LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
SEPTEMBER 30, 2023

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA

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MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2023, 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 District as of September 30, 2023, and the respective change in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 12, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 12, 2024

Management's Discussion and Analysis

Our discussion and analysis of the Lake Apopka Natural Gas District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the financial statements and disclosures that follow.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $52,004,593 (total net position) for the fiscal year 2023. This is consistent with the previous fiscal year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $48,249,979.

The District's total revenues were $24,056,334, including interest income, compared to $25,556,219 last year, or a year-over-year decrease of $1,499,885. The primary reason for the decrease in revenue is due to 2023 being the hottest year on record, which negatively impacted consumption by lowering the need for customers to use their natural gas appliances and equipment. Total consumption dropped from 21,665,342 therms in 2022, to 21,093,029 therms in fiscal year 2023, while the natural gas prices fell from an average cost of $0.78 per therm in 2022 to $0.58 per therm in 2023. Natural gas costs are a pass through that is reflected in revenues and expenses. Although total expenses grew slightly from $20,209,212 in fiscal year 2022 to $20,301,720 in 2023, there were two expense categories that had significant year over year increases in their balances. Natural gas expense dropped from $8,847,076 to $7,128,523, or by $1,718,553 (19%) due to the drop in consumption and the decline in the price, and personnel services expense increased from $5,765,758 to $7,164,098, or by $1,398,340 or 24% due mainly to the growth in employee compensation, Florida State Retirement benefits, life and health insurance and retiree health insurance subsidy plan expenses.

In 2023, the District executed and recorded ten new residential subdivision developer agreements in Orange and Lake Counties. The builders/developers will build 887 new homes in our service area that should generate an estimated 254,682 annual therms. The District executed residential agreements for the following subdivisions: in Orange County – Bargrove Phase 2 with 67 lots, Emerson Pointe with 97 lots, Palms of Windermere with 57 lots, Bronson Peaks Phase 1A, 1B and 1C with 116 lots, Oaks at Kelly Park Phase 3A and 3B with 142 lots, Oakland Park Parcel 17 with 10 lots, Foothills of Mount Dora Phase 1A and 1B with 52 lots, Wolf Lake Ranch with 61 lots and Winter Grove with 87 lots; in Lake County – Del Webb at Minneola Phase 1 and 2 with 198 lots. The communities are being built by Pulte Homes, Landsea Homes (formerly Hanover Families Builders, LLC.), MI Homes, Dream Finders Homes, Toll Brothers, and J and J Builders, LLC. The world is back from the pandemic and countries are operating, trading, and growing their communities and cultures for the benefit of all people. Lake Apopka Natural Gas District will do the same. We are committed to continuing our growth by seeking new development opportunities and growth opportunities in unserved areas of our service territory. Central Florida lacks affordable residential housing. We will continue to reach out to those developers to educate them on providing energy choice to residents. There are hundreds of multi-family projects being planned and developed, and many of these projects have apartments, condominiums, single family homes and retail space that we will make every effort to capture for the District. These developments are called walkable communities.

The new residential developer agreements and commercial accounts that were placed in service during the 2023 fiscal year increased the District's financial performance with our customer base growing to serve 28,411 customers as of September 30, 2023. The Marketing Department converted 66 competitive fuel commercial accounts to natural gas during 2023, with an estimated annual consumption of 1,109,983 therms. The District's largest anticipated commercial load will come from the opening of the new Advent Health Hospital on Hancock Road in Minneola, with an estimated annual load of 336,000 therms. The hospital will operate 24 hours a day 365 days a year. Central Florida's tourism and entertainment districts and business are thriving and growing. We consistently receive information on new commercial business developments coming to our service area.

In fiscal year 2023, the District decided to expand its distribution main to reach the Hiawassee system, which was supplied by TECO. District management decided to eliminate TECO's gas supply source and directly serve our customers in this area.

The District used $5,245,469 in cash flow to acquire additional capital assets, compared to $4,509,054 for the previous year. We added 23 miles of gas mains and 930 service lines to our existing distribution system in fiscal year 2023, along with several major capital expenditures to upgrade and expand the system. For system improvement, the District completed the following projects:

- *Hiawassee 4-Inch Poly Main Extension (Ocoee)*
  We completed 6,870 feet of 4-inch poly main extension along Dorscher Road and Old Winter Garden Road. This project objective was to eliminate TECO's check meter (gas supply) feeding the Hiawassee steel system in Ocoee and serve those customers directly through our gas distribution system.

- *SR 19 4-Inch H.P. Steel Main Extension Phase 2 (Groveland)*
  We completed Phase 2 of 4-inch high-pressure steel main extension (10,432 feet) on SR19 in Groveland. This project enhanced system pressure in this area to be able to serve the new industrial and commercial customers being built on SR 19 and South Obrien Road and capture new subdivisions and commercial firms in the vicinity.

- *Citrus Grove (Phase 4) 6-Inch Poly Main Extension (Minneola):*
  We completed 3,850 feet of 6-inch poly main extension on Citrus Grove Road. This extension is a system improvement to our distribution system. It connected our gas main on Citrus Grove Road and Highway 27 with Citrus Grove Road and Grassy Lake. The huge area along this route is forecasted to be developed in the near future.

- *Binion Road 6-Inch Poly Main Extension Phase 3 - Railroad & SR429 Crossing (Apopka):*
  We finished 4,490 feet of 6-inch poly main expansion across SR 429 on Binion Road and the railroad in Apopka. This extension operates as a back feed loop between the Apopka area, Winter Garden and Ocoee, providing services to the predicted expanding population in Apopka.

- *Avalon Road & New Independence Parkway 6-Inch Steel Main Extension Phase 1 (Winter Garden):*
  We completed 7,110 feet of a 6-inch steel main extension on Avalon Road and New Independence Pkwy. This main extension is one of the five-year plan projects that will provide services to the expected population growth in Winter Garden.

