compared to the Fiscal Year 2022 final budget. An increase in water, sewer and irrigation is offset by projected decrease in investment earnings. The Fiscal Year 2023 expenditure budget projects an increase of \$5,130,000, when compared to the Fiscal Year 2022 final budget. The increase in expenditures results primarily from an increase in capital outlay expenditures.

**Sumter Sanitation Fund:** In Fiscal Year 2023, the total revenues are projected to increase by \$614,000 compared to the Fiscal Year 2022 final budget. The Fiscal Year 2022 expenditure budget projects a \$767,000 increase when compared to the Fiscal Year 2022 final budget. The increase in expenditures results primarily from an increase in utility contract services. A four percent (4%) increase was budgeted for utility contracts in fiscal year 2022-23.

**Central Sumter Utility Fund:** In Fiscal Year 2023, the total revenues are projected to increase by \$624,000 compared to the Fiscal Year 2022 final budget. The Fiscal Year 2023 expenditure budget projects an increase of \$1,563,000, when compared to the Fiscal Year 2022 final budget. The increase in expenditures results primarily due to an increase in capital outlay.

### TO OBTAIN FURTHER INFORMATION

The District's financial statements are designed to provide a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or would like additional financial information, contact the Village Community Development Districts, Finance Office at:

984 Old Mill Run  
The Villages, FL 32162  
Telephone (352) 753-0421

It is also suggested you visit our website at [www.districtgov.org](http://www.districtgov.org) for general information and additional financial information about the District.

## North Sumter County Utility Dependent District

### Statement of Net Position

#### Proprietary Funds

September 30, 2022

Assets	North Sumter Utility	Sumter Sanitation	Central Sumter Utility	NSCUDD Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 33,313,316	2,029,222	3,611,747	38,954,285
Restricted cash and cash equivalents	6,269,184	115,231	5,267,374	11,651,789
Investments	17,714,500	1,388,066	168,918	19,271,484
Accounts receivable, net	2,568,017	1,242,388	1,727,946	5,538,351
Lease receivable - current	149,182	-	41,385	190,567
Due from other governments	212,215	34,414	195,539	442,168
Due from other funds	-	105,629	49,170	154,799
Accrued interest receivable	14,199	6,320	13,066	33,585
Prepaid	4,727	-	2,033	6,760
Inventory	180,435	-	-	180,435
Total current assets	<u>60,425,775</u>	<u>4,921,270</u>	<u>11,077,178</u>	<u>76,424,223</u>
<b>Non-current assets:</b>				
Restricted cash and cash equivalents	1,059,593	2,915,972	1,676,308	5,651,873
Lease receivable - Non-current	2,271,668	-	1,743,229	4,014,897
<b>Capital assets:</b>				
Non depreciable assets	1,559,759	537,243	108,729	2,205,731
Depreciable assets (net of accumulated depreciation)	75,586,738	959,091	83,717,069	160,262,898
Bond insurance costs (net of accumulated amortization)	-	-	539,729	539,729
Intangible assets (net of accumulated amortization)	24,304,454	36,980,542	116,827,215	178,112,211
Total non-current assets	<u>104,782,212</u>	<u>41,392,848</u>	<u>204,612,279</u>	<u>350,787,339</u>
Total assets	<u>165,207,987</u>	<u>46,314,118</u>	<u>215,689,457</u>	<u>427,211,562</u>
<b>Deferred outflows of resources</b>				
Deferred amount on refunding	4,560,381	596,080	-	5,156,461
Total assets and deferred outflows of resources	<u>169,768,368</u>	<u>46,910,198</u>	<u>215,689,457</u>	<u>432,368,023</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	379,512	128,870	107,268	615,650
Accrued expenses and other current liabilities	43,325	-	-	43,325
Accrued interest payable	3,011,002	-	4,241,025	7,252,027
Due to other governments	452,877	35,170	373,516	861,563
Due to other funds	109,356	-	45,443	154,799
Utility guarantee deposit	9,464	17,222	2,249	28,935
Unearned revenue	-	702,132	-	702,132
Due to developer (amenity futures)	15,196	-	61,546	76,742
Current installments of revenue bonds payable	3,125,000	-	985,000	4,110,000
Total current liabilities	<u>7,145,732</u>	<u>883,394</u>	<u>5,816,047</u>	<u>13,845,173</u>
<b>Non-current liabilities:</b>				
Revenue bonds payable	140,732,562	44,711,520	210,344,553	395,788,635
Total non-current liabilities	<u>140,732,562</u>	<u>44,711,520</u>	<u>210,344,553</u>	<u>395,788,635</u>
Total liabilities	<u>147,878,294</u>	<u>45,594,914</u>	<u>216,160,600</u>	<u>409,633,808</u>
<b>Deferred inflows of resources:</b>				
Deferred amount on leases	2,373,180	-	1,766,306	4,139,486
Total Liabilities and deferred outflow of resources	<u>150,251,474</u>	<u>45,594,914</u>	<u>217,926,906</u>	<u>413,773,294</u>
<b>Net position</b>				
Net investment in capital assets	(37,837,737)	(5,408,102)	(10,431,353)	(53,677,192)
<b>Restricted for:</b>				
Debt service	3,819,535	2,915,972	2,687,656	9,423,163
Renewal and replacement	489,748	-	309,544	799,292
Unrestricted	53,045,348	3,807,414	5,196,704	62,049,466
Total net position	<u>\$ 19,516,894</u>	<u>1,315,284</u>	<u>(2,237,449)</u>	<u>18,594,729</u>

See accompanying notes to basic financial statements.