- *Ponkan Road 4-Inch Poly Main Extension (Apopka):*
  We completed 1,580 feet of a 4-inch poly main extension on Ponkan Road. This main extension is one of the five-year plan projects that will provide services to the expected population growth in Apopka.

- *Jason Dwelley Pkwy 4-Inch Poly Main Extension (Apopka):*
  We completed 8,395 feet of a 4-inch poly main extension on Jason Dwelley Parkway. This main extension is one of the projects on the five-year plan that will provide services to the expected population growth in Apopka.

- *Boy Scout Road 6-Inch Poly Main Extension (Zellwood):*
  We completed 4,525 feet of a 6-inch poly main extension on Boy Scout Road to provide services to the anticipated population growth in Zellwood. This main extension would also serve as a back feed loop that extends our gas main from South Binion Road down Boy Scout Road to Ocoee Apopka Road.

- *Stoneybrook Hills Pkwy 4-Inch Poly Main Extension Phase 1 & 2 (Mount Dora):*
  We completed 8,145 feet of a 4-inch poly main extension on Stoneybrook Hills Parkway to serve the new Stoneybrook Hills subdivision in Mount Dora.

- *Villa City Road 2-Inch and 6-Inch Phase 1 & 2 Poly Main Extension (Groveland):*
  We completed 1,330 feet of a 2-inch and 14,580 feet of 6-inch poly main extension on Villa City Road in Groveland. This main extension is one of the five-year plan projects that will provide services to the new Villa City subdivision.

In addition to the system enhancements, the District replaces legacy black plastic, Aldyl-A pipes, and copper services in the distribution system on an annual basis to reduce liability. The District detected about 3,450 feet of 2-inch Aldyl-A pipe in the system, which is projected to be replaced in fiscal year 2024. PHMSA has granted the District $3,125,000 in funding to replace vintage steel and vintage plastic Aldyl-A polyethylene pipe in the Apopka and Ocoee areas with modern polyethylene. Replacing the Aldyl-A pipe is one of the projects in the PHMSA Grant Proposal.

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

Winter Garden:

- Boyd Street (alley) 1-Inch Poly Main Extension @ 419 N. Boyd Street.

- Hamlin Groves Trail 2-Inch Poly Main Extension @ Taco Bell - 5201 Hamlin Groves Trail.
- Daniels Road 2-Inch Poly Main Extension @ 1200 Daniels Road.
- Main Street 1-Inch Poly Main Extension @ 318 Main Street.
- SR 50 2-Inch Poly Main Extension @ 12615 W. Colonial Drive.

Windermere:
- Marqueses Court. 2-Inch Poly Main Extension @ 2951 Marqueses Court.
- Lake Butler Blvd. 2-Inch Poly Main Extension.
- Tilden Groves 2-Inch Poly Main Extension @ 5126 Tilden Groves Boulevard.
- Conroy Windermere Road 2-Inch Poly Main Extension @ 7753 Conroy Windermere.

Clermont:
- SR 50 2-Inch Poly Main Extension @ 2901 SR 50.
- Desoto Street 2-Inch Poly Main Relocation @ 844 E. Desoto Street.
- SR 50 2-Inch & 4-Inch Poly Steel Main Extension @ Plaza Collina/Costco & Floor Decor.
- Citrus Tower 2-Inch Poly and Steel Main Extension @ 3238 Citrus Tower Boulevard (Domino's Pizza).

Groveland:
- American Way 6-Inch Poly Main Extension @ 7815 American Way.

Apopka:
- Semoran Boulevard 2-Inch Poly Main Extension @ 2488 E. Semoran Boulevard.
- Main Street 2-Inch Poly Main Extension @ 611 Main Street (Winn Dixie).
- Foxden Road 2-Inch Poly Main Extension @ 1204 Foxden Road.
- Ocoee Apopka Road 4-Inch & 2-Inch Poly Main Extension @ Harmon Center.
- Shelby Industrial Dr & General Electric Road: 6-inch HP steel main extension to serve Loews Laundry.
- Clarcona Ocoee Road 2-Inch Poly Main Extension @ 2860 & 2870 Clarcona Ocoee Road.

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

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

- Winding Meadows (Apopka).
- Willow Ridge Phase 1 (Montverde).
- Park View @ The Hills Phase 1 & 3 (Minneola).

- Ivy Trail (Apopka).
- Avalon Ridge (Winter Garden).
- Bargrove Estates Phase 2 (Zellwood).
- Del Webb Phase 1 (Minneola).
- Bronson Peak Phase 1-A & 1-B (Apopka).
- Oakland Park X17 (Oakland).
- Foothills of Mt. Dora Phase 4-1A (Mount Dora).

As always, we have relocated several existing pipelines due to local road work and other municipal improvements that caused the District to expend resources to relocate pipelines. The primary projects to relocate the gas mains in fiscal year 2023 were:

- Golden Gem Road 440 feet of 4-Inch Poly Main Replacement (Apopka).
- SR 50 520 feet of 6-Inch HP Steel Main Offset for Johns Lake Landing (Clermont).
- US 27 300 feet of 2-Inch Poly Main Relocation (Clermont).
- Desoto Street 372 feet of 2-Inch Poly Main Replacement (Clermont).
- Collina Terrace 1,170 feet of 4-Inch Poly Main Relocation (Clermont).

Overview of the Financial Statements

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

Financial Analysis of the District

The District's net position at year-end was $52,004,593. This is an increase of $3,754,614 over last year's net position of $48,249,979. Net position measures the difference between the assets the District owns and deferred outflows of resources over the liabilities it owes and deferred inflows of resources. The following table provides a summary of the District's net position:

Summary of Net Position

	2022	2023
Current Assets	$ 17,522,773	$ 18,254,359
Noncurrent Assets	44,846,095	48,027,398
Total Assets	62,368,868	66,281,757
Deferred Outflows	1,229,877	1,087,038
Current Liabilities	7,940,007	7,743,731
Long-Term Liabilities	7,176,223	7,376,915
Total Liabilities	15,116,230	15,120,646
Deferred Inflows	232,536	243,556
Net Position:		
Invested in Capital Assets, Net of Related Debt	42,617,226	46,315,491
Unrestricted	5,632,753	5,689,102
Total Net Position	$ 48,249,979	$ 52,004,593

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

Summary of Changes in Net Position

	2022	2023
Revenues:		
Charges for services	$ 25,491,681	$ 23,493,432
Other operating revenues	29,780	87,272
Other non-operating revenues	34,758	475,630
Total Revenues	25,556,219	24,056,334
Expenses:		
Natural gas costs	8,847,076	7,128,523
Personnel services	5,765,758	7,164,098
Advertising and marketing	657,560	727,239
Repairs and maintenance	656,582	736,945
Other operating expenses	2,067,503	2,227,172
Depreciation	1,944,497	2,064,166
Other non-operating expenses	270,236	253,577
Total Expenses	20,209,212	20,301,720
Change in Net Position	5,347,007	3,754,614
Net Position - Beginning	42,902,972	48,249,979
Net Position - End of Year	$ 48,249,979	$ 52,004,593

The District's revenues decreased by $1,499,885 and expenses increased by $92,508. The $1,998,249 decrease in charge for services revenue was primarily due to lower natural gas costs, increases in customer base and significantly lower natural gas consumption in 2023. The cost of natural gas is a pass-through that is reflected as part of revenue and natural gas expenses. Annual increases in natural gas costs increase revenue, while decreases erode revenue. The decreases in the price of natural gas were passed on to the consumers. Revenues were controlled by using the gas stabilization fund to mitigate the financial impact from over and under recovery collections of gas supply costs on the monthly financial statements. When collections from customers exceed the cost of gas, the fund is increased, and when collections are less than the cost of gas, the fund is reduced. Recovery collections are evaluated monthly to maintain process consistency. The primary reason for the slight increase in total expenses is the increase in the cost of personnel services, which was partly offset by the decline in the cost of natural gas. In fiscal year 2023, natural gas costs decreased by $1,718,553 from $8,847,076 to $7,128,523, or 19%. The District's average price per therm for natural gas decreased from $0.78 in 2022 to $0.58 in fiscal year 2023, or by $.20 or 26%. The decrease in natural gas expense was aided by a 572,3137 drop in therms consumption in 2023. The increase of $1,398,340 in personnel service expenses is primarily due to a 10% increase in the cost of the District's health plan, 6% payroll increases for cost of living and merit raises up to 3% of an employee's salary. All the other expense categories experienced moderate year-over-year changes.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, on September 30, 2023, was $48,027,398. This represents an increase of $3,181,303 over the previous year, primarily due to the $3,115,384 increased investment in the gas distribution system.

Capital Assets
Net of Accumulated Depreciation

	2022	2023
Non-depreciable Assets:		
Land	$ 282,229	$ 282,229
Depreciable Assets:		
Buildings	1,161,315	1,186,590
Gas distribution system	42,186,050	45,301,434
Furniture, machinery, and equipment	1,216,501	1,257,145
Total	$ 44,846,095	$ 48,027,398

Long-Term Debt

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a 10-year period with TD Bank. The District also secured a $3,000,000 credit line with Regions Bank for a three-year term commencing on February 19, 2020, at a monthly interest rate of LIBOR plus 125 basis points. The District decided not to renew the line of credit when it expired on February 19, 2023. At the end of the fiscal year, the note payable balance outstanding was $1,711.907 and there was no outstanding balance on the revolving line of credit. The District pledged the net revenues of the natural gas system as security for the notes.

Long-Term Debt

2022	2023
$ 2,228,869	$ 1,711,907

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

Economic Factors

The 2023 housing market forecast by local, state, and national economists indicates the housing market had not seen the efforts of a slowdown or a recession as economic forecasters had predicted. Florida is leading the country in the percentage of housing starts compared to other states in the United States. The global supply chain disruption or slowdown in receiving goods and materials began to improve by mid-2023. The seller's market price for houses has started to slowly reverse in some areas of the country. The housing market is still very robust in Florida, but the problem was the mortgage interest rates were rising so quickly, that many first-time homebuyers were priced out of the market to purchase a new or existing home. The United States Treasury raised interest rates 11 times from March 2022 to July 2023, with mortgage interest rates as high as seven percent on the 30-year mortgage. The objective was to slow down the economy, fight off a recession and decrease the rate of inflation. This slowdown caused a few builders to temporarily postpone building new subdivisions at the start of 2023 until the economic lookout for 2023 was brighter. One or two builders advised the District they were moving forward on subdivisions they had committed to installing natural gas after the first quarter economic reports were reviewed.

There is still a shortage of existing homes for sale, but there are plenty of available new homes by the second quarter of 2023 and sales were steady. The constant need for apartments and affordable housing continues to plague Central Florida and the country as the average low to moderate income workers were priced out of the new home market. We are seeing rent to own or RTO developments in the District, but none were convinced to install natural gas due to piping and appliance costs. All homes are built with electricity by federal rules, although operationally natural gas is cheaper on a family's energy budget. Central Florida averages about 1,000 new residents a week and Florida added a total of 315,000 new residents in 2023. Economists and population growth analysts show Central Florida's growth is unprecedented with the rural areas seeing an explosion in population growth and homes being built to accommodate the growth. The make-up of the Orlando Metropolitan Statistical Area includes Lake, Orange, Osceola, and Seminole Counties, saw a growth rate of 1.62% in 2023 to reach a population of over 2 million people. As retiring baby boomers and millennials move from other parts of the United States to Florida for the warmer climate as well as career opportunities, the population grows faster than some areas can keep up. According to the 2020 United States Census, Florida is the third largest state with a population of 22 million people, with Texas ranking second and California ranking first.