**North Sumter County Utility Dependent District**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended September 30, 2022

	<u>North Sumter Utility</u>	<u>Sumter Sanitation</u>	<u>Central Sumter Utility</u>	<u>NSCUDD Total</u>
Operating revenues:				
Charges for services:				
Water revenue	\$ 4,747,213	-	2,886,665	7,633,878
Sewer revenue	8,016,608	-	5,287,846	13,304,454
Irrigation revenue	10,807,870	-	7,129,000	17,936,870
Solid waste revenue	-	16,147,953	-	16,147,953
Lease revenue	184,218	-	44,763	228,981
Miscellaneous revenue	220,594	44,634	4,281	269,509
Total operating revenues	<u>23,976,503</u>	<u>16,192,587</u>	<u>15,352,555</u>	<u>55,521,645</u>
Operating expenses:				
Contractual operation and maintenance services	3,158,909	10,505,020	1,892,013	15,555,942
General and administrative services	1,410,183	846,714	1,614,242	3,871,139
Utility services	1,117,969	530	815,236	1,933,735
Repair and maintenance services	410,259	50,679	107,339	568,277
Insurance, casualty and liability	215,535	-	101,654	317,189
Meter and operating supplies	495,392	-	206,459	701,851
Depreciation expense	5,070,665	24,911	1,836,267	6,931,843
Amortization expense	1,365,403	1,844,361	3,765,123	6,974,887
Total operating expenses	<u>13,244,315</u>	<u>13,272,215</u>	<u>10,338,333</u>	<u>36,854,863</u>
Operating income	<u>10,732,188</u>	<u>2,920,372</u>	<u>5,014,222</u>	<u>18,666,782</u>
Non-operating revenue (expenses):				
Investment income (loss)	(1,166,839)	64,634	20,068	(1,082,137)
Contributions - private sources & donations	-	-	424,178	424,178
Interest expense	(4,906,878)	(1,078,041)	(7,142,961)	(13,127,880)
Interest income - Leases	93,611	-	41,510	135,121
Sale of surplus materials and scrap	13,354	-	6,741	20,095
Total non-operating revenue (expenses)	<u>(5,966,752)</u>	<u>(1,013,407)</u>	<u>(6,650,464)</u>	<u>(13,630,623)</u>
Change in net position	4,765,436	1,906,965	(1,636,242)	5,036,159
Total net position, beginning	<u>14,751,458</u>	<u>(591,681)</u>	<u>(601,207)</u>	<u>13,558,570</u>
Total net position, ending	<u>\$ 19,516,894</u>	<u>1,315,284</u>	<u>(2,237,449)</u>	<u>18,594,729</u>

See accompanying notes to basic financial statements.

**North Sumter County Utility Dependent District**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2022

	<u>North Sumter Utility</u>	<u>Sumter Sanitation</u>	<u>Central Sumter Utility</u>	<u>NSCUDD Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 24,147,530	16,231,351	14,446,248	54,825,129
Payments to suppliers	(8,092,411)	(12,076,624)	(5,894,077)	(26,063,112)
Net cash provided (used) by operating activities	<u>16,055,119</u>	<u>4,154,727</u>	<u>8,552,171</u>	<u>28,762,017</u>
Cash flows from capital and related financing activities:				
Principal paid on debt	(2,970,000)		(225,000)	(3,195,000)
Proceeds from debt	-	44,790,092	112,950,519	157,740,611
Contributions from developer	-	-	424,178	424,178
Bond Insurance			(379,296)	(379,296)
Payment to trustee	-	(48,095,000)	-	(48,095,000)
Proceeds from Sale of Capital Assets	13,354	-	6,741	20,095
Lease Income	45,941	-	23,202	69,143
Acquisition of capital assets	(841,896)	-	(18,693,657)	(19,535,553)
Acquisition of intangible assets	-	-	(93,167,030)	(93,167,030)
Interest paid on debt	(6,096,250)	(3,544,626)	(6,172,303)	(15,813,179)
Net cash (used in) provided by capital and related financing activities	<u>(9,848,851)</u>	<u>(6,849,534)</u>	<u>(5,232,646)</u>	<u>(21,931,031)</u>
Cash flows from investing activities:				
Proceeds from Sales/Maturities of Investments	-	-	251,535	251,535
Purchases of Investments	(1,554,476)	(123,337)	-	(1,677,813)
Interest received on investments	301,940	245,609	56,100	603,649
Net cash provided (used) by investing activities	<u>(1,252,536)</u>	<u>122,272</u>	<u>307,635</u>	<u>(822,629)</u>
Net increase (decrease) in cash and cash equivalents	<u>4,953,732</u>	<u>(2,572,535)</u>	<u>3,627,160</u>	<u>6,008,357</u>
Cash and cash equivalents, beginning of year	<u>35,688,361</u>	<u>7,632,960</u>	<u>6,928,269</u>	<u>50,249,590</u>
Cash and cash equivalents, end of year	<u>40,642,093</u>	<u>5,060,425</u>	<u>10,555,429</u>	<u>56,257,947</u>
Reconciliation of cash and cash equivalents per				
Statement of cash flows to the statement of net assets:				
Cash per statement of net position:				
Unrestricted cash and cash equivalents	33,313,316	2,029,222	3,611,747	38,954,285
Restricted cash and cash equivalents - current	6,269,184	115,231	5,267,374	11,651,789
Restricted cash and cash equivalents - non-current	1,059,593	2,915,972	1,676,308	5,651,873
Cash and cash equivalents	<u>40,642,093</u>	<u>5,060,425</u>	<u>10,555,429</u>	<u>56,257,947</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	10,732,188	2,920,372	5,014,222	18,666,782
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	5,070,665	24,911	1,836,267	6,931,843
Amortization	1,365,403	1,844,361	3,765,123	6,974,887
Changes in assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	161,563	(31,243)	(906,306)	(775,986)
Due from other governments, Net	(797,055)	153,735	-	(643,320)
Due from other fund, Net	-	-	(326,462)	(326,462)
Prepaid expenses and Inventory	-	-	(2,032)	(2,032)
Increase (Decrease) in:				
Accounts payable	(521,292)	(783,976)	(211,218)	(1,516,486)
Unearned revenue	9,464	26,759	-	36,223
Accrued expenses and other current liabilities	34,183	-	(617,423)	(583,240)
Utility Guarantee Deposit	-	(192)	-	(192)
Net cash provided by operating activities	<u>\$ 16,055,119</u>	<u>4,154,727</u>	<u>8,552,171</u>	<u>28,762,017</u>

See accompanying notes to basic financial statements.

# NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

## Notes to Financial Statements

September 30, 2022

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The North Sumter County Utility Dependent District (the District) was established on July 13, 2010 to manage and finance solid waste collection and disposal, water, wastewater and reclaimed water utility services for approximately 8,000 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the *Florida Statutes*, and operates within the criteria established by Chapter 189. The District is governed by a seven-member Board of Supervisors. The Board is made up of one resident from each of Districts 5 through District 10, with an additional at-large member anywhere from within Districts 5 through 10. As of September 30, 2022, each member of the Board of Supervisors has been elected by qualified electors (registered voters).