In 2023, Central Florida area saw the average new single family home rise to $377,816 and existing homes to $359,000 per home. The prices rose by 2.36% in 2023. According to the National Association of Realtors, the median time to contract for single-family homes in Florida in 2023 was 69 days, compared to 49 days or less in 2022. Overall sales decreased by 20.1% from 2022 to 2023 and home inventory 4.11 months compared to 3.65 months in 2022. The price of homes has started to decrease slightly with the increase of mortgage rates in 2023.

The District updated its Five-Year Strategic Growth Main Extension Expansion Plan for residential and business development areas of its service territory based on independent research and forecasts from the cities in our District. The Plan was updated by the Leadership Team and key personnel and the costs for fiscal year 2024 were incorporated into the 2024 budget.

Economists are surprised by the resiliency the US economy had as it battled through and beyond the pandemic. We have seen historic increases in the cost of goods, services, and raw materials. People still must have food, housing and means of transportation and everyone is finding ways to cut back where possible. According to Rent.com the median rent in Orlando is $2,153 and averaging over $3,000 in south Florida. The median rent in the United States in 2023 was $1,967. Lake Apopka Natural Gas District provides residential and commercial customers with a reasonable natural gas rate. We have a rebate program for new and existing residential customers, and rebates for our commercial businesses which we review on a case-by-case basis for those business selecting or converting to natural gas. Natural gas has proven to be the most desirable source of energy for homes, businesses, and electric generation. This is due to its domestic availability, affordability, reliability, resiliency during storm outages and has three times the efficiency in appliances than its non-gas counterparts. With the demographic changes in Florida and more residents from areas where natural gas was readily available, many Floridians want energy choice to operate appliances and equipment in their homes and businesses. The revolutionary change to horizontal hydraulic fracturing became the predominate method of extracting natural gas in early 2011, opened a vast amount of shale play areas in North America. This boom/increase of natural gas our supply provided available supply for more than 100 years. Now renewable natural gas is adding to our supply and further reduces greenhouse gas emissions and decreases global climate warming. Governments around the world are pressing the energy industry for a more carbon neutral and net zero carbon emissions energy footprint. The natural gas industry overwhelmingly increased its research and technology funding for manufacturers to develop appliances and equipment to address emission and increase efficiency concerns.

The District's Marketing and Business Development staff constantly communicates with area developers and builders. We added 1,065 new customers in 2023. We supply educational marketing information via traditional print, digital, Facebook and LinkedIn social media platforms to continually educate the public on the direct use of natural gas as a balanced energy choice for homes and businesses. The energy that natural supplies through its vast pipeline infrastructure will for decades contribute to our country's future goal of obtaining zero carbon emissions for consumers.

The District continued improving its Information Systems in areas, such as reliable customer service, automation of service activities, technology enhancements, and professional development. We completed over 100 Information Systems projects during the year and a few examples follow. To provide reliable customer service we implemented a new Leak Call queue in our phone system. Our work order system, Elements, is key to planning, tracking, and automating our service activities and we performed a major upgrade in August after months of development and testing. We routinely patched and upgraded our minor systems to improve our technology foundation. We implemented multi-factor authentication for our virtual private network connectivity improving our security posture. We trained all personnel on security attacks with weekly phishing testing and often video training. Our internal efforts to train team members continued with IS leading classes on various topics throughout the year.

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

Safety Program and Awards

The District continues to be proactive in safety and damage prevention. Things have returned to pre-pandemic modes in training, though we continue to use Teams meetings as needed. Most employees are working on-site full-time but, in limited cases, we are offering employees the opportunity to work remotely for medical reasons or other specified situations, for a limited period. The District's COVID-19 guidelines have been revised to mirror those of the CDC. We continue to provide appropriate PPE, and needed cleaning supplies, along with regular professional cleaning. We have offered many training opportunities throughout the year both in-person (off-site and on-site) and virtually on a variety of topics, including stress management, Florida Fuel Gas Code, OSHA Competent Person Training, Respirator Training, First Aid/CPR/AED Training, Defensive Driving Training through the National Safety Council and wellness presentations by our EAP provider. In addition, our field employees have attended classes offered by Gas Training Institute (GTI). We also had our workers compensation representative come on-site to complete an ergonomic review of our work areas and offer suggestions. The District continues to administer a Safety Recognition Program, which recognizes employees who show a commitment to safety in the performance of their job duties and a safety suggestion box for employees to submit safety concerns and comments. Safety committee members meet quarterly to review pertinent safety topics.

The District received the American Public Gas Association's Safety Award for the 13th consecutive year, which acknowledges our excellent safety record. The District remains committed to making the safety of our employees, customers, and the public our highest priority.

Training and Community Involvement

Our Leadership Team encourages employees to participate in industry associations and its training programs to increase their technical skills and competency in the natural gas industry. Employees participate and hold leadership positions on the Board of Directors and Committees of the American Public Gas Association, Florida Natural Gas Association, and the Florida Municipal Natural Gas Association. District employees receive training in all elements of the natural gas industry to keep abreast of new developments, regulations and disaster preparedness. We provided support as needed for disaster storm restorations by our participation at the Orange and Lake County Emergency Management centers, including providing support when multiple hurricanes affected our area in fiscal Years 2022 and 2023.

The District was active in the community when we partnered with local fire departments to develop training materials, and shared safety awareness information regarding Mercaptan odorant and natural gas safety practices to schools in the area. The District also donated smoke and carbon monoxide detectors to fire departments in Winter Garden, Clermont, and Apopka for them to distribute to residential and commercial businesses in their areas. We work with community fire departments to educate children on the value of natural gas. We hold monthly to quarterly meetings with the Orange County Emergency Operation Center, and we participated in the Orange Countywide Hurricane Conference held in Orlando, Florida. We also sent a representative to the Common Ground Alliance International Conference in 2023. The District adheres to the safety standards established by the Florida Public Service Commission for natural gas utilities. Additionally, the District has an active Public Awareness and a Damage Prevention Program.