The District provides water, wastewater and reclaimed water service to Village properties between C.R. 466 and C.R. 466A in Sumter County and potable services to Village properties from C.R. 466A to S.R 44 in Sumter County. NSCUDD also provides solid waste sanitation services for the Sumter County, Marion County, and portions of The Villages that are in the City of Fruitland Park and City of Wildwood.

The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages. Today, The Villages spans approximately 50 square miles across the borders of Lake, Sumter and Marion Counties, the City of Wildwood, the City of Fruitland Park, the City of Leesburg and the Town of Lady Lake, Florida, with a population of approximately 130,000. When fully developed The Villages is expected to span 86 square miles and include approximately 140,000 residences and a population of 267,000. Development is currently underway in the south end of The Villages in Districts 14.

The financial statements of the District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. As defined by GASB, the financial reporting entity is required to include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, on the other hand, are reported in a separate column in the statement of net position to emphasize they are legally separate from the government.

There are no component units that are legally separate from the District. There are seventeen Community Development Districts in the total structure of The Villages, each being a separate government entity established pursuant to Chapter 190, Florida Statutes.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

The following is a listing of these Community Development Districts:

- Village Center Community Development District provides water and sewer utility services, recreation facilities and services, security, fire protection, emergency medical first response and executive golf services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This District also provides for the maintenance of common areas and roadways for the commercial areas within the District boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments. Lastly, the District provides administrative services, including human resources, payroll, accounting, property management, recreation leadership and community standard services to the Community Development Districts.
- Sumter Landing Community Development District provides recreation facilities and services, security, fire protection, emergency medical first response (non-transport) and executive golf services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This District also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries in Sumter County. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments
- Brownwood Community Development District provides the maintenance of common areas and roadways for the commercial areas within the District boundaries in Sumter County. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- The Village Community Development District No. 1 boundary consists of approximately 993 acres in Sumter County. The development included construction of 3,420 residential units.
- The Village Community Development District No. 2 boundary consists of approximately 990 acres in Sumter County. The development included construction of 3,668 residential units.
- The Village Community Development District No. 3 boundary consists of approximately 894 acres in Sumter County. The development included construction of 3,762 residential units.
- The Village Community Development District No. 4 boundary consists of approximately 1,253 acres in Marion County. The development included construction of 5,432 residential units.
- The Village Community Development District No. 5 boundary consists of approximately 1,407 acres in Sumter County. The development included construction of 6,399 residential units.
- The Village Community Development District No. 6 boundary consists of approximately 1,497 acres in Sumter County. The development included construction of 6,697 residential units.
- The Village Community Development District No. 7 boundary consists of approximately 976 acres in Sumter County. The development included construction of 4,765 residential units.



## **NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

### Notes to Financial Statements

September 30, 2022

- The Village Community Development District No. 8 boundary consists of approximately 1,098 acres in Sumter County. The development included construction of 5,193 residential units of which 10 are being used as lifestyle preview homes by the Developer.
- The Village Community Development District No. 9 boundary consists of approximately 1,299 acres in Sumter County. The development included construction of 5,409 residential.
- The Village Community Development District No. 10 boundary consists of approximately 1,489 acres in Sumter County. The development included construction of 6,639 residential units of which 55 are being used as lifestyle preview homes by the Developer.
- The Village Community Development District No. 11 boundary consists of approximately 693 acres within the city limits of Fruitland Park in Lake County. The development included construction of 2,055 residential units.
- The Village Community Development District No. 12 boundary consists of approximately 1,483 acres within the city limits of the City of Wildwood in Sumter County. Planned development includes construction of 6,202 residential units of which 53 are being used as lifestyle preview homes by the Developer.
- The Village Community Development District No. 13 boundary consists of approximately 2,290 acres within the city limits of the City of Wildwood in Sumter County. Planned development includes construction of 8,062 residential units and construction is currently underway.
- The Village Community Development District No. 14 boundary consists of approximately 2385 acres with the city limits of the City of Leesburg in Lake County. Planned development includes construction of Phase I to be 3,234. Construction is currently underway.

In order to acquire land and fund the construction costs of the District's public infrastructure, the District issued Special Assessment Revenue Bonds. The proceeds of these bonds were used to construct improvements within the District which consists of roadway improvements, landscaping, open areas, streetlights, multi-modal paths, master drainage systems and a water and waste water distribution and collection service system. The bonds are supported by assessments that are levied upon the benefiting properties. In addition to the bond assessment for construction of the infrastructure, there is an annual maintenance assessment to provide for the services and ongoing maintenance and administration.

It is anticipated that additional infrastructure improvements within The Villages will be undertaken by existing community development districts and/or a community development district yet to be created in the future, for which special assessments may be imposed on residences in The Villages and lands owned by the Developer.

# NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

## Notes to Financial Statements

September 30, 2022

In addition to the above community development districts, there is one additional dependent district in the total structure of Districts:

- Wildwood Utility Dependent District (WUDD) - WUDD is a dependent district of the City of Wildwood. This dependent district provides water and wastewater service to Village properties located south of State Road 44.

### **Basis of Presentation**

The financial statements of the District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

**Fund Financial Statements:** The basic financial statements include fund financial statements. The financial reporting model focus is on the District as a whole, with only three proprietary funds. The statement of net position reports the proprietary activities of the District (a) on a government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of revenues, expenses and changes in fund net position - proprietary funds, reflects the revenues and expenses of the District.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets the criteria set forth in GASB Statement 34. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position which is associated with capital assets net of accumulated depreciation less outstanding capital asset related debt.

Restricted net position is assets that have third party (statutory, bond covenant or granting agency) or enabling legislation limits on their use. The District would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted net position represents net position not included in net investment in capital assets or restricted net position.

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

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year in which the related debt is issued and the assessments established.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

The following are the District's three major enterprise funds, a category of proprietary funds:

**North Sumter Utility Dependent District Utility Enterprise Fund (NSU):** The NSU Fund collects charges for water, wastewater and non-potable irrigation water services. This fund is used to account for all costs of providing services on a continuing basis to customers located in the Village Community Development District Nos. 5, 6, 7, and 8 residential areas and the Sumter Landing Community Development District commercial areas in Sumter County.

**Sumter Sanitation Fund (SSF):** The SSF Fund collects the residential and commercial trash collection fees for solid waste collection services. This fund is used to account for all operating costs for providing the solid waste collection and disposal services to residential customers located in Village Community Development District Nos. 1-11 and the commercial customers of both Sumter Landing and Brownwood Community Development Districts.

**Central Sumter Utility Dependent District Utility Enterprise Fund (CSU):** The CSU Fund provides potable water, wastewater, non-potable irrigation supply, treatment and distribution for a portion of The Villages located within the unincorporated region of Sumter County, the City of Wildwood and the City of Fruitland Park to customers located in the Village Community Development District Nos. 9, 10 and 11 residential areas

There are no non-major funds within the District.

The District uses enterprise funds, a type of proprietary funds, to account for the operations and maintenance of the water, sewer and reclaimed water utility systems and solid waste collection and disposal services that are financed and operated in a manner similar to private business enterprises, where the costs of providing services on a continuing basis are financed through user charges.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, depreciation of capital assets, and amortization of intangible assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Budgetary Information**

The annual budget is formally adopted by the Board of Supervisors. Annual budgets are then approved by the Board of County Commissioners and serves as the legal authorization for expenditures. Legal authority and control are established in accordance with Chapter 189, Florida Statutes. The annual budget, as well as any subsequent amendment, is adopted and approved by the Board of Supervisors. Budgets are adopted on a basis consistent with GAAP. All budget amounts presented in the statements reflect the original budget and the amended final budget.

# NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

## Notes to Financial Statements

September 30, 2022

### Assets, Liabilities and Net Position

**Cash, Cash Equivalents and Investments** The District's considers cash and cash equivalents to be cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investments are recorded at fair value unless the investment qualifies as an external investment pool and follows the guidance in GASB, which allows the investment to be recorded at amortized cost under certain criteria. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method of measuring the fair value of investments uses the fair value hierarchy as defined by GASB.

**Receivables and Payables** The accounts receivable of the District are recorded in the government-wide and fund financial statements. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

**Restricted Assets** Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted assets in the form of cash and cash equivalents that will be used to pay current liabilities are classified as current assets in the accompanying statement of net position.

The resolutions authorizing the utility revenue bonds require that the District establish sinking fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures. In addition, the utility bond resolution requires that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed to fund those necessary water and sewer system renewals and replacements. The purchase and sale agreement provides that all utility system development charges remain the property of the seller. These funds are therefore collected directly by the seller.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

**Unearned Revenue** Unearned Revenue consists of utilities billed in advance which will be recognized as revenue in the subsequent month.

**Inventories and Prepaid Items** Inventories are valued at cost using the first-in/first-out method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expense when consumed rather than when purchased.

# NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

## Notes to Financial Statements

September 30, 2022

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expense when consumed rather than when purchased.

**Capital Assets** Capital assets, which may include property (land), buildings, infrastructure assets (roads, sidewalks, etc.), improvements, equipment, construction in progress and intangible assets, are reported in the government-wide financial statements.

The District has established the threshold for additions to capital assets as an asset with an acquisition cost of \$10,000 or more, and an estimated useful life in excess of one year. This threshold was increased effective October 1, 2018 from a previous threshold of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District values and records donated capital assets at the estimated fair value of the item at the date of its donation.

Routine maintenance and repairs to capital assets are not included in the reported value because they do not increase the capacity or extend the useful life of the capital asset.

Depreciation of capital assets is computed using the straight-line method and is recorded in general government expenses in the District's statement of activities. Estimated useful lives of the assets are as follows:

- Improvement other than building and structure 40 years
- Furniture and Equipment 5-10 years

**Intangible Assets** Intangible assets represent the discounted value of future utilities service fees and sanitation collection fees to amortize the difference between the recorded value of the capital assets and the purchase price of the two utilities and sanitation system acquired, and are capitalized at cost at the date of acquisition. Intangible assets are amortized on a straight-line basis over an estimated useful life of 40 years for the utility intangible assets and 30 years for the solid waste collection rights intangible assets.

### Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make various estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures/expenses during the reporting period. Some of these estimates include assessing the collectability of the receivables, the useful lives of capital assets and the collectability of the liabilities. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they could ultimately differ from actual results.

### New accounting pronouncements

#### GASB Statement No. 87, Leases

The Governmental Accounting Standard Board issued GASB Statement No. 87, Leases for implementation in financial reports for fiscal years beginning after June 15, 2021. The objective of this Statement to increase the usefulness of governments' financial statements with regards to the accounting of leases. The Statement

## **NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

### **Notes to Financial Statements**

**September 30, 2022**

requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflow of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented GASB Statement No. 87 in the current fiscal year. Further information regarding the accounting for leases can be found at Note 9.

#### **Date of Management's Review**

Subsequent events were evaluated by management through February 28, 2023, which is the date the financial statements were available to be issued.

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The District maintains an approved Investment Policy and Long-Term Portfolio Investment Policy in compliance with guidelines established by Florida Statutes.

The primary objective of the District’s Investment policy is to assure safety and preservation of principal. The objective is to mitigate credit and interest rate risk, maintain the necessary liquidity to match expected liabilities and maximize yield.

The primary objective of the District’s Long-term Portfolio Investment policy is to achieve a long-term (five years or longer) level of return commensurate with the contemporary economic conditions and equal to or exceeding the then prevailing investment environment.

**Cash and Cash Equivalents:** The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent and short-term investments with an original maturity of three months or less.

The District invests its operating cash solely in Qualified Public Depositories that meet the requirements of Chapter 280, Florida Statutes “Florida Security for Public Deposits Act”. In addition to protection of up to \$250,000 for its deposits with a single bank as provided by the Federal Deposit Insurance Corporation (FDIC), the District’s deposits are provided the extra level of security afforded by using a public depository that meets the requirements of Chapter 280. This includes the provision by the public depository of collateral based on the amount of public deposits maintained at the institution and the ability of the State of Florida to levy other public depositories for shortages in collateral in the event of the failure of a public depository. Citizens First Bank is a Qualified Public Depository.

As of September 30, 2022, the District’s Cash and Cash Equivalents consisted of:

<u>Cash and Cash Equivalents</u>	<u>Fair Value</u>	<u>Weighted Ave Maturity (Days)</u>	<u>Credit Rating</u>
Citizens First Bank demand deposits	814,069	1.0	n/a
Fl Cooperative Liquid Assets Securities System, FLCLASS	29,151,401	26.0	AAAm
Fl Public Assets for Liquidity Management (FL PALM)	8,988,815	24.0	AAAm
FL-FIT Fixed Income Trust	17,303,662	102.0	AAAm
Total Fair Value	\$ <u>56,257,947</u>		
Portfolio Weighted Average Maturity (WAM)		48.7	

The District invests excess funds pursuant to the guidelines established in Section 218.415, Florida Statutes. The authorized investments consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in Section 163.01, Florida Statutes.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositories, provided that the underlying collateral consists of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District's investment.