The District communicated to the local community by publishing advertorials in local newspapers, public service radio advertisements, local community event participation, safety mailing brochures, and distributing other educational materials to the public.

Contacting the District's Financial Management

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets:	
Cash and cash equivalents	$ 10,848,299
Restricted cash and cash equivalents	4,150,588
Accounts receivable (net of allowance for uncollectibles)	1,754,744
Inventory	1,130,121
Prepaid expenses	370,607
Total Current Assets	18,254,359
Noncurrent Assets:	
Capital Assets:	
Land	282,229
Buildings	2,480,805
Gas distribution system	68,904,893
Machinery and equipment	3,549,200
Less: accumulated depreciation	(27,189,729)
Total Noncurrent Assets	48,027,398
TOTAL ASSETS	66,281,757

DEFERRED OUTFLOWS

Deferred outflows related to pensions	1,087,038
Total Deferred Outflows	1,087,038

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

LIABILITIES

Current Liabilities (Payable From Current Assets):		
Accounts payable	$	1,616,577
Due to other governments		452,203
Accrued wages and benefits payable		379,183
Accrued taxes payable		210,030
Current portion of note payable		528,134
Gas rate stabilization		407,016
Total Current Liabilities (Payable From Current Assets)		3,593,143
Current Liabilities (Payable From Restricted Assets):		
Customer deposits		4,037,969
Developer deposits		112,619
Total Current Liabilities (Payable From Restricted Assets)		4,150,588
Noncurrent Liabilities:		
FRS net pension liability		3,695,158
HIS net liability		1,681,617
Total OPEB liability		131,091
Note payable		1,183,773
Accrued benefits payable		685,276
Total Noncurrent Liabilities		7,376,915
TOTAL LIABILITIES		15,120,646

DEFERRED INFLOWS

Deferred inflows related to pensions		243,556
Total Deferred Inflows		243,556

NET POSITION

Invested in capital assets, net of related debt		46,315,491
Unrestricted		5,689,102
TOTAL NET POSITION	$	52,004,593

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Operating Revenues:	
Charges for services	$ 23,493,432
Other operating revenues	87,272
Total Operating Revenues	23,580,704
Operating Expenses:	
Natural gas purchases	7,128,523
Personal services	7,164,098
Insurance	241,161
Repairs and maintenance	736,945
Professional services	414,823
Advertising and marketing	727,239
Bad debt expense	36,000
Travel and per diem	60,535
Gas, oil and fuel	124,275
Freight and postage	147,321
Materials	142,262
Communication services	63,743
Utilities	99,387
Supplies	69,802
Bank charges	447,322
Dues and subscriptions	60,006
Other operating expenses	320,535
Depreciation	2,064,166
Total Operating Expenses	20,048,143
Operating Income	3,532,561
Nonoperating Revenues (Expenses):	
Interest income	475,630
Interest expense	(42,647)
Intergovernmental transfers	(210,930)
Total Nonoperating Revenues (Expenses)	222,053
Change in Net Position	3,754,614
Total Net Position - Beginning	48,249,979
Total Net Position - Ending	$ 52,004,593

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

LAKE APOPKA NATURAL GAS DISTRICT
WINTER GARDEN, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Flows From Operating Activities:	
Cash received from customers	$ 24,647,332
Cash payments to suppliers for goods and services	(11,784,302)
Cash payments to employees for services	(6,218,528)
Net Cash Provided By Operating Activities	6,644,502
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(5,245,469)
Principal paid on note payable	(516,962)
Interest paid on note payable	(42,647)
Net Cash Used In Capital and Related Financing Activities	(5,805,078)
Cash Flows From Investing Activities:	
Interest	475,630
Net Increase in Cash and Cash Equivalents	1,315,054
Cash and Cash Equivalents at October 1	13,683,833
Cash and Cash Equivalents at September 30 (1)	$ 14,998,887

(1) Cash - Unrestricted Assets	$ 10,848,299
Cash and Cash Equivalents - Restricted Assets	4,150,588
	$ 14,998,887

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

Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating income	$	3,532,561
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation		2,064,166
Changes in Assets and Liabilities:		
(Increase) decrease in receivables		774,981
(Increase) decrease in inventory		(185,131)
(Increase) decrease in prepaid expenses		(6,382)
Increase (decrease) in accounts payable		(772,910)
Increase (decrease) in accrued wages and benefits		74,429
Increase (decrease) in taxes payable		(39,876)
Increase (decrease) in net customer/developer deposits		217,351
Increase (decrease) in gas rate stabilization		114,172
Increase (decrease) in net pension liability/deferrals		878,164
Increase (decrease) in total OPEB liability		(7,023)
Net Cash Provided By Operating Activities	$	6,644,502

Supplemental disclosure of noncash investing, capital and financing activities:
The District recognized $210,930 Dividend's Payable.

Note 1 – Summary of Significant Accounting Policies:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Revenues and Expenses

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

F. Risk Management

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

G. Net Position

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

H. Estimates

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

Note 2 – Cash and Cash Equivalents:

Deposits:

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

Investments:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and the measurement date. Fair value determinations are made based upon a hierarchy that prioritizes the inputs to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

- **Level 1** – Investments reflect unadjusted quoted prices in active markets for identical assets.
- **Level 2** – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.
- **Level 3** – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendor. The pricing methodology involves the use of evaluation models, such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices.

As of September 30, 2023, the District has the following investments and maturities:

	2023 Fair Value	**Weighted Average Maturity (Days)**	**Hierarchy Level**
Investment by fair value level			
Debt securities			
U.S. Treasury Bills	$ 10,438,742	25	2

The treasury bills had a maturity of three months at the date of purchase; therefore they are recorded as cash and cash equivalents in the statement of net position.