The District has further segregated a portion of its investment into a long-term investment portfolio with further investment guidelines. The investment objectives are based on a long-term investment horizon of five years or longer. The District has developed a long-term investment horizon such that the risk and duration of investment losses are carefully weighed against the long-term potential for asset growth. A large portion of the assets will be invested in longer-term investments and will be diversified with the intent to minimize risk loss. In order to best balance risk and return for optimal diversification, the following asset allocation has been identified:

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
<b>Growth Assets</b>		
Domestic Equity	20% - 60%	40%
International Equity	0% - 40%	20%
Other	0% - 20%	0%
<b>Income Assets</b>		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
<b>Real Return Assets</b>	0% - 20%	0%
<b>Cash Equivalents</b>	0% - 20%	0%



**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

As of September 30, 2022, the District’s Investments consisted of:

<b>Investments</b>	<b>Fair Value</b>	<b>Weighted Ave Maturity (Years)</b>	<b>Credit Rating</b>
Florida Fixed Income Trust, FLFIT	\$ 3,990,402	0.28	AAAf1/S1
Florida Local Government Investment Trust	4,904,482	1.76	AAAf/S1
FL PALM Term	3,945,691	1.00	AAAf
PFM Multi-Manager Domestic Equity Fund	2,394,536	n/a	n/a
PFM Multi-Manager International Equity Fund	1,050,775	n/a	n/a
PFM Multi-Manager Fixed Income Fund	2,247,016	7.70	A
Cohen & Steers Inst Realty Shares	121,004	n/a	n/a
Principal Investors Fund	120,977	n/a	n/a
iShares Preferred&Income Securities ETF	134,186	n/a	n/a
PIMCO Commodity Real Ret Strategy	182,481	n/a	n/a
Cash Equivalents	179,934	n/a	n/a
Total Investments	\$ <u>19,271,484</u>		
Portfolio Weighted Average Maturity (WAM)		1.61	

The District participates in the following external investment pools:

- The State Board of Administration for participation in the Local Government Investment Pool (Florida PRIME™) created by Section 218.415, Florida Statutes is an investment pool that operates under investment guidelines established by Section 215.47, Florida Statutes. The District’s investments in Florida PRIME™, a qualified external investment pool, meet the requirements of GASB Statement No. 79 and are reported at amortized cost.
- Florida Public Assets for Liquidity Management (FL PALM) is a fund whose objectives are to provide participants with the highest possible investment yield while it maintains liquidity and preserves capital, and maintains a stable NAV. The fund meets the requirements of GASB Statement No. 79 and is reported at amortized cost.
- Florida Public Assets for Liquid Management Term Portfolio is a fixed-term investment option, holding maturities of 60 days to a year. The Portfolio invests in high quality money market investments that seeks to maintain principal at maturity while earning the highest return. The District’s investment in FLPALM Term meets the requirement of GASB Statement No. 79 and are reported at amortized cost.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

- The Florida Local Government Investment Trust (the Trust) is administered by a Board of Trustees appointed by the Florida Association of Court Clerks and County Comptroller, and the Florida Association of Counties, Inc. The Trust was created to provide a means for public entities to pool surplus funds to maximize net earnings certificates of deposit. The District's investment in the Trust Short-Term Bond Fund does not meet the requirements of GASB Statement No. 79 and is valued at variable Net Asset Value (NAV), which approximates fair value.
- The Florida Cooperative Liquid Assets Securities System (FLCLASS) is an independent local government investment pool designed to provide a safe and competitive investment alternative for Florida governmental entities. FLCLASS does not meet the requirements of GASB Statement No. 79 and is measured at variable NAV, which approximates fair value.
- Florida Fixed Income Trust Enhanced Cash Pool is a Series Trust designed to provide liquid solutions to local governments of Florida. The funds objective is to provide liquidity and preservation of capital while providing current income consistent with low volatility of net asset value. The fund does not meet the requirements of GASB Statement No. 79 and is measured at variable NAV, which approximates fair value.

**Fair Value Hierarchy.** GASB Statement No. 72, Fair Value Measurement and Application, sets forth the framework for measuring fair value. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

The valuation measurement levels are defined below:

- Level 1 inputs are unadjusted price quotations in active markets/exchanges for identical assets or liabilities that a government can access at the measurement date.
- Level 2 inputs are observable inputs including, but not limited to, quoted prices for similar assets or liabilities in active markets, quoted process for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs
- Level 3 inputs are unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

At September 30, 2022, the District’s investments carried the following Fair Value Hierarchy:

	Total	Level 1	Level 2	Level 3
<b>Investment by fair value level:</b>				
PFM Multi-Manager Domestic Equity Fund	\$ 2,394,536	\$ -	\$ 2,394,536	\$ -
PFM Multi-Manager International Equity Fund	1,050,775	-	1,050,775	-
PFM Multi-Manager Fixed Income Fund	2,247,016	-	2,247,016	-
Cohen & Steers Inst Realty Shares	121,004	-	121,004	-
Principal Real Estate Securities Inst Fund	120,977	-	120,977	-
iShares Preferred&Income Securities ETF	134,186	-	134,186	-
PIMCO Commodity Real Ret Strategy	182,481	-	182,481	-
	\$ 6,250,975	\$ -	\$ 6,250,975	\$ -

Management of the following investment risks are addressed below:

- Custodial credit risk is the risk that a government will not be able to recover deposits or the value of an investment that’s in the possession of a failed institution or counterparty.
  - The financial institution in which the District places its deposits is certified as a “qualified public depository” as required under the Florida Security for Public Deposits Act. Therefore, the deposits are entirely insured by Federal depository insurance and collateralized pursuant to Chapter 280, Florida Statutes.
  - At September 30, 2022, and consistent with the investment policy, the District’s investments are all registered in the name of the District by a custodian or a trustee for the District.
- Credit risk is the risk of loss from an issuer’s failure to repay principal and/or interest on a debt obligation. To manage this risk, the District’s investment policy identifies and limits investments to only top ratings issued by nationally recognized statistical rating organization.
- Concentration of investment risk is the increasing probability of loss arising from heavily lopsided exposure to an asset class, issuer, structure or maturity. The District’s investment policy stipulates guidelines for diversification of investments by limiting investments to avoid over-concentration in securities from a specific issuer or business sector; limiting investments in securities with higher credit risk; investments in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.
- Interest rate risk is the risk that a security’s value will decrease with a rise in interest rates. To manage interest rate risk, the District maintains a formal short-term investment policy that limits a portion of its investments in maturities, not to exceed five (5) years. The short-term target balance is 85% of the Districts portfolio. The District also adopted a Long-term investment portfolio which targets 15% of investment dollars and may hold some maturities longer than five years. The District maintains and reports interest rate risk using the Weighted Average Maturity (WAM) method. A weighted average takes into consideration both the timing and the amounts of the maturities. The District manages its

## NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

### Notes to Financial Statements

September 30, 2022

exposure to decline in fair values by limiting the WAM of its short-term investment portfolio to less than three (3) years.

- Foreign currency risk is the risk of loss from a reduction in value affected by changes in the rate of exchange. The District's investment policies do not allow for direct investments in foreign currency.

#### NOTE 3 –RECEIVABLES AND PAYABLES

##### Receivables

**Accounts Receivable** Accounts receivable in the North Sumter Utility, Sumter Sanitation and Central Sumter Utility proprietary funds consist of amounts due for charges for water, sewer and non-potable irrigation water, and amounts owed by sanitation customers for services rendered, net of an allowance for doubtful accounts. For uncollectible accounts receivable, the allowance method is used. Total Accounts Receivable, net of the allowance for doubtful accounts as of September 30, 2022 was \$5,538,000.

The allowance for doubtful accounts totals \$158,000 as of September 30, 2022.

**Due from Other Funds** The inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The balance at September 30, 2022 is expected to be received shortly after year-end from available current assets and next year funding.

**Due from other Governments** The inter-government balances result from the time lag between the dates that (1) inter-government goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between governments are made. The balance at September 30, 2022 is expected to be received shortly after year-end.

##### Payables

**Accounts Payable** As of September 30, 2022, a total \$616,000 is due to trade vendors in the normal course of business. This balance is expected to be repaid shortly after year-end from available current assets and next year funding.

**Due to other Governments** The inter-government balances result from the time lag between the dates that (1) inter-government goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between governments are made. The balance at September 30, 2022 is expected to be repaid shortly after year-end from available current assets and next year funding.

**Due to Other Funds** The inter-fund balances result from the time lag between the dates that (1) inter-fund goods and services were provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The balance at September 30, 2022 is expected to be repaid shortly after year-end from available current assets and next year funding.

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 865,811	45,680	-	911,491
Construction in progress	768,512	601,275	(75,547)	1,294,240
Total assets not being depreciated	<u>1,634,323</u>	<u>646,955</u>	<u>(75,547)</u>	<u>2,205,731</u>
Assets being depreciated:				
Buildings and structures	16,228,425	-	-	16,228,425
Infrastructure	168,953,192	18,945,820	-	187,899,012
Furniture & fixtures	18,159,366	18,325	-	18,177,691
Total assets being depreciated	<u>203,340,983</u>	<u>18,964,145</u>	<u>-</u>	<u>222,305,128</u>
Total assets	<u>204,975,306</u>	<u>19,611,100</u>	<u>(75,547)</u>	<u>224,510,859</u>
Less accumulated depreciation for:				
Buildings and structures	(5,827,323)	(570,967)	-	(6,398,290)
Infrastructure	(35,822,098)	(5,341,873)	-	(41,163,971)
Furniture & fixtures	(13,460,966)	(1,019,003)	-	(14,479,969)
Total accumulated depreciation	<u>(55,110,387)</u>	<u>(6,931,843)</u>	<u>-</u>	<u>(62,042,230)</u>
Total Capital Assets, net	\$ <u>149,864,919</u>	<u>12,679,257</u>	<u>(75,547)</u>	<u>162,468,629</u>

The District invested a net \$19,536,000 additional capital improvements to land and infrastructure in the current fiscal year. Depreciation expense of \$6,932,000 was recognized during the year.

**NOTE 5 – INTANGIBLE ASSETS**

Intangible asset activity for the year ending September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
NSCUDD				
Discounted value purchase	\$ 121,189,622	93,167,030	-	214,356,652
Less accumulated amortization	<u>(29,505,043)</u>	<u>-</u>	<u>(6,739,398)</u>	<u>(36,244,441)</u>
Intangible assets, net	\$ <u>91,684,579</u>	<u>93,167,030</u>	<u>(6,739,398)</u>	<u>178,112,211</u>

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**  
Notes to Financial Statements  
September 30, 2022

**NOTE 6 – LONG-TERM DEBT**

Long-term debt consists of the following Revenue bonds as of September 30, 2022:

\$123,410,000 Utility Revenue Bonds, Series 2020 due in annual principal installments ranging from \$2,970,000 to \$8,715,000 through October 2043 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range is 5.000%.	\$ 120,440,000
\$38,425,000 Solid Waste Refunding Revenue Bonds, Series 2022 due in annual principal installments ranging from \$870,000 to \$2,795,000 through October 2042 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.00% to 5.00%.	38,425,000
\$73,200,000 Senior Utility Revenue Bonds, Series 2019 due in annual principal installments ranging from \$95,000 to \$4,530,000 through October 2054 in accordance with the redemption schedule. Interest is due semi-annually on March 1 and October 1 of each year until redemption or maturity. Interest rate is 5.000%.	72,905,000
\$9,490,000 Subordinate Utility Revenue Bonds, Series 2019 due in annual principal installments ranging from \$10,000 to \$585,000 through October 2054 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 5.000%.	9,455,000
\$83,760,000 Senior Utility Revenue Bonds, Series 2021 due in annual principal installments ranging from \$645,000 to \$5,265,000 through October 2052 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.000% to 5.000%.	\$ 83,760,000
\$7,275,000 Subordinate Utility Revenue Bonds, Series 2021 due in annual principal installments ranging from \$5,000 to \$480,000 through October 2052 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rate is 3.000% to 5.000%.	\$ 7,275,000
Total revenue bonds payable	<u>332,260,000</u>
Plus unamortized bond premium	67,638,635
Less current installment of revenue bonds payable	<u>(4,110,000)</u>
Revenue bonds payable less current installments	<u>\$ 395,788,635</u>