Note 3 – Receivables:

Accounts receivable have been reported, net of allowance for uncollectible accounts. The allowance for uncollectible accounts at September 30, 2023 was $144,374. The allowance is based upon management's specific identification of receivables that may become uncollectible.

Note 4 – Capital Assets:

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

	Balance 9/30/22	Additions	Deletions	Balance 9/30/23
Land	$ 282,229	$ -	$ -	$ 282,229
Buildings	2,367,584	113,221	-	2,480,805
Gas distribution system	64,082,552	4,822,336	-	68,904,890
Office furniture and equipment	146,109	1,709	(4,902)	142,916
Computer equipment	694,559	54,743	(109,247)	640,055
Transportation equipment	1,509,107	110,053	(45,638)	1,573,522
Tools and work equipment	1,000,223	60,885	-	1,061,108
Communication equipment	57,941	82,520	(11,653)	128,808
Other equipment	2,795	-	-	2,795
Totals	70,143,099	5,245,469	(171,440)	75,217,128
Less: Accumulated depreciation	(25,297,004)	(2,064,166)	171,440	(27,189,730)
Net	$ 44,846,095	$ 3,181,303	$ -	$ 48,027,398

Note 5 – Other Post-Employment Benefits:

Plan Description:

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

Plan Membership as of October 1, 2022:

Inactive Plan Member or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Member Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	59
	60

Benefits Provided:

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

Total OPEB Liability:

The measurement date is September 30, 2023.
The measurement period for the OPEB expense was October 1, 2022 to September 30, 2023.
The reporting period is October 1, 2022 through September 30, 2023.

The District's Total OPEB Liability was measured as of September 30, 2023.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2022 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.87%
Initial Trend Rate	7.25%
Ultimate Trend Rate	4.00%
Years to Ultimate	52

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

Discount Rate:

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.87%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense*:*

For the fiscal year ended September 30, 2023, the District will recognize OPEB Expense of $4,274.

Changes in Total OPEB Liability:

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2022	$ 138,114
Changes for a Year:	
Service Cost	9,155
Interest	6,973
Difference Between Expected and Actual Experience	2,873
Changes of Assumptions	(18,027)
Benefit Payments	(7,997)
Net Changes	(7,023)
Reporting Period Ending September 30, 2023	$ 131,091

Changes of assumptions reflect a change in the discount rate from 4.77% for the fiscal year ended September 30, 2022, to 4.87% for the fiscal year ended September 30, 2023.

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

	1% Decrease 3.87%	Current Discount Rate 4.87%	1% Increase 5.87%
Total OPEB Liability	$ 146,601	$ 131,091	$ 118,017

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

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

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

	1% Decrease 3.00% - 6.25%	Healthcare Cost Trend Rates 4.00% - 7.25%	1% Increase 5.00% - 8.25%
Total OPEB Liability	$ 115,851	$ 131,091	$ 149,481

Note 6 – Long-Term Debt:

On December 14, 2016, the District secured a $5,000,000 note payable at an interest rate of 2.14% for a ten-year period, and a revolving line of credit for $2,500,000 at a monthly interest rate of LIBOR plus 1.25% for a minimum of three years. The revolving line of credit for $2,500,000 with TD Bank was replaced with a $3,000,000 credit line with Regions Bank with a three-year term commencing on February 19, 2020 at a monthly interest rate of LIBOR plus 125 basis points. The District did not renew the line of credit when it expired on February 19, 2023. At the end of the fiscal year, the note payable balance outstanding was $1,711,907 and the revolving line of credit balance was $0.

The District has pledged the net revenues generated by the overall system for payment of the note and revolving line of credit issued. The note and revolving line of credit are payable solely from the District's customers' net revenues payable through fiscal year 2027. Annual principal and interest payments on the note are currently expected to require approximately 7% of net revenues. The total principal and interest remaining on the note, as noted below under Debt Service Requirements, is $1,772,093. Principal and interest paid for the current year and total customer net revenues were $559,609 and $6,072,357, respectively.

The following is a summary of changes in long-term debt for the fiscal year ended September 30, 2023:

	Balance 9/30/22	Additions	Reductions	Balance 9/30/23	Due Within One Year
2017 Note	$2,228,869	$ -	$ 516,962	$ 1,711,907	$528,134
Net Pension Liability	4,652,470	724,305	-	5,376,775	-
Total OPEB Liability	138,114	-	7,023	131,091	-
Employee Benefits	830,555	49,739	-	880,294	195,018
	$7,850,008	$ 774,044	$ 523,985	$ 8,100,067	$723,152

The annual debt service requirements for the note payable and revolving line of credit outstanding as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest
2024	$ 528,134	$ 31,475
2025	539,547	20,061
2026	551,207	8,401
2027	93,019	249
Total Payments	$ 1,711,907	$ 60,186

Note 7 – Gas Rate Stabilization:

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

Note 8 – Dividend Payable:

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

On October 23, 2023, the Board approved resolution number 2023-03, entitled *A Resolution of Lake Apopka Natural Gas District Establishing Parameters for Future Member Dividend Distribution, Providing For Future Review and Revision As Best Meets The Needs Of The District, And Providing An Effective Date*. The resolution states that a recalculated dividend shall be paid, in equal proportions to each of the three member municipalities, for the fiscal years 2022-2023 and 2023-2024, in an amount equal to thirty three percent (33%) of the year end net revenues, or five hundred thousand dollars ($500,000), whichever is less, or such lesser amount as may be permitted by the precise language of the charter; and, further, provided that, at all time, there shall remain, after such distribution, a minimum amount of net revenues in each fiscal year sufficient to pay the sum total of the then outstanding covenanted, or otherwise contracted to dispose of, obligations and liabilities of the District. The District paid dividends to member municipalities totaling $0 during the fiscal year ended September 30, 2023. The Dividend Payable balance was $452,203 at September 30, 2023 and is reported as Due to Other Governments in the Statement of Net Position.

Note 9 – Contingencies:

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

Note 10 – Other Matters:

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

Note 11 – Florida Retirement System Pension Plan:

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

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

Pension Plan members may participate in a Deferred Retirement Option Plan (DROP), after reaching eligibility for normal retirement or through the available deferral period for eligible members. This plan allows employees to defer receipt of retirement benefits, while continuing employment with a FRS employer for up to 96 months. Accumulated system benefits earn 1.3% interest compounded monthly. The employer continues to contribute to the FRS on behalf of the employee.

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

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

Funding Policy: The District is required to contribute at an actuarially determined rate. The current rate for regular members, senior management, and DROP participants is 13.57%, 34.52%, and 21.13%, respectively, of annual covered payroll, which includes the HIS Plan rate of 2.0%. The contribution requirements of the District are established and may be amended by the Florida Legislature. The District's contributions to the FRS for the years ended September 30, 2023, 2022, and 2021 were $505,740, $457,799, and $392,969, respectively. Employees were required to begin contributing 3% to the retirement system effective July 1, 2011.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – At September 30, 2023, the District reported a liability of $3,695,158 and $1,681,617 for its proportionate share of the Pension Plan and HIS Plan's net pension liability, respectively. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's 2022-23 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the District's proportionate share for the Pension Plan was .00927340%, which was a decrease of .00001269% from its proportionate share measured as of June 30, 2022. At June 30, 2023, the proportionate share for the HIS Plan was .01058863%, which was an decrease of .00031648% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of $791,158 for the Pension Plan, and $23,585 for the HIS Plan.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 346,943	$ -
Change of assumptions	240,881	-
Net difference between projected and actual earnings on Pension Plan investments	154,320	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	104,617	51,014
District Pension Plan contributions subsequent to the measurement date	136,667	-
Total	$ 983,428	$ 53,014

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 24,618	$ 3,947
Change of assumptions	44,209	145,718
Net difference between projected and actual on HIS Plan investments	868	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	10,330	40,877
District HIS Plan contributions subsequent to the measurement date	23,585	-
Total	$ 103,610	$ 190,542

The deferred outflows of resources related to the Pension Plan and HIS Plan, totaling $136,667 and $23,585, respectively, resulting from District contributions to the Plans subsequent to the measurement date, will be recognized as a reduction of the new pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Pension Plan Amount	HIS Plan Amount
2024	$ 126,126	$ (20,107)
2025	(16,684)	(14,168)
2026	621,211	(20,513)
2027	48,619	(32,800)
2028	14,475	(20,084)
Thereafter	-	(2,845)
Total	$ 793,747	$ (110,517)

Pension Plan Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of Pension Plan investment expense
Mortality	PUB2010 base table varies by member category and sex

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

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

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1.0 %	2.9 %
Fixed income	19.8	4.5
Global equity	54.0	8.7
Real estate	10.3	7.6
Private equity	11.1	11.9
Strategic investments	3.8	6.3
Total	100.0 %	

Pension Plan Discount Rate – The discount rate used to measure the total pension liability was 6.70%. The prior year discount rate was also 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

HIS Plan Actuarial Assumptions – The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	3.65%
Mortality	Generational RP-2000 with Projection Scale BB

HIS Plan Discount Rate – The discount rate used to measure the total pension liability was 3.65%. The prior year discount rate was 3.54%. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease (5,70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Pension Plan proportionate share of the net pension liability	$ 6,312,083	$ 3,695,158	$ 1,505,788

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
HIS Plan proportionate share of the net pension liability	$ 1,918,462	$ 1,681,617	$ 1,485,288

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Detailed information regarding the FRS and HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

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

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

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

Reporting Period Ending	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement Date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability						
Service Cost	$ 9,155	$ 9,028	$ 9,330	$ 10,096	$ 9,007	$ 8,787
Interest	6,973	4,371	3,913	5,332	6,006	5,450
Difference Between Expected and Actual Experienc	2,873	-	(2,772)	-	(12,287)	-
Change of Assumptions	(18,027)	(43,024)	(9,723)	27,766	9,718	(9,056)
Benefit Payments	(7,997)	(6,203)	(6,132)	(5,401)	(11,113)	(11,707)
Net Change in Total OPEB Liability	(7,023)	(35,828)	(5,384)	37,793	1,331	(6,526)
Total OPEB Liability - Beginning	138,114	173,942	179,326	141,533	140,202	146,728
Total OPEB Liability - Ending	$ 131,091	$ 138,114	$ 173,942	$ 179,326	$ 141,533	$ 140,202
Covered Employee Payroll	$ 4,359,596	$ 4,090,095	$ 3,990,336	$ 3,565,134	$ 3,478,180	$ 3,202,204
Total OPEB Liability as a percentage of Covered Employee Payroll	3.01%	3.38%	4.36%	5.03%	4.07%	4.38%

Notes to Schedule:

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

Fiscal Year Ended September 30, 2023:	4.87%
Fiscal Year Ended September 30, 2022:	4.77%
Fiscal Year Ended September 30, 2021:	2.43%
Fiscal Year Ended September 30, 2020:	2.14%
Fiscal Year Ended September 30, 2019:	3.58%
Fiscal Year Ended September 30, 2018:	4.18%
Fiscal Year Ended September 30, 2017:	3.64%

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

Lake Apopka Natural Gas District
Required Supplementary Information
Schedule of Contributions