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2023	4,110,000	15,618,190	19,728,190
2024	5,270,000	15,837,925	21,107,925
2025	6,135,000	15,570,900	21,705,900
2026	6,660,000	15,268,350	21,928,350
2027-2031	42,275,000	70,586,100	112,861,100
2032-2036	57,760,000	58,124,850	115,884,850
2037-2041	73,000,000	42,591,100	115,591,100
2042-2046	63,980,000	24,739,700	88,719,700
2047-2051	42,810,000	13,124,500	55,934,500
2052-2053	30,260,000	2,530,000	32,790,000
Total	\$ <u>332,260,000</u>	<u>273,991,615</u>	<u>606,251,615</u>

The following is a summary of changes in long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds payable					
Senior bonds	\$ 241,085,000	122,185,000	(47,740,000)	315,530,000	4,070,000
Subordinate bonds	13,005,000	7,275,000	(3,550,000)	16,730,000	40,000
Plus unamortized bond premium	42,351,455	28,280,611	(2,993,432)	67,638,635	-
Less unamortized bond discount	(4,438)	-	4,438	-	-
Total bonds payable	<u>296,437,017</u>	<u>157,740,611</u>	<u>(54,278,994)</u>	<u>399,898,635</u>	<u>4,110,000</u>
Total business-type activities long-term liabilities	<u>296,437,017</u>	<u>157,740,611</u>	<u>(54,278,994)</u>	<u>399,898,635</u>	<u>4,110,000</u>
Total debt	\$ <u>296,437,017</u>	<u>157,740,611</u>	<u>(54,278,994)</u>	<u>399,898,635</u>	<u>4,110,000</u>

On July 7, 2022, the District settled a Forward Delivery Bond Purchase Agreement with Morgan Stanley to issue \$38,425,000 aggregate principal amount of Solid Waste Revenue (SSF) Refunding Revenue Bonds, Series 2022, proceeds which was used to refund SSF's outstanding Solid Waste Revenue Bonds, Series 2012 and the outstanding Subordinate Utility Revenue Bonds, Series 2012 in the amount of \$46,845,000. The 2022 Bond was issued with a premium in the amount of \$6,365,092. The All-in True Interest Cost was 2.63% with a Net Present Value Savings of \$10,995,000. In addition, new bonds in the amount of \$83,760,000 Senior 2021 Bonds and \$7,275,000 Subordinate Bonds were issued for Sumter Water Conservation Authority, the irrigation portion of Central Sumter Utility. The 2021 Bond was issued with a premium in the amount of \$18,144,987.

# NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT

## Notes to Financial Statements

September 30, 2022

### Debt Covenants and Pledged Revenues

The Bond indentures contain significant limitations and restriction on the District regarding annual debt service requirements, the use of certain restricted accounts, minimum sinking fund balances and minimum revenue bond coverage.

Management believes that the District has complied with all material financial-related covenants for the NSU bonds. Management believes that the District has complied with all material financial-related covenants for the SSF Senior and Subordinate bonds. Management believes that the District has complied with all material financial-related covenants for the CSU Senior and Subordinate bonds.

The District has pledged certain water, sewer and non-potable irrigation water revenue to pay the principal and interest on Utility Revenue Bonds Series 2020 to pay for the purchase of water, sewer and irrigation utility facilities. In addition, the District has pledged certain residential and commercial solid waste collection fee revenue to pay the principal and interest on the Solid Waste Revenue Bonds Series 2022. The District has pledged certain water and sewer water revenue to pay the principal and interest on Utility Revenue Senior and Subordinate Bonds Series 2019 to pay for the purchase of water and sewer utility facilities. Lastly, the District has pledged certain non-potable irrigation revenue to pay the principal and interest on the Utility Revenue Bond Series 2021 to pay for the purchase of irrigation utility facilities. These Utility and Solid Waste Revenue Bonds were outstanding on September 30, 2022, as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2022.

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Utility Revenue Bonds - 2020	Water, Sewer, & Irrigation	23,571,691	7,876,878	38.2%	198,291,750	2044
Utility Revenue Bonds - 2022	Sanitation	16,147,953	2,327,889	17.1%	58,109,240	2043
Utility Revenue Bonds - 2019	Water, Sewer, & Irrigation	15,303,511	3,828,073	33.9%	170,956,000	2055
Utility Revenue Bonds - 2021	Water, Sewer, & Irrigation	15,303,511	3,314,888	37.7%	178,894,625	2053

### NOTE 7 – RELATED PARTIES

The District entered into an interlocal agreement with Sumter Landing Community Development District (SLCDD) for management services. SLCDD, in turn, obtains its management services from Village Center Community Development District (VCCDD) through an interlocal agreement. Under the agreement, fees accrued to VCCDD by the District for such services totaled \$1,387,000 for the year ended September 30, 2022.



## **NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

### **Notes to Financial Statements**

**September 30, 2022**

The District paid Sumter Landing Community Development District \$8,764 for a leak credit on a utility account.

The District paid Villages Technology Solutions Group, Developer owned a technology company, a total \$218,000 for technology services and The Villages of Lake-Sumter \$832,000 for amenity futures in FY 2022. The District paid The Villages Land Company \$76,000 for amenity futures in FY 2022. The District paid The Daily Sun, a Developer owned newspaper, a total \$1,165 for certain legal advertisements, The Villages of Lake-Sumter \$24 for administrative services and The Village Marketing \$556 for certain marketing services in FY 2022.

#### **NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to general liability, crime, auto liability, employee practice liability, theft, damage and destruction of assets, errors and omissions and natural disasters. To manage much of this risk, the District carries insurance, however, the District retains risk for certain property coverage and for losses in excess of coverage limits. Any settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### **NOTE 9 – LEASE RECEIVABLES**

The District is the lessor for several non-cancelable leases, detailed below. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

Key estimates and judgements include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

At the commencement of a lease, the District initially measures the lease receivable at the present value of the payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted to lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The District is the lessor of several tower leases with Verizon, T-Mobile and Village Center Community Development District to place communication equipment on District owned water towers.

North Sumter County Utility Dependent District leases “tower space” to Verizon Wireless to place communication equipment as part of their wireless network services. Verizon Wireless has three locations within the District area. The lease amount is adjusted each year by the amount equal to the greater of 3% of

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

the preceding year rent or by the U.S. Consumer Price index. Two of the leases expire in 2032 and one lease expires in 2044. Provisions for additional 5 (five)-year terms are written with in the language of the lease.