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	FRS Contractually Required Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2023	$ 505,740	$ 505,740	$ -	$ 4,286,937	11.80%
2022	$ 457,799	$ 457,799	$ -	$ 4,169,934	10.98%
2021	$ 392,969	$ 392,969	$ -	$ 3,867,727	10.16%
2020	$ 293,172	$ 293,172	$ -	$ 3,764,787	7.79%
2019	$ 297,921	$ 297,921	$ -	$ 3,699,919	8.05%
2018	$ 250,266	$ 250,266	$ -	$ 3,586,313	6.98%
2017	$ 229,868	$ 229,868	$ -	$ 3,431,192	6.70%
2016	$ 211,132	$ 211,132	$ -	$ 3,326,467	6.35%
2015	$ 219,757	$ 219,757	$ -	$ 2,949,736	7.45%
2014	$ 197,434	$ 197,434	$ -	$ 2,016,036	9.79%

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

District's Fiscal Year Ended Sept. 30,	HIS Contractually Required Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2023	$ 85,739	$ 85,739	$ -	$ 4,169,934	2.06%
2022	$ 69,188	$ 69,188	$ -	$ 4,169,934	1.66%
2021	$ 64,204	$ 64,204	$ -	$ 3,867,727	1.66%
2020	$ 62,256	$ 62,256	$ -	$ 3,764,787	1.65%
2019	$ 61,419	$ 61,419	$ -	$ 3,699,919	1.66%
2018	$ 59,111	$ 59,111	$ -	$ 3,586,313	1.65%
2017	$ 58,272	$ 58,272	$ -	$ 3,431,192	1.70%
2016	$ 54,924	$ 54,924	$ -	$ 3,326,467	1.65%
2015	$ 40,320	$ 40,320	$ -	$ 2,949,736	1.37%
2014	$ 34,717	$ 34,717	$ -	$ 2,016,036	1.72%

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

Florida Retirement System (FRS) Defined Benefit Pension Plan

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2023	2023	0.0093%	$ 3,695,158	$ 4,286,937	86.20%	82.38%
2022	2022	0.0094%	$ 3,497,444	$ 4,169,934	83.87%	82.89%
2021	2021	0.0095%	$ 716,898	$ 3,867,727	18.54%	96.40%
2020	2020	0.0088%	$ 3,824,316	$ 3,764,787	101.58%	78.85%
2019	2019	0.0089%	$ 3,070,310	$ 3,699,919	82.98%	82.61%
2018	2018	0.0088%	$ 2,645,041	$ 3,586,313	73.75%	84.26%
2017	2017	0.0088%	$ 2,611,870	$ 3,431,192	76.12%	83.89%
2016	2016	0.0086%	$ 2,186,079	$ 3,326,467	65.72%	84.88%
2015	2015	0.0090%	$ 1,164,215	$ 2,949,736	39.47%	92.00%
2014	2014	0.0074%	$ 1,266,714	$ 2,016,036	62.83%	96.09%

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

District's Fiscal Year Ended Sept. 30,	Plan Sponsor Measurement Date June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2023	2023	0.0106%	$ 1,681,617	$ 4,286,937	39.23%	4.12%
2022	2022	0.0109%	$ 1,155,026	$ 4,169,934	27.70%	4.81%
2021	2021	0.0109%	$ 1,333,294	$ 3,867,727	34.47%	3.56%
2020	2020	0.0108%	$ 1,319,108	$ 3,764,787	35.04%	3.00%
2019	2019	0.0109%	$ 1,229,646	$ 3,699,919	33.23%	2.63%
2018	2018	0.0109%	$ 1,153,673	$ 3,586,313	32.17%	2.15%
2017	2017	0.0110%	$ 1,177,327	$ 3,431,192	34.31%	1.64%
2016	2016	0.0105%	$ 1,248,843	$ 3,326,467	37.54%	0.97%
2015	2015	0.0107%	$ 1,075,160	$ 2,949,736	36.45%	0.50%
2014	2014	0.0101%	$ 966,589	$ 2,016,036	47.95%	0.99%

Florida Retirement System

NOTE 1 - CHANGES IN BENEFIT TERMS

FRS Pension Plan:

2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014:

No significant changes.

HIS Program:

2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014:

No significant changes.

NOTE 2 - CHANGES IN ASSUMPTIONS

FRS Pension Plan:

2023:

No significant changes.

2022:

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

2021:

No significant changes.

2020:

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

2019:

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

2018:

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

2017:

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

2016:

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

HIS Program:

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

2023: 3.65%
2022: 3.54%
2021: 2.16%
2020: 2.21%
2019: 3.50%
2018: 3.87%
2017: 3.58%
2016: 2.85%

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements, as listed in the table of contents, of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated March 12, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to the District's management, in a separate letter dated March 12, 2024.

Purpose of this Report

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

MSL, P.A.
Certified Public Accountants

Orlando, Florida
March 12, 2024

MSL

Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the basic financial statements of the Lake Apopka Natural Gas District (the District) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated March 12, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Accountant's Report on an examination conducted with AICPA *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated March 12, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Financial Condition and Management *(Continued)*

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

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General,* requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the District for the fiscal year ended September 30, 2023.

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

a. The total number of district employees compensated in the last pay period of the District's fiscal year as 60.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 3.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $4,189,186.

d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $2,684,148.

e. Each construction project with a total cost of at least $65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as listed below:

   - Citrus Grove PH 4, 6" Poly Main Ext. $81,020
   - Willow Ridge PH 1, Montverde $84,056
   - Winding Meadows, Plymouth, Sorrento Rd. $93,584
   - Loew's Laundry, 6" Steel Main Ext., Apopka $235,729
   - Dell Web, Ph 1&2 @ Hamock & CR 561-A, Minneola $96,274
   - Avalon Rd. – New Independence to Schlofield, PH 1 $448,421
   - Jason Dwelley, 4" Loop $170,815
   - Villa City Rd., Main Ext. $282,177

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as $0.

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

Additional Matters

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

Purpose of this Letter

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

MSL, P.A.

Certified Public Accountants

Orlando, Florida
March 12, 2024

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the compliance of the Lake Apopka Natural Gas District (the District) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with the aforementioned requirements in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the District's compliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2023.

MSL, P.A.
Certified Public Accountants

Orlando, Florida
March 12, 2024