North Sumter County Utility Dependent District leases “tower space” to T-Mobile, South LLC to place communication equipment as part of their wireless network services. T-Mobile has three locations within the District area. The lease amount is adjusted each year by the amount equal to the greater of 3% of the preceding year rent or by the U.S. Consumer Price index. One lease expires in 2035, one in 2036 and the third lease in 2042. Provisions for additional 5 (five)-year terms are written with in the language of the lease.

North Sumter County Utility Dependent District leases “tower space” to New Cingular Wireless to place communication equipment as part of their wireless network services. New Cingular has one location within the District area. The lease amount is adjusted each year by the amount equal to the greater of 3% of the preceding year rent or by the U.S. Consumer Price index. The lease expires in 2052. Provisions for additional 5 (five)-year terms are written with in the language of the lease.

North Sumter County Utility Dependent District leases “tower space” to Village Center Community Development District to place communication equipment on the water towers necessary to provide fire services to the community. The lease amount is adjusted each July by the amount equal to the greater of 3% of the preceding year rent amount or by the U.S. Consumer Price index. The lease expires in 2035. Provisions for additional 5 (five)-year terms are written with in the language of the lease. Termination of lease can be exercised by either party with a 90 (ninety) day written notice.

The District recognized the following revenue associated with these leases during the fiscal year:

<b>Lease-related Revenue</b>	<b>Ending Balance</b>
Lease Revenue	
Equipment	228,964
Total Lease Revenue	228,964
Interest Revenue	135,121
<b>Total</b>	<b>364,085</b>

Future revenues for these leases are:

**NORTH SUMTER COUNTY UTILITY DEPENDENT DISTRICT**

Notes to Financial Statements

September 30, 2022

Fiscal year ending September 30:	Principal	Interest	Total Receipts
2023	190,567	154,452	345,018
2024	197,837	147,181	345,018
2025	205,385	139,634	345,018
2026	213,220	131,798	345,018
2027	221,355	123,663	345,018
2028-2032	1,240,081	485,011	1,725,092
2033-2037	791,776	279,807	1,071,583
2038-2041	569,620	163,001	732,621
2043-2047	362,377	72,163	434,540
2048-2052	213,246	18,578	231,824
Total Future Receipts	<u>4,205,464</u>	<u>1,715,287</u>	<u>5,920,751</u>

**NOTE 10 – SUBSEQUENT EVENTS**

As part of a long-term plan for Solid Waste, the NSCUDD Board approved the purchase of land and a building in October 2020. The purchase was intended to be used for Sanitation headquarters, operated by North Sumter Utility Dependent District’s solid waste Contractor, Jacobs. The purchase was complete in June of 2021. As part of the plan, Jacobs agreed to make a one-time investment of \$1,000,000 in leasehold improvements and pay the District \$50,000 annually towards routine maintenance costs. The building has since been completed and Jacobs began operations in the building at 8515 NE 44<sup>th</sup> Drive, Wildwood, FL 34785 in November 2022.

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

Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, 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 financial statements of the business-type activities and each major fund of North Sumter County Utility Dependent District (the District) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 28, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

**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**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



February 28, 2023  
Ocala, Florida

## MANAGEMENT LETTER

Board of Supervisors  
North Sumter County Utility Dependent District

The Villages, Florida

### Report on the Financial Statements

We have audited the financial statements of North Sumter County Utility Dependent District (the District) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated February 28, 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; and Chapter 10.550, *Rules of the Florida 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 of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with the American Institute of Certified Public Accountants *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 February 28, 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 financial audit report. There were no prior year findings made in the preceding financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the District's September 30, 2022, basic financial statements for this information). There are no component units related to the District.

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Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

## MANAGEMENT LETTER

### Financial Condition and Management

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

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

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

### Special Districts

For information required by Section 218.39(3) (c), Florida Statutes, and Section 10.554(1)(i)6 and 7, *Rules of the Auditor General*, please see attached information provided by management that is unaudited and, accordingly, we do not express an opinion or provide any assurance on the information.

### Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Board of Supervisors, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



February 28, 2023  
Ocala, Florida

## North Sumter County Utility Dependent District

### Attachment to the Management Letter

For the Year Ending September 30, 2022

#### Specific Information (For a dependent special district or an independent special district, or a local government entity that includes the information of a dependent special district)

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

- a) The total number of district employees compensated in the last pay period of the district's fiscal year as  N/A .
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as  N/A .
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as  N/A .
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as  N/A .
- 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  \$587,526  (Please see list attached).
- 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 \_\_\_\_\_.

Note: If the required information for a dependent special district is fulfilled by inclusion in the primary local government's audit report, a statement to that effect should be made in the dependent special district's audit report, and vice versa.

#### NSCUDD is a dependent special district.

#### Specific Information (For an independent special district that imposes ad valorem taxes) Not Applicable

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

- a) The mileage rate or rates imposed by the district as  N/A .
- b) The total amount of ad valorem taxes collected by or on behalf of the district as  N/A .
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds as  N/A .

#### Specific Information (For an independent special district that imposes non-ad valorem special assessments) Not Applicable

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

- a) The rate or rates of non-ad valorem special assessments imposed by the District as  N/A  for maintenance and bond payment assessment.
- b) The total amount of special assessments collected by or on behalf of the district as  N/A .
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds as  N/A .



**FY 2021-22**  
**Capital Expenditure Summary > \$65,000**

<b>PROJECT DESCRIPTION</b>	<b>CAPITAL &gt; \$65,000 AS OF 09/30/2022</b>
PARKING LOT - DESIGN AND CONSTRUCTION	\$ 140,217
NSU VALVE REPLACEMENT PROGRAM	101,105
VWCA VALVE REPLACEMENT PROGRAM	100,000
GIL/LIDAR & CITYWORKS	89,798
HYPOCHLORITE PUMP SKID	88,907
ODOR CONTROL SYSTEM REHAB	67,500
	<u>\$ 587,526</u>

## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA STATUTE SECTION 218.415 - INVESTMENT OF PUBLIC FUNDS

Board of Supervisors  
North Sumter County Utility Dependent District  
The Villages, Florida

We have examined North Sumter County Utility Dependent District (the District) compliance with Section 218.415, Florida Statutes, with regards to the District's investments during the fiscal year ended September 30, 2022. District 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, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, 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 other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 during the fiscal year ended September 30, 2022.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the District, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



February 28, 2023  
Ocala, Florida

### CERTIFIED PUBLIC ACCOUNTANTS

*Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Lakeland | Tampa*

purvisgray.com

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